KIRLOSKAR OIL ENGINES LIMITED
A Kirloskar Group Company

Enriching Lives

9 August 2016

NSE Scrip Code: **KIRLOSENG**

To
The Manager
Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, C -1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051

BSE Scrip Code: **533293**

To
Corporate Relationship Department
BSE Limited
1st Floor, Rotunda Building,
Dalal Street, Fort,
Mumbai – 400 001

Dear Sir/Madam,

Subject: Annual Report for the FY 2015-16

Please find enclosed herewith Annual Report for the financial year 2015-16 as required under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations duly approved and adopted by the members as per the provisions of the Companies Act, 2013, in the 7th Annual General Meeting held on 5 August 2016.

You are kindly requested to take the same on your record.

Thanking you.

Yours Faithfully,
For Kirloskar Oil Engines Limited

S. A. Raichurkar

Smita Raichurkar
Company Secretary

KIRLOSKAR OIL ENGINES LTD. PUNE-3

Encl.: As above.

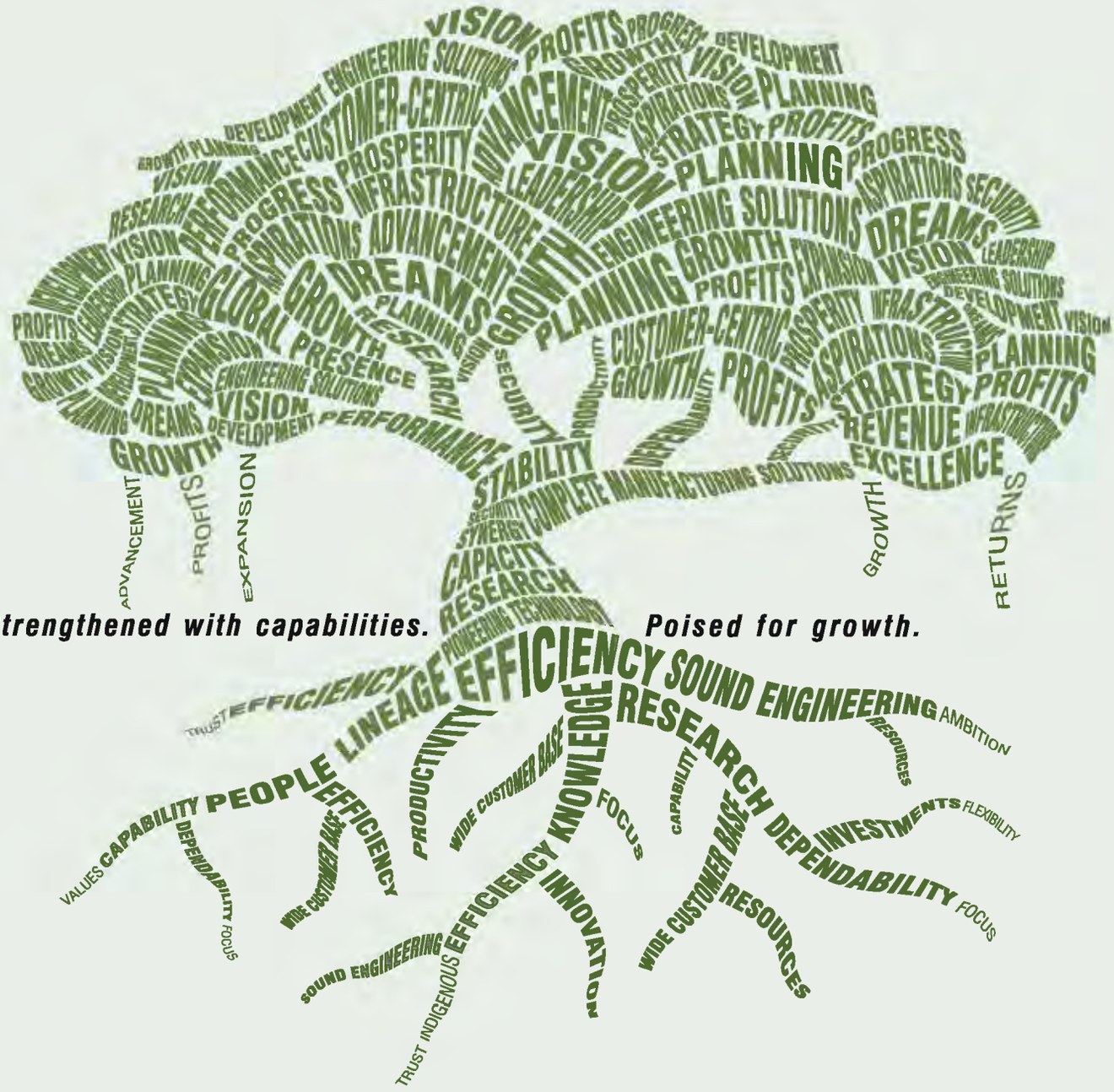
Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune 411 003 India Tel.: +91 20 2581 0341, 6608 4000 Fax: +91 20 2581 3208, 2581 0209 Toll Free: 1800 233 3344
email: info@kirloskar.com Website: www.koel.co.in
CIN:L29120PN2009PLC133351

Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

ANNUAL REPORT 2015 - 2016



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

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

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

Your company is poised for growth with:

- The launch of 750kVA KOEL Green Gensets opens doors to larger project orders. It offers USPs such as best-in-class fuel efficiency, most compact size and web-enabled controls.
- Launched complete range of 2.1kW, 3kW and 4kW Petrol sets. With this petrol foray, the Company now offers the widest range of portable Gensets for household and commercial applications.
- In the crop irrigation sector 36 new models / variants have been introduced during the year which contributed to about 100 Cr of Sales and would continue to do so.
- Break through order for Marine engines - export to Bangladesh holds a good potential.
- Understanding with Biocube for manufacturing, sale and service of Biocube system in India.
- Strongly positioning ourselves in the overseas market with "Service as a differentiator".
- Established our own office in the US & focusing in the Americas markets.

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
Rahul C. Kirloskar	
Pratap G. Pawar	
R. Srinivasan	
M. Lakshminarayan	
Mahesh R. Chhabria	
Gauri Kirloskar	
Pradeep R. Rathi	
Vinesh Kumar Jairath	Additional Director (co-opted w.e.f. 27 January 2016)
Dr. Naushad D. Forbes	(resigned w.e.f.19 February 2016)

CHIEF FINANCIAL OFFICER
T. Vinodkumar

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, 5 August 2016
Time	:	11.45 A.M.
Venue	:	Hotel Le Meridien Raja Bahadur Mill Road, Pune - 411 001
Dates of Book Closure	:	3 August 2016 to 5 August 2016 (both days inclusive)

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FINANCIALS AT A GLANCE

₹ in Crs.

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Net Sales	2,419	2,473	2,287	2,320	2,276	2,364	2,219
Profit Before Tax	177	205	243	271	281	244	263
Profit After Tax	141	143	178	199	192	174	164
Dividend (%)	250	250	250	250	200	200	200
Dividend per share (₹)	5	5	5	5	4	4	4
Dividend Amount	72	72	72	72	58	58	58
Earning Per Share (₹)	10	10	12	14	13	12	11
Book Value Per Share (₹)	100	93	88	80	71	61	47
Share Capital	29	29	29	29	29	29	29
Reserves and Surplus	1,411	1,313	1,238	1,125	1,004	860	651
Shareholders' Funds	1,440	1,341	1,267	1,154	1,033	889	680
Loan Funds	–	–	–	–	169	249	270
Total Capital Employed	1,440	1,341	1,267	1,154	1,202	1,138	950
Net Block	477	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 LIMITED

The Directors are pleased to present the Seventh Annual Report together with the Audited Statement of Accounts for the year ended 31 March 2016.

FINANCIAL RESULTS (STANDALONE)

(₹ in crores)

Particulars	2015-16	2014-15
Total Revenue	**2528.63**	**2566.04**
Profit before exceptional and extraordinary items and tax	**202.14**	**205.43**
Exceptional Items	25.48	–
Profit before tax	**176.66**	**205.43**
Tax Expense (Current and Deferred Tax)	36.13	62.29
Net Profit for the Period	**140.53**	**143.14**
Profit Brought Forward	480.75	443.91
Add: Net surplus in the statement of Profit & Loss balance of residuals undertaking of Kirloskar Brothers Investments Limited, transferred under Composite Scheme of Arrangement and Amalgamation	13.20	–
Profit Available for Appropriation	634.48	587.05
Transfer to General Reserve	14.05	14.31
Other Appropriations	–	4.96
Dividend and dividend distribution tax	87.03	87.03
Balance of the Profit carried forward	533.40	480.75

COMPANY'S FINANCIAL PERFORMANCE

Despite the challenging macroeconomic environment, the net sales of the Company were ₹ 2419 crores as compared to the previous fiscal to ₹ 2473 crores. Profit from operations (before exceptional items) was ₹ 177 crores as against ₹ 205 crores in the previous year. The Profit After Tax was ₹ 141 crores as against ₹ 143 crores in the previous year.

DIVIDEND

For the year under review, the Directors have declared an interim dividend of 250% (₹ 5 per share) for the year ended 31 March 2016. The directors recommend that the interim dividend so declared and paid, be the final dividend for the Financial Year 2015-16. (PY Final Dividend @ 250%, ₹ 5 per share).

Total dividend payout for the year was ₹ 87.03 crores, including payment of ₹ 14.72 crores, as dividend distribution tax.

SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

During the year under review, the Company has invested USD 250,000 in 'KOEL Americas Corp.' (50 Shares of USD 5000 each), incorporated under State of Delaware laws, United States of America and based in Houston, Texas. With this, 'KOEL Americas Corp.' has become 100% subsidiary of the Company with effect from 23 June 2015.

Brief Business Highlights of Subsidiary Company

KOEL Americas Corp. was incorporated in March 2015 and became a 100% subsidiary of Kirloskar Oil Engines Ltd in June 2015. It was established with a strategic intent to penetrate into the North American market including USA and Canada as well as focus on the Latin American region.

The revenues of KOEL Americas Corp. during fiscal year under review represents sale of diesel engines and generators in Latin America.

The Sales areas of the Central American Region, include Guatemala, Nicaragua, Panama and Honduras. The Kirloskar Green Generators were launched in the market of Nicaragua KOEL Americas Corp. has taken initiatives towards promotion of brand & products and also participated in Expica Exhibition in Nicaragua.

For commencement of business of supply of diesel engines in North America, KOEL Americas Corp. is required to obtain approval from Environment Protection Agency (EPA). KOEL Americas Corp. has started application process for obtaining approval from EPA. In parallel, KOEL Americas Corp. is also focusing on sales within USA to Original Equipment Manufacturers (OEMs) for different applications that can use non-EPA engines to build their equipment for supplying to North America.

For the fiscal ended 31 March 2016, the Sales Revenue was US$ 502,402 (₹ 3.34 Crores) with a Profit from operations of US$ 19,931 (₹ 0.13 Crores) and Net Profit after Tax of US$ 16,941 (₹ 0.11 Crores).

The consolidated financial statements of the Company and its subsidiary, prepared in accordance with Accounting Standard 21, issued by Institute of Chartered Accountants of India, forms part of Annual Report. A statement containing salient features of the financial statements of the subsidiary company is attached to the Financial Statements of the Company in Form AOC-1.

Pursuant to the provisions of Section 136 of the Companies Act, 2013, the financial statements of the Company, consolidated financial statements along with relevant documents and separate un-audited financial statements of subsidiary are available on website of the Company.

The annual accounts of subsidiary and related detailed information will be kept for inspection by any shareholders at the Registered Office of the Company and will also be made available to the shareholders on demand, at any point of time.

COMPOSITE SCHEME OF ARRANGEMENT AND AMALGAMATION

The Composite Scheme of Arrangement and Amalgamation (Composite Scheme) between Kirloskar Brothers Investments Limited (KBIL - Transferor Company / Demerged 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 applicable Sections of the Companies Act, 1956/2013, was sanctioned by Hon'ble High Court of Judicature at Bombay vide its order dated 30 April 2015. The said Composite Scheme has been effective from 30 June 2015.

Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in KOEL were cancelled on account of Cross holdings and same number of equity shares were allotted to the shareholders of KBIL. Accordingly, KBIL ceased to be Holding Company with effect from 30 June 2015. There is no change in total paid-up share capital of the Company pre and post Composite Scheme.

The said Composite Scheme became operative retrospectively with effect from 1 April 2015 (the Appointed Date).

DIRECTORS

a) Changes in Composition of the Board of Directors

During the year under review, as a result of his pre-occupations and other commitments, Dr. Naushad D. Forbes, Non-Executive Independent Director of the Company, tendered his resignation from the office of Director of the Company. This was effective 19 February 2016. The Company expresses its appreciation for the assistance and guidance provided by Dr. Naushad D. Forbes during his tenure as Director of the Company.

In compliance with Section 149 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company appointed Mr. Vinesh Kumar Jairath as Additional Director of the Company in the capacity of 'Non-Executive Independent Director' effective 27 January 2016. In accordance with Section 161 of the Companies Act, 2013, he will hold office of Director up to date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing his candidature for office of Director. The resolution seeking approval of the Members for the appointment of Mr. Vinesh Kumar Jairath for a term of 5 years, have been incorporated in the notice of the forthcoming Annual General Meeting of the Company.

Rajendra R. Deshpande who retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, forms part of the Notice of Annual General Meeting.

b) Changes in Key Managerial Personnel

No changes in Key Managerial Personnel appointed by the Company in FY 2014-15.

c) Declarations from the Independent Directors

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149 (6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

d) Board Evaluation

In continuation of the process laid down in the previous year, members of the Board carried out a formal review for evaluating the performance and effectiveness of the Board, Committees of the Board and of the individual directors including the Chairman of the Board.

The performance of the Board was evaluated on the basis of criteria such as the board composition and structure, effectiveness of Board processes, participation in assessment of annual operating plan, risks etc.

Using appropriate criteria the performance of the various Committees was separately evaluated by the Board.

In a separate meeting of Independent Directors, performance of non-independent directors, performance of the Board as a whole and performance of the Chairman were evaluated, taking into account the views of executive directors and non-executive directors.

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.

e) **Nomination and Remuneration Policy**

The Board has, on the recommendation of the Nomination and Remuneration Committee adopted a policy for selection and appointment of Directors, Key Managerial Personnel, Senior Management and their remuneration. The Nomination and Remuneration Policy is annexed herewith as **Annexure A**.

f) **Number of meetings of the Board**

During period under review, five (5) Board Meetings were held, the details of which forms part of Report on Corporate Governance.

g) **Composition of Audit Committee**

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, the Company has invested USD 250,000 in equity capital of 'KOEL Americas Corp.', USA. The details of which are given in the Financial Statements. The Company has not granted any Loans and Guarantees covered under Section 186 of the Companies Act, 2013.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered into during the Financial Year 2015-16 were at an arm's length basis and were in the ordinary course of business. Hence, there are no transactions to be reported in Form AOC-2. There were no materially significant related party transactions made by the Company that would have required members' approval under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. All Related Party Transactions are placed before the Audit Committee for approval after being duly certified by the Statutory Auditors.

The policy on Related Party Transactions as adopted by the Board is uploaded on the Company's website.

The disclosures as per AS 18 for transactions with related parties are provided in the Financial Statements of the Company.

RISK MANAGEMENT POLICY

The risk management process has been established across the organization which facilitates identification, assessment and formulation of mitigation plans for risks that affect the achievement of Company's objectives. It is embedded across all the major functions and businesses and aligned to the Company's vision and goals.

The risks are identified, evaluated and mitigated at the business and Enterprise level. The risk registers and their mitigation plans are monitored with the support of an IT enabled system.

Risk owners are identified for each risk and mitigation plans are formulated through projects planned and executed from short and long term perspective. The Internal Audit Department facilitates the risk management process and senior management oversees the framework to ensure that major strategic, people related, environmental, economic and operational risks that the organization faces are reviewed.

The business risks, which are reviewed based on impact and likelihood, are presented to the senior management for review at periodic intervals. The Enterprise risks presented are reviewed by the Audit Committee and Board on a periodic basis.

INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Company has an Internal Control Framework which is commensurate with the size, scale and complexity of its operations. This framework ensures adequate safeguards and processes to address the evolving business requirements. Key controls have been identified along with risks and mitigation processes covering major areas

across all businesses and functions. Internal controls are reviewed by Internal Audit Department on a periodical basis.

Strengthening of controls is a continuous and evolving process in the Company. Based on observations / findings and recommendations of the internal audit team, process owners undertake preventive and corrective actions which are then horizontally deployed across the organization.

CORPORATE SOCIAL RESPONSIBILITY

The Company has always believed in working for the betterment and upliftment of the society. Corporate Social Responsibility (CSR) has been practiced and engrained over the years in the Company.

The focus areas under CSR have remained consistent over the years and include: Health, Education and Environment. The Composition of CSR Committee of the Board and Report on CSR activities is annexed herewith as **Annexure B.**

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has a Vigil Mechanism / Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement etc. The Policy provides 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 is uploaded on the Company's website.

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**.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE AND OUTGO

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, are provided in **Annexure D** to this report.

PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are annexed in **Annexure E** of this report.

The particulars of employees pursuant to section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, form part of this report. In terms of Section 136 (1) of the Companies Act, 2013, the Directors' report is being sent to the shareholders without this Annexure. The Shareholders interested in obtaining a copy of this annexure may write to the Company Secretary at the Company's registered office.

POLICY ON PREVENTION OF SEXUAL HARASSMENT

The Company has in place a Policy for prevention of sexual harassment at workplace. This inter alia provides a mechanism for the resolution, settlement or prosecution of acts or instances of Sexual Harassment at work and ensures that all employees are treated with respect and dignity. During the year under review, 1 complaint was received and resolved by the Company.

GENERAL

During Financial Year 2015-16

a) There were no public deposits accepted by the Company pursuant to provisions of the Companies Act, 2013, including rules thereunder.

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

c) Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from subsidiary.

AUDITORS

a) Statutory Auditors

It is proposed to re-appoint M/s. P. G. Bhagwat, Chartered Accountants, Pune (Firm Registration Number 101118W) as Statutory Auditors of the Company for a second term of 5 consecutive years to hold office from conclusion of this Annual General Meeting till the conclusion of the Annual General Meeting to be held in the year 2021, subject to ratification at every Annual General Meeting. The members are requested to consider 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 2016.

b) Cost Auditors

The Company has appointed M/s. Parkhi Limaye and Co. as Cost Auditors of the Company for the Financial Year 2016-17 under section 148 of the Companies Act, 2013 and rules thereof.

c) Secretarial Audit Report

The Company has appointed Mr. M. J. Risbud, Practicing Company Secretary to conduct Secretarial Audit of the Company for the Financial Year 2016-17 under section 204 of the Companies Act, 2013 and the rules thereof. The Secretarial Audit Report is annexed herewith as **Annexure F.**

There are no adverse remarks / qualifications of Secretarial Auditors in the Secretarial Audit Report for the year ended 31 March 2016.

MANAGEMENT DISCUSSION & ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

The Management Discussion & Analysis and the Report on Corporate Governance as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, form part of this Annual report.

A Certificate from the Statutory Auditors of the Company regarding compliance with conditions of corporate governance as required under Clause 49 of the listing agreement/ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, also forms part of this Annual Report.

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:

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

b) 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 2016 and of the profit of the Company for the year ended on that date;

c) 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;

d) they have prepared the annual accounts on a going concern basis;

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

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

CAUTIONARY STATEMENT

Statements in this report, particularly those which relate to Management Discussion & 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

Sd/-
ATUL C. KIRLOSKAR
Executive Chairman

Date: 18 May 2016
Place: Pune

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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations, 2015).

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 Regulations, 2015 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 Regulations, 2015 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 and 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 Regulations, 2015 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 and 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 and 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 AND 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 AND OFFICERS LIABILITY INSURANCE:

The Company may take Directors and 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 Regulations, 2015. 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 or in accordance with any amendment to the applicable provisions of the Act, including rules thereof and / or the provisions of the Listing Regulations, 2015.

For and on behalf of Board of Directors
of Kirloskar Oil Engines Limited

Sd/-
Atul C. Kirloskar
Executive Chairman

ANNEXURE 'B' TO THE DIRECTORS' REPORT
ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2015-16

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

A. CSR Report

1.	A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.	The Company has adopted the Corporate Social Responsibility (CSR) policy. 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 is available on the website of the Company. (web-link- http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/CSR-Policy.pdf)
2.	The Composition of the Committee.	1. Mr. Rahul C. Kirloskar, Chairman 2. Mr. Nihal G. Kulkarni, Member 3. Mr. Pradeep R. Rathi (appointed as a member w.e.f. 9 March 2016) 4. Dr. Naushad D. Forbes (ceased to be a member w.e.f 19 February 2016)
3.	Average net profit of the Company for last three financial years	₹ 240.71 crores (as per Section 198 of the Companies Act, 2013)
4.	Prescribed CSR Expenditure (two percent of the amount as in item 3 above)	at least Rs. 4.81 crores
5.	Details of CSR spent for the financial year: a. Total amount spent for the financial year b. Amount unspent, if any c. Manner in which the amount spent during the financial year	 ₹ 4.93 crores Nil The manner in which the amount is spent is detailed in Part B to this Annexure.
6.	In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.	Not applicable
7.	A responsibility statement of the Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company.	The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

B. CSR Expenditure for FY 2015-16

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 were 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, Sponsoring unemployed youth for vocational courses, Scholarship to students, Vocational training programmes for women for income generation, Computer Literacy Programmes etc.	Education	Pune, Kagal, Nasik (Maharashtra) & Rajkot (Gujarat)	Amount not specified	**4.15**	**4.15**	**4.15** Partially direct and partially through implementation agency
2	Programmes on energy conservation, Kirloskar Vasundhara film festival, Pest control measures, PUC Checkup of vehicles, Contribution to animal welfare project etc.	Environment	Pune, Kagal, Nasik (Maharashtra) & Rajkot (Gujarat)	Amount not specified	**0.34**	**0.34**	**0.34** Partially direct and partially through implementation agency
3	HIV aids awareness program, Health checkup camps, Hygine awareness programmes etc.	Health	Pune, Kagal, Nasik (Maharashtra) & Rajkot (Gujarat)	Amount not specified	**0.42**	**0.42**	**0.42** Partially direct and partially through implementation agency
4	Village development Programmes	Rural Development	Kagal (Maharashtra)	Amount not specified	**0.02**	**0.02**	**0.02** Direct
TOTAL					**4.93**	**4.93**	

Details of implementing agency: Kirloskar Institute of Advanced Management and Studies (KIAMS), Vasundhara Club, Kirloskar Foundation and others.

Sd/-
Rahul C. Kirloskar
Chairman of CSR Committee

Sd/-
Nihal G. Kulkarni
Managing Director

ANNEXURE 'C' TO THE DIRECTORS' REPORT
Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31 March 2016

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

I REGISTRATION AND OTHER DETAILS

i	CIN	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	281	77%
2	Genset	271	22%

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* 13/A, Karve Road, Kothrud, Pune - 411038	L65999PN2009PLC133794	Holding	55.59	2 (46)
2	KOEL Americas Corp.# Suite 4 Tamina Business Park 32407 Tamina Road, Magnolia 77354, Texas, United States of America	–	Subsidiary	100.00	2(87)

*Holding Company upto 30 June 2015
Wholly owned Subsidiary with effect from 23 June 2015

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 2015)				No. of Shares held at the end of the year (31 March 2016)				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	19,266,963	0	19,266,963	13.32	77,477,743	0	77,477,743	53.58	40.25
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	85,895,033	0	85,895,033	59.40	8,285,162	0	8,285,162	5.73	(53.67)
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)	**105,161,996**	**0**	**105,161,996**	**72.72**	**85,762,905**	**0**	**85,762,905**	**59.30**	**(13.42)**
(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)	**105,161,996**	**0**	**105,161,996**	**72.72**	**85,762,905**	**0**	**85,762,905**	**59.30**	**(13.42)**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	1,303,116	42,187	1,345,303	0.93	1,419,430	42,187	1,461,617	1.01	0.08
b) Banks / FI	3,861,683	63,268	3,924,951	2.71	5,304,563	152,581	5,457,144	3.77	1.06
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	3,622,876	0	3,622,876	2.51	5,839,020	0	5,839,020	4.04	1.53
g) FIIs	15,483,881	6,750	15,490,631	10.71	13,992,489	6,750	13,999,239	9.68	(1.03)
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)	46,197	0	46,197	0.03	3,795,621	0	3,795,621	2.62	2.59
Sub-total (B)(1)	**24,317,753**	**112,205**	**24,429,958**	**16.89**	**30,351,123**	**201,518**	**30,552,641**	**21.13**	**4.23**
2. Non-Institutions									
a) Bodies Corporate									
i) Indian	925,523	24,348	949,871	0.66	1,196,242	143,646	1,339,888	0.93	0.27
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	8,671,364	3,036,104	11,707,468	8.10	15,237,106	7,485,272	22,722,378	15.71	7.62
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,954,642	118,575	2,073,217	1.43	3,772,325	0	3,772,325	2.61	1.17
c) Others (specify)									
Clearing Members	32,214	0	32,214	0.02	60,234	0	60,234	0.04	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	11,257	0	11,257	0.01	0.01
NRI (Repatriate)	72,262	46,244	118,506	0.08	108,569	46,897	155,466	0.11	0.03
NRI (Non-Repartriate)	122,274	0	122,274	0.08	164,051	54,534	218,585	0.15	0.07
OCB's	0	0	0	0.00	0	0	0	0.00	0.00
Office Bearers	0	18,357	18,357	0.01	0	18,182	18,182	0.01	0.00
Sub-total (B)(2)	**11,778,279**	**3,243,628**	**15,021,907**	**10.39**	**20,549,784**	**7,748,531**	**28,298,315**	**19.57**	**9.18**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**36,096,032**	**3,355,833**	**39,451,865**	**27.28**	**50,900,907**	**7,950,049**	**58,850,956**	**40.70**	**13.41**
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total (A+B+C)	**141,258,028**	**3,355,833**	**144,613,861**	**100.00**	**136,663,812**	**7,950,049**	**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 2015)			Shareholding at the end of the year (31 March 2016)			% 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	80,388,514	55.59	-	0	0	-	(55.59)
2	Kirloskar Industries Limited	5,506,519	3.81	-	8,210,439	5.68	-	1.87
3	Achyut and Neeta Holdings and Finance Pvt. Ltd.	-	-	-	73,203	0.05	-	0.05
4	Navsai Investments Private Limited	-	-	-	760	0.00	-	0.00
5	Alpak Investments Private Limited	-	-	-	760	0.00	-	0.00
6	Atul Chandrakant Kirloskar	2,654,276	1.84	-	18,456,667	12.76	-	10.93
7	Rahul Chandrakant Kirloskar	1,923,155	1.33	-	17,732,902	12.26	-	10.93
8	Sanjay Chandrakant Kirloskar	39,404	0.03	-	46,654	0.03	-	0.01
9	Suman Chandrakant Kirloskar	53,377	0.04	-	62,648	0.04	-	0.01
10	Vikram Shreekant Kirloskar	69,489	0.05	-	140,655	0.10	-	0.05
11	Mrinalini Shreekant Kirloskar	87,847	0.06	-	101,800	0.07	-	0.01
12	Roopa Jayant Gupta	20,887	0.01	-	20,887	0.01	-	-
13	Geetanjali Vikram Kirloskar	37	0.00	-	37	0.00	-	-
14	Gautam Achyut Kulkarni	2,560,714	1.77	-	18,391,027	12.72	-	10.95
15	Neeta Achyut Kulkarni	427	0.00	-	7,206	0.00	-	0.00
16	Jyostna Gautam Kulkarni	3,857,250	2.67	-	7,572,631	5.24	-	2.57
17	Arti Atul Kirloskar	3,600,000	2.49	-	7,065,174	4.89	-	2.40
18	Nihal Gautam Kulkarni	159,756	0.11	-	159,756	0.11	-	-
19	Alpana Rahul Kirloskar	4,240,244	2.93	-	7,711,817	5.33	-	2.40
20	Akshay Sahni	100	0.00	-	100	0.00	-	-
21	Alok Kirloskar	-	-	-	6,262	0.00	-	0.00
22	Pratima Sanjay Kirloskar	-	-	-	1,520	0.00	-	0.00
	Total	**105,161,996**	**72.72**	-	**85,762,905**	**59.30**	-	**(13.42)**

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 01/04/2015 or 31/03/2016 or during the year ended 31/03/2016.

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

Sr. No.	Name of Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	**Kirloskar Brothers Investments Limited (KBIL)**				
	At the beginning of the year	80,388,514	55.59		
	Equity shares held by KBIL in the Company cancelled on account of Cross holdings pursuant to the approved Composite Scheme on 30 June 2015	(80388514)	(55.59)	0	0.00
	At the End of the year	-	-	0	0.00
2	**Achyut and Neeta Holdings and Finance Private Limited**				
	At the beginning of the year	0	0.00		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	73,203	0.05	73,203	0.05
	At the End of the year	-	-	73,203	0.05
3	**Navsai Investments Private Limited**				
	At the beginning of the year	0	0.00		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	760	0.00	760	0.00
	At the End of the year	-	-	760	0.00
4	**Alpak Investments Private Limited**				
	At the beginning of the year	0	0.00		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	760	0.00	760	0.00
	At the End of the year	-	-	760	0.00

Sr. No.	Name of Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
5	**Atul Chandrakant Kirloskar**				
	At the beginning of the year	2,654,276	1.84		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	15,802,391	10.93	18,456,667	12.76
	At the End of the year	-	-	18,456,667	12.76
6	**Rahul Chandrakant Kirloskar**				
	At the beginning of the year	1,923,155	1.33		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	15,809,747	10.93	17,732,902	12.26
	At the End of the year	-	-	17,732,902	12.26
7	**Sanjay Chandrakant Kirloskar**				
	At the beginning of the year	39,404	0.03		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	7,250	0.01	46,654	0.03
	At the End of the year	-	-	46,654	0.03
8	**Suman Chandrakant Kirloskar**				
	At the beginning of the year	53,377	0.04		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	9,271	0.01	62,648	0.04
	At the End of the year	-	-	62,648	0.04
9	**Vikram Shreekant Kirloskar**				
	At the beginning of the year	69,489	0.05		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	71,166	0.05	140,655	0.10
	At the End of the year	-	-	140,655	0.10
10	**Mrinalini Shreekant Kirloskar**				
	At the beginning of the year	87,847	0.06		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	13,953	0.01	101,800	0.07
	At the End of the year	-	-	101,800	0.07
11	**Gautam Achyut Kulkarni**				
	At the beginning of the year	2,560,714	1.77		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	15,830,313	10.95	18,391,027	12.72
	At the End of the year	-	-	18,391,027	12.72
12	**Neeta Achyut Kulkarni**				
	At the beginning of the year	427	0.00		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	6,779	0.00	7,206	0.00
	At the End of the year	-	-	7,206	0.00
13	**Jyostna Gautam Kulkarni**				
	At the beginning of the year	3,857,250	2.67		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	3,715,381	2.57	7,572,631	5.24
	At the End of the year	-	-	7,572,631	5.24
14	**Arti Atul Kirloskar**				
	At the beginning of the year	3,600,000	2.49		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	3,465,174	2.40	7,065,174	4.89
	At the End of the year	-	-	7,065,174	4.89
15	**Alpana Rahul Kirloskar**				
	At the beginning of the year	4,240,244	2.93		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	3,471,573	2.40	7,711,817	5.33
	At the End of the year	-	-	7,711,817	5.33
16	**Alok Kirloskar**				
	At the beginning of the year	0	0.00		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	6,262	0.00	6,262	0.00
	At the End of the year	-	-	6,262	0.00
17	**Pratima Sanjay Kirloskar**				
	At the beginning of the year	0	0.00		
	Equity shares allotted pursuant to the Composite Scheme on 14 July 2015	1,520	0.00	1,520	0.00
	At the End of the year	-	-	1,520	0.00

Sr. No.	Name of Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
18	**Kirloskar Industries Limited**				
	At the beginning of the year	5,506,519	3.81		
	Equity shares allotted pursuant to the approved Composite Scheme, on 14 July 2015	1,520	0.00	5,508,039	0.00
	Equity shares acquired through market purchase on 8 September 2015	200,887	0.14	5,708,926	0.14
	Equity shares acquired through market purchase on 9 September 2015	58,737	0.04	5,767,663	0.04
	Equity shares acquired through market purchase on 10 September 2015	23,689	0.02	5,791,352	0.02
	Equity shares acquired through market purchase on 11 September 2015	14,660	0.01	5,806,012	0.01
	Equity shares acquired through market purchase on 14 September 2015	62,771	0.04	5,868,783	0.04
	Equity shares acquired through market purchase on 15 September 2015	52,446	0.04	5,921,229	0.04
	Equity shares acquired through market purchase on 16 September 2015	18,901	0.04	5,940,130	0.01
	Equity shares acquired through market purchase on 18 September 2015	195,309	0.14	6,135,439	0.14
	Equity shares acquired through market purchase on 21 September 2015	2,000,000	1.38	8,135,439	1.38
	Equity shares acquired through market purchase on 22 September 2015	75,000	0.05	8,210,439	0.05
	At the End of the year	-	-	**8,210,439**	**5.68**

Note:

1. **Approved Composite Scheme -** Hon'ble High of Judicature at Bombay vide its order date 30 April 2015 had approved the Composite Scheme of Arrangement and Amalgamation (the Composite Scheme) between Kirloskar Brothers Investments Limited (KBIL - Transferor / Demerged 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 Section of the Companies Act, 2013, to the extent applicable. The said Composite Scheme has been effective from 30 June 2015.
   Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in the Company cancelled on account of Cross holdings and same number of equity shares allotted to the shareholders of KBIL on 14 July 2015.
2. # Except for the above there is no change in the holdings of the Promoter & Promoter Group during Financial Year 2015-16.
3. In case of joint holding, the name of the first holder is considered.
4. 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.

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

Sr. No.	For each of top ten shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	**Nalanda India Fund Limited**				
	At the beginning of the year	10,896,124	7.53		
	No change during the year	-	-	-	-
	At the End of the year			10,896,124	7.53
2	**Nalanda India Equity Fund Limited**				
	At the beginning of the year	3,013,690	2.08		
	No change during the year	-	-	-	-
	At the End of the year			3,013,690	2.08
3	**The New India Assurance Company Limited**				
	At the beginning of the year	2,013,017	1.39		
	Equity shares allotted pursuant to the approved Composite Scheme, on 14 July 2015	1,533,163	1.06	3,546,180	2.45
	At the End of the year			3,546,180	2.45
4	**Life Insurance Corporation of India**				
	At the beginning of the year	1,982,964	1.37		
	No change during the year	-	-	-	-
	At the End of the year			1,982,964	1.37
5	**General Insurance Corporation of India**				
	At the beginning of the year	1,772,647	1.23		
	Equity shares allotted pursuant to the approved Composite Scheme, on 14 July 2015	1,426,185	0.99	3,198,832	2.21
	At the End of the year			3,198,832	2.21
6	**The Oriental Insurance Company Limited**				
	At the beginning of the year	1,310,853	0.91		
	Equity shares allotted pursuant to the approved Composite Scheme, on 14 July 2015	715,160	0.49	2,026,013	1.40
	Decrease as on 7 August 2015	(7179)	0.00	2,018,834	1.40
	At the End of the year			2,018,834	1.40
7	**Jagdish Amritlal Shah**				
	At the beginning of the year	749,742	0.52		
	No change during the year	-	-	-	-
	At the End of the year			749,742	0.52

Sr. No.	For each of top ten shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of theCompany
8	**Pinebridge Investments Asia Limited A/C Pinebridge Investments Gf Mauritius Ltd.**				
	At the beginning of the year	692,766	0.48		
	Increase as on 10 April 2015	13,938	0.01	706,704	0.49
	Increase as on 17 April 2015	27,022	0.02	733,726	0.51
	Increase as on 15 May 2015	47,756	0.03	781,482	0.54
	Increase as on 22 May 2015	11,129	0.01	792,611	0.55
	Increase as on 29 May 2015	27,814	0.02	820,425	0.57
	Increase as on 5 June 2015	11,816	0.01	832,241	0.58
	Increase as on 12 June 2015	6,058	0.00	838,299	0.58
	Increase as on 19 June 2015	41,048	0.03	879,347	0.61
	Increase as on 17 July 2015	21,000	0.01	900,347	0.62
	Increase as on 24 July 2015	25,000	0.02	925,347	0.64
	Increase as on 31 July 2015	41,632	0.03	966,979	0.67
	Increase as on 14 August 2015	63,111	0.04	1,030,090	0.71
	Increase as on 21 August 2015	37,809	0.03	1,067,899	0.74
	Increase as on 28 August 2015	168,716	0.12	1,236,615	0.86
	Increase as on 4 September 2015	10,917	0.01	1,247,532	0.86
	Increase as on 11 September 2015	67,018	0.05	1,314,550	0.91
	Increase as on 9 October 2015	854,534	0.59	2,169,084	1.50
	Increase as on 18 December 2015	208,615	0.14	2,377,699	1.64
	Increase as on 25 December 2015	130,822	0.09	2,508,521	1.73
	Increase as on 31 December 2015	28,367	0.02	2,536,888	1.75
	Increase as on 15 January 2016	7,408	0.01	2,544,296	1.76
	Increase as on 22 January 2016	99,930	0.07	2,644,226	1.83
	Increase as on 29 January 2016	25,820	0.02	2,670,046	1.85
	Increase as on 5 February 2016	5,354	0.00	2,675,400	1.85
	Increase as on 12 February 2016	3	0.00	2,675,403	1.85
	Increase as on 19 February 2016	7,007	0.00	2,682,410	1.85
	Increase as on 4 March 2016	48,151	0.03	2,730,561	1.89
	Increase as on 18 March 2016	2,415	0.00	2,732,976	1.89
	Increase as on 25 March 2016	2,391	0.00	2,735,367	1.89
	Increase as on 31 March 2016	78,974	0.05	2,814,341	1.95
	At the End of the year			2,814,341	1.95
9	**Uti- Infrastructure Fund**				
	At the beginning of the year	640,000	0.44		
	No change during the year	-	-	-	-
	At the End of the year			640,000	0.44
10	**L&T Mutual Fund Trustee Limited-L&T Emerging Businesses Fund**				
	At the beginning of the year	354,590	0.25		
	Decrease as on 24 April 2015	(123190)	(0.09)	231,400	0.16
	Decrease as on 10 July 2015	(99)	(0.00)	231,301	0.16
	Decrease as on 17 July 2015	(36572)	(0.03)	194,729	0.13
	Decrease as on 24 July 2015	(25000)	(0.02)	169,729	0.12
	Decrease as on 31 July 2015	(169729)	(0.12)	-	-
	At the End of the year			-	0.00
11	**Anil Kumar Goel**				
	At the beginning of the year	-	0.00		
	Equity shares allotted pursuant to the approved Composite Scheme, on 14 July 2015	577600	0.40	577,600	0.40
	Decrease as on 18 September 2015	(2307)	0.00	575,293	0.40
	Decrease as on 25 September 2015	(10293)	0.00	565,000	0.39
	At the End of the year			565,000	0.39

Notes:

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

b. 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 Personnel:
Shareholding of Directors

Sr. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	**Atul Chandrakant Kirloskar**				
	At the beginning of the year	2,654,276	1.84		
	Equity shares allotted pursuant to the Composite Scheme on 14 July 2015	15,802,391	10.93	18,456,667	12.76
	At the End of the year	-	-	18,456,667	12.76
2	**Gautam Achyut Kulkarni**				
	At the beginning of the year	2,560,714	1.77		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	15,830,313	10.95	18,391,027	12.72
	At the End of the year	-	-	18,391,027	12.72
3	**Nihal G. Kulkarni**				
	At the beginning of the year	159,756	0.11		
	At the End of the year	-	-	159,756	0.11
4	**Rajendra R. Deshpande**				
	At the beginning of the year	11,250	0.01		
	At the End of the year	-	-	11,250	0.01
5	**Rahul Chandrakant Kirloskar**				
	At the beginning of the year	1,923,155	1.33		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	15,809,747	10.93	17,732,902	12.26
	At the End of the year	-	-	17,732,902	12.26
6	**Pratap G. Pawar**				
	At the beginning of the year	5,355	0.00		
	At the End of the year	-	-	5,355	0.00
7	**R. Srinivasan**				
	At the beginning of the year	3,750	0.00		
	At the End of the year	-	-	3,750	0.00
8	**Dr. Naushad D. Forbes ***				
	At the beginning of the year	9,000	0.01		
	At the End of the year	-	-	NA	-
9	**M. Lakshminarayan**				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
10	**Gauri Kirloskar**				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
11	**Pradeep R. Rathi**				
	At the beginning of the year		0.00		
	At the End of the year	-	-	0	0.00
12	**Mahesh Chhabria**				
	At the beginning of the year	8,512	0.01		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	3,040	0.00	11,552	0.01
	At the End of the year	-	-	11,552	0.01
13	**Vinesh Kumar Jairath#**				
	At the beginning of the year	NA	-	0	
	At the End of the year	-	-	0	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. 19 February 2016

Appointed as a Director w.e.f. 27 January 2016

Shareholding of Key Managerial Personnel (KMP)

Sr. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	**Atul Chandrakant Kirloskar**				
	At the beginning of the year	2,654,276	1.84		
	Equity shares allotted pursuant to the Composite Scheme on 14 July 2015	15,802,391	10.93	18,456,667	12.76
	At the End of the year	-	-	18,456,667	12.76
2	**Gautam Achyut Kulkarni**				
	At the beginning of the year	2,560,714	1.77		
	Equity shares allotted pursuant to the approved Composite Scheme on 14 July 2015	15,830,313	10.95	18,391,027	12.72
	At the End of the year	-	-	18,391,027	12.72
3	**Nihal G. Kulkarni**				
	At the beginning of the year	159,756	0.11		
	At the End of the year	-	-	159,756	0.11
4	**Rajendra R. Deshpande**				
	At the beginning of the year	11,250	0.01		
	At the End of the year	-	-	11,250	0.01
5	**T. Vinodkumar**				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	-	0.00
6	**Smita A. Raichurkar**				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	-	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	3.43	3.25	2.42	1.98	11.08
a)	Salary as per provisions contained in section 17(1) of the Income-tax Act,1961	2.96	2.95	2.04	1.86	9.81
b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.47	0.30	0.38	0.13	1.28
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)	**3.43**	**3.25**	**2.42**	**1.98**	**11.08**
	Ceiling as per the Act					18.56

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. Srinivasan**	**M. Lakshminarayan**	**Naushad Forbes***	**Pratap G. Pawar**	**Mahesh Chhabria**	**Vinesh Kumar Jairath#**	**Pradeep R. Rathi**	
Fee for attending board / committee meetings	0.05	0.02	0.01	0.05	0.05	0.01	0.02	**0.19**
Commission	0.09	0.02	0.01	0.10	0.09	0.01	0.02	**0.34**
Others, please specify	-	-	-	-	-	-	-	-
Total (1)	**0.14**	**0.04**	**0.02**	**0.14**	**0.14**	**0.02**	**0.03**	**0.53**
Other Non-Executive Directors	**Rahul C. Kirloskar**	**Gauri Kirloskar**						
Fee for attending board / committee meetings	0.05	0.03						**0.08**
Commission	0.11	0.04						**0.14**
Others, please specify	-	-						
Total (2)	**0.16**	**0.06**						**0.22**
Total (B)=(1+2)	**0.30**	**0.11**	**0.02**	**0.14**	**0.14**	**0.02**	**0.03**	**0.75**
Total Managerial Remuneration	0.30	0.11	0.02	0.14	0.14	0.02	0.03	0.75
Overall Ceiling as per the Act (Excluding Sitting Fees)								1.86

* Resigned as a director w.e.f. 19 February 2016
# Appointed as a Director w.e.f. 27 January 2016

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	1.36	0.15	1.51
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1.29	0.15	1.44
	b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.07	-	0.07
	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	**1.36**	**0.15**	**1.51**

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

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 VRF air conditioning system for office of CRE division
- Energy Efficient LED Lighting installed in new office areas

Kagal Plant

- Energy Efficient Localize lighting in assembly sections and machine shops resulted in saving of approximately 1,78,000 units p.a.
- Energy saving of approximately 1,23,300 units p.a. through modification to PLC logic, lighting circuit etc.
- Avoidance of wastage of compressed air and electricity during idle time of machine, saving of approximately 89,000 Units p.a.
- Energy Cost reduction through cycle time reduction in Machine Shop, resulting in saving of 121,000 units p.a.

Nasik Plant

- Reconditioning of cooling towers to improve their Energy Efficiency
- High wattage Mercury Lamps replaced by Low watt Metal halide lamps keeping same illumination level
- Motion sensor for office lighting installed in Material and Manufacturing department
- Installation of Solar Water System at Canteen for dishwashing

Rajkot Plant

- Installation of Solar Water System for engine degreasing
- Energy Efficient LED Lighting installed in office areas
- Energy Efficiency initiatives taken viz. Installation of PLC and Drive panel for Testing, Relay based control panel for testing conveyor, Control panel interlocking at engine degreasing station etc.

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

i. Third Party Windmill Units purchase from independent Windmill generator under open access policy. Approximately 35 Lacs Windmill Units consumed through this arrangement which resulted to maintain 23% of Green Energy share of total energy consumption at Kagal plant

ii. Use of Natural Gas for process at Rajkot plant

III. The capital investment on energy conservation equipment

The Company made a capital investment of ₹ 0.63 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, BIS, research institutes such as ARAI, VRDE, IITD, industry associations such as IDEMA, CII. It also works with OEMs and end customers and suppliers 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.

- Portable range of diesel and petrol engine driven genset products meeting CPCB Stage II emission norms were developed and launched
- Companywide initiative to reduce raw material cost has been taken and R&D contributed substantially to ideation and evaluation phase. Implementation phase is in progress
- Import of 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 MOU with MTU Friedrichshafen GmbH Germany, for the manufacture, marketing and supply of diesel gensets in India
- The Company entered into a license agreement with BioCube Corporation Limited, Vancouver, for manufacture, sale and service of Biodiesel equipment

iv. The expenditure incurred on Research and Development (₹ in Crores)

Sr. No.	Particulars	2015-16	2014-15
1	Revenue Expenditure	56.19	36.87
2	Capital Expenditure	12.67	25.03
3	Total R&D expenditure	68.86	61.90
4	Total R&D expenditure as% to sales	2.8%	2.5%

C. Foreign exchange earnings and outgoes (₹ in Crores)

Total Foreign Exchange used & earned	2015-16	2014-15
Used	87.46	115.90
Earned	236.21	211.17

ANNEXURE 'E' 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 'E-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 'E-2'
3	The percentage increase in the median remuneration of employees in the financial year	8.48%
4	The number of permanent employees on the rolls of company	2427
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	**31/03/2016 31/03/2015 % Change** Market Capitalisation (₹ crs.) 3061 3960 (22.7) PE ratio 21.79 27.66 (21.2) 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: (24.07) percentile Average percentile increase in salaries of non-managerial personnel: 27.47 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 "E-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	63.59
2	Gautam A. Kulkarni	59.85
3	Nihal G. Kulkarni	67.52
4	Rajendra R. Deshpande	50.32
5	Rahul C. Kirloskar	3.28
6	Pratap G. Pawar	2.94
7	R. Srinivasan	2.76
8	Dr. Naushad D. Forbes *	NA
9	M. Lakshminarayan	0.90
10	Mahesh R.Chhabria *	NA
11	Gauri Kirloskar *	NA
12	Pradeep R. Rathi *	NA
13	Vinesh Kumar Jairath *	NA

Note:

1. Median is computed on the basis of permanent employees on the rolls of the Company for the full financial year 2015-16
2. *These Directors were appointed / separated during the year ended 31/03/2016 and 31/03/2015. As such the remuneration of these Directors is not considered.

ANNEXURE TO BOARD REPORT- Annexure "E-2"

Sr. No.	Name of the Director/KMP	Designation	% Increase/(decrease) in the Remuneration
1	2	3	4
1	Atul C. Kirloskar	Director & KMP	(7.23)
2	Gautam A. Kulkarni	Director & KMP	(11.95)
3	Nihal G. Kulkarni	Director & KMP	43.94
4	Rajendra R. Deshpande	Director & KMP	27.80
5	Rahul C. Kirloskar	Director	(86.75)
6	Pratap G. Pawar	Director	(36.36)
7	R. Srinivasan	Director	(37.79)
8	Dr. Naushad D. Forbes*	Director	NA
9	M. Lakshminarayan	Director	(16.19)
10	Mahesh R. Chhabria*	Director	NA
11	Gauri Kirloskar*	Director	NA
12	Pradeep R. Rathi *	Director	NA
13	T. Vinodkumar	CFO & KMP	7.88
14	Smita A. Raichurkar	CS& KMP	10.89
15	Vinesh Kumar Jairath*	Director	NA

Note:

* These Directors were appointed / separated during the year ended 31/03/2016 and 31/03/2015. As such the remuneration of these Directors is not considered.

ANNEXURE 'F' 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, 2016

To,
The Members of
KIRLOSKAR OIL ENGINES LIMITED
13, Laxmanrao Kirloskar Road, Khadki,
Pune - 411 003.

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, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2016 according to the provisions of:

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

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

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

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Overseas Direct Investment. There was no incidence of Foreign direct Investment and External Commercial borrowing;

(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 and SEBI (Prohibition of Insider Trading) Regulations, 2015;

   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;-

   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; [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 Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; [No incidence during the audit period, hence not applicable]

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

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

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India [notified w.e.f. 1st July, 2015].

(ii) The Listing Agreement prevalent up to 30 November 2015 and the New Listing Agreement under SEBI [(Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations) w.e.f. 1st December, 2015 entered into by the Company with BSE Ltd. and 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,

The petition filed by the Company during the previous audit period u/s 391 to 394 read with Sections 100 to 105 of the Companies Act, 1956, before the Hon'ble High Court of judicature 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 was sanctioned by the Hon'ble High Court during the audit period and implementation thereof was fully completed.

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

Date : 10th May, 2016
Place : Pune

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY AND MARKETS

The global economy during Financial Year 2015-16 remained sombre, growing at a modest 3.1%, declining from 3.4% registered in 2014. The year also saw continued weakness in most commodity prices, especially crude, which benefited energy importers like India. Financial markets remained turbulent and exchange rates volatile. While the developed economies such as the United States, Eurozone and Japan are still not seeing a sustained revival of growth, economies of commodity exporting countries are also under stress. Emerging economies have witnessed a consistently declining trend since 2010.

In spite of global headwinds and a truant monsoon, India's growth story is fundamentally intact with it growing 7.2 % in 2014-15 and 7.6% in 2015-16, thus becoming a fastest growing major economy in the world. The global economy—in particular- the global growth powerhouse, China—is rebalancing, leading to an increasing role for India. After the onset of the multiple crises in different parts of the world, India's contribution has become much more valuable to the global economy.

India's other macroeconomic indicators like inflation; fiscal deficit and current account balance have shown distinct improvements. Wholesale price index has been in negative territory for over a year and consumer price index has declined to half of what it was a year before. However, the exports have suffered due to weak economic growth in the advanced and emerging economies. Rupee has depreciated against the dollar, although less in magnitude as compared to other currencies.

Growth in agriculture has slackened due to multiple structural factors as well as deficit monsoon for successive two years. Savings and investment rates are not showing signs of revival and the capital investment cycle is yet to turn, more acutely in the private sector. Index of Industrial Production has grown by a tepid 3% over previous period. Robust growth in services sector has been one of the drivers of Indian growth story and it now accounts for more than half of the Indian economy.

The Government has initiated a process of reforms through well intentioned initiatives like 'Make in India' and appears to be conscious of importance of 'ease of doing business' for cementing India's position in the world economy. Given the fact that the government is committed to carrying the reform process forward, aided by the prevailing macroeconomic stability, it appears that conditions do exist for raising the economy's growth momentum and achieving growth rates of 8% or higher in the next couple of years. At the same time, growth in 2016-17 may not pick up dramatically from the levels achieved in 2015-16 as the possibility of slow global economic growth and financial sector uncertainties still loom large.

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 have been 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 2015-16 with brief outlook for the Financial Year 2016-17.

INDUSTRY AND COMPANY OVERVIEW

A. POWER GENERATION BUSINESS

The Diesel Generator (DG) set 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. Traditionally, On account of high power outages, improved reliability, rapid response time, fuel availability and high load carrying capacity, DGs are used for power backup besides being used for prime power.

The overall DG set market for Financial Year 2015-16 both in quantity and value terms remained at similar levels as the previous year. An estimated 100,600 units were sold valued at approximately ₹ 5600 crores. Despite several positives in the macro-economic indicators, for most part of the year, the economy remained sluggish and consequently power deficit was at an all-time low. This had a direct bearing on DG set offtakes. Your Company held on to its market share and leadership position in Financial Year 2015-16. In terms of number of DG sets, the Company is the market leader with 30% quantity market share and in terms of value it has 22.5% of market share.

Business Overview

In continuation of the brand building exercise undertaken in the previous year, in Financial Year 2015-16, the Company introduced two sub brands under the Kirloskar Umbrella brand – KOEL Green and KOEL Chhota Chilli (KCC), with a wide array of gensets. The brand refresh has been well received in the market and KOEL customers.

New Product Development and launches

The Company launched a complete range of petrol gensets under the KCC brand that includes the 2.1kW, 3kW and 4kW petrol sets. With this foray into petrol, KOEL now offers the widest range of portable gensets for household and commercial applications – 7 models from 2.1kW to 5kVA. Leveraging on a large dealer network, these products are slated to provide good growth opportunities in the coming years

Petrol KCC Genset

In the course of the year, the Company also launched the much awaited 750kVA Genset which further augments the existing High Horse Power range. This now opens new vistas and paves way for larger project orders. This is a complete home grown indigenous product developed by KOEL's R&D team and offers USPs such as best-in-class fuel efficiency, most compact size and web-enabled controls. The market response to the product has been encouraging and this gives us the confidence to surge ahead with the next rating is this category - 1010kVA in the Financial Year 2016-17.

In Financial Year 2015-16 the Company also, expanded the product portfolio under the Kirloskar Generator Technologies (KGT) vertical, which now includes batteries, alternators and control panels. The objective is to ensure high product quality and standardization and also offer single-window product availability, support and service to Company's customers.

Elecrama is Asia's largest electrical products and technology exhibition. The Company's participation in this Mega electrical domain exhibition at Bengaluru, marked a shift from Genset brand to a Back-up power solution provider, catering to electrical systems in large industrial, building and infra projects.

'Elecrama'- Mega Electrical Domain Exhibition

With a total revamp of the supply chain system and related processes over the last two years, the Company is now geared to deliver Gensets within 7 days to their customers. This unique offer makes purchase planning easy and cost efficient for our customers.

The Company's revenue in Financial Year 2015-16 from Power Generation Business stood at ₹ 976.2 Crores of which ₹ 220.9 represented revenue from KGT sales, as compared to ₹ 997.3 Crores in Financial Year 2014-15.

Future outlook

Towards the end of the current fiscal, some positive traction was witnessed in road construction, building and other infrastructure projects. It's expected that the momentum would continue and overall activity level in the manufacturing sector would improve. This undoubtedly will augur well for your Company. We believe that KOELs supply chain is now working like a well-oiled machine and is nimble and quick to respond to surge in market demand. Also, now with an entire range of high performance gensets from 2.1 to 1010 kVA backed by a best in class support team, we are positive of being able to cater to a wide spectrum of market requirements. With the Company's strong brand image and presence in PSUs, it will be able to contribute more towards many public welfare schemes that government has launched in the year 2015. In many of these schemes focus is on rural growth, where DG set power back up will play an important role in functionality of these projects.

B. AGRICULTURE AND ALLIED BUSINESSES

India ranks second worldwide in farm output. About one third of Indian population depends on agriculture sector directly or indirectly and agriculture continues to be the mainstay of the Indian economy. However the Company see a steady declining trend with the country's broad-based economic growth.

Also, agriculture in India has witnessed some fundamental changes in the past few decades. The share of human power available for carrying out the myriad operations in farming has shrunk to a mere 5%.

For diversification of agriculture and to increase the productivity of land and labour the only alternative is to increase mechanization in Indian Agriculture. Now, more than 90% of the farm power is drawn from

mechanical sources like tractors and power tillers, electric motors and diesel engines, but yet the overall farm mechanization in India has reached only about 40%.

Business overview

Crop Irrigation

The rural electrification drive has led to shift in demand from conventional diesel engine pumpsets to electrical and solar powered water pumpsets.

The Agri Crop Irrigation Business focused on strengthening the distribution channel. The business has more than 550 distributors and over 17,000 retailers. The elaborate service channel with Kirloskar Krishi Seva Kendra takes care of the quick field service requirements. With a wide range of products like conventional diesel engine pumpsets, light weight pumpsets and petrol kerosene pumpsets, the business gained market share by 1%, as compared to the previous fiscal and more importantly managed to sustain the business despite an industry decline for diesel engines and pumpsets.

Despite, delayed monsoon, deficient rains and drought conditions in key states affecting the business performance, with the entire product basket and the enhanced distribution network the business achieved over 11% growth as compared to the last fiscal.

The entire supply chain was revamped to a pull based system, where inventory levels remain dynamic, thus reducing the risk of inventory pile up.

The Company's revenue in Financial Year 2015-16 from Agri Crop Irrigation Business stood at ₹ 344.1 Crores, as compared to ₹ 308.9 Crores in Financial Year 2014-15.

Farm Mechanisation

Given the limitation to increase cultivable/ arable land and the scarcity of labour, farm mechanisation i.e. usage of machinery and technology (e.g. tractors, tillers, rotavators, etc.) in farming is the most sought after solution for increasing farm yields.

The Farm Mechanisation Business launched the first product in the previous financial year – MEGA T as a revolutionary product which focuses on catering to the needs of small farmers / landholdings under the brand KMW. This year the business launched three new variants of Mega T to suit the market needs.

The business has created a channel of about 140 exclusive dealers for focussed delivery and service.

In order to establish the brand and increase the product awareness in the market the business conducts many BTL activities like road shows, exhibition participation etc.

The Company's revenue in Financial Year 2015-16 from Agri Farm Mechanisation Business stood at ₹ 77.9 Crores, as compared to ₹ 56.4 Crores in Financial Year 2014-15.

Future outlook

Agriculture business is primarily focused on transforming the lives of Indian farmers through innovative products, technology and delivery. While the business cannot eliminate the inherent risk of climate dependency, your company is taking several steps to minimize the risk. Some of these include:

- Diversification of product portfolio in Farm Mechanisation by introducing products in sub 20 HP mechanisation products segment.

- Diversification of product portfolio in Crop Irrigation Business with new variants in portable pumpset range and consumables range.
- Utilising and earning extra mileage with the extensive distribution and service network.

Agri Kisan Mela

C. INDUSTRIAL ENGINES BUSINESS

The Company's revenue in Financial Year 2015-16 from Industrial Engine Business stood at ₹ 350.1 Crores, as compared to ₹ 330.3 Crores in Financial Year 2014-15.

After year on year decline in industrial growth for last 3 consecutive years, Off highway construction equipment market saw marginal growth in Financial Year 2015-16 of 2% as compared to previous fiscal. This growth was seen majorly from second half of Financial Year 2015-16.

Tractor market however continued to be sluggish due to uneven rainfall across country.

Business overview

The Industrial business revenues were directly impacted by the above factors. However, resulting from focus on new business, your Company achieved an overall growth of 7% as compared to the previous fiscal. The Company retained all customers as well as application segments.

New Product Development and launches

During the fiscal year, the Industrial business introduced higher HP engine for firefighting pump set application. New business was generated through existing/new OEMs product launch.

Future outlook

With the Government's commitment to focus on infrastructure, road construction and mining business, the Industrial Business is expected to show an improvement in coming quarters.

Industry is optimistic that current upward growth trend will continue in Financial Year 2016-17.

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

D. CUSTOMER SUPPORT

The Company's revenue in Financial Year 2015-16 from Customer Support Business stood at ₹ 328.0 Crores, as compared to ₹ 329.9 Crores in Financial Year 2014-15. Sale of spares was impacted as a result of low DG set usage across the Country and also substantially low construction equipment usage. Coupled with this, Telecom companies changed their 'Annual Maintenance Contract' model to 'Integrated Maintenance Engagement' type where they stringently controlled their costs. This impacted the Company's Sales. The Key Highlights are as under:

- CDI (Customer Delight Index) score further improved from 60 to 65.
- 15 new service outlets added in FY16 and ensuring that the entire country is adequately covered
- Specific categories like overhauling kits revenue, coolant, Battery chargers and oil sales were specifically focused throughout the year.
- Introduced new brand for service segment "KOEL CARE"
- Substantially increased customer connects campaign and reached out to more than 30,000 customers directly during the year.
- Opened up new training centers in East and South.

Customer Mela

Touch based large base of customers through various Customer Connect and Engagement Programs like Customer Mela, Van Campaign and Customer and Operators training program.

The Company has undertaken many actions / initiatives to become one stop solution provider for the customers. By April 2017, the Company's service will be full fledge single window solution provider to all customers for all electro-mechanical needs.

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 immense volatility and instability on the political front. However, it is expected that emerging markets and developing countries will show stronger growth. With the Vision of KOEL touching the world by 2025, Your Company's International operations remain 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, Agricultural and power generation applications.

Business overview

Revenue from exports in Financial Year 2015-16 was ₹ 230.7 crores as against ₹ 205.7 crores in the previous fiscal, thus registering a growth of 11.7% in a challenging macroeconomic environment. Power Generation business in export markets has shown a significant growth of 33% during the year, while agricultural business and Industrial business declined. International business contributed 9% of KOELs total revenues in Financial Year 2015-16.

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	59%
Africa	30%
South Asia and South East Asia	5%
North and Central America	4%
Others	3%

Through close monitoring in various markets and course corrections wherever required, efforts were made to align actions with market expectations along with service as a differentiator, resulting in sustenance and growth. In Financial Year 2015-16 your Company carried out expansion of the Power Generation product range further 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 2015-16 include:

- Repeat bulk business in the Telecom segment in South Africa with MTN, the leading telecom utility, ordering 40 kVA DG sets
- Breakthrough in telecom segment and retail market in West African countries contributed to 3% growth in Power Generation segment.
- Made an entry into the two markets in Americas – Nicaragua and Peru, followed by repeat orders
- The company's business in dewatering and Agri Pump set segment in MENA Region grew more than 100% in the current fiscal over the previous year
- Achieved a breakthrough in FMUL fire-fighting engines in Middle East
- Entry into the Russian market with OEM partner for Backhoe Loader.
- Made an entry into the UK market with a new channel partner for industrial Segment, followed by repeat orders

Future outlook

The focus in Financial Year 2016-17 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, the Company has incorporated a 100% subsidiary company "KOEL AMERICAS Corp." in USA, which has become functional in Financial Year 2015-16. Specific engines have been identified for EPA certification, thus making them eligible for sale in the USA. This Company will also focus on expansion in Latin American market as well as FMUL fire pump OEM business.

International Channel Partner meet

F. LARGE ENGINES BUSINESS

The Company's revenue in Financial Year 2015-16 from Large Engines Business stood at ₹ 111 crores, as compared to ₹ 242 crores in Financial Year 2014-15.

The large engine business caters to a niche segment where demand is based on the launch of large government projects and defense power and propulsion requirements which includes energy systems for radars, communication systems, repowering of vehicles, gensets and propulsion engines for defense and commercial marine segment.

In Financial Year 2014-15, with intent to bring greater focus in the Marine and Defense segment, this segment which was earlier catered to by the Power Generation Business Group was transitioned to the Large Engine Business Group.

Business overview

Innovation and new product development remained the prime focus areas to fuel growth. During the year, several initiatives for development were undertaken that included enhanced understanding of customer requirements and development of light weight and compact generating sets. Seven sets of new Light weight Compact Defence DG were developed and displayed at Defence exhibition DEFEXPO 2016 at Goa. Also two Marine applications viz. Firefighting Pump and Compressor were developed with Air cooled HA series Engines and supplied for Projects Coast Guard Offshore Patrolling Vessel and SRI-LANKAN Offshore Patrolling Vessel.

The Company successfully commissioned 4 nos. of 12 cylinder engines on-board INS Kadmat (Project ASW Corvette – 2ND ship) and also retrofit Control system on-board Naval Survey Vessel INS Darshak, which was indigenously designed and developed by the Company to replace original system supplied by foreign supplier.

The Large Engine Business bagged a prestigious order for Design, Development, Supply and Commissioning of two Submarine DG Sets (490 KWe). With this order, it has created one more market segment for Supply of Specialized Submarine DG Sets both within and outside India.

During the year, with a view to enter the Propulsion Market the Company has developed propulsion variants in Medium Engine's DV and SL series. These engines are expected to undergo Type certification by IRS and will be formally launched in Financial Year 16-17 for propulsion of small and mid-size ships. Also, the Large Engines Business booked its first order for Air Cooled Engine (HA series) for Propulsion of ferry craft.

The first export order for supply 12 numbers of 250 kVA and 6 numbers of 87.5 kVA Marine DG sets, to be used for six ships, was received from Western Marine Shipyard, Bangladesh, in the current financial. These sets will be delivered in Financial Year 2016-17.

In line with its strategy of promoting green fuel, the Company has entered into a license agreement with BioCube Corporation Limited, Vancouver, for manufacture, sale and service Biodiesel Plant.

The Company signed a MOU with Anglo Belgian Corporation (ABC) for supply of engines manufactured by ABC on exclusive basis for Indian Railways traction requirements. Additionally, the Company also received its first order for supply of five sets of Auxiliary Power units for Railways.

Future outlook

The Large Engines business will continue to drive its growth in the stationary power plants, defense 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. With development of new light weight and compact DG sets, your company is gearing up in creating new category of DG sets for defense. The Nashik plant will

continue to be the main manufacturing and assembly hub for the business especially with all defense and marine engines and DG sets assembly operating out of the plant.

Defense Expo

RESEARCH AND APPLICATION ENGINEERING

Research is a key component that helps KOEL remain relevant and competitive and drive growth through innovative solutions and enhanced product offerings. Over the years, your Company has set up an excellent R&D facility, operated by a very competent team, which works closely with our businesses to deliver high value to customers. We believe that spends on R&D are investments towards expanding product range 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 benchmarked 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 12 HP power tiller and Ultra-light portable diesel pumpset in the Agri market and 750 kVA and whole range of portable petrol generating sets in DG market were some of the key products launched.

Enhancing existing product lines

High Horse Power Products have been offered in Fire Pump application. FM/UL engines have been launched in European market. Tier III engines have been offered for Backhoe and Forklift application for European market. BSIII emission solution with Inline fuel pump was developed for 4 cylinder and 6 cylinder engines. For meeting export market requirement, flat pack canopy has been added to product portfolio.

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 Diesel and Petrol 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 upgradation product life cycle management is under way

Innovating for a sustainable future

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

- Cost effective emission solution for Tier 4 Final norms
- Design of a new engine platform
- Design optimization methodology based on Three Dimensional Analysis
- Development of special marine application

Future Outlook

The R&D focus will continue towards modernizing and upgrading existing product development facilities and development of new technologies for cost effective emission. New application development,

development for new market and value engineering will form part of the short term goals. Your Company also plans to further enhance the High Horse Power (HHP) range through development of new products. New applications like marine genset and marine propulsion engines for export to developed countries will also be developed. 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

The Company's senior leaders personally interacted with customers gaining valuable insights and accordingly implemented various projects towards improving our product offerings.

Top ten issues were acted upon in all our major product platforms. Initiatives like Mr. Customer and Six Sigma ensured focus on specific quality improvement projects.

As a result, Customer perception on quality of KOEL products has improved significantly. The A.C. Neilson Customer Satisfaction Survey confirms **"EXCELLENT"** rating across all KOEL products offered in the Power Generation and Industrial segments.

The Customer complaints show a continuously declining trend and the internal PPM level is also well in control.

Supplier Quality Improvement initiatives are further strengthened towards achieving reduced non-conformance levels.

SUPPLY CHAIN

The Company's supply chain objective has been to be a proactive and agile value adding partner to the businesses. Over the last couple of years, the entire supply chain, which includes, material procurement, inbound logistics, subcontracting, material handling and storage of finished product has undergone a sea change. From a forecasting model, the Company has transitioned to a pull based system, modelled along the lines of "Theory of Constraints". This methodology adopted by your company in Supply Chain planning has won accolades from no less than the Association of Management consulting Firms, at a function held in New York, last year.

The net result is that the entire supply chain now works as a seamless, well-oiled machine with greater agility and adaptability, thereby rendering itself more amicably to cater to demand fluctuations. This change over has helped the organisation in multiple ways, amongst them following are some of the noteworthy outcomes:

- Improved Customer and Supplier satisfaction
- Substantial improvement in OTIF orders
- Delivery to Market in 7 days
- Stable Raw Material inventories throughout the operating period
- Remarkable improvement in Cash-to-cash cycle
- Reduction in working capital requirements

A great deal of work has also been done in the area of supplier integration. A structured approach has been adopted to capitalize on the capabilities of our vendor partners and ensure that they are totally aligned and integrated in our new product development and improvement processes. Towards this, several vendor training programs like Six Sigma, Value Stream Mapping and SMED were conducted to enhance their skill sets and enable them handle

complex situations. In addition, regular programs on PPAP, cutting tools, energy cost optimisation, GD&T, MSA etc. were imparted to augment supplier skillsets.

Supplier partnership is very important to build a strong supply chain. Having identified the need of hand holding the suppliers in our growth journey, special emphasis was laid on developing the entrepreneurial skill of a select group. A customized program for MSME Suppliers under the aegis of the "Samwardhan" was launched along with SPJIMR Mumbai. This program which had been designed to transform the owner's perspective from a technocrat to that of an entrepreneur. The initiative and program has been well received by the Supplier fraternity.

As a practice of Share, Learn and Apply, as in previous years, the annual Supplier Quality Improvement contest was organised. This is now a well-accepted and appreciated platform amongst the supplier fraternity to Share, Learn and Apply the prowess's of the participating Supplier Partners and eventually improving the Supply Chains adeptness.

In the quest for remaining competitive and relevant the supply chain team constantly innovates and works extensively on VAVE projects. This is now a well engrained process that goes through an elaborate stage gate process to ensure that while costs are optimized, it's never at the expense of quality.

Many green sourcing initiatives were taken forward in last year which were focused on recycle and reuse. Projects on Supplier awareness and reduction on use of natural resources were deployed.

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY (EHS)

During the year, numbers 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

- Air Pollution stacks (16 nos.) were removed as per statutory requirements due to change in manufacturing layout
- Treatability Study of Effluent Treatment Plant
- Generated waste sent to Maharashtra Enviro Power Limited (Central Hazardous Waste Treatment Storage and Disposal Facility)

Occupational Health initiatives

- Blood donation camp
- Eye check-up camp for employees with refraction correction and vision test
- Lecture on diet and weight control
- Periodical Medical examination of all employees
- Women's Health Check-up Camp

Safety Initiatives

- Conducted Fire Extinguisher Adequacy Survey

Kagal Plant

Environment initiatives

- Solar LED Lighting system installation at Effluent Treatment Plant
- Additional storage ponds for rain water harvesting system
- Use of harvested Rainwater for new mass plantation area
- Use of returnable plastic bins instead of corrugated boxes for packing for finish components
- Modification in Effluent Drainage and Distribution system for smooth distribution of effluent

- Canteen waste water pipeline connected to ETP at KMW plant
- Installation of mist collector for crankcase line
- Renovation to Paint Booth trench and chamber to avoid land contamination due to overflow of paint effluent
- Extension of Vermi-compost system to consume vegetable waste

Occupational Health initiatives

- Blood donation camp where, 429 employees donated blood
- Ongoing Tool Box Talk covering health related topics viz. Swine Flu, High Blood Pressure, Diabetes, Heart Attack, Cholesterol, Hepatitis A and B, Effects of Alcohol, III Effects of Smoking and HIV/AIDS, effects of Tobacco Chewing etc.
- Annual medical check-up for all employees

Safety Initiatives

- Annual Safety Audit
- Safety Awareness for visitors
- On-going Tool Box Talk covering safety related topics such as manual material handling and prevention of finger injuries

Nashik Plant

Environment initiatives

- PUC checkup Camps
- Workshop on Recycling and Degradation of Bio-medical waste at MVP's Medical College, Nashik.
- Workshop on 'Green Career' for 10th Std. Students
- Tree Plantation at Municipal Corporation School, Factory premises etc. on World Environment Day

Occupational Health initiatives

- Eye Checkup Camp for all employees
- Annual Medical Checkup
- Lecture on "Disorders and Issues of Digestive System"
- Blood donation Camp where 71 employees donated blood

Safety Initiatives

- First Aid and Fire Fighting awareness training

Rajkot Plant

Environment initiatives

- Implementation of oil trays to collect waste oil and recycle
- Installation electromagnetic base flow meters at ETP inlet and outlets
- Installed Heavy duty microprocessor based switch gears for electrical distribution
- Auto Mains Failure (AMF) Panel for emergency lighting system

Occupational Health initiatives

- Blood donation camps organised
- Awareness Session on Diabetes, Hyper-tension and Obesity
- Annual Medical Checkup

Safety Initiatives

- On the Job Safety training for Nail gun operators in Packaging section
- Safety awareness program for safety managers

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company's Human Resource (HR) agenda continued to focus on strengthening the four identified key areas: building a robust talent pipeline, enhancing individual and organisational capabilities for future readiness, driving employee engagement and strengthening employee relations further through progressive people partnerships.

To build a competent workforce, Individual Development Plans were made based upon skill gap

analysis and necessary inputs were imparted to individual managers to ensure that your organisation is future ready.

With a view to bring about and sustain the required cultural transformation, leadership programs like KOEL Way of Management which aims at improving the emotional quotient (EQ) were conducted for Senior Managers and above. The other major developmental intervention was doing a sales leadership program (Project Velocity) for all the Sales Managers of Power Generation business by renowned and respected consultants.

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. Rewards and Recognition has been getting more importance with the business dynamism increasing day by day. Your Company introduced three more programs – Extra Mile Sprinter, Above and Beyond and KOEL Care Star to recognize employees who stretched themselves to surpass their targets.

The 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. In addition to an external engagement survey, HR got additional insights by meeting people and conducting interviews in a structured manner. This was called RAG Tag survey and depending on the feedback, necessary actions were initiated. Through a systematic process of periodic review of our HR Policies, HR introduced Special Leave Types like Paternity Leave, Bereavement Leave and Transfer Leaves.

The Management Trainee Program gained further momentum with next batch of Management Trainees being hired from premier institutes like IIMs, ISB, ICWAI, NID and the IITs. These trainees were successfully put through a rigorous induction program, post which they were / are placed in key positions.

To promote gender diversity and further to enactment of 'Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013', a series of sessions were conducted by an external agency to cover all employees. These measures reaffirm your Company's commitment to creating and fostering the right environment for its employees.

The Company continues to maintain healthy and harmonious industrial relations across all its manufacturing plants and offices. As on 31 March 2016, there were 2427 employees on the Company's roll. Some of significant events which took place during the year include:

- Signing of 8th wage settlement agreement for plant located at Pune, prior to expiry of the earlier settlement, without losing a single man-day
- 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 floors. The whole-hearted involvement of employees in various initiatives like Kaizens, ENCON, Quality, Safety and WASH are few examples
- Health and wellbeing 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
- 'Sanvedana Rally' carried out in Sangali and Kolhapur district to create awareness on HIV/Aids
- Support for Kirloskar Foundation's WASH initiatives such as clean drinking water, use of toilets and hand wash where 121 employees worked as volunteers in 30 schools over 3297 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
- Sponsorship of Akanksha Center at Sangvi, Pune.
- Sponsorship of 80 orphans / deprived children
- Computer Training programs
- Distribution of school material viz. bags, boxes, pens and pencils etc. to needy primary school children from the community
- Teachers training programs

Environment

- Tree plantations in all communities
- PUC Check-up camps in communities
- 'Hasat Khelat Paryavaran', a program for school children in Pune and Kagal
- Energy Conservation (ENCON) Initiatives for school children at all locations
- Kirloskar Vasundhara International Film Festival at all locations
- Workshops on Environment Awareness and Waste Management

Livelihood

- Income Generation Activities for capability building and livelihood.
- Vocational Training Program for Youth.
- Farmers' Awareness Program at Kagal on farm-prosperity measures

Capability building through specially designed ITI training to 22 educated unemployed youths in the communities around Kagal Plant.

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

FINANCE, ACCOUNTS, LEGAL AND SECRETARIAL

Over the last couple of years, while overall economic climate has not been very conducive and this is reflected in the slow pace of your Company's growth, several initiatives have been taken cutting across the length and breadth of the organization to ensure that your Company is future ready and geared to accelerate its growth strategy with prospects of a better economic and industrial climate. With zero debt

and excellent working capital management, coupled with prudent deployment of surplus funds, the Company's Balance Sheet remains strong.

The transformation agenda embarked upon by the finance department a couple of years ago now renders itself to partnering the business with a lean and efficient structure. IT enablement of erstwhile manual systems have ensured speed with accuracy at reduced cost.

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

The Company has a strong and independent internal audit function which works on a co-sourced model together with a leading audit firm to perform internal audits based on comprehensive risk based audit plan. The audit plan is approved by the Audit Committee. Significant observations made by the internal audit team and the follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

The Company's IT enabled internal audit process is commensurate with the nature of its business, size and complexity of its operations. The IT enabled system facilitates effective internal control testing, reporting and tracking remediation. The Company uses the control self-assessment (CSA) as a key tool for assessing the robustness of controls.

The Company's Enterprise Risk Management process (ERM) operates on a framework which addresses business and enterprise risks faced by the Company. The framework, through its activities of risk identification and assessment, mitigation and reporting, ensures that risks are evaluated in the context of all significant internal and external environments, systems, circumstances and stakeholders. The Internal Audit Department facilitates periodic review of key risks faced by the Company and assesses its impact on strategic decisions and mitigation measures. Based on these reviews, certain risks are revised and mitigation plans are reviewed.

The Company's ERM process is IT enabled and supports risk assessments, maintains risk registers with mitigation plans.

AWARDS, RECOGNITIONS AND CERTIFICATIONS

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

- 'Star Performance Award' conferred by the Engineering Export Promotion Council (EEPC) for the seventh consecutive year. The award was presented by Mr. Suresh Prabhu, Union Minister for Railways
- Recognized as the Top 25 innovative organization in India, in Farm Mechanization Sector, by the Confederation of Indian Industry (CII)
- "GreenCo Gold" rating received from CII for the Kagal plant
- 16th National Award for "Excellence in Energy Management 2015" from CII
- Global Spotlight Award for Supply Chain Excellence received by the Power Generation Division, from The Association

of Management Consulting Firms - AMCF 2015 at an award function held in New York

- "Quality Excellence in Procurement Award" received at the 9th Express, Logistics and Supply Chain Conclave held in Mumbai
- Second winner of National Level Award in General Category received from Bureau of Energy Efficiency, New Delhi
- First Prize winner of State Level ENCON Competition by Maharashtra Energy Development Agency (MEDA), consistently for 3 years at state level
- 'Breakthrough Product Innovation in R&D' received for the MEGA T at the AIMA Innovation Practitioner Summit 2015
- Pragati and Akshay Quality Circle won "Par Excellent Award" at NCQC National Level and also bagged Gold Award at QCFI PUNE Chapter in Quality Circle.

RISKS, OPPORTUNITY AND THREATS

The Company endeavors to address risks and opportunities as part of its overall strategic planning process rather than as a standalone exercise. While this is a dynamic exercise, some of the risks, opportunities and threats in the Company radar are detailed below:

Risks

- Product portfolio having high dependence on favourable external environment and economy for top line growth likely to result in severe top and bottom line pressure in a recessionary market situation
- Delayed or prolonged monsoon will hamper Farm Irrigation and Farm Mechanization products
- Currency devaluation in several countries across the globe will put pricing pressure on exports
- Alternate forms of energy like solar and wind could hamper traditional Power Generation sales

Opportunities

- GDP growth is expected to rise to 7.6 per cent in Financial Year 2016 as compared with the revised estimates of 7.2 per cent in the previous year, aided largely by growth in the manufacturing sector
- The Make in India campaign with its objective of raising the growth rate in the manufacturing sector has begun to make an impact
- The manufacturing sector is healthy and could be ascribed to the significant fall in inputs costs following the collapse of global commodity prices
- Government's commitment to speed up implementation of projects in infrastructure, road construction and mining businesses will have direct bearing on Industrial segment sales
- Mechanisation opportunities in the Agri and allied business

Threats

- Low entry barriers in domestic and International markets, rendering itself vulnerable to price predation
- Technology related disruptions may hamper long term growth with respect to existing product line. Government providing support to non-conventional sources of energy will also have an impact
- Chinese players delivering low cost products will affect domestic market share

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 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 Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as SEBI Listing Regulations, 2015). The Board comprised of 12 directors as on 31 March 31 2016. 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 (including Woman Director)	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 2015-16, the Board met 5 times on 8 May 2015, 7 August 2015, 28 October 2015, 27 January 2016 and 9 March 2016.

  The Annual General Meeting of the Company was held on 7 August 2015.

- **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 Committees of the Board, review of internal control framework and risk management etc. The required information as enumerated in Part A of Schedule II of SEBI Listing Regulations, 2015 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 2015-16 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 2016 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 *	5	1	–	5	Yes	NA
2	Gautam A. Kulkarni *	1	–	–	5	Yes	NA
3	Nihal G. Kulkarni *	3	–	2	5	Yes	NA
4	Rajendra R. Deshpande	2	–	–	5	Yes	NA
	Non-Executive and Non Independent Director						
5	Rahul C. Kirloskar *	4	–	2	5	Yes	1,77,32,902
6	Gauri Kirloskar *	–	–	–	5	Yes	–
	Non-Executive and Independent Directors						
7	Pratap G. Pawar	5	3	1	5	Yes	5,355
8	R. Srinivasan	6	3	2	5	Yes	3,750
9	M. Lakshminarayan	6	1	1	4	Yes	–
10	Mahesh Chhabria	3	–	1	5	Yes	11,552
11	Pradeep R. Rathi	8	1	5	3	Yes	–
12	Vinesh Kumar Jairath (appointed w.e.f. 27 January 2016) #	4	2	3	2	NA	–
13	Dr. Naushad D. Forbes (resigned w.e.f. 19 February 2016) #	–	–	–	Nil	No	9,000

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 Regulation 26 of the Listing Regulations, 2015.

\# 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 Chairperson of more than 5 Committees in all public limited Companies whether listed or not in which he is 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 has familiarization programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company etc. The details of familiarization programme imparted to the Independent Directors are available on the website of the Company. (web-link - http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/Directors-Familiarisation-Programme-KOEL.pdf)

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 Regulation 18 of SEBI Listing Regulations, 2015.

During Financial Year 2015-16, 4 meetings of the Committee were held on 8 May 2015, 7 August 2015, 28 October 2015 and 27 January 2016.

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 and Independent	4
3	Pratap G. Pawar	Non-Executive and Independent	4
4	Rahul C. Kirloskar	Non-Executive and Non Independent	4
5	Mahesh Chhabria	Non-Executive and Independent	4

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

The role/terms of references of Audit Committee broadly include:

i. Reviewing with the management, the quarterly / annual financial statements before submission to the Board for approval;

ii. Recommendation for appointment of statutory and cost auditor and their remuneration;

iii. Review of Internal audit reports relating to internal control weaknesses and discussion with internal auditors any significant findings and follow up there on and

iv. 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. Modified opinion(s) in the Draft Audit Report.

v. All other terms/role as specified under Section 177 of the Companies Act, 2013 and SEBI Listing Regulations, 2015.

2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of 3 Non-Executive Directors, majority of who are Independent. The composition is in conformity with Regulation 19 of SEBI Listing Regulations, 2015.

During Financial Year 2015-16, 1 meeting of the Committee was held on 4 May 2015.

The composition of the Committee and attendance at meeting is given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Mahesh Chhabria (Chairman)*	Non-Executive and Independent	NA
2	M. Lakshminarayan	Non-Executive and Independent	Nil
3	Rahul C. Kirloskar	Non-Executive and Non Independent	1
4	Dr. Naushad Forbes (Chairman)**	Non-Executive and Independent	1

* Appointed as a Member and Chairman with effect from 9 March 2016.

** Resigned as a Director of the Company with effect from 19 February 2016.

The role/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 SEBI Listing Regulations, 2015, 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.

vi. All other terms/role as specified under Section 178 of the Companies Act, 2013 and SEBI Listing Regulations, 2015.

Criteria of Performance Evaluation of Independent Directors

The Nomination and Remuneration Committee lays down the criteria for performance evaluation of Director. 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.

3. Stakeholder Relationship Committee

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 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

During Financial Year 2015-16, no meetings of the Committee were held.

Status of Investor's Complaints as on 31 March 2016 and reported under Regulation 13 of SEBI Listing Regulations, 2015 is as under:

Complaints as on 1 April 2015	0
Received during the year	6
Resolved during the year	4
Pending as on 31 March 2016	2 *

* As on 18 May 2016, 2 unresolved complaints received through SEBI SCORES System, were resolved.

The Company had no share transfer requests pending as on 31 March 2016.

Name, designation and address of Compliance Officer
Ms. Smita A. Raichurkar, Company Secretary
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
Designated email ID for Investors: investors@kirloskar.com

The Company has displayed same ID on its website for the use of investors.

C. REMUNERATION TO DIRECTORS

The Company has adopted a Nomination and Remuneration Policy for the Directors, Key Managerial Personnel and Senior Management Personnel which is uploaded on website of the Company.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Executive Directors. The Board based on recommendation of Nomination and Remuneration Committee, 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 based on recommendation of Nomination and Remuneration Committee 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 & 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 2015-16:

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	20,00,000	32,40,000	38,44,335	1,00,00,000	-	3,10,84,335
2	Gautam A. Kulkarni	1,20,00,000	20,00,000	32,40,000	20,15,657	1,00,00,000	-	2,92,55,658
3	Nihal G. Kulkarni	84,00,000	20,00,000	22,68,000	63,36,266	1,40,00,000	-	3,30,04,266
4	Rajendra R. Deshpande	82,86,667	13,23,333	22,37,400	2,50,868	1,25,00,000	-	2,45,98,269
	Non- Executive Directors							
5	Rahul C. Kirloskar	-	-	-	-	10,80,000	5,25,000	16,05,000
6	Pratap G. Pawar	-	-	-	-	9,60,000	4,75,000	14,35,000
7	R. Srinivasan	-	-	-	-	9,00,000	4,50,000	13,50,000
8	M. Lakshminarayan	-	-	-	-	2,40,000	2,00,000	4,40,000
9	Gauri Kirloskar	-	-	-	-	3,60,000	2,75,000	6,35,000
10	Mahesh R. Chhabria	-	-	-	-	9,00,000	4,50,000	13,50,000
11	Pradeep R. Rathi	-	-	-	-	1,80,000	1,50,000	3,30,000
12	Naushad D. Forbes@	-	-	-	-	1,20,000	50,000	1,70,000
13	Vinesh Kumar Jairath @@	-	-	-	-	1,20,000	1,00,000	2,20,000
	Total	**4,06,86,667**	**73,23,333**	**1,09,85,400**	**1,24,47,128**	**5,13,60,000**	**26,75,000**	**12,54,77,528**

@ Resigned as Director with effect from 19 February 2016
@@ Appointed as Director with effect from 27 January 2016

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 3 years are as under:

During FY	Date	Time	Type of Meeting	Venue	Special Resolutions passed
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
2015-16	7 August 2015	11.30 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	-

RESOLUTION PASSED BY POSTAL BALLOT

No special resolution passed by way of Postal Ballot during Financial Year 2015-16. No special resolution is proposed to be passed at the ensuing Annual General Meeting by way of postal ballot.

E. PARTICULARS OF APPOINTMENT / RE-APPOINTMENT OF DIRECTORS

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

F. MEANS OF COMMUNICATION

a. Quarterly results

The Quarterly and Half Yearly results are published in national and local dailies such as Business Standard (English all quarters) 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**

b. 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.

c. 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, corporate announcements etc. are filed electronically on NEAPS and the Listing Centre of BSE.

G. GENERAL INFORMATION FOR SHAREHOLDERS

a. Annual General Meeting

Corporate Identification Number (CIN)	L29120PN2009PLC133351 (Registrar of Companies, Pune)
Annual General Meeting	Date and Day : 5 August 2016, Friday Time : 11.45 A.M. Venue : Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001
Financial Year ended	31 March 2016
Book Closure	3 August 2016 to 5 August 2016 (Both days inclusive)
Dividend Payment Date	Interim Dividend @ 250% i.e. ₹ 5/- per share paid on 29 March 2016.
Last date of receipt of proxy forms	3 August 2016, before 11.45 A.M. at Registered Office of the Company
Financial Calendar 2015-16	During Financial Year 2015-16 the results were announced as under: First quarter : 8 May 2015 Second quarter : 28 October 2015 Third quarter : 27 January 2016 Fourth quarter : 18 May 2016
International Security Identification Number (ISIN)	INE146L01010
Name of Stock Exchange and Stock Code	1. BSE Limited (BSE) – 533293 2. National Stock Exchange of India Limited (NSE) – KIRLOSENG
Listing fees	The Annual Listing fee for Financial Year 2015-16 has been paid to BSE and NSE, where the Company's shares are listed.

b. Shareholding Pattern as on 31 March 2016

Category	No. of shares of ₹. 2/- each	% of Share holding
Promoter and Promoter Group	8,57,62,905	59.30
Foreign Institutional Investors (FII)	1,77,94,860	12.31
Foreign National	11,257	0.01
Individuals	2,65,12,885	18.33
Insurance Companies	58,39,020	4.04
Financial Institution and Banks (FI & Banks)	54,57,144	3.77
Mutual Fund	14,61,617	1.01
Bodies Corporate	13,39,888	0.93
NRIs	3,74,051	0.26
Others	60,234	0.04
TOTAL	**144,613,861**	**100.00**

c. Distribution of shareholding as on 31 March 2016

Range of Shares	No. of shareholders	No. of Shares	% to total shares
1- 500	25806	1396465	0.97
501-1000	3254	1193272	0.83
1001-5000	6349	6826074	4.72
5001-10000	991	3437911	2.38
10001-20000	477	3375422	2.33
20001-30000	137	1676477	1.16
30001-40000	67	1161027	0.80
40001-50000	39	881006	0.61
50001-100000	68	2431220	1.68
100001-Above	76	122234987	84.53
Total	**27278**	**144613861**	**100.00**

Dematerialisation of shares and liquidity (as on 31 March 2016)	136,663,812 Equity Shares (94.50%)
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.

d. Market Price Data

Monthly high / low share prices during the year 2015-16 on the BSE and NSE are as below:

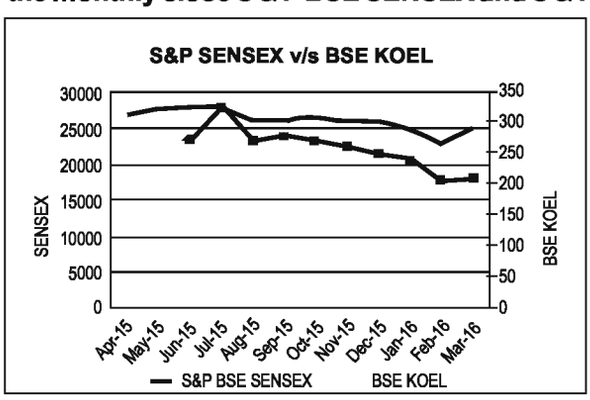
BSE

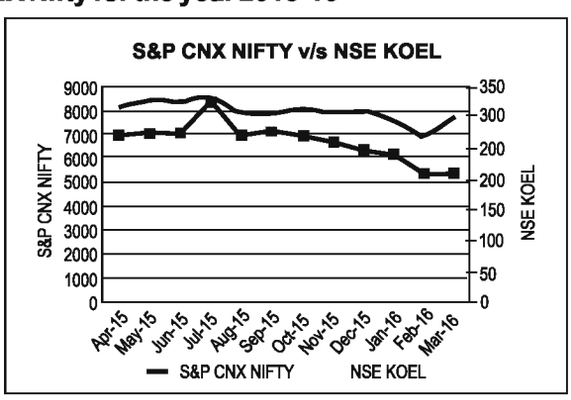
Month	High Price	Low Price
Apr-15	295.00	261.95
May-15	290.85	257.70
Jun-15	280.15	262.00
Jul-15	330.00	273.00
Aug-15	344.00	260.25
Sep-15	348.00	262.20
Oct-15	301.20	271.00
Nov-15	282.00	259.00
Dec-15	268.85	230.00
Jan-16	255.00	217.55
Feb-16	239.70	199.20
Mar-16	225.25	205.00

NSE

Month	High Price	Low Price
Apr-15	294.85	261.00
May-15	289.90	258.10
Jun-15	280.05	245.70
Jul-15	332.00	271.10
Aug-15	345.05	260.10
Sep-15	349.85	260.05
Oct-15	301.95	270.15
Nov-15	277.90	250.50
Dec-15	275.00	229.60
Jan-16	257.95	217.50
Feb-16	245.80	200.00
Mar-16	225.50	205.25

Performance of monthly close price of the Company's Scrip on the BSE and NSE as compared to the monthly close S & P BSE SENSEX and S & P CNX Nifty for the year 2015-16





e. 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. The details of transfer/transmission of shares are placed before the Board on regular basis.

Pursuant to the Listing Agreement / SEBI Listing Regulations, 2015, 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 share certificates, transmission procedure, change of address, NECS form, Nomination Form, information about shares allotted pursuant to the Scheme of Arrangement for Demerger / Composite Scheme etc. are uploaded on the Company's website under tab Investors' Relations.

f. Address for correspondence

Registrar and Share Transfer Agent

The Company had appointed Link Intime India Private Limited as Registrar and 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

g. Plant Locations

Sr. No.	Location	Address	Products manufactured
1	Pune	Laxmanrao Kirloskar Road, Khadki, Pune – 411 003	Engines
2	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 - (KMW Unit) - Plot No. E -18, Opp. M/s Soktas India Limited, Kagal-Hatkanangale 5 Star Industrial Area, Dist. – Kolhapur	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
3	Nasik	A-11/1, MIDC, Ambad, Nashik - 422 010	Engines and Gensets
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	
5	Bhare	Plot No. 10 A, Gat No. 405, Village – Bhare, Tal. Mulshi, Dist. Pune – 412115	Gensets and Pumpsets

H. DISCLOSURES

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of SEBI Listing Regulations.

This Report on Corporate Governance of the Company for the Financial Year 2015-16 is in compliance with the requirements of Corporate Governance under Clause 49 of the Listing Agreement with BSE Limited / National Stock Exchange of India Limited or SEBI Listing Regulations, 2015, as applicable.

a. Related Party Transactions

There are no materially significant related party 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 31 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 website of the Company. (Web-link -http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/Policy_on_Related_Party_transaction.pdf)

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. Vigil Mechanism / Whistle Blower Policy

The Company has a Vigil Mechanism / Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement etc. 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 is uploaded on the website of the Company.

d. Policy on material subsidiary

As on 31 March 2016, the Company's subsidiary is not a material subsidiary as per provisions of SEBI Listing Regulations, 2015. The Board of Directors had formulated a Material Subsidiary Policy which is available on the website of the Company. (Web-link - http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/Policy_on_Material_Subsidiaries.pdf)

e. Disclosure of commodity price risk and commodity hedging activities

The Company manages the foreign exchange risk and hedge to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in Note No. 31 (2.9B) to the Annual Accounts.

f. 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 18 May 2016.

h. Disclosure with respect to unclaimed shares

The Company has sent two reminders to those shareholders, whose share certificates have returned undelivered by the postal authorities due to insufficient / incorrect information and are lying with the Company. The Company will be sending third reminder letter in due course.

As on 31 March 2016, the total unclaimed equity shares are 56,90,478.

g. Non-Mandatory / discretionary requirements

The extent of adoption of non-mandatory / discretionary requirements is as follows:

i. 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.

ii. Audit qualifications

There are no audit qualifications on the financial statements.

iii. 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.

iv. The position of Chairman and Managing Director is separate.

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

The members of Kirloskar Oil Engines Limited

I hereby declare that all Board members and senior management personnel have affirmed compliance with the Code of Conduct, applicable to them as laid down by the Board of Directors in terms of provisions of Listing Agreement / SEBI (Listing Disclosure and Obligations Requirements) Regulations, 2015.

For Kirloskar Oil Engines Limited

Sd/-

Place: Pune
Date: 18 May 2016

Nihal G. Kulkarni
Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
THE MEMBERS OF
KIRLOSKAR OIL ENGINES LIMITED

We have examined the compliance of conditions of Corporate Governance by **KIRLOSKAR OIL ENGINES LIMITED** ('the company'), for the year ended 31st March 2016, as stipulated in clause 49 of the Listing Agreement ('Listing Agreement') of the Company with the stock exchanges for the period 1 April 2015 to 30 November 2015 and as per the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15(2) of the Listing Regulations for the period 1 December 2015 to 31 March 2016.

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

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

We further state that such compliance is neither an assurance as to 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: 18th May, 2016

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, 2016, and the Statement of Profit and Loss and 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 referred to in section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;

(b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub section (11) of section 143 of the Companies Act, 2013, we give in the Annexure a statement on the matters specified in 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 purpose 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 Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014;

   e. On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164(2) of the Companies Act, 2013.

   f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

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

      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements. Refer Note 31 (2.1) to the financial statements.

      ii. The company did not have any long term contract including derivative contract 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 No.: 117695

Pune
Date: 18th May, 2016

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 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.

(c) According to records of the company examined by us the title deeds of immovable properties are held in the name of the company.

(ii) 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. As informed to us, the discrepancies noticed on verification between physical stock and book records were not material.

(iii) As informed to us, the company has not granted secured or unsecured loan to other companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a) (b) and (c) are not applicable to the company.

(iv) The Company has not entered into any transaction which attracts the provisions of section 185 and 186 of the Companies Act, 2013.

(v) In our opinion and according to information and explanation given to us, the Company has not accepted public deposits, hence the directive 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 information and explanation given to us and the records of the company examined by us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including income tax, service tax and 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, 2016, for a period more than six months from the date they became payable except services tax of ₹. 0.06 Crs (Since Paid)

(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, 2016 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	0.58	2006-2008 2015-2016	Tribunal
	Non receipt of Forms disallowance of claims	7.72	2004-2006 & 2008-2011 2012-2013	Appellate authority Up to Commissioner level
Service Tax Laws	Disallowance of credit	0.03	2007-2010	High Court
		0.51	2005-2012	Tribunal
		0.68	2001-2008, 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	0.65	1996-1997, 2005-2008, 2011-2013	Appellate authority Up to Commissioner level
Custom Laws	Dispute related to exemption and other matters	0.86	1994-1997, 2011-2012	Appellate authority Up to Commissioner Level
Octroi	Demand of differential Octroi	3.66	2002-2008	Civil Court

(viii) In our opinion and according to information and explanations given to us, the company has not taken any loan or borrowing from a financial institution, bank, government and also not issued debentures. Accordingly, the Provisions of clause 3(viii) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.

(ix) According to the information and explanation given to us, the company has not raised money by way of initial public offer or further public offer (including debt instrument) and not availed term loan during the year. Accordingly, the Provisions of clause 3(ix) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.

(x) 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.

(xi) According to the information and explanation given to us, the company has paid managerial remuneration

within the limit prescribed under section 197 of the Companies Act, 2013. Accordingly no requisite approval is required to be sought.

(xii) In our opinion, the company is not a Nidhi company. Accordingly, the provisions specified in Paragraph 3(xii) of Companies (Auditor's Report) order, 2016 are not applicable to the company.

(xiii) According to the information and explanation given to us and in our opinion transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 and requiste details have been disclosed in the Financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanation given to us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures for raising funds during the year. Accordingly, the provisions of clause 3 (xiv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.

(xv) According to the information and explanation given to us, the company has not entered into a non-cash transaction with any of the directors or persons connected with directors. Accordingly, the provisions of clause 3 (xv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.

(xvi) In our opinion, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 , Accordingly, the provisions in Paragraph 3(xvi) of Companies (Auditor's Report) order, 2016 are not applicable.

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

Nachiket Deo
Partner
Membership No.: 117695

Pune
Date: 18th May, 2016

Annexure A to the Independent Auditor's Report of even date on the Standalone Financial Statements of Kirloskar Oil Engines Limited.

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

We have audited the internal financial controls over financial reporting of Kirloskar Oil Engines Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

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

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

Nachiket Deo
Partner
Membership No.: 117695

Pune
Date: 18th May, 2016

BALANCE SHEET AS AT 31 MARCH 2016

₹ in Crs.

Particulars	Note No.	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds		**1,439.75**	**1,341.44**
Share capital	1	28.92	28.92
Reserves and surplus	2	1,410.83	1,312.52
Non-current liabilities		**58.51**	**70.19**
Long-term borrowings		–	–
Deferred tax liabilities (net)	3	17.67	28.89
Other long-term liabilities	4	17.94	16.84
Long-term provisions	5	22.90	24.46
Current liabilities		**460.23**	**520.77**
Short-term borrowings	6	–	–
Trade payables	7	**331.52**	**337.58**
- Total outstanding dues of micro enterprises and small enterprises		3.48	5.16
- Total outstanding dues of creditors other than micro enterprises and small enterprises		328.04	332.42
Other current liabilities	8	95.29	65.94
Short-term provisions	9	33.42	117.25
TOTAL		**1,958.49**	**1,932.40**
ASSETS			
Non-current assets		**625.33**	**680.54**
Fixed assets		**506.24**	**534.91**
Tangible assets	10	445.31	476.61
Intangible assets	11	32.04	36.99
Capital work-in-progress		3.48	5.62
Intangible assets under development		25.41	15.69
Non-current investments	12	3.59	5.25
Long-term loans and advances	13	103.28	108.40
Other non-current assets	14	12.22	31.98
Current assets		**1,333.16**	**1,251.86**
Current investments	15	783.14	871.06
Inventories	16	202.86	171.60
Trade receivables	17	152.16	52.62
Cash and bank balances	18	39.53	25.26
Short term loans and advances	19	118.17	100.23
Other current assets	20	37.30	31.09
TOTAL		**1,958.49**	**1,932.40**

Note 31 is an integral part of the financial statements.

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
Company Secretary

Pune : 18 May 2016

Pune : 18 May 2016

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2016

₹ in Crs.

Particulars	Note No.	2015-16	2014-15
Revenue from operations			
Sale of products		2,550.96	2,577.90
Less : Excise duty		180.98	167.71
Net sale of products		**2,369.98**	**2,410.19**
Sale of services		49.03	63.11
Net sales and services		**2,419.01**	**2,473.30**
Operating income		35.68	33.81
Net revenue from operations	**21**	**2,454.69**	**2,507.11**
Other income	**22**	73.97	58.93
Total Revenue		**2,528.66**	**2,566.04**
Expenses :			
Cost of materials consumed	**23**	1,239.73	1,269.13
Purchases of stock-in-trade	**24**	321.34	362.92
Changes in inventories of finished goods, work-in-progress and stock-in-trade	**25**	(18.02)	(6.35)
Employee benefits expense	**26**	185.55	188.40
Finance costs	**27**	0.06	0.20
Depreciation and amortization expense	**28**	111.50	101.90
Other expenses	**29**	489.18	447.57
Expenses capitalised		(2.82)	(3.16)
Total Expenses		**2,326.52**	**2,360.61**
Profit before exceptional and extraordinary items and tax		**202.14**	**205.43**
Exceptional items [income / (expenses)]	**30**	**(25.48)**	**–**
Profit before tax		**176.66**	**205.43**
Tax expense :		**36.13**	**62.29**
Current tax		**47.35**	**61.04**
For the year		47.62	61.04
(Excess)/short provision related to earlier years		(0.27)	–
Deferred tax		**(11.22)**	**1.25**
Profit (loss) for the period		**140.53**	**143.14**
Basic and diluted earnings per equity share:		**9.72**	**9.90**
(Nominal value per share ₹ 2/-)			

Note 31 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 : 18 May 2016

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
Company Secretary

Pune : 18 May 2016

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

Particulars	2015-16	₹ in Crs. 2014-15
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	**176.66**	**205.43**
Add :		
Depreciation	111.37	101.76
Leasehold land amortised	0.14	0.14
Loss on assets sold, demolished, discarded and scrapped	0.17	0.49
Bad debts and irrecoverable balances written off, net	1.34	2.16
Loss / (Profit) on Revalorisation on Imports	0.55	(0.49)
Loss / (Profit) on Revalorisation on Exports	0.03	(0.26)
Interest paid	0.06	0.20
	113.66	**104.00**
Less :		
Profit on sale of investment (net)	66.90	29.01
Surplus on sale of assets	0.35	0.57
Interest received	1.87	0.48
Sundry Credit Balances Appropriated	0.46	5.07
Provision for doubtful debts and advances written back	9.77	2.72
Provision no longer required written back	2.67	5.53
Dividend received	0.00	21.93
	82.02	**65.31**
Operating Profit before working capital changes		
Adjustments for :	**208.30**	**244.12**
Trade and other receivables - (Incr) / Decr	(61.72)	156.95
Inventories - (Incr) / Decr	(30.10)	(2.13)
Trade and other payables- (Decr) / Incr	22.21	18.20
	(69.61)	**173.02**
Cash generated from operations	**138.69**	**417.14**
Net Cash generated from operations	**138.69**	**417.14**
Direct taxes paid	(44.92)	(77.88)
NET CASH FLOW FROM OPERATING ACTIVITIES	**93.77**	**339.26**
CASH FLOW FROM INVESTING ACTIVITIES		
Add :		
Sale of fixed assets	0.40	1.52
Sale of investments (Net)	158.07	–
Interest received	1.87	0.48
Dividend received	0.00	21.93
	160.34	**23.93**
Less :		
Purchase of investments (net)	–	239.59
Investment in Subsidiary	1.59	–
Purchase of fixed assets	76.53	66.43
	78.12	**306.02**
NET CASH GENERATED FROM INVESTING ACTIVITIES	**82.22**	**(282.09)**
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(0.06)	(0.20)
Final and Interim Dividend Paid	(150.09)	(71.84)
Tax on Final and Interim Dividend	(29.44)	(12.29)
NET CASH USED IN FINANCING ACTIVITY	**(179.59)**	**(84.33)**
Net increase / (decrease) in cash and cash equivalents	**(3.60)**	**(27.16)**
Opening Cash and Cash equivalents	**25.26**	**52.42**
Cash and Cash equivalents received from the Transferor Company under Composite Scheme	**12.71**	**–**
Closing Cash and Cash equivalents (Refer Note 18)	**34.37**	**25.26**

Notes : Cash and Cash Equivalents include unclaimed dividend of ₹ 8.28 Crs (previous year ₹ 2.07 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

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T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Company Secretary

Pune : 18 May 2016

Pune : 18 May 2016

Notes to the Financial Statements

NOTE 01: SHARE CAPITAL

Particulars	As at 31 March 2016		As at 31 March 2015	
	No. of Shares	₹ in Crs.	No. of Shares	₹ in Crs.
Authorised share capital				
Equity shares of ₹ 2 each	270,000,000	54.00	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 approved by Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with order dated 19 March 2010.	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 2016		As at 31 March 2015	
	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 and paid an interim dividend of 250% (₹ 5/- per share) be confirmed as Final Dividend 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 2016		As at 31 March 2015	
	No. of Shares	₹ in Crs.	No. of Shares	₹ in Crs.
Kirloskar Brothers Investments Limited *				
Equity shares of ₹ 2 each	–	–	80,388,514	16.08
Equity share holding percentage		–		55.59

*** Ceased to be Holding Company w.e.f. 30 June 2015**

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

Name of the Shareholder	As at 31 March 2016		As at 31 March 2015	
	No. of Shares	% of shareholding	No. of Shares	% of shareholding
Kirloskar Brothers Investments Limited	–	–	80,388,514	55.59
Atul Chandrakant Kirloskar	18,456,667	12.76	2,654,276	1.84
Gautam Achyut Kulkarni	18,391,027	12.72	2,560,714	1.77
Rahul Chandrakant Kirloskar	17,732,902	12.26	1,923,155	1.33
Nalanda India Fund Limited	10,896,124	7.53	10,896,124	7.53
Kirloskar Industries Limited	8,210,439	5.68	5,506,519	3.81
Alpana Rahul Kirloskar	7,711,817	5.33	4,240,244	2.93
Jyostna Gautam Kulkarni	7,572,631	5.24	3,857,250	2.67

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. 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.

b. Hon'ble High Court of Judicature at Bombay vide its order dated 30 April 2015 had approved the Composite Scheme of Arrangement and Amalgamation (the Composite Scheme) 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 Section of the Companies Act, 2013, to the extent applicable. The said Scheme has been effective from 30 June 2015.

Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in the Company cancelled on account of Cross holdings and same number of equity shares allotted to the shareholders of KBIL on 14 July 2015. In view of the same there is no change in the paid-up capital of the Company pre and post Composite Scheme.

Notes to the Financial Statements

NOTE 2 : RESERVES AND SURPLUS ₹ in Crs.

Particulars	As at 31 March 2016	As at 31 March 2015
Capital reserve		
Subsidy for setting up new industrial unit		
Opening balance	237.23	214.17
Add: Subsidy availed during the year	31.61	23.06
Closing balance	**268.84**	**237.23**
Capital Redemption Reserve		
Opening balance	0.20	0.20
Add: Set aside this year	–	–
Closing balance	**0.20**	**0.20**
General reserve		
Opening balance	594.34	580.03
Add : Set aside this year	14.05	14.31
Closing balance	**608.39**	**594.34**
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	480.75	443.91
Add : Net surplus in the statement of Profit & Loss balance of residual undertaking of Kirloskar Brothers Investments Limited, transferred under Composite Scheme Arrangement and Amalgamation	13.20	–
Add: Profit for the period	140.53	143.14
Balance available for appropriation	**634.48**	**587.05**
Less : Appropriations		
Transition effect of reassessment of useful life on carrying value of fixed assets (net of deferred tax) (Refer note 31[1.4])	–	4.96
Transferred to general reserve	14.05	14.31
Interim Dividend	72.31	–
Tax on Interim Dividend	14.72	–
Proposed dividend	–	72.31
Tax on proposed dividend	–	14.72
	533.40	**480.75**
Total	**1,410.83**	**1,312.52**

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 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:

Notes to the Financial Statements

IPS equivalent to 100% of "Eligible Investments"; or to the extent of 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.

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 ₹ 31.61 Crs for the year (P.Y. ₹ 23.06 Crs) has been credited to the Capital Reserve. Subsidy Receivable as at 31 March 2016 is ₹ 38.71 Crs (P.Y. ₹ 52.90 Crs)

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

Particulars	As at 31 March 2016	As at 31 March 2015
Deferred Tax Liability	**41.79**	**51.23**
Depreciation	41.79	51.23
Less : Deferred Tax Assets	**24.12**	**22.34**
Disallowances u/s 43 B of Income Tax Act	11.22	11.63
Provision for Doubtful debts & advances	4.06	7.40
VRS Compensation	4.24	2.64
Amalgamation/Demerger Expenses	4.25	0.15
Others	0.35	0.52
Total	**17.67**	**28.89**

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

Particulars	As at 31 March 2016	As at 31 March 2015
Deposits from customers and others	17.40	16.84
Advance from others	0.54	–
Total	**17.94**	**16.84**

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

Particulars	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	**14.96**	**17.53**
Provision for gratuity (Refer note 31[2.13])	–	–
Provision for leave encashment (Refer note 31[2.13])	12.66	15.26
Provision for pension and other retirement benefits (Refer note 31[2.13])	2.30	2.27
Other provisions	**7.94**	**6.93**
Provision for warranty (Refer note 31[2.16])	7.94	6.93
Total	**22.90**	**24.46**

Notes to the Financial Statements

NOTE 6 : SHORT-TERM BORROWINGS ₹ in Crs.

Particulars	As at 31 March 2016	As at 31 March 2015
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 2016	As at 31 March 2015
Acceptances	15.25	20.59
Other trade payable (Refer note 31[2.10])	**316.27**	**316.99**
- Total outstanding dues of micro enterprises and small enterprises	3.48	5.16
- Total outstanding dues of creditors other than micro enterprises and small enterprises	312.79	311.83
Total	**331.52**	**337.58**

NOTE 8 : OTHER CURRENT LIABILITIES ₹ in Crs.

Particulars	As at 31 March 2016	As at 31 March 2015
Unclaimed dividends	8.28	2.07
Advance from customers	5.58	10.70
Payables for capital purchases	11.30	10.06
Other payables	**70.13**	**43.11**
Statutory dues including provident fund and tax deducted at source	22.57	7.37
Employee benefits payable	19.28	14.96
Other liabilities	28.28	20.78
Total	**95.29**	**65.94**

Notes to the Financial Statements

NOTE 9 : SHORT-TERM PROVISIONS		₹ in Crs.
Particulars	**As at 31 March 2016**	**As at 31 March 2015**
Provision for employee benefits	**13.87**	**14.99**
Provision for gratuity (Refer note 31[2.13])	3.82	4.76
Provision for leave encashment (Refer note 31[2.13])	9.75	9.91
Provision for pension and other retirement benefits (Refer note 31[2.13])	0.30	0.32
Others	**19.55**	**102.26**
Provision for warranty (Refer note 31[2.16])	19.55	15.23
Proposed dividend	–	72.31
Tax on proposed dividend	–	14.72
Total	**33.42**	**117.25**

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 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
Additions	-	-	20.59	27.69	11.66	0.75	2.15	0.94	6.94	0.08	70.80
Deductions / Amortization	0.00	0.14	1.00	5.97	0.28	0.30	-	0.09	4.94	-	12.72
As At 31 Mar 2016	**-**	**11.69**	**159.97**	**893.60**	**28.10**	**10.43**	**37.38**	**5.27**	**58.96**	**35.50**	**1,240.90**
Depreciation											
Upto 31 March 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 carrying value of fixed assets (Note 31.1.4)	-	-	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
For The Year	-	-	6.34	76.07	1.91	1.46	2.86	0.57	8.31	4.21	101.73
Deductions / Amortization	-	-	1.00	5.76	0.27	0.30	-	0.09	4.93	-	12.35
As At 31 Mar 2016	**-**	**-**	**36.43**	**658.23**	**11.69**	**5.80**	**19.51**	**3.64**	**41.57**	**18.72**	**795.59**
Net Block											
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
As At 31 Mar 2016	**-**	**11.69**	**123.54**	**235.37**	**16.41**	**4.63**	**17.87**	**1.63**	**17.39**	**16.78**	**445.31**

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 31.1.4).
3. Assets held for Disposal having Written Down Value of Rs 39,566 is disclosed in current year under Deduction/Amortisation and transferred to Current Asset.
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 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
Additions	-	-	-	3.71	4.61	-	-	-	-	-	8.32
Inter Transfers- Net	-	-	-	(0.14)	-	-	-	-	-	-	(0.14)
Deductions / Amortization	-	-	-	0.79	-	-	-	-	0.03	-	0.82
As At 31 Mar 2016	**-**	**-**	**-**	**61.23**	**5.13**	**-**	**-**	**0.12**	**1.15**	**1.99**	**69.62**
Depreciation											
Upto 31 March 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
For The Year	-	-	-	5.19	0.09	-	-	0.00	0.09	0.23	5.60
Inter Transfers - Net	-	-	-	(0.15)	-	-	-	-	-	-	(0.15)
Deductions / Amortization	-	-	-	0.76	-	-	-	-	0.03	-	0.79
As At 31 Mar 2016	**-**	**-**	**-**	**33.55**	**0.53**	**-**	**-**	**0.11**	**1.12**	**0.80**	**36.11**
Net Block											
As At 31 Mar 2015	-	-	-	29.18	0.08	-	-	0.01	0.12	1.42	30.81
As At 31 Mar 2016	**-**	**-**	**-**	**27.68**	**4.60**	**-**	**-**	**0.01**	**0.03**	**1.19**	**33.51**

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 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
Additions	4.68	-	-	-	4.68
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2016	**35.70**	**11.54**	**5.27**	**18.58**	**71.09**
Depreciation					
As At 31 March 2014	9.08	11.21	3.82	-	24.11
For The Year	3.99	0.04	0.48	0.80	5.31
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2015	13.07	11.25	4.30	0.80	29.42
For The Year	5.28	0.04	0.16	4.15	9.63
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2016	**18.35**	**11.29**	**4.46**	**4.95**	**39.05**
Net Block					
As At 31 Mar 2015	17.95	0.29	0.97	17.78	36.99
As At 31 Mar 2016	**17.35**	**0.25**	**0.81**	**13.63**	**32.04**

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 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
Additions	4.35	-	-	-	4.35
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2016	**10.74**	**10.42**	**-**	**18.58**	**39.74**
Depreciation					
As At 31 March 2014	3.90	10.42	-	-	14.32
For The Year	0.34	-	-	0.80	1.14
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2015	4.24	10.42	-	0.80	15.46
For The Year	0.96	-	-	4.15	5.11
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2016	**5.20**	**10.42**	**-**	**4.95**	**20.57**
Net Block					
As At 31 Mar 2015	2.15	-	-	17.78	19.93
As At 31 Mar 2016	**5.54**	**-**	**-**	**13.63**	**19.17**

NOTE 12 : NON-CURRENT INVESTMENTS

₹ in Crs.

Particulars	Par Value / Face Value Per Unit in ₹ / $	As at 31 March 2016		As at 31 March 2015	
		Nos.	₹ in Crs	Nos.	₹ in Crs.
TRADE					
UNQUOTED EQUITY INSTRUMENTS					
In wholly owned Subsidiary					
KOEL Americas Corp.	0.001 $	50	1.59	–	–
In others					
Kirloskar Proprietary Limited - Equity Share (Fully Paid)	100 ₹	1	0.00	1	0.00
NON TRADE Investments - Unquoted Debt Instrument					
HDFC Group Unit Linked Plan	10 ₹	1,522,045	2.00	3,969,578	5.25
Total			**3.59**		**5.25**

Notes :

1. Aggregate amount of Unquoted Investments 3.59 5.25
2. Face value per unit in Rupees unless otherwise stated.
3. The Company has invested USD 250,000 in "KOEL Americas Corp." (50 Shares of $ 5000 each), incorporated under State of Delaware laws, United States of America and based in Houston, Texas. With this, "KOEL Americas Corp." is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 23 June 2015.

Notes to the Financial Statements

NOTE 13 : LONG-TERM LOANS AND ADVANCES

₹ in Crs.

Particulars	As at 31 March 2016	As at 31 March 2015
Capital advances (unsecured, considered good)	0.97	7.49
Security deposits (unsecured, considered good)	21.84	17.32
Loans and advances to suppliers	–	–
Doubtful	0.04	0.04
Less : Provision	0.04	0.04
	–	–
Loans to employees (unsecured, considered good)	0.96	1.51
Tax paid in advance (net of provision)	79.51	82.08
Total	**103.28**	**108.40**

NOTE 14 : OTHER NON-CURRENT ASSETS

₹ in Crs.

Particulars	As at 31 March 2016	As at 31 March 2015
Long-term trade receivables	–	–
Unsecured, considered good	–	–
Doubtful	11.58	21.34
Less : Provision	11.58	21.34
	–	–
Others	**12.22**	**31.98**
Subsidy receivable for setting up Kagal plant	9.26	27.87
Other bank balances (Deposits with maturity of more than 12 months)	0.03	0.03
Inventories	2.93	4.08
Total	**12.22**	**31.98**

Notes to the Financial Statements

NOTE 15 : CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2016		As at 31 March 2015	
	₹	Nos.	₹ in Crs	Nos.	₹ in Crs
CURRENT PORTION OF LONG TERM INVESTMENT (Valued at Cost)					
HDFC Group Unit Linked Plan	10.00	1,171,840	1.54	2,578,719	3.41
			1.54		**3.41**
OTHER CURRENT INVESTMENT					
INVESTMENTS IN MUTUAL FUNDS					
FIXED MATURITY PLAN - Growth Option					
ICICI Prudential FMP Series 78-95 days plan K Cumulative	10.00	26,005,470	26.01	-	-
ICICI Prudential FMP Series 78-95 days plan M Cumulative	10.00	10,000,000	10.00	-	-
Reliance Fixed Horizon Fund - XXX - Series 9 - Growth Plan	10.00	25,000,000	25.00	-	-
UTI-Fixed Income Interval Fund - III- Quarterly Interval Plan - Growth Plan	10.00	4,982,685	10.00	-	-
			71.01		**-**
LIQUID SCHEME - Growth Option					
Axis Liquid Fund - Growth(CF-GP)	1,000.00	319,556	53.50	226,487	35.00
Axis Banking Debt Fund - Growth(BD-GP)	1,000.00	109,363	15.10	-	-
Birla Sun life Cash Plus - Growth - Regular plan	100.00	4,249,766	103.00	5,405,911	121.05
Birla Sun life Savings Fund - Growth - Regular Plan	100.00	1,734,520	50.68	-	-
HDFC Liquid Fund - Growth	10.00	-	-	37,784,381	104.00
HDFC Floating Rate Income Fund-Short Term Plan-Wholesale Option-Growth	10.00	39,093,177	101.56	-	-
ICICI Prudential Liquid Plan - Growth	100.00	2,236,675	50.00	5,567,427	115.00
ICICI Prudential - Money Market Fund - Growth	100.00	1,770,739	37.00	2,071,253	40.00
ICICI Prudential Flexible Income - Growth	100.00	1,778,651	50.75	-	-
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	131,862	30.00	121,799	25.51
Reliance Liquid Fund - Treasury Plan - Growth Plan - Growth Option	1,000.00	274,492	101.00	276,752	94.09
SBI Premier Liquid Fund - Regular Plan - Growth	1,000.00	210,784	50.00	629,171	138.00
SBI Treasury Advantage Fund - Regular Plan - Growth	1,000.00	60,344	10.00	-	-
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
UTI-Money Market Fund - Institutional Plan - Growth	1,000.00	342,890	58.00	-	-
			710.59		**867.65**
Total			**783.14**		**871.06**

Notes :

1. Aggregate amount of Unquoted Investments 783.14 871.06

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 2016**	**As at 31 March 2015**
Raw materials	**109.96**	**97.55**
Raw materials and components	108.36	97.25
Raw materials in transit	1.60	0.30
Work-in-progress	**23.61**	**12.73**
Finished goods including stock-in-trade	**57.73**	**50.83**
Stores and spares	**11.56**	**10.49**
Total	**202.86**	**171.60**

Work-in-progress		₹ in Crs.
Particulars	**As at 31 March 2016**	**As at 31 March 2015**
Engines between 2.5 HP to 740 HP	5.00	3.65
Generating Sets between 2 - 750 (KwA/kVA)	8.54	1.01
Power Tiller and Parts thereof	1.01	–
Others	9.06	8.07
Total	**23.61**	**12.73**
Included in non-current Inventories (Refer note 14)	–	0.05

Finished goods including stock-in-trade		₹ in Crs.
Particulars	**As at 31 March 2016**	**As at 31 March 2015**
Engines between 2.5 HP to 740 HP	24.49	31.40
Generating Sets between 2 - 750 (KwA/kVA)	5.51	3.46
Goods Traded : Engines and Gensets	1.51	2.16
Goods Traded : K-Oil	3.89	6.00
Goods Traded : Alternators and Batteries	3.64	1.73
Power Tiller and Parts thereof	6.58	0.15
Others	12.11	5.93
Total	**57.73**	**50.83**

NOTE 17 : TRADE RECEIVABLES		₹ in Crs.
Particulars	**As at 31 March 2016**	**As at 31 March 2015**
Outstanding for a period exceeding six months from the date they are due for payment	**10.22**	**–**
Secured, considered good	–	–
Unsecured, considered good	10.22	–
Other receivables	**141.94**	**52.62**
Secured, considered good	–	–
Unsecured, considered good	141.94	52.62
Total	**152.16**	**52.62**

Notes to the Financial Statements

NOTE 18 : CASH AND BANK BALANCES		₹ in Crs.
Particulars	**As at 31 March 2016**	**As at 31 March 2015**
Cash and cash equivalents	**34.37**	**25.26**
Cash on hand	**0.05**	**0.07**
Balance with Bank	**34.32**	**25.19**
Current accounts and cash credit	26.04	23.12
Unpaid dividend accounts	8.28	2.07
Other bank balances	**5.16**	**–**
Deposits with original maturity of more than three months but less than 12 months	5.16	–
Total	**39.53**	**25.26**

NOTE 19 : SHORT-TERM LOANS AND ADVANCES		₹ in Crs.
Particulars	**As at 31 March 2016**	**As at 31 March 2015**
Loans and advance to suppliers (unsecured, considered good)	6.57	5.64
Loans and advance to employees (unsecured, considered good)	0.58	1.23
Balance with collectorate of central excise and customs	9.86	2.91
Sales tax / VAT / service tax receivable (net)	89.92	69.51
Tax Paid in Advance (Net of Provision)	6.24	6.10
Other loans and advances	5.00	14.84
Total	**118.17**	**100.23**

NOTE 20 : OTHER CURRENT ASSETS		₹ in Crs.
Particulars	**As at 31 March 2016**	**As at 31 March 2015**
Export incentive receivable	7.15	6.04
Subsidy receivable for setting up Kagal plant	29.45	25.03
Others	0.70	0.02
Total	**37.30**	**31.09**

Notes to the Financial Statements

NOTE 21 : REVENUE FROM OPERATIONS

		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Sale of products (gross)	2,550.96	2,577.90
Less : Excise duty	180.98	167.71
Net sale of products	**2,369.98**	**2,410.19**
Sale of services	49.03	63.11
Net sales and services	**2,419.01**	**2,473.30**
Operating income	**35.68**	**33.81**
Sale of scrap	8.44	10.67
Cash discount received	0.78	0.66
Commission received	0.41	0.39
Export incentives	11.03	7.01
Refund of sales tax, octroi etc	0.05	0.02
Sundry credit balances appropriated	0.46	5.07
Provisions no longer required written back	2.67	5.53
Provision for doubtful debts and advances written back	9.77	2.72
Miscellaneous receipts	2.07	1.74
Total	**2,454.69**	**2,507.11**

Class of Goods		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Engines between 2.5 HP to 740 HP	1,258.31	1,211.84
Generating Sets between 2 - 750 (KwA/kVA)	320.04	298.90
Generating Sets between 1.6 MW to 4.4 MW	-	105.73
Goods Traded : Engines and Gensets	6.47	32.92
Goods Traded : K-Oil	183.99	195.07
Goods Traded : Alternators, Batteries, Panel and Switchgear	234.26	227.24
Power Tiller and Parts thereof	20.52	2.24
Sale of spares, services and others	395.42	399.36
Total	**2,419.01**	**2,473.30**

NOTE 22 : OTHER INCOME

		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Interest	**4.84**	**5.61**
On income tax refund	2.97	5.13
On others	1.87	0.48
Dividend on short term investments	–	21.93
Profit on Sale of investments	**66.90**	**29.01**
On current investments in Mutual Fund (net)	64.96	28.63
On non-current investments	1.94	0.38
Surplus on sale of assets	0.35	0.57
Miscellaneous income	1.88	1.81
Total	**73.97**	**58.93**

Notes to the Financial Statements

NOTE 23 : COST OF MATERIALS CONSUMED		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Raw materials and components consumed	1,218.07	1,241.50
Freight, octroi and entry tax	21.66	27.63
Total	**1,239.73**	**1,269.13**

Raw materials and components consumed :		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Components	1,217.94	1,236.99
Non-ferrous Metals	0.02	3.25
Steel and Steel Strips	0.11	0.12
Others	–	1.14
Total	**1,218.07**	**1,241.50**

Imported and indigenous raw materials consumption (including components) **:**		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Imported	53.20	82.82
% to total raw material consumption	4.37%	6.67%
Indigenuous	1,164.87	1,158.68
% to total raw material consumption	95.63%	93.33%
Total	**1,218.07**	**1,241.50**

NOTE 24 : PURCHASES OF STOCK-IN-TRADE		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Engines and Gensets	5.40	22.04
K-Oil	114.65	137.09
Alternators and Batteries	201.29	203.79
Total	**321.34**	**362.92**

Notes to the Financial Statements

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

		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Work-in-process	**(10.82)**	**0.97**
Opening inventory	12.79	13.76
Closing Inventory	23.61	12.79
Finished goods including stock-in-trade	**(6.90)**	**(7.60)**
Opening inventory	50.83	43.23
Closing Inventory	57.73	50.83
Changes in inventory	**(17.72)**	**(6.63)**
Increase/(decrease) in excise duty of finished goods	**(0.30)**	**0.28**
Total	**(18.02)**	**(6.35)**

NOTE 26 : EMPLOYEE BENEFITS EXPENSE

		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Salaries, wages, gratuity, bonus, commission, etc	152.80	154.20
Contribution to provident and other funds	14.60	16.31
Welfare and training expenses	17.67	17.31
Provident and other funds' expenses	0.48	0.58
Total	**185.55**	**188.40**

NOTE 27 : FINANCE COSTS

		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Interest expense	0.06	0.20
Total	**0.06**	**0.20**

NOTE 28 : DEPRECIATION AND AMORTIZATION EXPENSE

		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Depreciation and amortization expense	**111.36**	**101.76**
Depreciation on Tangible assets	101.73	96.45
Amortization on Intangible assets	9.63	5.31
Amount written off against leasehold land	**0.14**	**0.14**
Total	**111.50**	**101.90**

Notes to the Financial Statements

NOTE 29 : OTHER EXPENSES		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Manufacturing expenses	**185.79**	**191.42**
Stores consumed (*)	60.43	63.85
Power and fuel	21.04	20.64
Machinery spares (*)	8.76	7.82
Repairs to machinery	6.88	6.65
Job work charges	25.43	18.99
Labour charges	9.96	11.12
Cost of services	35.77	48.93
Others manufacturing expenses	17.52	13.42
Selling expenses	**134.08**	**114.32**
Commission	15.52	13.14
Freight and forwarding	46.59	40.04
Sales warranty claims	38.44	32.08
Royalty	5.95	5.92
Advertisement and publicity	11.63	8.93
Others selling expenses	15.95	14.21
Administration expenses	**169.31**	**141.83**
Rent	38.56	31.39
Rates and taxes	1.05	1.10
Insurance	0.58	0.51
Repairs to building	2.98	2.52
Other repairs and maintenance	25.22	26.42
Traveling and conveyance	25.94	22.73
Communication expenses	5.23	3.90
Printing and stationery	1.47	1.74
Professional charges	34.07	21.29
Auditor's remuneration	0.52	0.51
Donations	0.04	0.20
Spend on CSR activities (Refer note 31[2.20])	4.93	5.37
Non executive directors' fees / commission	0.77	1.99
Miscellaneous expenses	26.56	19.51
Loss on assets sold, demolished, discarded and scrapped	0.17	0.49
Bad debts and irrecoverable balances written off	1.22	2.16
Total	**489.18**	**447.57**

(*) Imported and indigenous stores & spares consumed		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Imported	0.41	0.30
% to total stores & spares consumption	0.59%	0.42%
Indigenuous	68.78	71.37
% to total stores & spares consumption	99.41%	99.58%
Total	**69.19**	**71.67**

Notes to the Financial Statements

NOTE 30 : EXCEPTIONAL ITEMS [INCOME / (EXPENSES)]		₹ in Crs.
Particulars	**2015-16**	**2014-15**
Exceptional expenses	**(25.48)**	**–**
Voluntary Retirement Scheme (VRS) to Team Members (Refer note 31[2.19])	(10.54)	–
Stamp Duty on Composite Scheme of Amalgamation (Refer note 31[2.18])	(14.94)	–
Total	**(25.48)**	**–**

NOTE 31 : NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2016

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 and 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	

- 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.

Componentization of Fixed Assets is mandated by the Company Act, 2013 for the financial year commencing from 1 April 2015. Accordingly the Company has reviewed Fixed Asset block and implemented Component Accounting for its Fixed Assets based on technical evaluation. As a result, depreciation charge has increased by ₹ 4.82 Crs for the year ended 31 March 2016.

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 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, 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 & 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 and development is capitalized as fixed assets. Revenue expenditure for carrying out the research activity is charged to the Profit & 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 generally recognized on completion of performance of determinable significant act as per terms of specific contracts when no significant uncertainty exists regarding the amount of consideration that will be derived from the completion of said act.

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 Leases

i. **Where the Company is a lessee** - Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Payments under operating leases are recognised in the Statement of Profit & Loss generally on straight line basis.

ii. **Where the Company is a lessor** - Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognised in the statement of profit and loss on straight line basis.

1.17 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.

1.18 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.

1.19 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.

1.20 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.

1.21 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 2016	As at 31 Mar 2015
(A)	Contingent Liabilities not provided for		
	a. Disputed Central Excise Demands	4.21	5.15
	b. Disputed Sales Tax and Octroi Demands	15.07	8.49
	c. Disputed Customs Duty Demands	0.86	3.01
	d. Disputed Income Tax Liability – matter under appeal	12.58	12.03
	e. Claims against Company not acknowledged as debts	62.96	86.23
	f. Bills discounted not matured	7.17	101.24
		102.85	**216.15**

(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 1.86 million (PY - USD 1.43 million). Further, the company has also obtained EPCG Licenses of USD 0.25 million (PY - Nil) for future capital commitments. 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, 2016 has been fulfilled.

2.2	Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	6.23	12.83
2.3	Other Commitments Purchase of Bearings from KSPG Automotive India Pvt. Ltd. on a non-exclusive basis	51.18	65.17
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	11.10	3.62
	Aggregate value of such guarantees outstanding	213.37	175.38

2.5 Payment to Auditors (Net of Service tax)

(₹ in Crs.)

Sr. No.	Particulars	2015-16	2014-15
A	Statutory Auditors		
	a. As Auditors	**0.40**	**0.35**
	Audit Fees	0.30	0.27
	Tax Audit Fees	0.05	0.05
	Limited Review	0.05	0.03
	b. Certification fees	0.02	0.07
	c. Reimbursement of expenses	0.03	0.02
	TOTAL (A)	**0.45**	**0.44**
B	Cost Auditors		
	a. As auditors	0.07	0.07
	b. In other capacity		
	Certification fees	–	0.00
	Reimbursement of expenses	–	–
	TOTAL (B)	**0.07**	**0.07**
	Grand Total (A+B)	**0.52**	**0.51**

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

(₹ in Crs.)

Particulars	2015-16	2014-15
A. CIF Value of Imports:		
i. Raw Materials (including components, goods in transit, material in bonded warehouse)	**59.07**	**94.59**
ii. Capital Goods	**7.72**	**4.11**
Total	**66.79**	**98.70**
B. Expenditure in foreign currency		
i. Interest	0.01	0.12
ii. Travelling	1.98	1.69
iii. Commission on Exports	13.21	10.04
iv. Advertisement & Publicity	0.76	0.69
v. Legal & Professional Fees	1.04	1.58
vi. Research & Development Expenditure	0.09	0.08
vii. Others	3.58	3.00
Total	**20.67**	**17.20**
C. Earnings in foreign currencies		
i. FOB value of exports	236.21	210.98
ii. Others	–	0.19
Total	**236.21**	**211.17**
D. Exchange (gains)/ losses on account of fluctuations in foreign currency rates recognized in the Profit & Loss account including in		
Miscellaneous Expenses	1.56	(0.92)
Total	**1.56**	**(0.92)**

2.7 Prior period expenses for the year (net of income) is ₹ 0.29 Crs. (PY ₹ 0.11 Crs.)

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

2.9 Foreign Exchange Derivatives and Exposures not hedged as at 31 March 2016

(A) Foreign Exchange Derivatives

Amounts in Foreign Currencies in 000's

Nature of Instrument	Currency	Sale / Purchase	31 March 2016	31 March 2015
Forward Contracts	USD	Purchase	–	–
	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 2016	31 March 2015
Receivable	USD	1,860	144
	EUR	–	32
	GBP	1	–
Payable	USD	2,286	2,099
	EUR	665	646
	GBP	68	1
	SEK	134	–
	CHF	7	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 2016.The disclosure pursuant to the said Act is as under.

(₹ in Crs.)

Particulars	2015-16	2014-15
Total outstanding to MSME suppliers	3.48	5.16
Payment made to suppliers (other than interest) beyond the appointed day, during the year	0.27	0.85
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	2015-16	2014-15
A	**Revenue Expenditure**		
	Manufacturing Expenses :		
	Raw Material, Store, Spares & Tools Consumed	8.47	10.55
	Machinery Repairs	0.36	0.24
	Payments to & Provision for Employees :		
	Salaries, Wages, Bonus, Allowances, etc.	10.41	8.60
	Contribution to Provident & Other Funds & Schemes	0.82	0.69
	Other Benefits	0.02	0.02
	Other Expenses :		
	Legal & Professional charges	–	–
	EDP Expenses	1.46	0.62
	Power Charges	1.83	1.55
	Travelling & Conveyance Expenses	0.69	0.49
	Other Expense (Net)	6.27	4.81
	Repairs	0.70	0.20
	Sub Total (A)	**31.03**	**27.77**
B	**Capital Expenditure**	**6.50**	**4.43**
	Total Eligible Research & Development Expenditure (A+B)	**37.53**	**32.20**

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

Summary of Expenses on which Weighted Deduction u/s 35(2AB) of Income tax claimed during last three years.

Sr. No	Particulars	FY 2012-13	FY 2013-14	FY 2014-15
1	**Revenue Expenses**	19.65	24.40	27.89
2	**Capital Expenses (Excluding Land & building)**	2.95	2.92	4.43
	Total Expenses	**22.60**	**27.32**	**32.32**

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, and 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 past years, 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 ₹ 10.92 Crs. (P.Y. ₹ 10.79 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	2015-16			2014-15		
	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	34.80	–	–	36.89	–	–
Less: Fair value of Plan Assets	(30.98)	–	–	(32.13)	–	–
Present value of unfunded obligation	–	22.41	2.61	–	25.17	2.59
Net Liability / (Asset) recognised in the Balance Sheet	**3.82**	**22.41**	**2.61**	**4.76**	**25.17**	**2.59**

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

(₹ in Crs.)

Particulars	2015-16			2014-15		
	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	3.60	3.34	0.05	3.34	3.22	0.05
Interest Cost	2.55	1.71	0.19	2.79	1.82	0.24
Expected return on Plan Assets	(2.58)	–	–	(2.64)	–	–
Settlement Cost / (Credit)	–	–	–	–	–	–
Actuarial Losses / (Gains)	0.24	(1.36)	0.14	2.13	1.74	(0.10)
Past service cost	–	–	–	–	–	–
Total included in "Employee Cost"	**3.81**	**3.69**	**0.38**	**5.62**	**6.78**	**0.19**

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

(₹ in Crs.)

Particulars	2015-16			2014-15		
	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	36.89	25.17	2.59	32.19	21.24	2.86
Interest cost	2.55	1.71	0.19	2.79	1.82	0.25
Current service cost	3.60	3.34	0.05	3.34	3.22	0.05
Settlement Cost / (Credit)	–	–	–	–	–	–
Actuarial Losses / (Gains)	0.11	(1.36)	0.14	2.26	1.74	(0.10)
Past Service Cost	–	–	–	–	–	–
Benefits paid	(8.35)	(6.45)	(0.36)	(3.69)	(2.85)	(0.47)
Present value of Defined Benefit obligation at the close of the year	**34.80**	**22.41**	**2.61**	**36.89**	**25.17**	**2.59**

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

(₹ in Crs.)

Particulars	2015-16			2014-15		
	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	32.13	–	–	32.85	–	–
Add :Expected return on Plan Assets	2.58	–	–	2.64	–	–
Add / (Less) : Actuarial (Losses) / Gains	(0.12)	–	–	0.13	–	–
Add : Contributions by employer	4.62	–	–	0.10	–	–
Less: Benefits Paid	(8.23	–	–	(3.59)	–	–
Less : Settlement Paid	–	–	–	–	–	–
Fair value of Plan Assets at the close of the year	**30.98**	**–**	**–**	**32.13**	**–**	**–**

Broad Categories of plan assets as a percentage of total assets as at 31 March 2016.

Particulars	2015-16			2014-15		
	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%	–	–	22%	–	–
d. Insured Managed Funds	75%	–	–	75%	–	–
e. Others	3%	–	–	3%	–	–
f. **Total**	**100%**	**–**	**–**	**100%**	**–**	**–**

v. Actuarial Assumptions as at 31 March 2016

Particulars	2015-16			2014-15		
	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%	7.80%%	7.80%	7.80%
b. Expected rate of return on Plan Assets	8.50%	–	–	8.50%	–	–
c. Salary Escalation rate- Management Staff	7.50%	7.50%	–	7.50%	7.50%	–

vi. Experience Adjustments on plan assets (Loss)/Gain ₹ (0.12) Crs. (P.Y. ₹ 0.09 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 (w.e.f. 23 June 2015) (KOEL controlling > 50% of voting power)	KOEL Americas Corp.USA
2	Holding Company (Upto 30th June 2015)	Kirloskar Brothers Investments Limited
3	Fellow Subsidiary Companies (Upto 30th June 2015)	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 Energen Private Limited Kirloskar Integrated Technologies Private 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 Green Tek Systems (India)Private Limited Kirloskar Pneumatic Company Limited Snow Leopard Technology Ventures LLP

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	Wife Son
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	2015-16		2014-15	
		Amount	Amount from major parties	Amount	Amount from major parties
1	**Gross Sales**				
	Subsidiary Company	**2.67**		**-**	
	KOEL Americas Corp.		2.67		-
	Fellow Subsidiary Company	**0.20**		**0.67**	
	Kirloskar Pneumatic Company Limited		0.20		0.67
	Enterprises over which Relative of Key Management personnel exercise control / significant influence	**1.58**		**-**	
	Kirloskar Pneumatic Company Limited		1.58		-
	Total	**4.45**	**4.45**	**0.67**	**0.67**
2	**Purchases of Fixed Assets**				
	Companies over which Key Management personnel exercise control / significant influence	**0.23**	**-**	**-**	**-**
	Kloudworks Consulting Services Limited	-	0.23	-	-
	Total	**0.23**	**0.23**	**-**	**-**
3	**Rendering of Services from**				
	Key Management Personnel	**11.80**		**10.86**	
	Atul C. Kirloskar		3.11		3.34
	Gautam A. Kulkarni		2.93		3.31
	Nihal G. Kulkarni		3.30		2.29
	Rajendra R. Deshpande		2.46		1.92
	Relative of Key Management Personnel	**0.22**		**1.28**	
	Rahul C. Kirloskar		0.16		1.21
	Gauri A. Kirloskar (Kolenaty)		0.06		0.07
	Total	**12.02**	**12.02**	**12.14**	**12.14**
4	**Expenses paid to**				
	Subsidiary Company	**0.02**		**-**	
	KOEL Americas Corp.		0.02		-
	Companies over which Key Management personnel exercise control / significant influence	**14.65**		**-**	
	Kloudworks Consulting Services Limited		14.65		-
	Total	**14.67**	**14.67**	**-**	**-**
5	**Reimbursement / (recovery) of Expenses**				
	Holding Company	**0.00**		**0.00**	
	Kirloskar Brothers Investments Limited		0.00		0.00
	Subsidiary Company	**(0.16)**		**-**	
	KOEL Americas Corp.		(0.16)		-
	Companies over which Key Management personnel exercise control / significant influence			**0.00**	
	Kirloskar Integrated Technologies Private Limited				0.00
	Total	**(0.16)**	**(0.16)**	**0.01**	**0.01**

(₹ in Crs.)

Sr. No.	Nature of the transaction / relationship / major parties	2015-16		2014-15	
		Amount	Amount from major parties	Amount	Amount from major parties
6	**Rent / Lease Rent Paid**				
	Holding Company	**0.67**		**1.97**	
	Kirloskar Brothers Investments Limited		0.67		1.97
	Relative of Key Management Personnel	**-**		**0.04**	
	Arti A. Kirloskar		-		0.02
	Jyotsna G. Kulkarni		-		0.02
	Total	**0.67**	**0.67**	**2.01**	**2.01**
7	**Interim Dividend and Final Dividend Paid**				
	Key Management Personnel	**37.02**		**2.69**	
	Atul C. Kirloskar		18.46		1.33
	Gautam A. Kulkarni		18.39		1.28
	Nihal G. Kulkarni		0.16		0.08
	Rajendra R. Deshpande		0.01		0.01
	Relative of Key Management Personnel	**32.43**		**4.72**	
	Rahul C. Kirloskar		17.73		0.96
	Arti A.Kirloskar		7.07		1.80
	Jyotsna G. Kulkarni		7.57		1.93
	Suman C. Kirloskar		0.06		0.03
	Companies over which Key Management personnel exercise control / significant influence	**0.07**		**-**	
	Achyut & Neeta Holdings & Finance Pvt. Ltd.	-	0.07		-
	Navsai Investments Pvt. Ltd.	-	0.00		-
	Enterprises over which Relative of Key Management personnel exercise control / significant influence	**0.00**		**-**	
	Alpak Investments Private Limited		0.00		-
	Holding Company	**-**		**40.19**	
	Kirloskar Brothers Investments Limited		-		40.19
	Total	**69.52**	**69.52**	**47.60**	**47.60**
8	**Investment made**			**-**	
	Subsidiary Company	**1.59**			**-**
	KOEL Americas Corp.		1.59	-	-
	Total	**1.59**	**1.59**		

(₹ in Crs.)

Sr. No.	Nature of the transaction / relationship / major parties	As at 31st March 2016		As at 31st March 2015	
		Amount	Amount from major parties	Amount	Amount from major parties
	Outstanding				
1	**Accounts Payable**				
	Subsidiary Company	**0.02**		**-**	
	KOEL Americas Corp.		0.02		-
	Fellow Subsidiary Company	**-**		**0.13**	
	Kirloskar Pneumatic Company Limited		-		0.13
	Key Management Personnel				
	Commission	**4.65**		**4.90**	
	Atul C. Kirloskar		1.00		1.50
	Gautam A. Kulkarni		1.00		1.50
	Nihal G. Kulkarni		1.40		1.00
	Rajendra R. Deshpande		1.25		0.90
	Relative of Key Management Personnel	**0.15**		**1.18**	
	Rahul C. Kirloskar		0.11		1.14
	Gauri A. Kirloskar (Kolenaty)		0.04		0.04
	Superannuation	**0.30**		**0.30**	
	Atul C. Kirloskar		0.09		0.09
	Gautam A. Kulkarni		0.09		0.09
	Nihal G. Kulkarni		0.06		0.06
	Rajendra R. Deshpande		0.06		0.05
	Other Allowances	**0.08**		**-**	
	Atul C. Kirloskar		0.02		-
	Gautam A. Kulkarni		0.02		-
	Nihal G. Kulkarni		0.02		-
	Rajendra R. Deshpande		0.02		-
	Companies over which Key Management personnel exercise control / significant influence	**0.03**		**-**	
	Kloudworks Consulting Services Limited		0.03		-
	Total	**5.23**	**5.23**	**6.51**	**6.51**
2	**Accounts Receivable**				
	Subsidiary Company	**1.53**		**-**	
	KOEL Americas Corp.		1.53		-
	Companies over which Key Management personnel exercise control / significant influence	**10.23**		**10.23**	
	Kirloskar Integrated Technologies Private Limited		10.23		10.23
	Enterprises over which Relative of Key Management personnel exercise control / significant influence	**0.25**		**-**	
	Kirloskar Pneumatic Company Limited		0.25		-
	Total	**12.01**	**12.01**	**10.23**	**10.23**

(₹ in Crs.)

Sr. No.	Nature of the transaction / relationship / major parties	As at 31st March 2016		As at 31st March 2015	
		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	
	Kirloskar Integrated Technologies Private Limited		-		10.22
	Total	-	-	10.22	10.22
4	**Investment**				
	Subsidiary Company	1.59		-	
	KOEL Americas Corp.		1.59		-
	Total	1.59	1.59	-	-

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 2015	Provisions made / Increase / (Decrease) in Provision	Amounts used during the year	Amounts reversed during the year	Carrying amount as on 31 March 2016
Warranty	22.17	38.69	32.78	0.59	27.49

(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	2015-16	2014-15
Profit for the year after taxation (₹ in Crs.)	140.53	143.14
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 ₹)	9.72	9.90

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 Composite Scheme as referred in Note 1(5.b), became operative with retrospective effect from 1 April 2015 (the Appointed Date). Accordingly, the Company has recorded all the assets, liabilities and reserves of the Transferor Company after giving effect as specified in the said Scheme at the book values and in the same form as appearing in the books of the Transferor Company thereof at Appointed Date 1st April 2015, in accordance with 'Pooling of Interest Method' laid down by Accounting Standards.

Pursuant to the Scheme, the Company has filed an application with Stamp Authorities, Mumbai for the purpose of adjudication of Stamp duty payable on the Scheme. The Company has received an adjudication order from Stamp Authorities, Mumbai on 2nd May, 2016 to pay the stamp duty within the time prescribed in the order. Accordingly, provision for requisite Stamp duty is made and same is disclosed as an Exceptional Item of expense.

Pursuant to the Scheme, an unutilized MAT Credit of ₹ 22.19 Crs of Transferor Company is available to the Company. The same has been recognized and fully utilized during the financial year.

2.19 During the year, the Company has introduced Voluntary Retirement Scheme (VRS) for its workers. The total VRS compensation, amounting to ₹ 10.54 Crs is charged to the Profit & Loss account and the same is shown as Exceptional Item of expense.

2.20 Expenditure on CSR Activities

(₹ in Crs.)

1	Gross amount required to be spent by the company during the year	4.85
2	Amount spent during the year	4.93

2.21 Salient features of the financial statements of subsidiary for the year ended 31 March 2016

Form AOC-1

In accordance with section 129(3) of the Companies Act, 2013, the salient features of the financial statements of subsidiaries is given below:

(₹ in Crs.)

Particulars	**KOEL Americas Corp.**
a Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
b Reporting currency as on the last date of the relevant financial year in the case of foreign subsidiaries	USD
c Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	66.25
d Share capital	1.59
e Reserves and surplus	0.18
f Total assets	3.45
g Total liabilities	1.68
h Investments	–
i Turnover	3.34
j Profit before tax	0.13
k Provision for tax	0.02
l Profit after tax	0.11
m Proposed dividend	–
n % of shareholding	100%

2.22 Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as follows:

Holding Company : Kirloskar Brothers Investments Limited (Upto 30th Jun 2015)

Subsidiary Company : KOEL Americas Corp. (w.e.f. 23 June 2015)

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

There are no loans and advances in the nature of loans to Holding / Subsidiary companies.

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

2.23 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 31, 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 : 18 May 2016

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
Company Secretary

Pune : 18 May 2016

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KIRLOSKAR OIL ENGINES LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Kirloskar Oil Engines Limited** (hereinafter referred to as "the Holding Company") and **KOEL Americas Corp.** ("the subsidiary"),(the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated Balance Sheet as at 31st March, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms with the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

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

Opinion

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

Other Matters

We did not audit the financial statements of overseas subsidiary whose financial statements reflect total assets of ₹ 3.45 Crores as at 31st March, 2016, total revenues of ₹ 3.36 Crores and net cash flows amounting to ₹ 2.82 Crores for the year ended on that date, as considered in the consolidated financial statements. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid subsidiary is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by Section143(3) of the Act, we report, to the extent applicable, that:

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

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

   c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

   d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   e. On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2016 taken on record by the Board of Directors of the Holding Company none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

   f. Reporting with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, is not applicable as the subsidiary is not incorporated in India.

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

      i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group Refer Note 31 (2)(f) to the consolidated financial statements.

      ii. The Group did not have any long term contract including derivative contract having any material foreseeable losses for which provision was required to be made under the applicable law or accounting standard.

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company.

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

Nachiket Deo
Partner
Membership Number 117695

Place : Pune
Date : 18th May 2016

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2016

₹ in Crs.

Particulars	Note No.	As at 31 March 2016
EQUITY AND LIABILITIES		
Shareholders' funds		**1,439.92**
Share capital	1	28.92
Reserves and surplus	2	1,411.00
Non-current liabilities		**58.51**
Long-term borrowings		–
Deferred tax liabilities (net)	3	17.67
Other long-term liabilities	4	17.94
Long-term provisions	5	22.90
Current liabilities		**460.41**
Short-term borrowings	6	–
Trade payables	7	**331.54**
- Total outstanding dues of micro enterprises and small enterprises		3.48
- Total outstanding dues of creditors other than micro enterprises and small enterprises		328.06
Other current liabilities	8	95.43
Short-term provisions	9	33.44
TOTAL		**1,958.84**
ASSETS		
Non-current assets		**623.96**
Fixed assets		**506.44**
Tangible assets	10	445.51
Intangible assets	11	32.04
Capital work-in-progress		3.48
Intangible assets under development		25.41
Non-current investments	12	2.00
Long-term loans and advances	13	103.30
Other non-current assets	14	12.22
Current assets		**1,334.88**
Current investments	15	783.14
Inventories	16	202.86
Trade receivables	17	151.06
Cash and bank balances	18	42.35
Short term loans and advances	19	118.17
Other current assets	20	37.30
TOTAL		**1,958.84**

Note 31 is an integral part of the consolidated financial statements.

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
Company Secretary

Pune : 18 May 2016

Pune : 18 May 2016

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2016

Particulars	Note No.	₹ in Crs. 2015-16
Revenue from operations		
Sale of products		2,551.63
Less : Excise duty		180.98
Net sale of products		**2,370.65**
Sale of services		49.03
Net sales and services		**2,419.68**
Operating income		35.68
Net revenue from operations	**21**	**2,455.36**
Other income	**22**	73.97
Total Revenue		**2,529.33**
Expenses :		
Cost of materials consumed	**23**	1,239.73
Purchases of stock-in-trade	**24**	321.34
Changes in inventories of finished goods, work-in-progress and stock-in-trade	**25**	(18.02)
Employee benefits expense	**26**	185.65
Finance costs	**27**	0.06
Depreciation and amortization expense	**28**	111.51
Other expenses	**29**	489.62
Expenses capitalised		(2.82)
Total Expenses		**2,327.07**
Profit before exceptional and extraordinary items and tax		**202.26**
Exceptional items [income / (expenses)]	**30**	**(25.48)**
Profit before tax		**176.78**
Tax expense :		**36.15**
Current tax		**47.37**
For the year		47.64
(Excess)/short provision related to earlier years		(0.27)
Deferred tax		**(11.22)**
Profit (loss) for the period		**140.63**
Basic and diluted earnings per equity share: (Nominal value per share ₹ 2/-)		**9.72**

Note 31 is an integral part of the consolidated 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 : 18 May 2016

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
Company Secretary

Pune : 18 May 2016

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

Particulars	₹ in Crs. 2015-16
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before Tax	**176.78**
Add :	
Depreciation	111.37
Leasehold land amortised	0.14
Loss on assets sold, demolished, discarded and scrapped	0.17
Bad debts and irrecoverable balances written off, net	1.34
Loss / (Profit) on Revalorisaton on imports	0.55
Loss / (Profit) on Revalorisaton on Exports	0.03
Unrealised exchange (Gain) / Loss (net)	0.07
Interest paid	0.06
	113.73
Less :	
Profit on sale of investment (net)	66.90
Surplus on sale of assets	0.35
Interest received	1.87
Sundry Credit Balances Appropriated	0.46
Provision for doubtful debts and advances written back	9.77
Provision no longer required written back	2.67
	82.02
Operating Profit before working capital changes	**208.49**
Adjustments for :	
Trade and other receivables - (Incr) / Decr	(60.64)
Inventories - (Incr) / Decr	(30.10)
Trade and other payables- (Decr) / Incr	22.40
	(68.34)
Cash generated from operations	**140.15**
Net Cash generated from operations	**140.15**
Direct taxes paid	(44.96)
NET CASH FLOW FROM OPERATING ACTIVITIES	**95.19**
CASH FLOW FROM INVESTING ACTIVITIES	
Add :	
Sale of fixed assets	0.40
Sale of investments (Net)	158.07
Interest received	1.87
	160.34
Less :	
Purchase of fixed assets	76.72
	76.72
NET CASH GENERATED FROM INVESTING ACTIVITIES	**83.62**
CASH FLOW FROM FINANCING ACTIVITIES	
Interest paid	(0.06)
Final and Interim Dividend Paid	(150.09)
Tax on Final and Interim Dividend	(29.44)
NET CASH USED IN FINANCING ACTIVITY	**(179.59)**
Net increase / (decrease) in cash and cash equivalents	**(0.78)**
Opening Cash and Cash equivalents	**25.26**
Cash and Cash equivalents received from the Transferor Company under Composite Scheme	**12.71**
Closing Cash and Cash equivalents (Refer Note 18)	**37.19**

Notes : Cash and Cash Equivalents include unclaimed dividend of ₹ 8.28 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
Company Secretary

Pune : 18 May 2016

Pune : 18 May 2016

Notes to the Consolidated Financial Statements

NOTE 01: SHARE CAPITAL

Particulars	As at 31 March 2016	
	No. of Shares	₹ in Crs.
Authorised share capital		
Equity shares of ₹ 2 each	270,000,000	54.00
Issued and subscribed share capital		
Equity shares of ₹ 2 each	144,614,326	28.92
Subscribed and fully paid up		
Equity shares of ₹ 2 each	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 approved by Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with order dated 19 March 2010.	465	0.00
Total	**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 2016	
	No. of shares	₹ in Crs.
At the beginning of the period	144,613,861	28.92
Issued/Reduction if any during the period	–	–
Outstanding at the end of the period	**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 and paid an Interim dividend of 250% (₹ 5/- per share) be confirmed as Final Dividend 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 Consolidated Financial Statements

Particulars	As at 31 March 2016	
	No. of Shares	₹ in Crs.
Kirloskar Brothers Investments Limited *		
Equity shares of ₹ 2 each	–	–
Equity share holding percentage		–

*** Ceased to be Holding Company w.e.f. 30 June 2015**

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

Name of the Shareholder	As at 31 March 2016	
	No. of Shares	% of shareholding
Atul Chandrakant Kirloskar	18,456,667	12.76
Gautam Achyut Kulkarni	18,391,027	12.72
Rahul Chandrakant Kirloskar	17,732,902	12.26
Nalanda India Fund Limited	10,896,124	7.53
Kirloskar Industries Limited	8,210,439	5.68
Alpana Rahul Kirloskar	7,711,817	5.33
Jyostna Gautam Kulkarni	7,572,631	5.24

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. 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.

b. Hon'ble High Court of Judicature at Bombay vide its order dated 30 April 2015 had approved the Composite Scheme of Arrangement and Amalgamation (the Composite Scheme) 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 Section of the Companies Act, 2013, to the extent applicable. The said Scheme has been effective from 30 June 2015.

Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in the Company cancelled on account of Cross holdings and same number of equity shares allotted to the shareholders of KBIL on 14 July 2015. In view of the same there is no change in the paid-up capital of the Company pre and post Composite Scheme.

Notes to the Consolidated Financial Statements

NOTE 2 : RESERVES AND SURPLUS

Particulars	₹ in Crs. As at 31 March 2016
Capital reserve	
Subsidy for setting up new industrial unit	
Opening balance	237.23
Add: Subsidy availed during the year	31.61
Closing balance	**268.84**
Capital Redemption Reserve	
Opening balance	0.20
Add: Set aside this year	–
Closing balance	**0.20**
General reserve	
Opening balance	594.34
Add : Set aside this year	14.05
Closing balance	**608.39**
Surplus/(deficit) in the statement of profit and loss	
Balance as per last financial statements	480.75
Add : Net surplus in the statement of Profit & Loss balance of residual undertaking of Kirloskar Brothers Investments Limited, transferred under Composite Scheme Arrangement and Amalgamation	13.20
Add: Profit for the period	140.63
Balance available for appropriation	**634.58**
Less : Appropriations	
Transferred to general reserve	14.05
Interim Dividend	72.31
Tax on Interim Dividend	14.72
Proposed dividend	–
Tax on proposed dividend	–
	533.50
Foreign Currency Translation Reserve	**0.07**
Total	**1,411.00**

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 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:

Notes to the Consolidated Financial Statements

IPS equivalent to 100% of "Eligible Investments"; or to the extent of 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.

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 ₹ 31.61 Crs for the year has been credited to the Capital Reserve. Subsidy Receivable as at 31 March 2016 is ₹ 38.71 Crs.

NOTE 3 : DEFERRED TAX LIABILITIES (NET)	**₹ in Crs.**
Particulars	**As at 31 March 2016**
Deferred Tax Liability	**41.79**
Depreciation	41.79
Less : Deferred Tax Assets	**24.12**
Disallowances u/s 43 B of Income Tax Act	11.22
Provision for Doubtful debts & advances	4.06
VRS Compensation	4.24
Amalgamation/Demerger Expenses	4.25
Others	0.35
Total	**17.67**

NOTE 4 : OTHER LONG-TERM LIABILITIES	**₹ in Crs.**
Particulars	**As at 31 March 2016**
Deposits from customers and others	17.40
Advance from others	0.54
Total	**17.94**

NOTE 5 : LONG-TERM PROVISIONS	**₹ in Crs.**
Particulars	**As at 31 March 2016**
Provision for employee benefits	**14.96**
Provision for gratuity	–
Provision for leave encashment	12.66
Provision for pension and other retirement benefits	2.30
Other provisions	**7.94**
Provision for warranty	7.94
Total	**22.90**

Notes to the Consolidated Financial Statements

NOTE 6 : SHORT-TERM BORROWINGS	₹ in Crs.
Particulars	**As at 31 March 2016**
Loans payable on demand	–
Total	–

Holding 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).

Subsidiary Company has not availed any loan facility

NOTE 7 : TRADE PAYABLES	₹ in Crs.
Particulars	**As at 31 March 2016**
Acceptances	15.25
Other trade payable	**316.29**
– Total outstanding dues of micro enterprises and small enterprises	3.48
– Total outstanding dues of creditors other than micro enterprises and small enterprises	312.81
Total	**331.54**

NOTE 8 : OTHER CURRENT LIABILITIES	₹ in Crs.
Particulars	**As at 31 March 2016**
Unclaimed dividends	8.28
Advance from customers	5.58
Payables for capital purchases	11.30
Other payables	**70.27**
Statutory dues including provident fund and tax deducted at source	22.57
Employee benefits payable	19.28
Other liabilities	28.42
Total	**95.43**

Notes to the Consolidated Financial Statements

NOTE 9 : SHORT-TERM PROVISIONS	₹ in Crs.
Particulars	**As at 31 March 2016**
Provision for employee benefits	**13.87**
Provision for gratuity	3.82
Provision for leave encashment	9.75
Provision for pension and other retirement benefits	0.30
Others	**19.57**
Provision for warranty	19.55
Tax provision (Net of tax paid in advance)	0.02
Proposed dividend	–
Tax on proposed dividend	–
Total	**33.44**

Notes to the Consolidated 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 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
Additions	-	-	20.59	27.69	11.67	0.93	2.15	0.95	6.94	0.08	71.00
Deductions / Amortization	0.00	0.14	1.00	5.97	0.28	0.30	-	0.09	4.94	-	12.72
As At 31 Mar 2016	**-**	**11.69**	**159.97**	**893.60**	**28.11**	**10.61**	**37.38**	**5.28**	**58.96**	**35.50**	**1,241.10**
Depreciation											
As At 31 Mar 2015	-	-	31.09	587.92	10.05	4.64	16.65	3.16	38.19	14.51	706.21
For The Year	-	-	6.34	76.07	1.91	1.46	2.86	0.57	8.31	4.21	101.74
Deductions / Amortization	-	-	1.00	5.76	0.27	0.30	-	0.09	4.93	-	12.35
As At 31 Mar 2016	**-**	**-**	**36.43**	**658.23**	**11.69**	**5.80**	**19.51**	**3.64**	**41.57**	**18.72**	**795.59**
Net Block											
As At 31 Mar 2016	**-**	**11.69**	**123.54**	**235.37**	**16.42**	**4.81**	**17.87**	**1.64**	**17.39**	**16.78**	**445.51**

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 of holding company.
3. Assets held for Disposal having Written Down Value of ₹ 39,566 is disclosed in current year under Deduction/Amortisation and transferred to Current Asset.
4. Note 10 of Fixed Assets includes assets at Research & Development facility, the details of which are as under.

Notes to the Consolidated 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 Mar 2015	-	-	-	58.45	0.52	-	-	0.12	1.18	1.99	62.26
Additions	-	-	-	3.71	4.61	-	-	-	-	-	8.32
Inter Transfers- Net	-	-	-	(0.14)	-	-	-	-	-	-	(0.14)
Deductions / Amortization	-	-	-	0.79	-	-	-	-	0.03	-	0.82
As At 31 Mar 2016	**-**	**-**	**-**	**61.23**	**5.13**	**-**	**-**	**0.12**	**1.15**	**1.99**	**69.62**
Depreciation											
As At 31 Mar 2015	-	-	-	29.27	0.44	-	-	0.11	1.06	0.57	31.45
For The Year	-	-	-	5.19	0.09	-	-	0.00	0.09	0.23	5.60
Inter Transfers	-	-	-	(0.15)	-	-	-	-	-	-	(0.15)
Deductions / Amortization	-	-	-	0.76	-	-	-	-	0.03	-	0.79
As At 31 Mar 2016	**-**	**-**	**-**	**33.55**	**0.53**	**-**	**-**	**0.11**	**1.12**	**0.80**	**36.11**
Net Block											
As At 31 Mar 2016	**-**	**-**	**-**	**27.68**	**4.60**	**-**	**-**	**0.01**	**0.03**	**1.19**	**33.51**

Notes to the Consolidated 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 Mar 2015	31.02	11.54	5.27	18.58	66.41
Additions	4.68	-	-	-	4.68
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2016	**35.70**	**11.54**	**5.27**	**18.58**	**71.09**
Depreciation					
As At 31 Mar 2015	13.07	11.25	4.30	0.80	29.42
For The Year	5.28	0.04	0.16	4.15	9.63
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2016	**18.35**	**11.29**	**4.46**	**4.95**	**39.05**
Net Block					
As At 31 Mar 2016	**17.35**	**0.25**	**0.81**	**13.63**	**32.04**

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 Consolidated 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 Mar 2015	6.39	10.42	-	18.58	35.39
Additions	4.35	-	-	-	4.35
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2016	**10.74**	**10.42**	**-**	**18.58**	**39.74**
Depreciation					
As At 31 Mar 2015	4.24	10.42	-	0.80	15.46
For The Year	0.96	-	-	4.15	5.11
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2016	**5.20**	**10.42**	**-**	**4.95**	**20.57**
Net Block					
As At 31 Mar 2016	**5.54**	**-**	**-**	**13.63**	**19.17**

NOTE 12 : NON-CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit in ₹	As at 31 March 2016	
		Nos.	₹ in Crs
TRADE			
UNQUOTED EQUITY INSTRUMENTS			
Kirloskar Proprietary Limited - Equity Share (Fully Paid)	100	1	0.00
NON TRADE Investments - Unquoted Debt Instrument			
HDFC Group Unit Linked Plan	10	1,522,045	2.00
Total			**2.00**

Notes :

1. Aggregate amount of Unquoted Investments 2.00
2. Face value per unit in Rupees unless otherwise stated.

Notes to the Consolidated Financial Statements

NOTE 13 : LONG-TERM LOANS AND ADVANCES	₹ in Crs.
Particulars	**As at 31 March 2016**
Capital advances (unsecured, considered good)	0.97
Security deposits (unsecured, considered good)	21.86
Loans and advances to suppliers	–
Doubtful	0.04
Less : Provision	0.04
	–
Loans to employees (unsecured, considered good)	0.96
Tax paid in advance (net of provision)	79.51
Total	**103.30**

NOTE 14 : OTHER NON-CURRENT ASSETS	₹ in Crs.
Particulars	**As at 31 March 2016**
Long-term trade receivables	–
Unsecured, considered good	–
Doubtful	11.58
Less : Provision	11.58
	–
Others	**12.22**
Subsidy receivable for setting up Kagal plant	9.26
Other bank balances (Deposits with maturity of more than 12 months)	0.03
Inventories	2.93
Total	**12.22**

Notes to the Consolidated Financial Statements

NOTE 15 : CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 MAR 2016	
	₹	Nos.	₹ in Crs
CURRENT PORTION OF LONG TERM INVESTMENT (Valued at Cost)			
HDFC Group Unit Linked Plan	10.00	1,171,840	1.54
			1.54
OTHER CURRENT INVESTMENT			
INVESTMENTS IN MUTUAL FUNDS			
FIXED MATURITY PLAN - Growth Option			
ICICI Prudential FMP Series 78-95 days plan K Cumulative	10.00	26,005,470	26.01
ICICI Prudential FMP Series 78-95 days plan M Cumulative	10.00	10,000,000	10.00
Reliance Fixed Horizon Fund - XXX - Series 9 - Growth Plan	10.00	25,000,000	25.00
UTI-Fixed Income Interval Fund - III- Quarterly Interval Plan - Growth Plan	10.00	4,982,685	10.00
			71.01
LIQUID SCHEME - Growth Option			
Axis Liquid Fund - Growth(CF-GP)	1,000.00	319,556	53.50
Axis Banking Debt Fund - Growth(BD-GP)	1,000.00	109,363	15.10
Birla Sun life Cash Plus - Growth - Regular plan	100.00	4,249,766	103.00
Birla Sun life Savings Fund - Growth - Regular Plan	100.00	1,734,520	50.68
HDFC Floating Rate Income Fund-Short Term Plan-Wholesale Option-Growth	10.00	39,093,177	101.56
ICICI Prudential Liquid Plan - Growth	100.00	2,236,675	50.00
ICICI Prudential - Money Market Fund - Growth	100.00	1,770,739	37.00
ICICI Prudential Flexible Income - Growth	100.00	1,778,651	50.75
Reliance Liquidity Fund - Growth Plan Growth Option	1,000.00	131,862	30.00
Reliance Liquid Fund - Treasury Plan - Growth Plan - Growth Option	1,000.00	274,492	101.00
SBI Premier Liquid Fund - Regular Plan - Growth	1,000.00	210,784	50.00
SBI Treasury Advantage Fund - Regular Plan - Growth	1,000.00	60,344	10.00
UTI-Money Market Fund - Institutional Plan - Growth	1,000.00	342,890	58.00
			710.59
Total			**783.14**

Notes :

1. Aggregate amount of Unquoted Investments 783.14

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

Notes to the Consolidated Financial Statements

NOTE 16 : INVENTORIES	₹ in Crs.
Particulars	**As at 31 March 2016**
Raw materials	**109.96**
Raw materials and components	108.36
Raw materials in transit	1.60
Work-in-progress	**23.61**
Finished goods including stock-in-trade	**57.73**
Stores and spares	**11.56**
Total	**202.86**

Work-in-progress	₹ in Crs.
Particulars	**As at 31 March 2016**
Engines between 2.5 HP to 740 HP	5.00
Generating Sets between 2 - 750 (KwA/kVA)	8.54
Power Tiller and Parts thereof	1.01
Others	9.06
Total	**23.61**
Included in non-current Inventories (Refer note 14)	–

Finished goods including stock-in-trade	₹ in Crs.
Particulars	**As at 31 March 2016**
Engines between 2.5 HP to 740 HP	24.49
Generating Sets between 2 - 750 (KwA/kVA)	5.51
Goods Traded : Engines and Gensets	1.51
Goods Traded : K-Oil	3.89
Goods Traded : Alternators and Batteries	3.64
Power Tiller and Parts thereof	6.58
Others	12.11
Total	**57.73**

NOTE 17 : TRADE RECEIVABLES	₹ in Crs.
Particulars	**As at 31 March 2016**
Outstanding for a period exceeding six months from the date they are due for payment	**10.22**
Secured, considered good	–
Unsecured, considered good	10.22
Other receivables	**140.84**
Secured, considered good	–
Unsecured, considered good	140.84
Total	**151.06**

Notes to the Consolidated Financial Statements

NOTE 18 : CASH AND BANK BALANCES	₹ in Crs.
Particulars	**As at 31 March 2016**
Cash and cash equivalents	**37.19**
Cash on hand	**0.05**
Balance with Bank	**37.14**
Current accounts and cash credit	28.86
Unpaid dividend accounts	8.28
Other bank balances	**5.16**
Deposits with original maturity of more than three months but less than 12 months	5.16
Total	**42.35**

NOTE 19 : SHORT-TERM LOANS AND ADVANCES	₹ in Crs.
Particulars	**As at 31 March 2016**
Loans and advance to suppliers (unsecured, considered good)	6.57
Loans and advance to employees (unsecured, considered good)	0.58
Balance with collectorate of central excise and customs	9.86
Sales tax / VAT / service tax receivable (net)	89.92
Tax Paid in Advance (Net of Provision)	6.24
Other loans and advances	5.00
Total	**118.17**

NOTE 20 : OTHER CURRENT ASSETS	₹ in Crs.
Particulars	**As at 31 March 2016**
Export incentive receivable	7.15
Subsidy receivable for setting up Kagal plant	29.45
Others	0.70
Total	**37.30**

Notes to the Consolidated Financial Statements

NOTE 21 : REVENUE FROM OPERATIONS	₹ in Crs.
Particulars	**2015-16**
Sale of products (gross)	2,551.63
Less : Excise duty	180.98
Net sale of products	**2,370.65**
Sale of services	49.03
Net sales and services	**2,419.68**
Operating income	**35.68**
Sale of scrap	8.44
Cash discount received	0.78
Commission received	0.41
Export incentives	11.03
Refund of sales tax, octroi etc	0.05
Sundry credit balances appropriated	0.46
Provisions no longer required written back	2.67
Provision for doubtful debts and advances written back	9.77
Miscellaneous receipts	2.07
Total	**2,455.36**

Class of Goods	**₹ in Crs.**
Particulars	**2015-16**
Engines between 2.5 HP to 740 HP	1,258.77
Generating Sets between 2 - 750 (KwA/kVA)	320.22
Goods Traded : Engines and Gensets	6.47
Goods Traded : K-Oil	183.99
Goods Traded : Alternators, Batteries, Panel and Switchgear	234.26
Power Tiller and Parts thereof	20.52
Sale of spares, services and others	395.45
Total	**2,419.68**

NOTE 22 : OTHER INCOME	₹ in Crs.
Particulars	**2015-16**
Interest	**4.84**
On income tax refund	2.97
On others	1.87
Profit on Sale of investments	**66.90**
On current investments in Mutual Fund (net)	64.96
On non-current investments	1.94
Surplus on sale of assets	0.35
Miscellaneous income	1.88
Total	**73.97**

Notes to the Consolidated Financial Statements

NOTE 23 : COST OF MATERIALS CONSUMED	₹ in Crs.
Particulars	**2015-16**
Raw materials and components consumed	1,218.07
Freight, octroi and entry tax	21.66
Total	**1,239.73**

Raw materials and components consumed :	₹ in Crs.
Particulars	**2015-16**
Components	1,217.94
Non-ferrous Metals	0.02
Steel and Steel Strips	0.11
Total	**1,218.07**

Imported and indigenous raw materials consumption (including components) **:**	₹ in Crs.
Particulars	**2015-16**
Imported	53.20
% to total raw material consumption	4.37%
Indigenuous	1,164.87
% to total raw material consumption	95.63%
Total	**1,218.07**

NOTE 24 : PURCHASES OF STOCK-IN-TRADE	₹ in Crs.
Particulars	**2015-16**
Engines and Gensets	5.40
K-Oil	114.65
Alternators and Batteries	201.29
Total	**321.34**

Notes to the Consolidated Financial Statements

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

	₹ in Crs.
Particulars	**2015-16**
Work-in-process	**(10.82)**
Opening inventory	12.79
Closing Inventory	23.61
Finished goods including stock-in-trade	**(6.90)**
Opening inventory	50.83
Closing Inventory	57.73
Changes in inventory	**(17.72)**
Increase/(decrease) in excise duty of finished goods	**(0.30)**
Total	**(18.02)**

NOTE 26 : EMPLOYEE BENEFITS EXPENSE

	₹ in Crs.
Particulars	**2015-16**
Salaries, wages, gratuity, bonus, commission, etc	152.89
Contribution to provident and other funds	14.60
Welfare and training expenses	17.68
Provident and other funds' expenses	0.48
Total	**185.65**

NOTE 27 : FINANCE COSTS

	₹ in Crs.
Particulars	**2015-16**
Interest expense	0.06
Total	**0.06**

NOTE 28 : DEPRECIATION AND AMORTIZATION EXPENSE

	₹ in Crs.
Particulars	**2015-16**
Depreciation and amortization expense	**111.37**
Depreciation on Tangible assets	101.74
Amortization on Intangible assets	9.63
Amount written off against leasehold land	**0.14**
Total	**111.51**

Notes to the Consolidated Financial Statements

NOTE 29 : OTHER EXPENSES	₹ in Crs.
Particulars	**2015-16**
Manufacturing expenses	**185.79**
Stores consumed (*)	60.43
Power and fuel	21.04
Machinery spares (*)	8.76
Repairs to machinery	6.88
Job work charges	25.43
Labour charges	9.96
Cost of services	35.77
Others manufacturing expenses	17.52
Selling expenses	**134.31**
Commission	15.59
Freight and forwarding	46.75
Sales warranty claims	38.44
Royalty	5.95
Advertisement and publicity	11.63
Others selling expenses	15.95
Administration expenses	**169.52**
Rent	38.67
Rates and taxes	1.05
Insurance	0.58
Repairs to building	2.98
Other repairs and maintenance	25.22
Traveling and conveyance	25.94
Communication expenses	5.24
Printing and stationery	1.47
Professional charges	34.15
Auditor's remuneration	0.52
Donations	0.04
Spend on CSR activities	4.93
Non executive directors' fees / commission	0.77
Miscellaneous expenses	26.57
Loss on assets sold, demolished, discarded and scrapped	0.17
Bad debts and irrecoverable balances written off	1.22
Total	**489.62**

(*) Imported and indigenous stores & spares consumed	₹ in Crs.
Particulars	**2015-16**
Imported	0.41
% to total stores & spares consumption	0.59%
Indigenuous	68.78
% to total stores & spares consumption	99.41%
Total	**69.19**

Notes to the Consolidated Financial Statements

NOTE 30 : EXCEPTIONAL ITEMS [INCOME / (EXPENSES)]	₹ in Crs.
Particulars	**2015-16**
Exceptional expenses	**(25.48)**
Voluntary Retirement Scheme (VRS) to Team Members	(10.54)
Stamp Duty on Composite Scheme of Amalgamation	(14.94)
Total	**(25.48)**

NOTE 31 : NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2016

NOTE 1 : CORPORATE INFORMATION

Kirloskar Oil Engines Limited ("the Company") is a public limited company domiciled in India. Its shares are listed on two stock exchanges in India - the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). The Company is engaged in diversified businesses dealing in Engines, Gensets, Pumpsets and Parts thereof. During Financial Year 2015-16, the Company has invested USD 250,000 in "KOEL Americas Corp." (50 Shares of USD 5000 each), incorporated under State of Delaware laws, United States of America and based in Houston, Texas. With this, "KOEL Americas Corp." is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 23 June 2015.

NOTE 2 : SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

(a) Basis of Accounting and Preparation of the Consolidated Financial Statements

The consolidated financial statements of the Group have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the 2013 Act") and the relevant provisions of the 1956 Act / 2013 Act, including rules thereunder as applicable and guidelines issued by Securities and Exchange Board of India (SEBI). The consolidated financial statements of the Group are prepared under the historical cost convention using the accrual method of accounting. The accounting policies adopted in the preparation of the consolidated financial statements are consistent. All assets and liabilities have been classified as current or non-current as per the respective Company's normal operating cycle and other criteria set out in Schedule III to the 2013 Act.

(b) 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 and loss account of the period when such changes are known/ materialise.

(c) Principles of Consolidation

The financial statements of the subsidiary company used in the consolidation are drawn up to the same reporting date as of the Company, i.e. for the year ended 31 st March, 2016. The consolidated financial statements have been prepared on the following basis:

I The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Accounting Standards (AS) 21, "Consolidated Financial Statements'.

II The financial statements of the Company and its subsidiary company have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-company balances and intra-company

transactions and resulting unrealised profit or losses, unless cost cannot be recovered, as per the applicable Accounting Standard in India.

III The consolidated financial statements are presented, to the extent applicable, in accordance with the requirements of Schedule III of the 2013 Act as applicable to the Company's separate financial statements. Differences if any, in accounting policies have been disclosed separately.

IV The operations of the Company's subsidiary is considered as non-integral operations for the purpose of consolidation.

V Particulars of subsidiary have been considered in the preparation of the consolidated financial statements:

Name of the company	Country of Incorporation	% Shareholding of Kirloskar Oil Engines Ltd.	Consolidated as
KOEL Americas Corp.	State of Delaware laws, United States of America, based in Houston, Texas.	100%	Subsidiary

(d) Notes to these consolidated financial statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such notes from the individual financial statements, which fairly presents required disclosures.

(e) The accounting policies of the parent are best viewed in its independent financial statements. Differences in accounting policies followed by the KOEL Americas Corp. have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

(f) Contingent liabilities

Contingent Liabilities not provided for	**As at 31 March 2016**
a. Disputed Central Excise Demands	4.21
b. Disputed Sales Tax and Octroi Demands	15.07
c. Disputed Customs Duty Demands	0.86
d. Disputed Income Tax Liability – matter under appeal	12.58
e. Claims against Company not acknowledged as debts	62.96
f. Bills discounted not matured	7.17
Total	**102.85**

(g) Consolidated capital commitments are same as capital commitments of standalone Kirloskar Oil Engines Ltd.

(h) Consolidated related party transactions are same as related party transactions of standalone Kirloskar Oil Engines Limited except those related to its subsidiary which are eliminated as part of consolidation.

(i) KOEL Americas Corp. has commenced its operations since current financial year. Accordingly the consolidated financial statement of the Company are prepared only for the current financial year.

(j) Disclosure in terms of Schedule III of the Companies Act, 2013

₹ in Crs

Particulars	Net Assets (i.e. Total assets minus total liabilities)		Share in profit/(loss)	
	As a % of consolidated net assets Amount	Amount	As a % of consolidated profit/loss Amount	Amount
1. Parent:				
Kirloskar Oil Engines Ltd.	99.99%	1,439.75	99.93%	140.53
2. Subsidiary (Foreign):				
KOEL Americas Corp.	0.12%	1.77	0.08%	0.11
Add/(Less): Minority interests in all subsidiaries		–		–
Add/(Less): Inter-company eliminations	(0.11%)	(1.60)	(0.01%)	(0.01)
Total	100.00%	1,439.92	100.00%	140.63

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 : 18 May 2016

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
Company Secretary

Pune : 18 May 2016

KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

CIN: L29120PN2009PLC133351

Registered Office: Laxmanrao Kirloskar Road, Khadki, Pune – 411 003 (Maharashtra)

Tel.: 020-25810341Fax: 020-25813208 website: www.koel.co.in E-mail: investors@kirloskar.com

ATTENDANCE SLIP

(Please complete this attendance slip and hand over at the entrance of the meeting venue)

Registered Folio No. / DP ID & Client ID	
Name and address of the Member(s)	
Joint Holder 1 **Joint Holder 2**	
No. of Shares	

I/We hereby record my/our presence at the Annual General Meeting of the Company to be held on Friday, 5 August 2016 at 11.45 a.m. at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001.

--- ---

Member's / Proxy's name in Block Letters Member's / Proxy's Signature

TEAR HERE

TEAR HERE

KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

CIN: L29120PN2009PLC133351

Registered Office: Laxmanrao Kirloskar Road, Khadki, Pune – 411 003 (Maharashtra)

Tel.: 020-25810341Fax: 020-25813208 website: www.koel.co.in E-mail: investors@kirloskar.com

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

P.T.O.

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, 5 August 2016 at 11.45 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 Standalone Financial Statements and the Consolidated Financial Statements of the Company for the Financial Year ended 31 March 2016 together with the Reports of the Directors and the Auditors thereon.		
2.	To confirm the payment of Interim Dividend as final dividend for the year ended 31 March 2016.		
3.	Re-Appointment of Rajendra R. Deshpande who retires by rotation.		
4.	Re-Appointment of Auditors and fixing their remuneration.		
Special Business			
5.	Appointment of Vinesh Kumar Jairath as an Independent Director.		
6.	Approval of remuneration of the Cost Auditors.		

Signed this ..... day of..... 2016

Please affix Revenue Stamp

Signature of Member(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.

'Best Industrialist 2015' Award instituted by Deccan Chamber of Commerce Industries and Agriculture (DCCIA), Pune

CII award for innovation in farm mechanisation
Declared as one of the top 25 innovative organizations in India

EEPC confers "Star Performer Award" to Kirloskar Oil Engines Ltd. for the seventh consecutive year.

Kagal Plant receives the GreenCo Gold rating prestigious green certification by CII-2015

Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED
A Kirloskar Group Company
Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune - 411 003, INDIA.
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Email: investors@kirloskar.com Website: www.koel.co.in
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