**KIRLOSKAR INDUSTRIES LIMITED**
A Kirloskar Group Company

Enriching Lives

28 June 2017

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

**Ref.: Stock Code: KIRLOSIND**

Dear Sir,

Intimation under Regulation 30(9) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We wish to inform you that Kirloskar Ferrous Industries Limited (KFIL), a listed material subsidiary of the Company, has submitted to the stock exchanges, where the shares of KFIL are listed, vide its letter dated 28 June 2017, pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a copy of the Annual Report of KFIL for the Financial Year 2016-17, including the Notice of the Annual General Meeting.

The Annual Report of KFIL for the Financial Year 2016-17, is being sent to the registered members of KFIL, either by electronic means or by courier / speed post / registered post / airmail, as the case may be.

A copy of the same is enclosed for your ready reference.

You are requested to take the same on your records.

Thanking you.

Yours faithfully,
For Kirloskar Industries Limited

A.V.Mali

Ashwini Mali
Company Secretary &
Compliance Officer

KIRLOSKAR INDUSTRIES LTD. PUNE-38

Encl: As above

Regd. Office : 13 / A, Karve Road, Kothrud, Pune - 411 038.( India )
Phone : +91- (0)20 - 2545 2721 Telefax : +91- (0)20 - 2545 4723 E-mail : investorrelations@kirloskar.com Website : www.kil.net.in
CIN No.: L29112PN1978PLC088972

**KIRLOSKAR FERROUS INDUSTRIES LIMITED**
A Kirloskar Group Company

Enriching Lives

Ref No. 2292/17

28 June 2017

The Department of Corporate Services
BSE Limited
P. J. Towers, Dalal Street, Fort,
Mumbai 400001

Kind Attention : Mr. Shyam Bhagirath / Mr. Amol Hosalkar / Mr. Rakesh Parekh

Dear Sir,

Subject : Notice of Annual General Meeting and the Annual Report

Reference : Scrip Code 500245

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; we are enclosing a copy of the Annual Report of the Company for the financial year 2016–2017, including the Notice of Annual General Meeting.

The Annual Report of the Company for the financial year 2016–2017 is being sent to the registered members of the Company, either by electronic means or by courier / speed post / registered post / airmail, as the case may be.

You are requested to take the same on record.

Thanking You,

Yours faithfully,
For Kirloskar Ferrous Industries Limited

KIRLOSKAR FERROUS INDUSTRIES LTD. INDIA (PUNE)

C. S. Panicker
Executive Vice President (Corporate Finance) and
Company Secretary

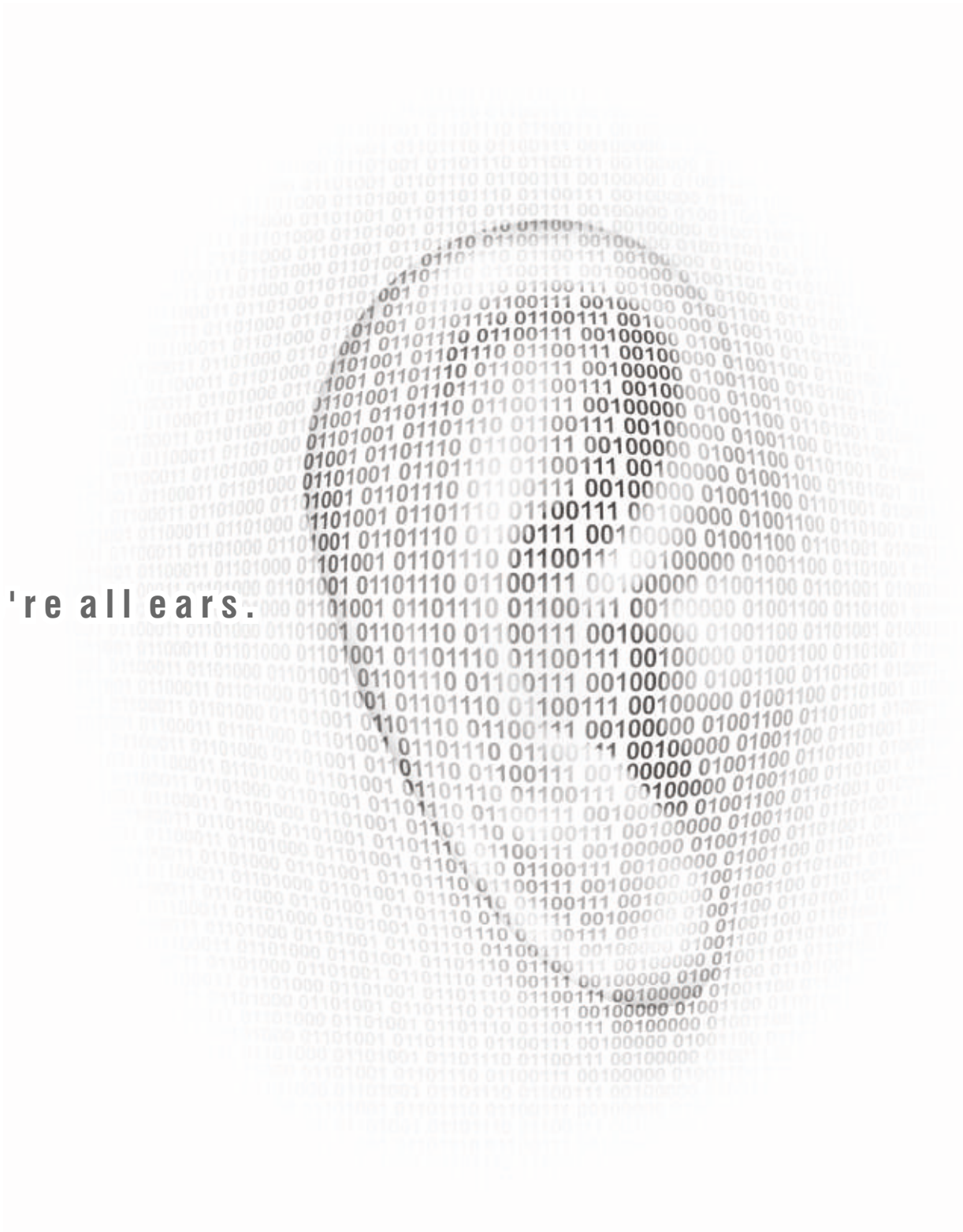
Encl : a/a

# KIRLOSKAR FERROUS INDUSTRIES LIMITED

A Kirloskar Group Company

26th ANNUAL REPORT 2016 - 2017

Enriching Lives



We're all ears.



For more than a century, we've been listening to our customers. Now with the advent of smart technology, we can listen to our products and respond in real time to ensure a seamless customer experience. We've always fostered a culture of listening and customer-centricity has been at the core of everything we do. We are glad that this new ability to listen to our products will empower us to provide proactive support and set a new benchmark for customer satisfaction.

**Your company is gearing up for a smart, new world by:**

- Implementing the On Time In Full (OTIF) process after understanding the difficulties faced by our customers in giving accurate schedules for supply of parts.
- Developing and implementing processes to reduce the new product development cycle time from eight months to less than 60 days.
- Developing processes to address delivery performance with a sharp focus on customer requirements.
- Working towards adopting key technology such as 3D printing to further reduce the new product development cycle time.



26th ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2017

**BOARD OF DIRECTORS**

| Name of Director | Designation | DIN |
|---|---|---|
| Mr. Atul C. Kirloskar | Chairman | 00007387 |
| Mr. Rahul C. Kirloskar | Vice Chairman | 00007319 |
| Mr. R. V. Gumaste | Managing Director | 00082829 |
| Mr. A. N. Alawani | Non Independent Director | 00036153 |
| Mr. A. R. Jamenis | Independent Director | 00082620 |
| Mr. S. N. Inamdar (till 24th October, 2016) | Independent Director | 00025180 |
| Mr. S. G. Chitnis (till 12th August, 2016) | Independent Director | 00082884 |
| Mr. B. S. Govind | Independent Director | 06912189 |
| Mr. R. Sampath Kumar | Independent Director | 06894180 |
| Mrs. Nalini Venkatesh | Independent Director | 06891397 |
| Mr. Y. S. Bhave (from 23rd January, 2017) | Additional Director | 00057170 |

**COMPANY SECRETARY**
Mr. C. S. Panicker

**CHIEF FINANCIAL OFFICER**
Mr. R. S. Srivatsan

**AUDITORS**
M/s. Kirtane & Pandit LLP, Chartered Accountants

**BANKERS**
Bank of Maharashtra
Axis Bank Limited
HDFC Bank Limited
Canara Bank
The Hongkong and Shanghai Banking Corporation Limited
ICICI Bank Limited
DBS Bank Limited

**REGISTRAR AND SHARE TRANSFER AGENT**
Link Intime India Private Limited
Akshay Complex, Block No 202, 2nd Floor,
Off Dhole Patil Road, Near Ganesh Temple,
Pune - 411 001

**REGISTERED OFFICE**
13, Laxmanrao Kirloskar Road, Khadki, Pune - 411 003

**FACTORY**
1) Bevinahalli Village, P. O. Hitnal
   Taluka and District Koppal, Karnataka - 583 234
2) Hotgi Road, Shivashahi, Solapur
   Maharashtra - 413 224

**Information for shareholders**

| 26th Annual General Meeting | | |
|---|---|---|
| Date | : | Thursday, 3rd August, 2017 |
| Time | : | 12 Noon |
| Venue | : | Pudumjee Hall,<br>Mahratta Chamber of Commerce<br>Industries and Agriculture,<br>Tilak Road, Near Nehru Stadium,<br>Swargate Corner, Pune 411002 |
| Dates of Book Closure | : | 25th July, 2017 to 3rd August, 2017<br>(both days inclusive) |

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# KIRLOSKAR FERROUS INDUSTRIES LIMITED

## A DECADE AT A GLANCE

(₹ in Millions)

| Particulars | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net sales / revenue from operations | 7,264.56 | 6,991.39 | 8,069.87 | 10,917.58 | 10,896.51 | 11,981.09 | 12,321.61 | 13,650.92 | 11,139.30 | 11,337.09 |
| Other income | 183.47 | 50.87 | 102.27 | 19.81 | 20.84 | 24.91 | 30.75 | 31.10 | 22.48 | 55.52 |
| **Total income** | **7,448.03** | **7,042.26** | **8,172.14** | **10,937.39** | **10,917.35** | **12,006.00** | **12,352.36** | **13,682.02** | **11,161.78** | **11,392.61** |
| Raw material and stores consumed | 5,301.91 | 5,254.59 | 5,790.99 | 8,548.17 | 8,103.05 | 8,646.38 | 9,209.08 | 9,702.97 | 7,131.58 | 7,101.71 |
| Employees remuneration and benefits | 296.85 | 306.52 | 327.72 | 330.56 | 427.73 | 511.76 | 495.63 | 651.93 | 709.22 | 731.44 |
| Other expenses | 921.82 | 930.76 | 1,030.56 | 1,028.14 | 1,433.28 | 1,739.84 | 1,500.88 | 1,806.50 | 1,790.01 | 1,749.58 |
| **Total expenses** | **6,520.58** | **6,491.87** | **7,149.27** | **9,906.87** | **9,964.06** | **10,897.98** | **11,205.59** | **12,161.40** | **9,630.81** | **9,582.73** |
| **Profit before interest, depreciation and amortisation** | **927.45** | **550.39** | **1,022.87** | **1,030.52** | **953.29** | **1,108.02** | **1,146.77** | **1,520.62** | **1,530.97** | **1,809.88** |
| (% to Total income) | 12.45 | 7.82 | 12.52 | 9.42 | 8.73 | 9.23 | 9.28 | 11.11 | 13.72 | 15.89 |
| Interest / finance cost | 83.90 | 117.27 | 60.59 | 41.45 | 104.70 | 151.80 | 229.05 | 297.99 | 235.05 | 136.57 |
| Depreciation and amortisation | 185.42 | 230.40 | 259.65 | 270.44 | 291.98 | 332.03 | 337.86 | 504.18 | 443.66 | 458.73 |
| **Profit before Tax** | **658.13** | **202.72** | **702.63** | **718.63** | **556.61** | **624.19** | **579.86** | **718.45** | **852.26** | **1,214.58** |
| (% to Total Income) | 8.84 | 2.88 | 8.60 | 6.57 | 5.10 | 5.20 | 4.69 | 5.25 | 7.64 | 10.66 |
| Tax provisions | 167.81 | 123.23 | 211.95 | 235.34 | 185.81 | 233.33 | 181.49 | 225.69 | 274.92 | 308.91 |
| **Net Profit after Tax** | **490.32** | **79.49** | **490.68** | **483.29** | **370.80** | **390.86** | **398.37** | **492.76** | **577.34** | **905.67** |
| (% to Total income) | 6.58 | 1.13 | 6.00 | 4.42 | 3.40 | 3.26 | 3.23 | 3.60 | 5.17 | 7.95 |
| **Equity share capital** | **685.02** | **686.47** | **686.49** | **686.54** | **686.54** | **686.54** | **686.54** | **686.54** | **686.54** | **686.54** |
| **Reserves** | | | | | | | | | | |
| Share premium | 1,929.29 | 1,937.97 | 1,938.06 | 1,938.38 | 1,938.38 | 1,938.38 | 1,938.38 | 1,938.38 | 1,938.38 | 1,938.38 |
| General reserves | 50.00 | 50.00 | 100.00 | 150.00 | 200.00 | 250.00 | 300.00 | 350.00 | 400.00 | 450.00 |
| Profit and Loss account | 337.14 | 298.58 | 540.91 | 815.65 | 976.86 | 1,191.86 | 1,339.44 | 1,575.42 | 1,895.42 | 2,751.09 |
| **Total** | **2,316.43** | **2,286.55** | **2,578.97** | **2,904.03** | **3,115.24** | **3,380.24** | **3,577.82** | **3,863.80** | **4,233.80** | **5,139.47** |
| **Deferred Tax (assets) / liability** | **228.95** | **315.01** | **319.11** | **379.68** | **420.55** | **514.75** | **641.76** | **730.59** | **789.04** | **804.81** |
| **Long term loans** | **39.43** | **188.57** | **62.85** | **-** | **-** | **804.62** | **602.31** | **100.00** | **-** | - |
| Net fixed assets including CWIP | 2,464.09 | 3,288.68 | 3,382.73 | 3,590.97 | 3,851.77 | 4,881.68 | 5,691.13 | 5,731.09 | 5,582.60 | 5,930.48 |
| Net current assets other than cash and bank | 371.53 | 61.19 | 98.39 | 67.74 | 50.49 | (17.20) | (413.25) | (584.12) | (92.49) | 459.78 |
| Cash and bank balance | 434.29 | 126.75 | 166.60 | 184.02 | 136.15 | 145.81 | 115.24 | 101.05 | 60.17 | 123.34 |
| Non current assets | | | | 127.52 | 183.92 | 375.87 | 115.31 | 132.91 | 171.80 | 130.71 |
| **Capital employed** | **3,269.91** | **3,476.62** | **3,647.72** | **3,970.25** | **4,222.33** | **5,386.16** | **5,508.43** | **5,380.93** | **5,722.08** | **6,644.31** |
| **Net worth** | **3,001.45** | **2,973.02** | **3,265.46** | **3,590.57** | **3,801.78** | **4,066.78** | **4,264.36** | **4,550.34** | **4,920.34** | **5,826.01** |
| Number of equity shares | 137,005,165 | 137,294,479 | 137,297,303 | 137,308,081 | 137,308,081 | 137,308,081 | 137,308,081 | 137,308,081 | 137,308,081 | 137,308,081 |
| Earnings per share (₹) | 3.58 | 0.58 | 3.57 | 3.52 | 2.70 | 2.85 | 2.90 | 3.59 | 4.20 | 6.60 |
| Book value per share (₹) | 21.91 | 21.65 | 23.78 | 26.15 | 27.69 | 29.62 | 31.06 | 33.14 | 35.83 | 42.43 |
| Dividend % | 15 | 10 | 20 | 20 | 20 | 25 | 25 | 25 | 25 | 35 |

Notes:
Net worth = Share capital + Reserves.
Net current assets has been calculated by deducting current liabilities and short term borrowings from the current assets.
Figures of 2010-11 and 2011-12 have been revised in accordance with the latest Schedule VI.
Figures as per latest annual report are aligned with the Companies Act, 2013.
Figures have been regrouped wherever necessary.

# NOTICE

Notice is hereby given that the 26th Annual General Meeting of the Members of Kirloskar Ferrous Industries Limited will be held on Thursday, the 3rd day of August, 2017 at 12 noon at Pudumjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 to transact the following business :

**ORDINARY BUSINESS**

**Item No. 1**

To receive, consider and adopt the Financial Statements for the year ended on 31st March, 2017 and also the reports of the Auditors and the Board of Directors thereon.

**Item No. 2**

To declare a dividend on equity shares for the financial year ended 31st March, 2017.

**Item No. 3**

To appoint a Director in place of Mr. Atul C. Kirloskar (DIN : 00007387), who retires by rotation and being eligible, offers himself for re-appointment.

**Item No. 4**

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

**"RESOLVED THAT,** pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the rules thereof, the appointment of M/s. Kirtane & Pandit LLP, Chartered Accountants (Firm Registration No. 105215W / W100057) be and is hereby ratified as the Statutory Auditors of the Company to hold office from the conclusion of 26th Annual General Meeting till the conclusion of 27th Annual General Meeting, at such remuneration, in addition to applicable taxes and reimbursement of out of pocket expenses, as may be mutually agreed between the Board of Directors and the Statutory Auditors.**"**

**SPECIAL BUSINESS**

**Item No. 5**

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

**"RESOLVED THAT,** pursuant to provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and rules thereof (including any statutory modification(s) or re-enactment thereof for the time being force), the remuneration of ₹ 300,000 (Rupees Three Lakh only) plus applicable taxes thereon and the reimbursement of out of pocket expenses at actual basis to be paid to M/s. Parkhi Limaye and Co, Cost Accountants appointed as Cost Auditors for the conduct of the cost audit of the Company for the financial year ending 31st March, 2018, as recommended by the Board of Directors, be and is hereby ratified.**"**

**Item No. 6**

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

**"RESOLVED THAT,** pursuant to the provisions of Sections 149, 152 and any other applicable provisions read with Schedule IV of the Companies Act, 2013 and the rules thereof (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Yashwant Shripad Bhave (DIN : 00057170), who was appointed as an Additional Director by the Board of the Directors of the Company and who holds office upto the date of this Annual General Meeting pursuant to provisions of Section 161 of the Companies Act, 2013 read with Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years upto 2nd August, 2022**"**

**Item No. 7**

To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution :

**"RESOLVED THAT**, pursuant to provisions of Sections 197, 198 and other applicable provisions, if any, of the Companies Act, 2013, rules thereof, Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any statutory modification(s) or re-enactment thereof for the time being in force] and the Articles of Association of the Company, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company, to decide and to pay the remuneration by way of commission (over and above the payment of sitting fees) to Directors of the Company, who are neither Managing Director(s) nor Whole Time Director(s), a sum not exceeding one percent of the net profits of the Company computed in the manner laid down in Section 198 and other applicable provisions, if any of the Companies Act, 2013, for each financial year commencing from the financial year 2017–2018."

Registered Office :
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411003.
CIN : L27101PN1991PLC063223
Email : investor@kfil.com

Pune : 28th April, 2017

By order of the Board of Directors

C. S. Panicker
Company Secretary

**NOTES :**

i) The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 25th July, 2017 to Thursday, 3rd August, 2017 (both days inclusive).

ii) A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

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

Proxy Form/s, in order to be effective, must be received at the Registered Office of the Company at Pune, not later than 48 hours before the time fixed for the meeting.

Proxies shall not have any right to speak at the meeting.

iii) The dividend, if declared at the Annual General Meeting, will be paid to those members :

a) whose names appear as Beneficial Owners as at the end of the business hours on 24th July, 2017 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of equity shares held in electronic form; and

b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers / transmissions in physical form lodged with the Company / its Registrar and Share Transfer Agent on or before 24th July, 2017.

iv) Members, who hold shares in physical form, are requested to advise the Company immediately of any change in their addresses.

v) Members, who hold shares in electronic form, are requested to intimate details regarding change of address, etc. to the Depository Participants, where they have their Demat accounts.

vi) Members may avail of the facility of dematerialisation by opening Demat accounts with the Depository Participants of either National Securities Depository Limited or Central Depository Services (India) Limited and get equity share certificates held by them dematerialised.

vii) Members, who hold shares in electronic form, are requested to bring their Client Id and DP Id for easy identification.

viii) Since the securities of the Company are compulsorily tradable in electronic form, to ensure better investor service and elimination of risk of holding securities in physical form, it is requested that the members holding shares in physical form to get their shares dematerialized at the earliest.

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

x) Members / proxies are requested to bring their attendance slip duly filled in.

xi) Members are requested to bring their copy of the Annual Report for the meeting.

xii) Members having multiple folios are requested to intimate to the Company such folios to enable the Company to consolidate all shareholdings into one folio.

xiii) **Green Initiative in the Corporate Governance - Registration of email address**

The members are requested to register email address with the Depository Participant / the Registrar and Share Transfer Agent of the Company, i.e. Link Intime India Private Limited, as the case may be, for service of documents.

**Voting through electronic means**

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and as amended from time to time and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide to the Members the facility to exercise their right to vote on resolutions proposed to be considered at the 26th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services. The facility of casting the votes by the Members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).

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

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

The remote e-voting period commences on 31st July, 2017 (9 a.m.) and ends on 2nd August, 2017 (5 p.m.). During this period, the Members of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date of 27th July, 2017 may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting after 5 p.m. on 2nd August, 2017. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.

The process and manner for remote e-voting are as under :

A. In case a Member receives an email from NSDL [for members, whose email IDs are registered with the Company/Depository Participants(s)] :

(i) Open email and open PDF file viz; "Kirloskar Ferrous remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password / PIN for remote e-voting. Please note that the password is an initial password. You will not receive this PDF file if you are already registered with NSDL for e-voting.

(ii) Launch internet browser by typing the following URL: https://www.evoting.nsdl.com/

(iii) Click on Shareholder – Login

(iv) If you are already registered with NSDL for e-voting, then you can use your existing user ID and password.

NOTE : Shareholders who forgot the User Details / Password can use "Forgot User Details / Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com

In case Shareholders are holding shares in demat mode, USER-ID is the combination of (DP ID + Client ID).

In case Shareholders are holding shares in physical mode, USER-ID is the combination of (Even No + Folio No).

(v) If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.

(vi) The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.

(vii) Once the e-voting home page opens, click on e-voting> Active Voting Cycles.

(viii) Select "EVEN" (E-Voting Event Number) of Kirloskar Ferrous Industries Limited. Now you are ready for e-voting as Cast Vote page opens.

(ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.

(x) Upon confirmation, the message "Vote cast successfully" will be displayed.

(xi) Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.

(xii) Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution / Authority letter, etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to mjrpcs@gmail.com with a copy marked to evoting@nsdl.co.in.

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company / Depository Participants(s) or requesting physical copy] :

(i) Initial password is provided on the covering letter :

EVEN (E-voting Event Number)
USER ID
PASSWORD

(ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.

**General Instructions for e-voting :**

- In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com
- If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password / PIN for casting your vote.
- You can also update your mobile number and e-mail id in the user profile details of the folio, which may be used for sending future communication(s).
- The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 27th July, 2017.
- Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 27th July, 2017 may obtain the login ID and password by sending a request at evoting@nsdl.co.in or rajivr@nsdl.co.in However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using “Forgot User Details / Password” or “Physical User Reset Password?”option available on www.evoting.nsdl.com
- A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only, shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- Mr. M. J. Risbud, Practicing Company Secretary (Membership No. FCS 810 and CP No. 185) has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of Scrutinizer, by use of ballot paper for all those members, who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

- The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company www.kfil.com and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.

**STATEMENT ANNEXED TO THE NOTICE PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 AND REGULATION 26 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

**Item No. 3 of the Notice**

Mr. Atul Chandrakant Kirloskar, aged 61 years, began his career with erstwhile Kirloskar Cummins Limited in the year 1978, where he started as a trainee. In December 1981, he was appointed as the Chief Executive of Cummins Diesel Sales and Services.

On 1st November, 1984, he was appointed as the Executive Vice President of Kirloskar Oil Engines Limited (KOEL). He was co-opted on the Board of KOEL on 6th August, 1985 wherein he took over as the Managing Director. In 1988, he became the Vice Chairman of KOEL and held the position till 25th July, 1998 when he was appointed as Chairman of KOEL.

He is past President of Mahratta Chamber of Commerce, Industries and Agriculture, Pune.

He was appointed as a Director of the Company on 10th August, 1992. He is the Chairman of the Company.

He is the Chairman of Stakeholders Relationship Committee and Finance Committee and the Member of Nomination and Remuneration Committee.

**Other Directorships**

| | |
|---|---|
| Kirloskar Oil Engines Limited | Kirloskar Pneumatic Company Limited |
| Kirloskar Industries Limited | Kirloskar Proprietary Limited |
| Kirloskar Solar Technologies Private Limited | Green Tek Systems (India) Private Limited |
| Navsai Investments Private Limited | Asara Sales and Investments Private Limited |
| Five Stars Bulkcarriers Private Limited | Toyota Kirloskar Motor Private Limited |
| Kirloskar Energen Private Limited | |

**Other Committee Positions**

| **Name of the Company** | **Name of Committee and position held** |
|---|---|
| Kirloskar Industries Limited | Nomination and Remuneration Committee – Member |
| Kirloskar Proprietary Limited | Remuneration Committee – Member |

He is a brother of Mr. Rahul C. Kirloskar, Vice Chairman.

He holds 1,427,939 (1.04 percent) equity shares in the Company.

Mr. Atul C. Kirloskar may be deemed to be concerned or interested, financially or otherwise, in the resolution to the extent of his shareholding.

Mr. Rahul C. Kirloskar, who is his brother and their other relatives, to the extent of their shareholding interest in the Company, may be deemed to be concerned or interested in the resolution.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution as set out in Item No. 3 of the Notice.

The Board recommends the ordinary resolution as set out at Item No. 3 of the Notice for approval by the members.

**Item No. 5 of the Notice**

The Board of Directors at its meeting held on 28th April, 2017 has appointed M/s. Parkhi Limaye and Co, Cost Accountants as the Cost Auditors of the Company to conduct the audit of cost records maintained by the Company for the financial year ending 31st March, 2018 and fixed the remuneration of ₹ 300,000 (Rupees Three Lakh only) plus applicable taxes thereon and the reimbursement of out of pocket expenses at actual, subject to the ratification of the Members at the Annual General Meeting.

Pursuant to provisions of Section 148 and other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 the remuneration of Cost Auditor shall be recommended by the Audit Committee, approved by the Board of Directors and ratified subsequently by the members. Accordingly, it is proposed to obtain the consent of the Members to ratify the remuneration and the reimbursement of expenses at actual to the Cost Auditors for the financial year ending 31st March, 2018.

None of the Directors / Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

The Board recommends the ordinary resolution as set out at Item No. 5 of the Notice for approval by the Members.

**Item No. 6 of the Notice**

Pursuant to provisions of Section 161(1) of the Companies Act, 2013 read with the Articles of Association of the Company, the Board of Directors of the Company appointed Mr. Yashwant Shripad Bhave (DIN : 00057170) as an Additional Director of the Company with effect from 23rd January, 2017.

In terms of provisions of Section 161(1) of the Companies Act, 2013, Mr. Y. S. Bhave would hold office upto the date of Annual General Meeting. He is also proposed to be appointed as an Independent Director for a term of five consecutive years upto 2nd August, 2022 pursuant to provisions of Sections 149, 152 and any other applicable provisions read with Schedule IV of the Companies Act, 2013 and the rules thereof.

The Company has received a notice in writing from a member alongwith deposit of requisite amount under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director of the Company.

Mr. Y. S. Bhave, aged 67 years, has completed B.Sc. and M. Sc. from Nagpur University and Master in Public Administration (M. P. A.) from Harvard University, USA. He was the Chairperson of Airports Economic Regulatory Authority of India (AERA) and the Secretary to the Government of India, Ministry of Consumer Affairs, New Delhi. He has more than 40 years of experience in areas of Finance, Industry, Personnel, Infrastructure Development and Integrated Development Cooperation.

He does not hold any equity share in the Company.

He does not hold any directorship in any other company.

He is not related to any other Director on the Board of Directors of the Company.

He is not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as a Director.The Company has received a declaration from him that he meets with the criteria of independence as prescribed in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board is of the opinion that he fulfills the conditions for his appointment as Independent Director and also possesses appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively and he is independent of the management.

Keeping in view his vast experience and knowledge, it will be in the interest of the Company that he is appointed as an Independent Director.

The draft letter for appointment of Mr. Y. S. Bhave as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company during normal business hours on any working day.

Mr. Y. S. Bhave may be deemed to be concerned or interested, financially or otherwise, in the resolution.

Save and except the above, none of the Directors / Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution as set out in Item No. 6 of the Notice.

The Board recommends the ordinary resolution as set out at Item No. 6 of the Notice for approval by the Members.

**Item No. 7 of the Notice**

Pursuant to provisions of Section 197 of the Companies Act, 2013, except with the approval of the members in the general meeting, the remuneration payable to Directors, who are neither Managing Directors nor Whole Time Directors, shall not exceed one percent of the net profits of the Company, if there is a Managing Director.

The Members of the Company at their annual general meeting held on 24th July, 2012 had authorised the Board of Directors to decide the payment of commission (over and above the sitting fees) to Non Executive Directors of the Company, a sum not exceeding one percent of Net Profit of the Company in any financial year upto a period of 5 years, commencing from the financial year 2012–2013.

Regulation 17(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 provides that the Board of Directors shall recommend all fees or compensation, if any, paid to Non-Executive Directors, including Independent Directors and shall require approval of shareholders in general meeting.

It is proposed to seek the approval of the Members for payment of remuneration by way of commission to Non Executive Directors of the Company, not exceeding one percent of the net profits of the Company, for each financial year commencing from the financial year 2017–2018, pursuant to provisions of Section 197 of the Companies Act, 2013 and Regulation 17(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The remuneration by way of commission will be distributed amongst Non Executive Directors in such manner as may be decided by the Board of Directors from time to time, subject to applicable provisions of the Companies Act, 2013 and rules thereof. The payment of commission to Non Executive Directors shall be in addition to the fees payable to them for attending a meeting of the Board or any committee thereof, as fixed by the Board of Directors from time to time.

All Non Executive Directors of the Company may be deemed to be concerned or interested in this resolution to the extent of their shareholding and commission, which may be received by them. The relatives of Non Executive Director of the Company may be deemed to be concerned or interested in this resolution to the extent of their shareholding.

The Managing Director / Key Managerial Personnel of the Company or their relatives are not, in any way, concerned or interested, financially or otherwise, in the resolution as set out in Item No. 7 of the Notice.

The Board recommends the special resolution as set out at Item No. 7 of the Notice for approval by the Members.

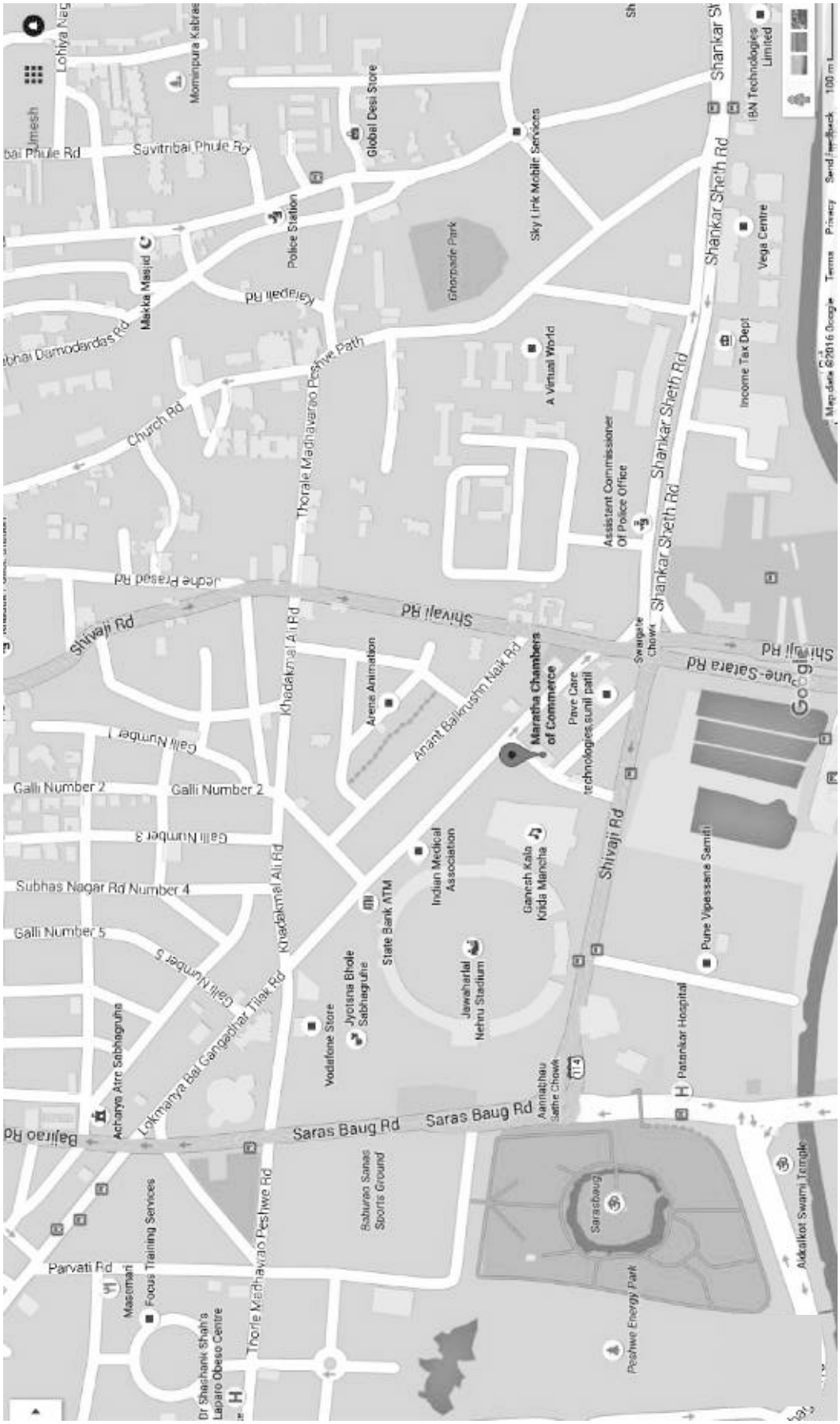
By order of the Board of Directors

Registered Office :
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411003.
CIN : L27101PN1991PLC063223
Email : investor@kfil.com

C. S. Panicker
Company Secretary

Pune : 28th April, 2017

Route Map of the venue of the Annual General Meeting



# DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting 26th Annual Report together with the Audited Annual Accounts for the year ended 31st March, 2017.

## I. FINANCIAL PERFORMANCE

The financial results of the Company for the financial year 2016-2017 as compared with the previous year are as follows -

(Amount in ₹)

| | **2016-2017** | 2015-2016 |
|---|---|---|
| Total Revenue | **11,392,617,056** | 11,161,782,223 |
| Profit before tax | **1,214,584,270** | 852,256,486 |
| Tax Expenses | **308,911,886** | 274,912,535 |
| Profit for the year | **905,672,384** | 577,343,951 |
| Balance of Profit brought forward from previous year | **1,895,419,064** | 1,575,423,721 |
| Profit available for appropriation | **2,801,091,448** | 2,152,767,672 |
| **APPROPRIATIONS** | | |
| Your Directors propose to appropriate the Profit as under : | | |
| Interim Dividend | **-** | 171,635,102 |
| Tax on above Dividend | **-** | 35,713,506 |
| Transfer to General Reserves | **50,000,000** | 50,000,000 |
| Balance carried to Surplus in Statement of Profit and Loss | **2,751,091,448** | 1,895,419,064 |

### DIVIDEND

Your Directors have recommended a dividend of 35 percent (₹ 1.75 per equity share). Dividend will be recognized as liability when approved by the members at the forthcoming Annual General Meeting as per new accounting standard.

## II. MANAGEMENT DISCUSSION AND ANALYSIS

### A. Economy and Industry Overview

**Global Economy:**

The global economy accelerated in the fourth quarter of calendar year 2016 due to the combination of improved conditions in emerging market countries and stronger growth in developed economies. Despite the deceleration in 2016, the global economy managed to navigate its way through troubled waters and perform at a decent growth rate of 2.6 percent owing to the good performance in the last quarter.

**Global Economy Outlook:**

Global growth is projected to pick up modestly in 2017. However, uncertainty surrounds the direction of US macroeconomic policies with potential global spillovers. Growth prospects for emerging market economies (EMEs) are also expected to improve moderately. Inflation is edging up on the back of rising energy prices and a mild firming up of demand. However, global trade remains subdued due to an increasing tendency towards protectionist policies and heightened political tensions. Furthermore, financial conditions are likely to tighten as central banks in Advanced Economies normalise exceptional accommodation in monetary policy.

**Indian Economy:**

India's economic growth is estimated at 7.1 percent for the fiscal year ending 31st March, 2017 as compared to 7.6 percent last year. The lower growth is due to the impact of the demonetisation drive. The growth estimates have been reduced in all the sectors, except for agriculture (which grew at 4.1 percent due to the positive monsoon season).

The trade deficit for FY 2016-2017 was estimated at US$ 105.72 billion which was 10.95 percent lower than the deficit of US$ 118.72 billion in the corresponding period last year. Oil imports during FY 2016-2017 were valued at US$ 86.46 billion which was 4.24 percent higher than the oil imports of US$ 82.94 billion in the corresponding period last year.

Foreign exchange reserves in India stood at US$ 369.95 at the end of 31st March, 2017.

India's growth for FY 2017-2018 is expected to rebound to 7.6 percent.

Rupee opened at a level of ₹ 66.2430 against US Dollar on 1st April, 2016. Rupee started depreciating against US Dollar and reached a peak level of ₹ 68.72. During February and March 2017 rupee started appreciating against US Dollar and closed at a level of ₹ 66.8386 as on 31st March, 2017. Rupee appreciation has been due to large inflow of overseas funds into equity and debt market.

Sensex which was at 25,341.86 on 31st March, 2016 closed at 29,620.50 on 31st March, 2017 registering a gain of 16.88 percent for FY 2016-2017.

**Steel Industry:**

India is the world's third-largest producer of crude steel. The Industry posted a 11 percent growth in production in FY 2017 at 101.2 million tonnes but domestic consumption remained anaemic mainly due to poor off take from end use segments. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

**Iron ore Mines:**

The Supreme Court, in April 2013, had directed the Government to cancel 51 C-category mining leases for illegal mining.

Department of Mines and Geology listed 14 C-category mining leases for e-auctioning in Ballari, Chitradurga and Tumakuru districts. The end-users had expressed their interest in getting the leases of only seven mines and all seven mines of the 14 C-category iron ore mine leases, have been e-auctioned by the Department of Mines and Geology. Your Company participated in the auction of mines but the mines have been won by other companies at a price which was not economical to your Company.

Government has informed that 2017-2018 would be an important year for the mining industry as there are around 300 mineral blocks to be leased (of which, Karnataka alone has about 100 odd leases). These mines would be auctioned in different states during the fiscal. Your Company will pursue in its efforts to acquire iron ore mines from the e-auction.

Iron ore mining is slowly opening up and presently 29 mines have been allowed for mining 33 Million tonnes per annum. As demand is higher than the actual mining, iron ore prices in Hospet sector are still higher.

**Coke :**

Availability of metallurgical coke from China, improved after removal of some restrictions by Chinese Government and helped the Indian manufacturers of iron and steel to import coke for their manufacturing operations at competitive prices.

Domestic coke manufacturers requested the Government to levy anti dumping duty on coke import from China as domestic industry was affected due to dumping of coke by China at a cheaper price.

In response thereto Government has imposed an anti dumping duty of US$ 25 per MT for the imports from China with effect from 25th November, 2016. This resulted in higher landed cost of metallurgical coke.

Coke prices which were at a level of US$ 117 per MT at the beginning of the year rose to a level of US$ 350 per MT and closed at US$ 285 per MT by the end of the year, alongwith applicable anti-dumping duty of US$ 25 per MT.

**Auto Industry:**

The Indian auto industry is one of the largest in the world. The industry accounts for 7.1 percent of the country's Gross Domestic Product (GDP).

Indian automotive market faced many challenges in 2016. Ordeal for auto industry started with ban on diesel cars and SUVs with big engines of 2,000 cc and above in Delhi-NCR for eight long months on environmental concerns.

Automakers are already running against time to implement the BS-VI emission norm from April 2020 after the Government in January 2016 decided to advance implementation of BS-VI by a year to April 2020 from the earlier plan of April 2021. It also decided to completely skip BS-V and go straight to BS-VI from BS-IV.

The Supreme Court in its order issued in March 2017 imposed a ban on sales and registration of vehicles not confirming BS-IV norms from 1st April, 2017. This decision left auto industry saddled with large inventory of BS-III vehicles at the end of the March 2017.

Indian automotive industry saw signs of a sustainable revival in demand for the first time in five years in 2016 but sudden announcement of demonetisation brought a steep decline in auto sales in November 2016.

The auto industry sold 21.86 Million vehicles in domestic market in FY 2016-2017. The industries growth improved to 6.81 percent stronger than 3.78 percent reported in FY 2015-2016.

**Auto Industry outlook:**

Government of India encourages foreign investment in the automobile sector and allows 100 percent FDI under the automatic route. Some of the major initiatives taken by the Government inter alia are as follows:

- to make automobiles manufacturing the main driver of 'Make in India' initiative.
- to promote eco-friendly cars in the country i.e. CNG based vehicle, hybrid vehicle, and electric vehicle. Further, Government made it mandatory to blend 5 percent ethanol in petrol.
- has formulated a scheme to encourage the progressive induction of reliable, affordable and efficient electric and hybrid vehicles in the country.
- The Government of India plans to introduce a new Green Urban Transport Scheme, aimed at boosting the growth of urban transport along a low carbon path for substantial reduction in pollution.

Further, Government has also undertaken two large initiatives viz. putting more money into the rural economy especially after demonetisation and putting a renewed focus on infrastructure development. Government has also estimated specific outlay for the development of coastal roads for better connectivity to ports and coastal villages. Farm friendly policies announced by Government will benefit the auto sector.

**Tractor industry:**

India's tractor industry sold 582,000 units registering a growth of 18 percent in the fiscal year 2016-2017, riding a monsoon-led surge in demand that was enough to offset the impact of demonetisation in the latter half. After two deficient monsoons, the country recorded a normal south west monsoon performance in the fiscal year 2017. This helped unleash pent up demand resulting in



October sales seeing a record 44 percent spurt, lifting sales for the April to October 2016 by a whopping 26 percent due to various incentives.

The fervour could have continued, but for the demonetisation move. Transactions in the rural areas, which account for the bulk of domestic tractor sales, are largely cash based. With cash drying up, sales registered a de-growth of 13 percent in the month of November 2016.

**Tractor industry Outlook:**

Tractor sales can benefit from favourable budget announcements such as record farm credit disbursal of ₹ 10 Lakh Crore and other rural development initiatives.

The rating forecast for growth is about 6-7 percent for the tractor industry in FY 2018. In the long run, tractor industry would grow at a CAGR of 5 to 6 percent. The Government of India remains committed towards rural development and agri-mechanization, a critical component in improving the state of agriculture in the country. Also, continued support towards enhancing additional irrigation penetration would reduce rainfall dependence over long term. This coupled with other factors such as increasing rural wages and scarcity of farm labour is likely to aid growth in industry volumes over the long term.

**Crude oil prices:**

Average crude oil spot price at the end of financial year 2017 was at a level of US$ 50.90 up from US$ 37.34 one year ago. This is a change of 36.32 percent from one year ago.

The Opec has started reducing production of oil from the beginning of 2017. This can lead to a higher crude oil price regime. Rising oil prices present a challenge to India's growth.

**B. Company Performance**

Your Company achieved net sales of ₹ 11,337 Million (previous year ₹ 11,139 Million).

The profit before tax for the year under review stood at ₹ 1,214.58 Million as compared to ₹ 852.26 Million of the previous year after providing for depreciation and amortisation.

**C. Operational Performance**

Your Company sold 253,495 MT of pig iron valued at ₹ 5,889.06 Million during FY 2016-2017 as compared to 289,485 MT of pig iron valued at ₹ 6,231.19 Million in the previous year.

Your Company sold 65,892 MT castings aggregating to ₹ 5,191.38 Million during FY 2016-2017 as compared to 56,661 MT castings aggregating to ₹ 4,606.68 Million in the previous year.

The Company performance in the first quarter of the year under review was good with Company enjoying the advantage of low coke prices and favourable selling price for pig iron. The demand for castings from both the tractor industry and auto industry was good, which benefitted the Company.

During the second quarter the Company was able to increase the sale of castings, with sustained demand for castings arising from the continued growth in auto and tractor sectors. The market demand for pig iron was stable. There was a spurt in international price of coal and coke, which resulted in an increase in price of domestic coke. There was also an increase in iron ore prices. Increase in raw material cost resulted in increase of manufacturing costs for pig iron. The demand for the pig iron was stable throughout the quarter.

One furnace was shut down from 19th September, 2016 for upgradation to increase its annual capacity from 180,000 tons to 211,400 tons. Upgradation was aimed to increase the life of lining to around 8 years. In consequence to the shut down, the pig iron production during the second and third quarter was reduced.

During the third quarter, there was a lot of volatility in the market with coal and coke prices going to high levels of around US$ 300 and US$ 350 respectively. Subsequently, the coal prices started coming down

and reached a level of US$ 190 per MT but the coke prices did not decrease as compared to coal prices. Thereafter, coke price came to a level of US$ 300 per MT. Further, the anti-dumping duty of US$ 25 per MT levied by the Government for imports from China (with effect from 25th November, 2016) increased the landed price of coke. During this quarter, the iron ore prices also started showing an upward trend and there was an increase in the cost by ₹ 500 per MT. Inspite of all these raw material price volatility, there was not much upward movement in steel and scrap prices and also for pig iron prices. This put the margin / profitability under pressure. However, due to procurement strategies and continuous cost reduction drives, your Company was able to manage and maintain reasonable profitability even in volatile market condition. Further, Company also witnessed a drop in the schedule for supply of pig iron and castings during the third quarter owing to the lower demand arising due to the effect of demonetization.

During the fourth quarter, upgradation of MBF-1 was completed and production of pig iron resumed from this furnace on 17th January, 2017. Your Company could stabilize the furnace quickly without much disturbances to the production. The fourth quarter witnessed further increase in iron ore prices. However, prices of coke softened on account of decrease in coal prices. The pig iron prices dropped putting pressure on the bottom line. The demand for castings improved due to good market conditions.

Rupee depreciation for a large part of the year resulted in higher input cost.

During the year under review, the Company repaid entire outstanding amount of long term loans. Also the Company has been able to reduce considerably the financing cost of working capital facilities by availing facilities at a very competitive rate.

Your Company has undertaken the following projects during the year under review:

1) Commenced the civil work for machine shop at Koppal Plant and is expected to be completed in first half of financial year 2017-2018. Simultaneously, Company is working on getting the orders for machined castings from its customers and also on procuring machines for machining of castings. Machine shop will be commissioned progressively in a phased manner based on the order position. The completion of machine shop will facilitate an increase in business by bringing more value added items for the Company.
2) Installation of fettling facilities for superior casting finish at Solapur Plant.
3) Upgradation of Mini Blast Furnace I resulting in lower coke consumption and increasing the production capacity of pig iron.
4) Commenced Railway siding project and the civil work has been completed. The project is expected to be completed in FY 2017-18. Completion of this project will facilitate inward movement of raw materials and outward movement of pig iron resulting in reduction in cost of transportation and handling losses.

**D. Cost Control**

Your Company adopted following measures to reduce cost:

- strategically sourced raw material and consumables.
- improvement projects through Kaizens, involvement of cross functional teams to bring cost reductions.
- Improved operational efficiencies and cost control measures at both Koppal and Solapur Plant.
- Improved the quality of the castings to bring down the rejections in castings.

**E. Concerns and Threats**

Demand for the auto and tractors have a direct impact on the performance of your Company and any adverse market condition for these sectors will result into reduced capacity utilisation and profitability.

Further, depreciation of Rupee vis-á-vis US dollar can lead to an increase in price of coke and in the price of crude oil, resulting in increased input costs, thereby putting pressure on profitability.

## F. Prospects for the Current Year

1. Company proposes to participate again in future e-auction of iron ore mines in Karnataka.
2. Supply more machined castings to increase value of sales.
3. Commissioning of the railway siding near to factory premises.
4. Explore the possibility of pulverized coal injection to reduce raw material cost.
5. Explore the possibility of setting up of coke oven plant and power plant. This will further help in reducing the cost of raw material as well as the power cost.
6. Explore the possibility of reducing power consumption at Solapur plant by installing solar power plant.

**Cautionary Statement**

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

## G. Internal Control Systems and their adequacy

The Company has a proper and adequate system of controls in order to ensure that all assets are safeguarded against loss from unauthorised use or disposal. All transactions are properly checked, verified, recorded and reported correctly.

Regular Internal Audit checks are carried out to ensure that the responsibilities are executed effectively and that proper and adequate systems are in place.

## H. Safety, Health and Environment

Your Company believes in “Safety First” and is committed to provide “Safe Workplace” by addressing safety, health and environment related issues by emphasizing safety culture organization. Employees are regularly trained to update their awareness and skills. New employees are being given intensive safety induction training and are being issued with “Safety Passports” related to their work area. All the statutory requirements related to safety, health and environment are being complied with. As a proactive approach, the periodical internal safety audit by Safety experts and external audit by Regional Labour Institute, Chennai is conducted to identify unsafe conditions and take proper safety measures. “Near Miss Report” and “First Aid Injuries” track has been introduced to report and to take corrective action for ensuring zero accidents.

Your Company is having well equipped “Occupational Health Centre” with a full-time Doctor and qualified paramedical staffs. The pre-employment health check-up of the employees is being conducted and also regular health checkups conducted on annual basis during the continuance of the employment. The Company has provided well equipped two ambulances which are available at all times to fulfill the requirement of employees during emergencies as well as neighbouring community

Your Company is certified for Quality Management Systems under ISO TS 16949:2009, Environmental Management System under ISO 14001:2004 and also certified for Occupational Health and Safety Assessment Series (OHSAS 18001:2007) by Indian Register Quality Systems (IRQS).

Requirements of environmental acts and regulations are complied with. Monitoring and analysis of water, stack emissions and ambient air quality etc., are undertaken periodically to verify whether the level of environmental parameters are maintained, well within the specified limits.

Sewage Treatment Plant (STP) with 250 KLD (kilo liters per day) capacity is operated to treat domestic wastewater with extended biological aeration system. Sludge generated from STP is being used as manure for garden and treated wastewater is used for gardening.

For effective suppression of dust emissions, jet type fixed sprinklers are provided.

Under ISO: 14001 and OHSAS: 18001, the following management programs have been taken-up and completed during FY2016-17 at its plant at Koppal.

1. Dust extraction system has been installed in Foundry (Sand Plant, DK4 and Shake Out Area).
2. As a part of environmental improvement project, the existing 250 meters of porous fence (mesh) of 12 meters height has been extended by another 50 meters in north east boundary to prevent the fugitive dust emission.
3. Construction of around 170 meters of concrete roads near truck tippler to prevent dust emission due to vehicular movement; till date total of 1,675 meters concrete road has been provided
4. Ambient Air Monitoring Quality System (AAMQS) connected to Central Pollution Control Board as per the KSPCB requirement.
5. Plantation of around 10,000 tree saplings in and around the plant premises to increase the green belt area which comes to a total of around 148,000.
6. Truck mounted water tanker (5,000 KL) capacity of water tank has been provided round the clock in the plant premises attached to safety department to tackle unexpected fire incidents.

**I. Social Responsibility**

In order to align the Mission and Values of your organization viz. “To be a preferred Employer and responsible neighbor”, your Company has taken following measures as a part of its Corporate Social Responsibility. The Company focuses on Rural Education, Health and Hygiene, Infrastructure, Environment, facilities in the local vicinity of the plant. Major activities undertaken during the year are as follows:

Rural Education

- Coaching classes were arranged for 64 students of 10th standard of 2016-2017 batch of Bevinahalli, Lingadahalli, Shahapur villages.
- Company provided school bags and note books to the students of Government Higher Primary Schools of neighboring villages.
- Financial assistance was given to Government Higher Primary School of Bevinahalli for providing educational tour for children.
- Financial assistance has been given to a Psychological Counseling Centre. This center has adopted 5 schools for 3 years to give guidance / address the problems of unemployed youth and students dropping out from High School education.
- Organized 'Personality Development Programme' at 50 schools from Koppal and Hospet area.

Health and Hygiene

- Implementing Kirloskar WaSH initiatives at Koppal and Solapur (clean and Beautiful School).
- Organized 'Multispecialty Free Health Checkup Camp' involving Pediatrician, Dentist, Gynecologist and General Physician at Shahapur village.
- Arranged visit of specialist doctors to Bevinahalli village once a week and visit by Company medical officer twice a week. The Company also provided free medicines.
- Provided motorized tricycles for some physically challenged persons.
- Providing nutritional support to Multi Drug Resistant Tuberculosis Patients from Koppal Taluk (Supported 20 patients for six months).
- Financial support was given for taking higher medical treatment in genuine cases.

Infrastructure

- Constructed storm water drain at Bevinahalli village.
- Provided financial assistance to Shahapur Village for the purchase of additional land for Government Higher Primary School.
- Provided RO Water to Guddadahalli Government Higher Primary School and National School, Koppal.



- Provided financial assistance to Anadaneshwara Education Trust, Mundaragi for construction of College Building.
- Provided RO system to provide portable drinking water to the Sports Authority of India students at Koppal.
- Extended portable drinking water stations at Gavisiddeshwara Cart festival for 5 days. This facility was used by large number of persons.
- Provided 1,000 green and 1,000 red dustbins to dispose wet and dry waste from the respective residences to dispose the village garbage at designated places.

Environment

- Provided tree guards and planted saplings at Ginigera railway station and at various areas in Koppal.
- Vasundhara International Film Festival was organized at Hospet, Koppal and Solapur in order to bring awareness among people to take care of the environment on the theme “Smart and Sustainable - It's my City”. As a part of the programme, awareness program was organized at various schools and for general public.
- Villagers of Bevinahalli and Lingadahalli were educated on the method to conserve water and utilize for the plantations.

**J. Human Resource**

Your Company considers human resource to be an important and valuable asset for the organization. Therefore, it constantly strives to attract and retain best “Talents” for the present and future business needs.

The Company has taken-up the following initiatives-

- To develop future leaders, Company has organized Management Development Programmes (MDP) on various topics.
- In order to enhance competencies and skills of employees, training programmes on behavioral and technical skills were organized on a continuous basis by engaging internal expertise and external faculties.
- In order to enhance safety culture “Behavioural Based Safety” Training programmes were conducted.
- Conducted 'Defensive Driving - Road Safety' training programmes.
- Conducted awareness programme on 'Prevention of Sexual Harassment of Women at Workplace'.
- Organized 'Energy Conservation' competitions for the team to participate and showcase their energy conservation models / benchmarks. The best team were awarded and motivated.
- Performance of employees is monitored through an effective performance management system on quarterly basis.
- Communication meet by top management with managerial staff on the 'Business Scenario' as well as sharing knowledge with young professionals.
- The talented employees are continuously recognized and are motivated through rewards and recognition.
- Conducted skill development programmes for apprentices / trainees on fitter and electrical by inviting experts from industrial training institutes.
- Initiated monthly 'Swachh Abhiyan' at Company premises to eliminate waste and to keep the area clean and aesthetic for better working atmosphere by adopting 5S concepts.

As on 31st March, 2017, the total number of salaried employees stood at 1,290.

The Employer - Employee relations is cordial throughout the year.

Recognition / Awards received by the Company during the year under review:

- Recognition from Mahindra and Mahindra Limited for 'Quick Stabilization and Ramp-up of Dhruv Housing'.
- Mahindra and Mahindra awarded trophies for 'Supplier Business Capacity Building' (SBCB) " and for 'Sustainable Performance' .
- Best Supplier Award for Joint Product Development' from TAFE.
- Green Foundry Award from MMR Events.
- Commendation Certificate for Significant Achievement in CII-EXIM Bank Award for Business Excellence.

Further, your Company has received the recognition for Koppal plant for in-house research and development for the period 21st March, 2017 to 31st March, 2019 from the Department of Scientific and Industrial Research.

## III. PARTICULARS OF INFORMATION FORMING PART OF THE BOARD'S REPORT PURSUANT TO SECTION 134 OF THE COMPANIES ACT, 2013 , RULE 8 OF THE COMPANIES (ACCOUNTS) RULES, 2014 AND RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIALPERSONNEL) RULES, 2014

### 1. EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in Form MGT-9 are annexed herewith as Annexure "A".

### 2. NUMBER OF MEETINGS OF THE BOARD

During the Financial Year 2016-2017 five Board Meetings were convened and held, the details of which are given in Clause 2(b) of the Corporate Governance Report.

### 3. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 134(5) of the Companies Act, 2013 in respect of Directors' Responsibility Statement, your Directors state that:

a) in the preparation of the annual accounts for the year ended 31st March, 2017, the applicable accounting standards had been followed and there were no material departures;

b) accounting policies as mentioned in Note 2 of the Notes forming part of the Financial Statements have been selected and applied consistently. Further, judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2017 and of the profit of the Company for the year ended on that date;

c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the annual financial statements have been prepared on a going concern basis;

e) proper internal financial controls were laid down and such internal financial controls were adequate and were operating effectively; and

f) proper systems to ensure compliance with the provisions of all applicable laws were in place and such systems were adequate and operating effectively.

### 4. STATEMENT ON DECLARATION BY THE INDEPENDENT DIRECTORS

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### 5. NOMINATION AND REMUNERATION POLICY

The Board has, on the recommendation of the Nomination and Remuneration Committee framed a



policy for selection and appointment of Directors, KMPs and Senior Management Personnel and their remuneration. The policy is annexed herewith as Annexure "B".

## 6. EXPLANATION OR COMMENTS ON AUDITORS' REPORT AND SECRETARIAL AUDIT REPORT

There are no qualifications, reservations or adverse remarks or disclaimer made by the statutory auditors in their audit report or by the practicing company secretary in the secretarial audit report.

## 7. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013

The Company has granted loans aggregating to ₹ 21,155,000 during the year ended 31st March, 2017. These primarily consist of loans to employees as per the policies of the Company and loans to suppliers in the normal course of business of the Company. The closing balances of these loans are disclosed under the schedule of Loans and advances in the financial statements. The Company has not given any guarantees or made any investments during the year, which would be covered by Section 186 of the Companies Act, 2013.

## 8. RELATED PARTY TRANSACTIONS

Pursuant to Section 134 of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contracts or arrangements entered into by the Company with Related Parties have been done at arm's length and are in the ordinary course of business. Hence, no particulars are being provided in Form AOC-2.

## 9. STATE OF COMPANY'S AFFAIRS

Discussion on state of Company's affairs has been covered as part of the Management Discussion and Analysis.

## 10. AMOUNTS PROPOSED TO BE CARRIED TO RESERVES

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

## 11. MATERIAL CHANGES AND COMMITMENTS, IF ANY AFFECTING FINANCIAL POSITION OF THE COMPANY

There are no adverse material changes or commitments occurring after 31st March, 2017 which may affect the financial position of the Company or may require disclosure.

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

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as Annexure "C".

## 13. RISK MANAGEMENT POLICY

The process of risk management at Company encompasses risk identification, classification and evaluation. The Company identifies strategic, operational and financial risks that the Company faces. The Company deploys mitigation activities and plans for current and future risks that the Company may face.

The Company has set up a Risk Review Team ('Team') to review the risks faced by the Company and monitor the development and deployment of risk mitigation action plans. The Team reports to the Board of Directors and the Audit Committee who provide oversight for the risk management framework in the Company.

The Directors have reviewed progress on the risk management activities in the current year.

## 14. CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

The Company has been carrying out Corporate Social Responsibility (CSR) activities. These activities are carried out in terms of Section 135 read with Schedule VII of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

Annual Report on CSR activities includes details about the CSR policy developed and implemented by the Company. CSR initiatives taken during the year is annexed herewith as Annexure “D”.

## 15. BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit, Nomination and Remuneration and other statutory committees. Performance evaluation has been carried out as per the Nomination and Remuneration Policy.

## 16. CHANGE IN THE NATURE OF BUSINESS

During the year under review, there has been no change in the nature of business of the Company.

## 17. DETAILS OF APPOINTMENT AND RESIGNATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Atul C. Kirloskar retires by rotation and being eligible, offers himself for re-appointment.

**Directors appointed during the FY 2016-2017**

Mr. Yashwant S. Bhave was appointed as an Additional Director of the Company with effect from 23rd January, 2017.

**Key Managerial Personnel (KMP) appointed during the FY 2016-2017**

There was no change in the Key Managerial Personnel during the FY 2016-2017.

**Directors and KMP's ceased / resigned during FY 2016-2017**

Mr. S. G. Chitnis, Independent Director ceased to be a Director of the Company with effect from 13th August, 2016 on completion of his tenure.

Mr. S. N. Inamdar, Independent Director has resigned as a Director of the Company with effect from 24th October, 2016.

## 18. NAMES OF THE COMPANIES WHICH HAVE BECOME/ CEASED TO BE SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR

The Company did not have any subsidiaries, associates or joint ventures during the year.

## 19. DEPOSITS

The Company has not accepted deposits under Chapter V of the Companies Act, 2013.

## 20. SIGNIFICANT ORDERS PASSED BY REGULATORS, COURTS OR TRIBUNALS IMPACTING GOING CONCERN AND COMPANY'S OPERATIONS

To the best of our knowledge, the Company has not received any such orders from Regulators, Courts or Tribunals during the year, which may impact the going concern status or the Company's operations in future.

## 21. INTERNAL FINANCIAL CONTROLS

The Company has deployed controls including defined code of conduct, whistle blower policy, management review and MIS mechanisms, internal audit mechanism. The process level controls have been instituted through Company policies and procedures and continuous monitoring of efficiency in operations.

There is regular management oversight of the internal controls environment at Company. The Audit Committee along with Management oversees results of the internal audit and reviews implementation on a periodic basis.

## 22. INFORMATION FORMING PART OF THE DIRECTORS' REPORT 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. | 1.54 percent |
| 4 | The number of permanent employees on the rolls of the Company. | 1,290 |
| 5 | 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. | Percentage increase in salaries of managerial personnel at 50th percentile: 42 percent.<br><br>Percentage increase in salaries of Non-managerial personnel at 50th percentile: 4 percent.<br><br>(Note: Percentage increase in salaries of Non-managerial personnel is in the range 1 percent to 23 percent).<br><br>The salary increases are a function of various factors like individual performance vis-á-vis individual KPIs, industry trends, economic situation, future growth prospects, etc. besides Company performance. There are no exceptional circumstances for increase in the managerial remuneration. |
| 6 | Affirmation that the remuneration is as per the remuneration policy of the Company. | The remuneration paid to the Directors is as per the Remuneration policy of the Company. |
| 7 | Statement showing the names of the top ten employees in terms of remuneration drawn and the name of every employee, who-<br>(I) if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees; | Please refer Annexure 'F' |

| Sr. No. | Information Required | Input |
|---|---|---|
| | (ii) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;<br>(iii) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the Managing Director or Whole-time Director or Manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the Company. | Please refer Annexure 'F' |

## IV. VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Board of Directors has adopted the Vigil Mechanism / Whistle Blower Policy. The policy has provided a mechanism for Directors, Employees 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 Code of Conduct of the Company.

The details of the policy has been uploaded at the website of the Company, viz. www.kfil.com

## V. COMPOSITION OF AUDIT COMMITTEE

The composition of the Audit Committee has been mentioned in the Corporate Governance Report annexed to this report.

## VI. AUDITORS

### 1. Statutory Auditors

At the 25th Annual General Meeting held on 28th July, 2016 M/s. Kirtane & Pandit LLP, Chartered Accountants [Firm Registration No.: 105215W/W100057], were appointed as Statutory Auditors of the Company to hold office till the conclusion of the 30th Annual General Meeting to be held in the year 2021. In terms of the first proviso to Section 139 of the Companies Act, 2013, the appointment of the Statutory Auditors shall be placed for ratification at every Annual General Meeting. Accordingly, the appointment of M/s. Kirtane & Pandit LLP, Chartered Accountants as Statutory Auditors of the Company, will be placed for ratification by the Members in the ensuing Annual General Meeting. In this regard, the Company has received a certificate from the Auditors to the effect that if their appointment is ratified, it would be in accordance with the provisions of Section 141 of the Companies Act, 2013.

### 2. Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Mr. M. J. Risbud, Practicing Company Secretary to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed herewith as Annexure “G”.

### 3. Cost Auditor

The Board of Directors at its meeting held on 28th April, 2017 has appointed M/s. Parkhi Limaye and Co, Cost Accountants as the Cost Auditors of the Company to conduct the audit of cost records maintained by the Company for the financial year ending 31st March, 2018.

## VII. CORPORATE GOVERNANCE

The Company conforms to the norms of Corporate Governance as envisaged in the Listing Regulations with the BSE Limited. Pursuant to Regulation 34(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Report on the Corporate Governance and the Auditors Certificate on Corporate Governance are annexed to this report.

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

During the year under review, there were no cases filed pursuant to the aforesaid Act.

## IX. APPRECIATION

The Board of Directors places on record its sincere appreciation for contribution by Mr. S. G. Chitnis. He was associated with the Company since January 2005. He had been an advisor to the Kirloskar Group on techno-commercial projects and on world class manufacturing practices.

The Board of Directors also places on record its sincere appreciation for contribution by Mr. S. N. Inamdar. He was associated with the Company for more than two decades. His knowledge and experience in legal and taxation matters have helped the Company immensely.

Your Directors wish to place on record their appreciation towards the contribution of all the employees of the Company and their gratitude to the Company's valued customers, bankers, vendors and members for their continued support and confidence in the Company.

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman
DIN: 00007387

Pune : 28th April, 2017

## ANNEXURE - A

**Form No. MGT-9**
**EXTRACT OF ANNUAL RETURN**
**As on the financial year ended on 31st March, 2017**
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

### I. REGISTRATION AND OTHER DETAILS

| | | |
|---|---|---|
| i) | CIN | L27101PN1991PLC063223 |
| ii) | Registration date | 10th September, 1991 |
| iii) | Name of the Company | Kirloskar Ferrous Industries Limited |
| iv) | Category/Sub category of the Company | Public Company / Limited by Shares |
| v) | Address of the Registered office and contact details | 13, Laxmanrao Kirloskar Road, Khadki,<br>Pune 411003<br>Tel No : (020) 66084664<br>Fax No : (020) 25813208<br>Email : investor@kfil.com<br>Website : www.kfil.com |
| vi) | Whether listed Company | Yes |
| vii) | Name, Address and Contact details of Registrar and Transfer Agent, if any | Link Intime India Private Limited<br>Akshay Complex, Block No. 202, Second Floor,<br>Off Dhole Patil Road, Near Ganesh Temple,<br>Pune 411001<br>Tel No : (020) 26160084<br>Fax No :(020) 26163503<br>E-mail: pune@linkintime.co.in |

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 percent or more of the total turnover of the Company are as stated below:-

| Sl. No. | Name and Description of main products/services | NIC Code of the product / service | Percentage to total turnover of the Company |
|---|---|---|---|
| 1 | Iron Castings | 27310 | 97 |

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

| Sl. No. | Name and Address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|
| 1 | Kirloskar Industries Limited<br>13/A, Karve Road,<br>Kothrud, Pune 411038 | L29112PN1978PLC088972 | Holding Company | 51.45 | 2(46) |

## IV. SHAREHOLDING PATTERN (Equity share capital breakup as percentage of total equity)

### i) Category-wise Shareholding:

| | Category of Shareholders | Number of shares held at the beginning of the year (i.e. 1st April, 2016) | | | | Number of shares held at the end of the year (i.e. 31st March, 2017) | | | | % change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| **(A)** | **Promoters** | | | | | | | | | |
| **(1)** | **Indian** | | | | | | | | | |
| a) | Individual / HUF | 9,139,327 | - | 9,139,327 | 6.66 | 9,139,327 | - | 9,139,327 | 6.66 | - |
| b) | Central Government | - | - | - | - | - | - | - | - | - |
| c) | State Government(s) | - | - | - | - | - | - | - | - | - |
| d) | Bodies Corporate | 72,614,617 | - | 72,614,617 | 52.88 | 72,644,495 | - | 72,644,495 | 52.90 | 0.02 |
| e) | Banks / Financial Institutions | - | - | - | - | - | - | - | - | - |
| f) | Any Other | - | - | - | - | - | - | - | - | - |
| | **Sub-Total (A)(1)** | **81,753,944** | **-** | **81,753,944** | **59.54** | **81,783,822** | **-** | **81,783,822** | **59.56** | **0.02** |
| **(2)** | **Foreign** | | | | | | | | | |
| a) | NRIs - Individuals | - | - | - | - | - | - | - | - | - |
| b) | Other - Individuals | - | - | - | - | - | - | - | - | - |
| c) | Bodies Corporate | - | - | - | - | - | - | - | - | - |
| d) | Banks / Financial Institutions | - | - | - | - | - | - | - | - | - |
| e) | Any Other | - | - | - | - | - | - | - | - | - |
| | **Sub-Total (A)(2)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | **Total Shareholding of Promoters (A) = (A)(1)+(A)(2)** | **81,753,944** | **-** | **81,753,944** | **59.54** | **81,783,822** | **-** | **81,783,822** | **59.56** | **0.02** |
| **(B)** | **Public shareholding** | | | | | | | | | |
| **(1)** | **Institutions** | | | | | | | | | |
| a) | Mutual Funds / UTI | 2,499,787 | 28,300 | 2,528,087 | 1.84 | 2,499,787 | 28,300 | 2,528,087 | 1.84 | - |
| b) | Banks / Financial Institutions | - | 500 | 500 | 0.00 | - | 500 | 500 | 0.00 | - |
| c) | Central Government | - | - | - | - | - | - | - | - | - |
| d) | State Government(s) | - | - | - | - | - | - | - | - | - |
| e) | Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| f) | Insurance Companies | - | - | - | - | - | - | - | - | - |
| g) | Foreign Institutional Investors (FII) | 5,000 | 42,000 | 47,000 | 0.04 | 102,126 | 42,000 | 144,126 | 0.11 | 0.07 |
| h) | Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| i) | Any other (specify) | | | | | | | | | |
| | Foreign Portfolio Investors | - | - | - | - | 830,075 | - | 830,075 | 0.60 | 0.60 |
| | **Sub-Total (B)(1)** | **2,504,787** | **70,800** | **2,575,587** | **1.88** | **3,431,988** | **70,800** | **3,502,788** | **2.55** | **0.67** |

## i) Category-wise Shareholding: (Contd.)

| | Category of Shareholders | Number of shares held at the beginning of the year (i.e. 1st April, 2016) | | | | Number of shares held at the end of the year (i.e. 31st March, 2017) | | | | % change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| **(2)** | **Non - Institutions** | | | | | | | | | |
| a) | Bodies Corporate | | | | | | | | | |
| | i) Indian | 3,811,285 | 534,600 | 4,345,885 | 3.17 | 4,483,174 | 534,700 | 5,017,874 | 3.65 | 0.48 |
| | ii) Overseas | - | - | - | - | - | - | - | - | - |
| b) | Individuals | | | | | | | | | |
| i | Individual shareholders holding nominal share capital upto ₹ 1 lakh | 19,936,921 | 4,319,338 | 24,256,259 | 17.66 | 21,136,385 | 4,246,333 | 25,382,718 | 18.49 | 0.83 |
| ii | Individual shareholders holding nominal share capital in excess of ₹ 1 lakh | 20,343,383 | - | 20,343,383 | 14.81 | 17,259,971 | - | 17,259,971 | 12.57 | (2.24) |
| c) | Others | | | | | | | | | |
| | i) Non - Resident Indians | 766,575 | 607,440 | 1,374,015 | 1.00 | 1,355,839 | 590,940 | 1,946,779 | 1.42 | 0.42 |
| | ii) Clearing Members | 351,148 | - | 351,148 | 0.26 | 299,601 | - | 299,601 | 0.22 | (0.04) |
| | iii) Directors and their relatives | 210,988 | 200 | 211,188 | 0.15 | 196,988 | - | 196,988 | 0.14 | (0.01) |
| | iv) Hindu Undivided Families | 2,095,872 | 700 | 2,096,572 | 1.53 | 1,896,724 | 700 | 1,897,424 | 1.38 | (0.15) |
| | v) Trusts | 100 | - | 100 | 0.00 | 20,116 | - | 20,116 | 0.02 | 0.02 |
| | **Sub-Total (B)(2)** | **47,516,272** | **5,462,278** | **52,978,550** | **38.58** | **46,648,798** | **5,372,673** | **52,021,471** | **37.89** | **(0.69)** |
| | **Total Public Shareholding (B)=(B)(1)+(B)(2)** | **50,021,059** | **5,533,078** | **55,554,137** | **40.46** | **50,080,786** | **5,443,473** | **55,524,259** | **40.44** | **(0.02)** |
| **(C)** | **Shares held by Custodians for GDRs and ADRs** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | **Grand Total (A+B+C)** | **131,775,303** | **5,533,078** | **137,308,081** | **100.00** | **131,864,608** | **5,443,473** | **137,308,081** | **100.00** | **-** |



**ii) Shareholding of Promoters :**

| Sl. No. | Shareholders Name | Shareholding as at the beginning of the year (i.e. 1st April, 2016) | | Shareholding as at the end of the year (i.e. 31st March, 2017) | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | Kirloskar Industries Limited | 70,613,876 | 51.43 | 70,643,754 | 51.45 |
| 2 | Kirloskar Pneumatic Company Limited | 2,000,000 | 1.46 | 2,000,000 | 1.46 |
| 3 | Jyotsna Gautam Kulkarni | 1,672,602 | 1.21 | 1,672,602 | 1.21 |
| 4 | Alpana Rahul Kirloskar | 1,591,229 | 1.16 | 1,591,229 | 1.16 |
| 5 | Arti Atul Kirloskar | 1,493,865 | 1.09 | 1,493,865 | 1.09 |
| 6 | Atul C. Kirloskar | 1,427,939 | 1.04 | 1,427,939 | 1.04 |
| 7 | Rahul C. Kirloskar | 1,425,279 | 1.04 | 1,425,279 | 1.04 |
| 8 | Gautam A. Kulkarni | 1,425,278 | 1.04 | 1,426,038 | 1.04 |
| 9 | Suman C. Kirloskar | 90,535 | 0.07 | 90,535 | 0.07 |
| 10 | Mrinalini Shreekant Kirloskar | 6,500 | 0.00 | 6,500 | 0.00 |
| 11 | Alok Sanjay Kirloskar | 1,520 | 0.00 | 1,520 | 0.00 |
| 12 | Gauri Kirloskar – Kolenaty | 1,140 | 0.00 | 1,140 | 0.00 |
| 13 | Aditi Atul Kirloskar | 760 | 0.00 | 760 | 0.00 |
| 14 | Rama Sanjay Kirloskar | 760 | 0.00 | 760 | 0.00 |
| 15 | Neeta Achyut Kulkarni | 760 | 0.00 | N.A. | - |
| 16 | Achyut & Neeta Holdings & Finance Private Limited | 541 | 0.00 | 541 | 0.00 |
| 17 | Sanjay C. Kirloskar | 380 | 0.00 | 380 | 0.00 |
| 18 | Alika Rahul Kirloskar | 380 | 0.00 | 380 | 0.00 |
| 19 | Geetanjali Vikram Kirloskar | 200 | 0.00 | 200 | 0.00 |
| 20 | Roopa Jayant Gupta | 200 | 0.00 | 200 | 0.00 |
| 21 | Alpak Investments Private Limited | 100 | 0.00 | 100 | 0.00 |
| 22 | Navsai Investments Private Limited | 100 | 0.00 | 100 | 0.00 |
| | **Total** | **81,753,944** | **59.54** | **81,783,822** | **59.56** |

**Notes:**

a) Atul C. Kirloskar holds 1,427,179 equity shares in the individual capacity and 380 as Karta of Atul C. Kirloskar (HUF) and 380 equity shares as a Trustee of C. S. Kirloskar Testamentary Trust.

b) Rahul C. Kirloskar holds 1,424,899 equity shares in the individual capacity and 380 equity shares as a Trustee of C. S. Kirloskar Testamentary Trust.

c) Sanjay C. Kirloskar holds 380 equity shares as Karta of Sanjay C. Kirloskar (HUF).

d) Suman C. Kirloskar holds 42,705 equity shares in the individual capacity and 47,450 equity shares as Karta of C. S. Kirloskar (HUF) and 380 equity shares as a Trustee of Vijaya Durga Devi Trust.

e) Vikram S. Kirloskar is the Promoter of the Company. However, he does not hold any equity share in the Company.

f) Figures shown as “0.00” above are not Nil, but rounded off to 2 decimals.

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

h) No shares of promoters have been pledged or encumbered as of 1st April, 2016 or 31st March, 2017 or during the year ended 31st March, 2017.

i) N.A. represents Not Applicable.

**iii) Change in Promoters' Shareholding:**

During the financial year 2016–2017, there were changes in the shareholding of two Promoters, viz. Kirloskar Industries Limited and Gautam A. Kulkarni as per details given below :

| Sl. No. | Particulars | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | | Number of shares | % of total shares of the Company | Number of shares | % of total shares of the Company |
| 1 | Kirloskar Industries Limited | | | | |
| | As on 1st April, 2016 | 70,613,876 | 51.43 | | |
| | Equity shares purchased on 14th March, 2017 through market | 5,222 | 0.00 | 70,619,098 | 51.43 |
| | Equity shares purchased on 15th March, 2017 through market | 18,695 | 0.01 | 70,637,793 | 51.44 |
| | Equity shares purchased on 16th March, 2017 through market | 5,961 | 0.01 | 70,643,754 | 51.45 |
| | As on 31st March, 2017 | | | 70,643,754 | 51.45 |
| 2 | Gautam A. Kulkarni | | | | |
| | As on 1st April, 2016 | 1,425,278 | 1.04 | | |
| | Equity shares acquired on 16th June, 2016 by way of transmission on demise of Neeta A. Kulkarni | 760 | 0.00 | 1,426,038 | 1.04 |
| | As on 31st March, 2017 | | | 1,426,038 | 1.04 |

**iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)**

Shareholding pattern of top ten shareholders as at the beginning of the year (i.e. 1st April, 2016):

| Sl. No. | Name of Shareholder | Number of shares | % of total shares of the Company |
|---|---|---|---|
| 1 | Arun Nahar | 2,649,897 | 1.93 |
| 2 | DSP Blackrock Micro Cap Fund | 2,499,787 | 1.82 |
| 3 | Jagdish Amritlal Shah | 1,283,530 | 0.93 |
| 4 | Anju Ajay Saraf | 761,042 | 0.55 |
| 5 | Vallabh Bhanshali | 675,000 | 0.49 |
| 6 | Aadi Financial Advisors LLP | 675,000 | 0.49 |
| 7 | Shaunak Jagdish Shah | 580,150 | 0.42 |
| 8 | Beautiful Diamonds Limited | 500,000 | 0.36 |
| 9 | Ajay Sheth | 462,492 | 0.34 |
| 10 | Zafar Ahmadullah | 425,000 | 0.31 |

Shareholding pattern of top ten shareholders as at the end of the year (i.e. 31st March, 2017):

| Sl. No. | Name of Shareholder | Number of shares | % of total shares of the Company |
|---|---|---|---|
| 1 | Arun Nahar | 2,649,897 | 1.93 |
| 2 | DSP Blackrock Micro Cap Fund | 2,499,787 | 1.82 |
| 3 | Jagdish Amritlal Shah | 1,283,530 | 0.93 |
| 4 | Anju Ajay Saraf | 761,042 | 0.55 |
| 5 | Vallabh Bhanshali | 675,000 | 0.49 |
| 6 | Aadi Financial Advisors LLP | 673,270 | 0.49 |
| 7 | Shaunak Jagdish Shah | 580,150 | 0.42 |
| 8 | Beautiful Diamonds Limited | 500,000 | 0.36 |
| 9 | Ajay Sheth | 465,102 | 0.34 |
| 10 | Zafar Ahmadullah | 425,000 | 0.31 |

**Notes:**

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

b) There is no fresh allotment/reduction of share capital during the year by the Company.

c) The increase/decrease in shareholding above is due to transactions between shareholders.

d) 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.

**Shareholding of Directors and Key Managerial Personnel:**

Shareholding of Directors:

| Sl. No. | Name of Director | Shareholding as at the beginning of the year (i.e. 1st April, 2016) | | Shareholding as at the end of the year (i.e. 31st March, 2017) | |
|---|---|---|---|---|---|
| | | Number of shares | % of total shares of the Company | Number of shares | % of total shares of the Company |
| 1 | Mr. Atul C. Kirloskar | 1,427,939 | 1.04 | 1,427,939 | 1.04 |
| 2 | Mr. Rahul C. Kirloskar | 1,425,279 | 1.04 | 1,425,279 | 1.04 |
| 3 | Mr. R. V. Gumaste | 99,021 | 0.07 | 99,021 | 0.07 |
| 4 | Mr. A. N. Alawani | 35,000 | 0.03 | 35,000 | 0.03 |
| 5 | Mr. A. R. Jamenis | 3,400 | 0.00 | 3,400 | 0.00 |
| 6 | Mrs. Nalini Venkatesh | 10,600 | 0.01 | 10,600 | 0.01 |
| 7 | Mr. B. S. Govind | 200 | 0.00 | 200 | 0.00 |
| 8 | Mr. R. Sampathkumar | Nil | -- | Nil | -- |
| 9 | Mr. Y. S. Bhave | N. A. | -- | Nil | -- |
| 10 | Mr. S. G. Chitnis | 3,100 | 0.00 | N. A. | -- |
| 11 | Mr. S. N. Inamdar | 11,100 | 0.01 | N. A. | -- |

**Notes :**

1. Mr. S. G. Chitnis has ceased to be a Director of the Company with effect from 13th August, 2016.
2. Mr. S. N. Inamdar has resigned as a Director of the Company with effect from 24th October, 2016.
3. Mr. Y. S. Bhave has been appointed as an Additional Director of the Company with effect from 23rd January, 2017.
4. The above details are based on the legal ownership and not on beneficial ownership
5. The shareholding above reflects the ownership post the person being appointed a Director or KMP.
6. N.A. represents Not Applicable.

Shareholding of Key Managerial Personnel:

| Sl No | Name of Key Managerial Person | Shareholding as at the beginning of the year (i.e. 1st April, 2016) | | Shareholding as at the end of the year (i.e. 31st March, 2017) | |
|---|---|---|---|---|---|
| | | Number of shares | % to total shares of the Company | Number of shares | % to total shares of the Company |
| 1 | Mr. R. V. Gumaste Managing Director | 99,021 | 0.07 | 99,021 | 0.07 |
| 2 | Mr. C. S. Panicker Company Secretary | - | - | - | - |
| 3 | Mr. R. S. Srivatsan Chief Financial Officer | - | - | - | - |

## V. INDEBTEDNESS

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

(Amount in ₹)

| Particulars | Secured loans excluding deposits | Unsecured loans | Deposits | Total indebtedness |
|---|---|---|---|---|
| Indebtedness at the beginning of the financial year (i.e. 1st April, 2016) | | | | |
| i) Principal amount | 898,601,201 | 183,844,820 | - | 1,082,446,021 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 49,052 | - | - | 49,052 |
| Total (i+ii+iii) | 898,650,253 | 183,844,820 | - | 1,082,495,073 |
| Change in indebtedness during the financial year | | | | |
| - Addition in others # | 4,252,270 | - | - | 4,252,270 |
| - Addition/(reduction) in cash credit accounts* | (175,666,069) | 161,997,432 | - | (13,668,637) |
| - (Reduction in loans other than cash credit) | (104,280,274) | - | - | (104,280,274) |
| Net change | (275,694,073) | 161,997,432 | - | (113,696,641) |
| Indebtedness as at the end of the financial year (i.e. 31st March, 2017) | | | | |
| i) Principal amount | 622,935,157 | 345,820,082 | - | 968,755,239 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 21,023 | 22,170 | - | 43,193 |
| Total (i+ii+iii) | 622,956,180 | 345,842,252 | - | 968,798,432 |



\# Represents interest accrued during the year on term loan.
* Represents the difference between the closing and opening balances in the cash credit accounts.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(Amount in ₹)

| Sl. No. | Particulars of Remuneration | Managing Director |
|---|---|---|
| 1. | Gross Salary | |
| | (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 | 11,520,710 |
| | (b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961 | 178,594 |
| | (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 percentage of profit | 32,500,000 |
| | - others | - |
| 5. | Others | - |
| | Total (A) | 44,199,304 |
| | Ceiling as per the Act | 63,305,179 |

B. Remuneration to other Directors :

(Amount in ₹)

| Sl. No. | Name of Director | Particulars of Remuneration | | | Total Amount |
|---|---|---|---|---|---|
| | | Fees for attending board/ committee meetings | Commission | Others | |
| 1. | Independent Directors | | | | |
| | Mr. A. R. Jamenis | 350,000 | 1,100,000 | - | 1,450,000 |
| | Mrs. Nalini Venkatesh | 225,000 | 860,000 | - | 1,085,000 |
| | Mr. B. S. Govind | 150,000 | 650,000 | - | 800,000 |
| | Mr. R. Sampathkumar | 250,000 | 1,100,000 | - | 1,350,000 |
| | Mr. Y. S. Bhave | 50,000 | 160,000 | - | 210,000 |
| | Mr. S. G. Chitnis | 150,000 | 500,000 | - | 650,000 |
| | Mr. S. N. Inamdar | 100,000 | 400,000 | - | 500,000 |
| | Total (1) | 1,275,000 | 4,770,000 | - | 6,045,000 |
| 2. | Other Non Executive Directors | | | | |
| | Mr. Atul C. Kirloskar | 200,000 | 500,000 | - | 700,000 |
| | Mr. Rahul C. Kirloskar | 150,000 | 500,000 | - | 650,000 |
| | Mr. A. N. Alawani | 275,000 | 1,550,000 | - | 1,825,000 |
| | Total (2) | 625,000 | 2,550,000 | - | 3,175,000 |
| | Total (B)=(1+2) | 1,900,000 | 7,320,000 | - | 9,220,000 |
| | Ceiling as per the Act | | | | 12,661,036 |
| | Total Managerial Remuneration | | | | 53,419,304 |
| | Overall Ceiling as per the Act | | | | 75,966,215 |

C. Remuneration to Key Managerial Personnel other than Managing Director / Manager / Whole Time Director :

(Amount in ₹)

| Sl. No. | Particulars of Remuneration | Company Secretary | CFO | Total |
|---|---|---|---|---|
| 1. | Gross Salary | | | |
| | (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 | 6,104,734 | 6,798,527 | 12,903,261 |
| | (b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961 | 112,975 | 118,245 | 231,220 |
| | (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 percentage of profit | - | - | - |
| | - others | - | - | - |
| 5. | Others | - | - | - |
| | Total | 6,217,709 | 6,916,772 | 13,134,481 |

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

During the financial year, there is no instance of any penalty / punishment / compounding of offence under the Companies Act, 2013 against any Director, Key Managerial Person and other officers in default.

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## ANNEXURE "B"

### NOMINATION AND REMUNERATION POLICY OF KIRLOSKAR FERROUS INDUSTRIES LIMITED

**I. INTRODUCTION**

This Policy applies to the Board of Directors, Key Managerial Personnel and Senior Management Personnel of Kirloskar Ferrous Industries 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 the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

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 Directors including all Functional Heads.

## III. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SMP

1. The Committee shall consider criteria such as qualifications, skills, expertise and experience of the person to be appointed 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. The Committee at its discretion may recommend to the Board continuation of Director for further term of appointment who has completed 75 years.

   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 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 provisions and procedure laid down under the Companies Act, 2013, rules made thereunder, Listing Regulations 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.

6. Term and tenure of a Director shall be in accordance with the provisions of the Companies Act, 2013, rules thereof and the Listing Regulations as amended from time to time.

## IV. BOARD DIVERSITY

The Board shall have an optimum composition of Directors by comprising of experts from different fields viz. finance, law, management, sales, marketing, engineering, research, technical operations or any other areas related to the Company's business.

The Board shall ensure that there is appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively.

## 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 Listing Regulations as applicable from time to time.

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

**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 recommended by the Committee and decided by the Board and performance evaluation of each Executive Director from time to time, subject to overall limits as prescribed under the Act.

Option 1 : The salary may be reviewed annually.
or
Option 2 : The salary shall remain fixed for the tenure of the Executive Director.

**b. Commission:**

The Board may approve payment of commission subject to the limits provided in the Act. The eligibility and the amount of commission to be paid to each Director shall be recommended by the 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 Company shall issue an appointment letter to every KMP and SMP.

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 bills, leave travel assistance 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 will take Directors and Officers Liability Insurance or such insurance of like nature for indemnifying any of the Directors, KMP and SMP 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), 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 the provisions of the Companies Act, 2013, rules thereof and the Listing Regulations.

Performance evaluation of each Director will be based on the criteria as laid down from time to time by the Nomination and Remuneration Committee.

Criteria for performance evaluation shall include aspects such as attendance for the meetings, participation and independence during the meetings, Interaction with Management, role and accountability, knowledge and proficiency and any other factor as may be decided by the Nomination and Remuneration Committee.

Further, performance evaluation of an Executive Director will also be based on business achievements of the Company.

## VII. AMENDMENT

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

## ANNEXURE "C"

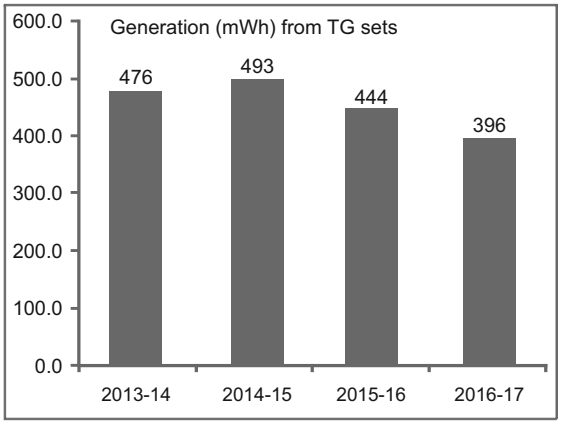
**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

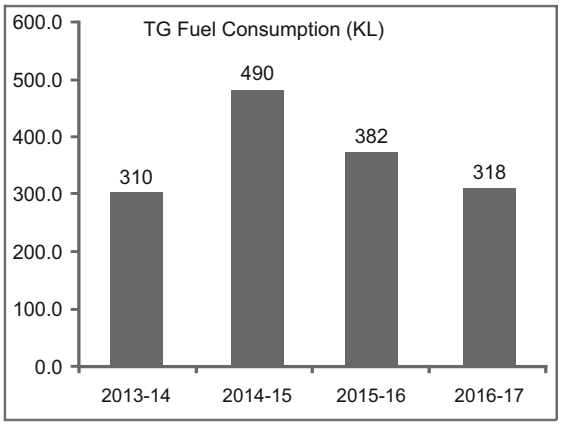
### A. CONSERVATION OF ENERGY

**a) Energy conservation measures taken during the FY 2016-2017 :**

1 Replacement of 500 KVAR old capacitor bank with new bank for power factor auto control system at MBF 1.
2 Replacement of identified old pumps with energy efficient pumps.
3 Replacement of old motors with energy efficient motors.
4 Power trading through Indian energy exchange resulting in lower power cost.
5 Changing the Lighting in shop area CFL /40 Watt tube light to LED lighting.
6 Purchase of renewable energy certificates from Indian Energy Exchange.
7 Reduction in power import from diesel generator sets by doing proper redistribution of loads and thereby utilising the turbo generator power for compressor operation system.
8 Installation of capacitor bank 500kVAR for achieving 0.995 power factor at Solapur plant.
9 Replaced 400W MH lamp by 250W induction lamp wherever MH lamp required replacement or wherever there was new requirement at Solapur plant.

**Figures of power generation:**




TG Generation and Fuel consumption has reduced in 2016-2017 due to MBF 1 Upgradation shutdown for 120 days.

**b) Proposals for the year 2017-2018:**

1 Installation of 1 MW solar power plant at Koppal plant.
2 Replacement of old pumps with energy efficient pumps at plant level.
3 Replacement of old motors with energy efficient motors.
4 Plant level energy audit.
5 Commencement of coke oven plant with power plant and coal injection project.
6 Installation of 10 MW solar power plant at Solapur plant.
7 Changing the lighting in shop area CFL /40 Watt tube light to LED lighting at Solapur plant.
8 Power procurement through open access.
9 Purchase of renewable energy certificates from Indian Energy Exchange.
10 To replace 400W MH lamp by 250W induction lamp.
11 Installation of Cupola at Foundry to reduce power consumption at Koppal plant.

**c) Impact of the above measures:**

1 Reduction in energy consumption.
2 Reduction in coke consumption.
3 Conservation of non-renewable energy resources.
4 Improvement in operational efficiency and widening the scope for energy conservation.

## B. TECHNOLOGY ABSORPTION:

- Successfully developed Euro 6 and BS-IV compliant engine blocks and engine heads to control emissions.
- Use of Simulation software, CAE/ CAM, white light scanning and 3D modelling technologies for efficient and effective casting development.
- Use of robotic facilities for improved productivity and quality of castings.
- Carbon Block Relining in blast furnace to improve refractory campaign life.
- Stave coolers technology with energy efficient automatic valve less gravity filter to control Total Suspended Solids (TSS) and turbidity of the cooling water for effective cooling of refractories in the blast furnace.
- Non Drainable Launders for hot metal taping to improve life of launders in the blast furnace cast house.
- Change in the top equipment from Rotary Hopper to REBD (Rotary Eccentric Burden Distributor) for better distribution of the burden in the blast furnace.

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

| | (₹ in Million) |
|---|---|
| Earnings | - |
| Outgo | 2,045.80 |

## D. RESEARCH AND DEVELOPMENT :

1. Specific areas in which R&D carried out by the Company.
   - Developed in-house concept design and process design capability.
   - Developed new core coating technology to improve the internal cleanliness of the cylinder block and cylinder head castings.
   - Value engineering initiatives for optimizing weights and yield improvement.
   - Initiation of prototype casting development through 3D core printing technology.
   - In house development of robotic accessories.
   - Initiating development of castings in Compacted Graphite (CG) Iron.
   - Reduced the casting development cycle time.
   - Introduced substitute materials to optimise the product cost.
   - Gas Cleaning Plant (GCP) slurry mixing for improved density and reduced moisture absorption in the granulated slag during tapping of hot metal. This has resulted in improved quality and increased sales of granulated slag.

2. Benefits derived as result of the above R&D :
   - Acquired capability of developing critical castings.
   - Reduction of development cycle time.
   - Improved quality and consistency.
   - Increase in refractory lining life from 3 years to 7 years.

3. Future Plan of Action:
   - New 4 cylinder block casting development for Euro 6 application.
   - Prototype casting development through core 3D printing technology.



- Value engineering solutions to OEMs (Original Equipment Manufacturers).
- Continuous improvements to make the processes more efficient.

4. Expenditure on R&D:

(₹ in Lakhs)

| Particulars | **2016-2017** | 2015-2016 |
|---|---|---|
| Capital | **-** | 31.23 |
| Recurring | **437.01** | 672.48 |
| Total R&D expenditure | **437.01** | 703.71 |

## ANNEXURE "D"

**ANNUAL REPORT ON CSR ACTIVITIES**

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

As per the Corporate Social Responsibility (CSR) Policy of the Company as adopted by the Board of Directors at its meeting held on 13th August, 2014, eligible funds for CSR activities in each financial year will be expended in the areas of Education, Environment, Health and Rural Development through one or more trusts. These CSR activities will be carried out through various programmes or projects as specified in the CSR Policy. The CSR policy of the Company is available for inspection at www.kfil.com

As on date, the CSR Committee of the Company consists of four Directors, viz. Mr. Rahul C. Kirloskar as Chairman and Mr. R. V. Gumaste, Mr. A. R. Jamenis, and Mrs. Nalini Venkatesh as members.

Details of expenditure on CSR activities are as follows:

| | |
|---|---|
| Average net profit of the Company for the financial years 2013–2014, 2014-2015 and 2015-2016 | ₹ 716,856,013 |
| Prescribed CSR expenditure (2 percent of the average net profit computed above) | ₹ 14,337,120 |
| Total amount spent on CSR activities for the financial year 2016-2017 | ₹ 17,638,798 |
| Amount unspent, if any | Nil |

Manner in which the amount spent during the financial year 2016-2017 is detailed below:

| Sr No | CSR project or activity identified | Sector in which the project is covered | Projects or programs 1) Local area or other 2) Specify the state and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise | Amount spent on the projects or programs Sub-heads: 1) Direct expenditure on projects or programs. 2) Overheads (₹ In Lacs) | Cumulative expenditure up to the reporting period (₹ In Lacs) | Amount spent (Direct or through implementing agency) (₹ In Lacs) |
|---|---|---|---|---|---|---|---|
| 1 | Rural education, financial assistance to school children, scholarships, infrastructure for schools, providing stationary to the students, conducting vocational education and coaching classes, soft skill and personality development training | Education | Bangalore (Karnataka), Bevinahalli (Karnataka), Koppal (Karnataka), Lingadahalli (Karnataka), Hospet (Karnataka), Bijapur (Karnataka), Pune (Maharashtra). | Amount not specified | 112.38 | 112.38 | 112.38<br>Partially direct and partially through trust. |
| 2 | Environment Awareness programmes, programmes on energy conservation | Environment | Solapur, (Maharashtra), Hospet (Karnataka), Koppal (Karnataka), Kolhapur (Maharashtra). | Amount not specified | 3.46 | 3.46 | 3.46<br>Through trust. |
| 3 | Conservation Project to save critically endangered species of birds in India | Environment | Kutch, (Gujarat) | 7.50 | 7.50 | 7.50 | 7.50<br>Through implementing agency |

| Sr No | CSR project or activity identified | Sector in which the project is covered | Projects or programs 1) Local area or other 2) Specify the state and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise | Amount spent on the projects or programs Sub-heads: 1) Direct expenditure on projects or programs. 2) Overheads (₹ In Lacs) | Cumulative expenditure up to the reporting period (₹ In Lacs) | Amount spent (Direct or through implementing agency) (₹ In Lacs) |
|---|---|---|---|---|---|---|---|
| 4 | Clean drinking water to villages, Construction of toilets, Community health, cleanliness drives, hygiene awareness programmes, health checkup camps, counselling etc. | Health | Bevinahalli (Karnataka), Koppal (Karnataka), Hospet (Karnataka), Solapur (Maharashtra), Shahapur Village (Karnataka), Pune (Maharashtra), Guddadahalli (Karnataka). | Amount not specified | 23.30 | 23.30 | 23.30<br>Through trust. |
| 5 | Construction of drainages, Construction and renovation of toilet blocks, Construction of rural infrastructure Construction and renovation of temples, mass marriages, assistance to physically challenged. | Rural Development | Bevinahalli (Karnataka), Koppal (Karnataka), Hospet (Karnataka), Lingadahalli (Karnataka), Shahapur Village (Karnataka), Hagari bommanahalli (Karnataka). | Amount not specified | 29.74 | 29.74 | 29.74<br>Through trust. |
| | | | | | 176.38 | 176.38 | 176.38 |

The CSR Committee has confirmed that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and the policy of the Company.

sd/-
Rahul C. Kirloskar
Chairman of the CSR Committee
DIN : 00007319
Date : 28th April, 2017

sd/-
R. V. Gumaste
Managing Director
DIN : 00082829

## 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 | Mr. Atul Chandrakant Kirloskar | 1.88 |
| 2 | Mr. Rahul Chandrakant Kirloskar | 1.75 |
| 3 | Mr. Ravindranath Venkatesh Gumaste | 118.81 |
| 4 | Mr. Anil Narayan Alawani | 4.91 |
| 5 | Mr. Ashok Ramkrishna Jamenis | 3.90 |
| 6 | Mrs. Nalini Venkatesh | 2.92 |
| 7 | Mr. Sampathkumar Rangachary | 3.63 |
| 8 | Mr. Bindiganavale Sreenivasan Govind | 2.15 |
| 9 | Mr. Yashwant Shreepad Bhave (Note 1) | Not Applicable |
| 10 | Mr. Sudhakar Ganesh Chitnis (Note 2) | Not Applicable |
| 11 | Mr. Shrikrishna Narhar Inamdar (Note 3) | Not Applicable |

## ANNEXURE "E-2"

| Sr. No. | Name of the Director/KMP | Designation | % Increase/(Decrease)in the Remuneration |
|---|---|---|---|
| 1 | Mr. Atul Chandrakant Kirloskar | Director | 40 |
| 2 | Mr. Rahul Chandrakant Kirloskar | Director | 35 |
| 3 | Mr. Ravindranath Venkatesh Gumaste | Managing Director and KMP | 28 |
| 4 | Mr. Anil Narayan Alawani | Director | 83 |
| 5 | Mr. Ashok Ramkrishna Jamenis | Director | 44 |
| 6 | Mrs. Nalini Venkatesh | Director | 171 |
| 7 | Mr. Sampathkumar Rangachary | Director | 69 |
| 8 | Mr. Bindiganavale Sreenivasan Govind | Director | 70 |
| 9 | Mr. Yashwant Shreepad Bhave (Note 1) | Director | Not Applicable |
| 10 | Mr. Sudhakar Ganesh Chitnis (Note 2) | Director | Not Applicable |
| 11 | Mr. Shrikrishna Narhar Inamdar (Note 3) | Director | Not Applicable |
| 12 | Mr. Raviprakash Srinivasa Srivatsan | KMP | 16 |
| 13 | Mr. Chandrashekhar Panicker | KMP | 10 |

**Note:**

1. Mr. Y. S. Bhave appointed as an Additional Director with effect from 23rd January, 2017.
2. Mr. S. G. Chitnis retired from the Directorship with effect from 13th August, 2016.
3. Mr. S. N. Inamdar resigned from the Directorship with effect from 24th October, 2016.

## ANNEXURE "F"

| Sr. No. | Name of the Employee | Designation | Remuneration Received (in ₹) | Nature of employment (Whether Contractual or Otherwise) | Qualification | Experience Years | Date of Commencement of Employment | Age (Years) | Last employment before joining the Company | Percentage of equity shares held | Whether any such employees is a relative of any Director, if so name of such Director |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Mr. R. V. Gumaste | Managing Director | 44,199,304 | Regular Employee | B. Tech (Met.) | 35 | 08.11.2001 | 59 | Chief Executive (Works) - Indian Seamless Metal Tubes Limited | 0.07 | No |
| 2 | Mr. N. B. Ektare | COO | 8,566,479 | Regular Employee | B.E. (Elec.) | 34 | 12.01.1994 | 57 | Manager - Electrical - Usha Ispat Limited | Nil | No |
| 3 | Mr. Srivatsan R. S. | CFO | 6,916,772 | Regular Employee | B.Com. CA | 33 | 12.01.1998 | 54 | Sr.Manager-Finance - Vasavadatta Cement, Unit of Kesoram Industries Limited | Nil | No |
| 4 | Mr. Chandrasekhar Panicker | Company Secretary | 6,217,709 | Regular Employee | B.Com (Hon's),CA and CS | 37 | 14.12.1999 | 63 | Finance Controller-Magnetti Marelli Automotive Components India Limited | Nil | No |
| 5 | Mr. Suresh Laxman Kulkarni | SVP | 5,818,388 | Regular Employee | DME, DBM | 40 | 28.06.2004 | 61 | Senior Manager - The Indian Seamless Metal Tubes Ltd., | Nil | No |
| 6 | Mr. Inturi Chandrasekhar | VP-QA | 4,114,409 | Regular Employee | B.E (Mech.) and MBA-Mktg. | 29 | 16.10.2013 | 53 | GM-Design & Development - Neosym Industry Limited | Nil | No |

## ANNEXURE "F"

| Sr. No. | Name of the Employee | Designation | Remuneration Received (in ₹) | Nature of employment (Whether Contractual or Otherwise) | Qualification | Experience Years | Date of Commencement of Employment | Age (Years) | Last employment before joining the Company | Percentage of equity shares held | Whether any such employees is a relative of any Director, if so name of such Director |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 7 | Mr. Nagaraj M. G. | VP-PIP | 3,873,054 | Regular Employee | B.E (Mettalurgy) | 24 | 01.10.1993 | 48 | Not applicable | Nil | No |
| 8 | Mr. Ramesh C. | VP-Fdy. | 3,836,063 | Regular Employee | B.E (Mech.) | 23 | 26.09.1994 | 46 | Not applicable | 0.001 | No |
| 9 | Mr. Pravin Manohar Tale | Sr.GM-Fdy. | 3,483,596 | Regular Employee | B.E (Mech.) | 33 | 15.04.2014 | 54 | AGM -Tata Motors Limited | Nil | No |
| 10 | Mr. Narayana P. | VP-HR | 3,123,136 | Regular Employee | B.Com. PG-Dip-HRM, LLB | 29 | 09.06.2016 | 54 | DGM - JSW Steels Limited | Nil | No |

**ANNEXURE "G"**

## SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

[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]

To,
The Members of
KIRLOSKAR FERROUS INDUSTRIES 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 FERROUS INDUSTRIES LIMITED**, CIN L27101PN1991PLC063223 (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, 2017 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, 2017 according to the provisions of:

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

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

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

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

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

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

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

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

  (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; [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.

(ii) The existing Listing Agreement under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') entered into by the Company with the BSE Limited.

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

**I further report that,**

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

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

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

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

**I further report that,** during the audit period, there was no event / action having a major bearing on the Company's affairs.

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

Date : 28th April, 2017
Place : Pune

# REPORT ON CORPORATE GOVERNANCE

**[Pursuant to Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')]**

## 1. Company's philosophy on Code of Governance

Corporate Governance contains a set of principles, process and systems to be followed by Directors, Management and all Employees of the Company for increasing the shareholders' value, keeping in view interest of other stakeholders. While adhering to the above, the Company is committed to integrity, accountability, transparency and compliance with laws in all dealings with the Government, customers, suppliers, employees and other stakeholders.

## 2. Board of Directors

(a) Composition of the Board

The Board of Directors comprised of nine Directors as on 31st March, 2017. Out of these, there is one Managing Director, three Non Independent Directors and five Independent Directors, which includes one woman Director.

The Board of Directors is duly constituted pursuant to the provisions of Section 149 of the Companies Act, 2013 and Regulation 17(1) of the Listing Regulations.

(b) Number of Board meetings

During the financial year 2016–2017, five meetings of the Board of Directors were held on 29th April, 2016; 28th July, 2016; 24th October, 2016; 23rd January, 2017; and 9th March, 2017.

(c) Directors' attendance record

Details on composition and category of Directors, attendance of each Director at the meeting of the Board of Directors, number of other Board of Directors or Committees in which a Director are a member or chairperson are as under –

| Category of Directors and Name of Director | Financial Year 2016–2017 | | Number of Directorships in other public limited companies incorporated in India | Committee positions held in other public limited companies | |
|---|---|---|---|---|---|
| | Board Meetings held | Board Meetings attended | | Member | Chairman |
| **Promoter Directors (Non Executive)** | | | | | |
| Mr. Atul C. Kirloskar<br>Chairman | 5 | 5 | 5 | Nil | Nil |
| Mr. Rahul C. Kirloskar<br>Vice Chairman | 5 | 5 | 4 | 3 | Nil |
| **Managing Director (Executive)** | | | | | |
| Mr. R. V. Gumaste | 5 | 5 | Nil | Nil | Nil |
| **Non Independent Director (Non Executive)** | | | | | |
| Mr. A. N. Alawani | 5 | 4 | 2 | 4 | 2 |
| **Independent Directors (Non Executive)** | | | | | |
| Mr. A. R. Jamenis | 5 | 5 | Nil | Nil | Nil |
| Mr. B. S. Govind | 5 | 5 | Nil | Nil | Nil |
| Mr. R. Sampathkumar | 5 | 5 | 1 | Nil | Nil |
| Mrs. Nalini Venkatesh | 5 | 5 | Nil | Nil | Nil |
| Mr. Y. S. Bhave (Refer Note 5) | 2 | 2 | Nil | Nil | Nil |
| Mr. S. G. Chitnis (Refer Note 3) | 2 | 2 | N. A. | N. A. | N. A. |
| Mr. S. N. Inamdar (Refer Note 4) | 2 | 2 | N. A. | N. A. | N. A. |

All Directors were present at the Annual General Meeting of the members held on 28th July, 2016.

**Notes :**

1. Directorships held in foreign companies, private limited companies, one person companies and companies under Section 25 of the Companies Act, 1956 / under Section 8 of the Companies Act, 2013 have not been considered.
2. For the purpose of reckoning the limit on committee positions, chairmanship / membership of the Audit Committee and the Stakeholders Relationship Committee are considered.
3. Mr. S. G. Chitnis ceased to be a Director with effect from 13th August, 2016 on expiry of his tenure as Independent Director. During the financial year 2016–2017, he attended two Board Meetings and the Annual General Meeting prior to his cessation as a Director.
4. Mr. S. N. Inamdar resigned as a Director with effect from 24th October, 2016. During the financial year 2016-2017, he attended two Board Meetings and the Annual General Meeting prior to his resignation as a Director.
5. Mr. Y. S. Bhave has been appointed as an Additional Director with effect from 23rd January, 2017.
6. N. A. represents Not Applicable.

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

No other Director is related to any other Director of the Company within the meaning of Section 2(77) of the Companies Act, 2013 and rules thereof.

Statement showing number of equity shares of the Company held by the Directors as on 31st March, 2017 :

| Name of Director | Equity Shares of ₹ 5 each |
|---|---|
| Mr. Atul C. Kirloskar | 1,427,939 |
| Mr. Rahul C. Kirloskar | 1,425,279 |
| Mr. R. V. Gumaste | 99,021 |
| Mr. A. N. Alawani | 35,000 |
| Mr. A. R. Jamenis | 3,400 |
| Mr. B. S. Govind | 200 |
| Mr. R. Sampathkumar | Nil |
| Mrs. Nalini Venkatesh | 10,600 |
| Mr. Y. S. Bhave | Nil |

**Meeting of Independent Directors :**

The meeting of Independent Directors was held on Monday, 23rd January, 2017 to discuss, inter-alia :

(a) the performance of Non Independent Directors and the Board as a whole;
(b) the performance of the Chairman of the Company, taking into account the views of Executive Director and Non Executive Directors;
(c) the quality, quantity and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All Independent Directors were present at the meeting.

Criteria for performance evaluation of Directors is specified under the heading Nomination and Remuneration Committee mentioned in item 4 below.

**Familiarization programme for Independent Directors :**

Independent Directors of the Company are made aware of their role, rights and responsibilities at the time of their appointment, through a formal letter of appointment, which also stipulates various terms and conditions of their engagement.

The Company has conducted various familiarization programmes and presentations for Independent Directors. Details of familiarisation programmes and presentations made are disclosed on the website of the Company, viz. www.kfil.com

## 3. Audit Committee

### (a) Composition

The Audit Committee comprises of four Directors, out of which three are Independent Directors. Mr. A. R. Jamenis, an Independent Director is the Chairman of the Audit Committee. Other Members of the Committee are Mr. R. Sampathkumar, Mrs. Nalini Venkatesh and Mr. A. N. Alawani.

The Company Secretary acts as the Secretary of the Committee.

During the financial year 2016–2017, five Audit Committee meetings were held on 28th April, 2016; 27th July, 2016; 24th October, 2016; 23rd January, 2017 and 9th March, 2017.

The details of attendance by Committee Members are as follows –

| Name of Director | Category | Number of meetings held | Number of meetings attended |
|---|---|---|---|
| Mr. A. R. Jamenis | Independent and Non – Executive | 5 | 5 |
| Mr. R. Sampathkumar | Independent and Non – Executive | 5 | 5 |
| Mrs. Nalini Venkatesh | Independent and Non – Executive | 3 | 3 |
| Mr. A. N. Alawani | Non–Independent and Non–Executive | 5 | 4 |
| Mr. S. N. Inamdar | Independent and Non – Executive | 2 | 2 |
| Mr. S. G. Chitnis | Independent and Non – Executive | 2 | 2 |

The Managing Director and the Chief Financial Officer attended the meetings of the Audit Committee. The representatives of the Statutory Auditors, the Cost Auditors and the Internal Auditors were invited and attended the meetings of the Audit Committee.

Mrs. Nalini Venkatesh was appointed as a Member of the Committee with effect from 28th July, 2016.

Mr. S. G. Chitnis ceased to be a Member of the Committee with effect from 28th July, 2016.

Mr. S. N. Inamdar ceased to be Chairman of the Audit Committee upon his resignation as a Director of the Company with effect from 24th October, 2016. He was present at the 25th Annual General Meeting of the Company held on Thursday, 28th July, 2016.

Mr. A. R. Jamenis was appointed as a Chairman of the Audit Committee with effect from 24th October, 2016.

The Audit Committee acts as a link between the Management, the Statutory Auditors, Internal Auditors and the Board of Directors.

The Audit Committee has been vested with the following powers :
a) To investigate any activity within its terms of its reference;
b) To seek information from any employee;
c) To obtain outside legal or other professional advice;
d) To secure attendance of outsiders with relevant expertise, if it considers necessary.

### (b) Terms of Reference

The terms of reference of the Audit committee include the matters specified in Part II of Schedule II of the Listing Regulations as well as those specified in Section 177 of the Companies Act, 2013 and inter-alia, includes the following –

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company.
- Examination of the financial statement and the auditor's report thereon.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing with the Management, the annual financial statements and auditors' report thereon before submission to the Board, for approval, with particular reference to :
  a) Matters required to be included in the Directors' 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 opinions in the draft audit report.
- Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, the statement of uses / applications of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.
- Approval or any subsequent modification of transactions of the Company with related parties.
- Scrutiny of inter-corporate loans and investments.
- Valuation of undertakings or assets of the Company, wherever it is necessary.
- Evaluation of internal financial controls and risk management systems.
- Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture-holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the whistle blower mechanism.
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.
- Reviewing the following information :
  a. Management discussion and analysis of financial condition and results of operations;
  b. Statement of significant related party transactions submitted by the management;
  c. Management letters / letters of internal control weaknesses issued by the statutory auditors;
  d. Internal audit reports relating to internal control weaknesses and
  e. The appointment, removal and terms of remuneration of the Chief Internal Auditor.
  f. Statement of deviations :
     i. Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
     ii. Annual statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice in terms of Regulation 32(7).
- Carrying out any other function as mentioned in terms of reference of the Audit Committee, as amended from time to time by the Companies Act, 2013 and the Listing Regulations.



## 4. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of four Directors, out of which two Directors are Independent Directors.

Mr. A. R. Jamenis, Independent Director is the Chairman of the Nomination and Remuneration Committee. Other Members of the Committee are Mr. Atul C. Kirloskar, Mr. A. N. Alawani and Mr. B. S. Govind.

The Company Secretary acts as the Secretary of the Committee.

During the financial year 2016–2017, two meetings of the Nomination and Remuneration Committee were held on 28th April, 2016 and 23rd January, 2017.

The details of attendance by Committee Members are as follows –

| Name of Director | Category | Number of meetings held | Number of meetings attended |
|---|---|---|---|
| Mr. A. R. Jamenis | Independent and Non – Executive | 2 | 2 |
| Mr. Atul C. Kirloskar | Non – Independent and Non – Executive | 2 | 2 |
| Mr. A. N. Alawani | Non – Independent and Non – Executive | 2 | 2 |
| Mr. B. S. Govind | Independent and Non – Executive | 1 | 1 |
| Mr. S. G. Chitnis | Independent and Non – Executive | 1 | 1 |

Notes :
1. Mr. S. G. Chitnis ceased to be a Member of the Committee with effect from 28th July, 2016.
2. Mr. B. S. Govind was appointed as a Member of the Committee with effect from 28th July, 2016.

The Board of Directors has, on the recommendation of the Nomination and Remuneration Committee, adopted the Nomination and Remuneration Policy for selection and appointment of Directors, Senior Management and their remuneration. The copy of the same has been attached as 'Annexure B' to the Directors' Report.

The terms of reference of the Nomination and Remuneration Committee are as follows :
(a) identify persons, who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down,
(b) recommend to the Board the appointment and/or removal of Directors and senior management,
(c) carry out evaluation of every Director's performance,
(d) formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel, senior management personnel and other employees,
(e) formulation of criteria for evaluation of performance of independent directors and the board of directors;
(f) devising a policy on diversity of board of directors;
(g) identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal,
(h) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
(i) perform such functions as may be assigned by the Board of Directors from time to time, and
(j) perform such functions as required as per the provisions of the Companies Act, 2013, rules thereof and the Listing Regulations.

Criteria for performance evaluation of Directors :

Performance evaluation of each Director was carried out based on the criteria as laid down by the Nomination and Remuneration Committee.

Criteria for performance evaluation included aspects such as attendance at the meetings, participation and independence during the meetings, interaction with management, role and accountability, knowledge and proficiency.

Further, performance evaluation of the Managing Director was also based on business achievements of the Company.

**5. Remuneration of Directors**

**a) Remuneration to Managing Director**

The Company pays remuneration by way of salary, perquisites, allowances and commission to the Managing Director. The commission to the Managing Director is decided by the Nomination and Remuneration Committee on determination of the profits for the financial year and is also approved by the Board of Directors. The remuneration to the Managing Director is in accordance with the provisions of the Companies Act, 2013 and rules thereof and within the ceiling prescribed thereunder.

The Members at the Twenty Second Annual General Meeting held on 26th July, 2013 approved the re-appointment and the terms of remuneration of Mr. R. V. Gumaste as the Managing Director for a period of 5 years with effect from 1st July, 2013. The Company had entered into an agreement dated 8th May, 2013 with the Managing Director for a period of 5 years. No notice period and severance fees have been prescribed in the agreement.

Pursuant to the terms of the aforesaid agreement, the Board of Directors at its meeting held on 29th April, 2016 has revised the basic salary from ₹ 5,50,000 to ₹ 6,00,000 per month payable to Mr. R. V. Gumaste, Managing Director with effect from 1st April, 2016 upon the recommendation of the Nomination and Remuneration Committee. All other terms and conditions of the agreement remain unchanged.

Details of remuneration, by payment and provision, to Mr. R. V. Gumaste, Managing Director for the financial year 2016–2017 are as follows –

| Particulars | Amount ₹ |
|---|---|
| Salary | 8,040,000 |
| Leave Travel Assistance | 90,000 |
| Perquisites | 178,594 |
| Commission | 32,500,000 |
| Contribution to Provident Fund | 864,000 |
| Contribution to Superannuation Fund | 1,080,000 |
| Gratuity | 1,206,933 |
| Leave Encashment | 239,777 |
| Total | 44,199,304 |

Salary includes basic salary, special allowance and house rent allowance.

Perquisites include reimbursement of medical expenses, personal accident insurance and mediclaim insurance premium.



**b) Remuneration to Non Executive Directors**

Section 197 of the Companies Act, 2013 and rules thereof state that, except with the approval of the members in the general meeting, the remuneration payable to Directors, who are neither Managing Directors nor Whole Time Directors, shall not exceed one percent of the net profits of the Company, if there is a Managing Director.

Upon the recommendation of the Nomination and Remuneration Committee and based on the performance of the Company, the Board of Directors decides the remuneration by way of commission to Non Executive Directors.

Details of commission payable to Non Executive Directors for the financial year 2016–2017 are as follows :

| Name of Director | Amount ₹ |
|---|---|
| Mr. Atul C. Kirloskar | 500,000 |
| Mr. Rahul C. Kirloskar | 500,000 |
| Mr. A. N. Alawani | 1,550,000 |
| Mr. A. R. Jamenis | 1,100,000 |
| Mr. B. S. Govind | 650,000 |
| Mr. R. Sampathkumar | 1,100,000 |
| Mrs. Nalini Venkatesh | 860,000 |
| Mr. Y. S. Bhave | 160,000 |
| Mr. S. N. Inamdar | 400,000 |
| Mr. S. G. Chitnis | 500,000 |
| Total | 7,320,000 |

There are no pecuniary relationships or transactions of Non Executive Directors vis-a-vis the Company.

Payment of Sitting Fees to Non Executive Directors

The Board of Directors at its meeting held on 29th April, 2016 has increased the sitting fees payable to a Non Executive Director from ₹ 10,000 to ₹ 25,000 for attending a meeting of the Board of Directors and the Committees thereof.

Sitting Fees paid to Non Executive Directors during financial year 2016–2017 are as under :

| Name of Director | Amount ₹ |
|---|---|
| Mr. Atul C. Kirloskar | 200,000 |
| Mr. Rahul C. Kirloskar | 150,000 |
| Mr. A. N. Alawani | 275,000 |
| Mr. A. R. Jamenis | 350,000 |
| Mr. B. S. Govind | 150,000 |
| Mr. R. Sampathkumar | 250,000 |
| Mrs. Nalini Venkatesh | 225,000 |
| Mr. Y. S. Bhave | 50,000 |
| Mr. S. N. Inamdar | 100,000 |
| Mr. S. G. Chitnis | 150,000 |
| Total | 1,900,000 |

## 6. Stakeholders Relationship Committee

The Company has the Stakeholders Relationship Committee, which comprises of three Directors, viz. Mr. Atul C. Kirloskar, Mr. A. R. Jamenis and Mr. A. N. Alawani.

Mr. Atul C. Kirloskar acts as the Chairman of the Committee. The Committee has been constituted to consider and resolve the grievances of the security holders of the Company, including complaints related to transfer of shares, non-receipt of annual report and non-receipt of declared dividends.

Mr. S. G. Chitnis ceased to be a Member of the Committee with effect from 13th August, 2016 on expiry of his tenure as Independent Director.

During the financial year 2016–2017, one meeting of the Stakeholders Relationship Committee was held on 30th December, 2016.

Mr. C. S. Panicker, Company Secretary has also been authorised by the Board of Directors to expedite the process of transfer / transmission of shares. The details of transfer / transmission of shares are placed before the meeting of the Board of Directors on a regular basis.

The Compliance Officer can be contacted at –

Mr. C. S. Panicker, Company Secretary
Kirloskar Ferrous Industries Limited
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411 003
Tel (020) 66084664 direct
Fax (020) 25813208 / 25810209

The Company has designated an exclusive email ID investor@kfil.com for the investors to register their grievances, if any. The Company has also displayed the said email ID on its website for the use of investors.

The total number of complaints received and redressed during the year ended 31st March, 2017 were 4 and there was no complaint pending as on 31st March, 2017.

## 7. General Body Meetings

Details of last three Annual General Meetings held :

| Annual General Meeting | Financial Year | Date, Time and Place |
|---|---|---|
| 23rd Annual General Meeting | 2013 – 2014 | 13th August, 2014<br>11.30 a.m.<br>Pudumjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 |
| Three special resolutions were passed :<br>1. Authority to the Board of Directors pursuant to provisions of Section 180(1)(c) of the Companies Act, 2013 for borrowing money upto ₹ 200 Crores over and above the aggregate of paid up share capital and free reserves of the Company.<br>2. Authority to the Board of Directors pursuant to provisions of Section 180(1)(a) of the Companies Act, 2013 to create mortgage and/or charge on all or any of the immovable properties of the Company to secure the terms loans and/or the working capital facilities granted / to be granted to the Company upto a sum of ₹ 500 Crores.<br>3. Approval to amend existing Article 73 of the Articles of Association of the Company. | | |

| Annual General Meeting | Financial Year | Date, Time and Place |
|---|---|---|
| 24th Annual General Meeting | 2014 – 2015 | 30th July, 2015<br>12 Noon<br>Pudumjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002. |
| No special resolution was passed. | | |
| 25th Annual General Meeting | 2015 – 2016 | 28th July, 2016<br>12 Noon<br>Pudumjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 |
| No special resolution was passed. | | |

No special resolution was passed through the postal ballot during the financial year 2016–2017.

**8. Means of Communication**

In compliance with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company regularly intimates financial results to the BSE Limited immediately after they are approved by the Board of Directors. The financial results of the Company are also available on the website viz, www.bseindia.com

Quarterly and half yearly results are published in national and local dailies such as Financial Express (English newspaper) and Loksatta (Marathi newspaper) having wide circulation. Since the results of the Company are published in national and regional newspapers, the results are not sent individually to each member.

The financial results and official news releases of the Company are also displayed on the website of the Company, viz, www.kfil.com

**9. General Shareholders' Information**

| | |
|---|---|
| Day, Date and Time | Thursday, 3rd August, 2017 at 12.00 noon |
| Venue | Pudumjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002. |
| Financial Year | 1st April, 2016 to 31st March, 2017<br><br>During the year under review, the results were announced as under –<br>First Quarter 28th July, 2016<br>Second Quarter 24th October, 2016<br>Third Quarter 23rd January, 2017<br>Annual 28th April, 2017 |
| Dates of Book Closure | 25th July, 2017 to 3rd August, 2017 (Both days inclusive). |
| Dividend payment date | On or before 22nd August, 2017. |
| Listing on stock exchange | BSE Limited, P. J. Towers, Dalal Street, Fort, Mumbai 400001. |
| Stock Code | 500245 |
| ISIN | INE 884B01025 |

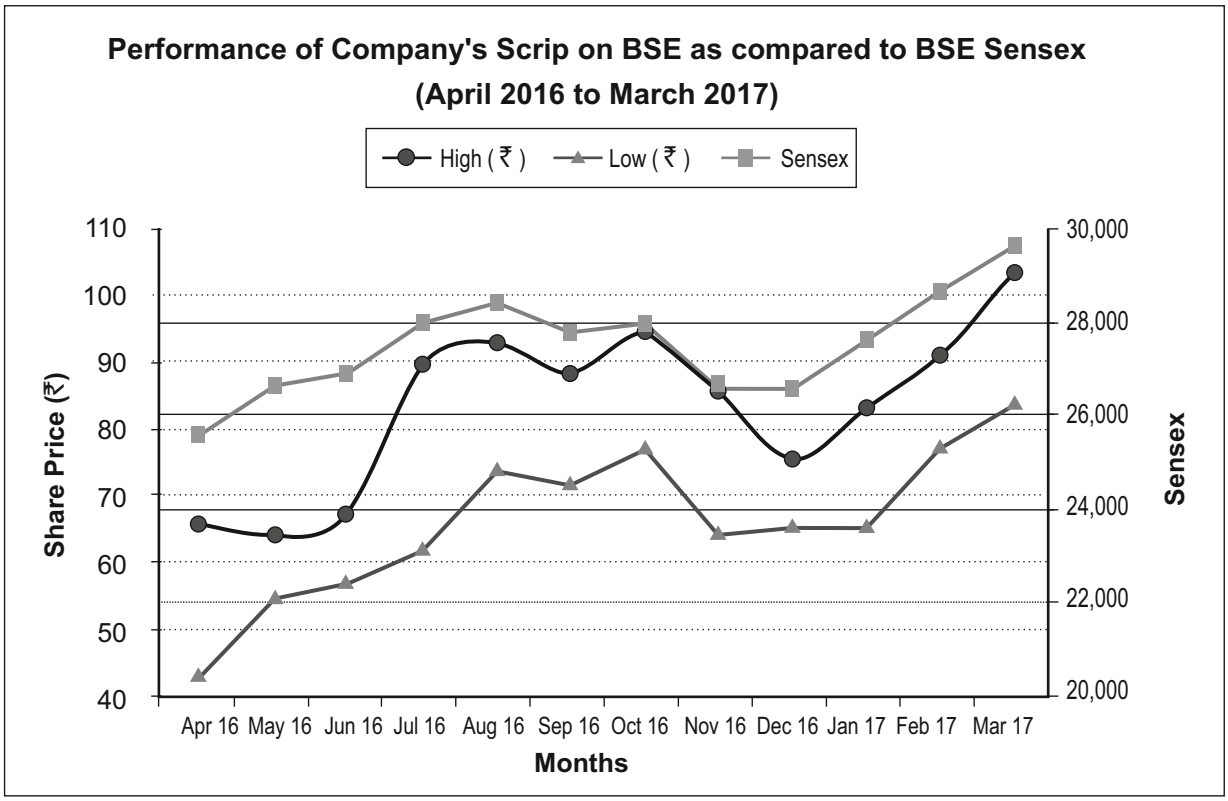
The annual listing fees for the financial year 2016–2017 have been paid to the BSE Limited and there is no amount outstanding as on date

**Market Price Data**

Monthly high / low prices of equity share on the BSE Limited during the financial year 2016–2017 are as follows :

| Year | Month | High (₹) | Low (₹) |
|---|---|---|---|
| 2016 | April | 66.00 | 43.50 |
| | May | 64.30 | 54.90 |
| | June | 67.65 | 57.25 |
| | July | 89.70 | 62.30 |
| | August | 93.30 | 74.00 |
| | September | 88.70 | 71.95 |
| | October | 94.70 | 77.55 |
| | November | 86.10 | 64.70 |
| | December | 75.65 | 65.60 |
| 2017 | January | 83.50 | 65.50 |
| | February | 91.40 | 77.45 |
| | March | 104.10 | 84.00 |

Performance of the Company's equity shares on the BSE Limited as compared to the BSE Sensex :



**Registrar and Share Transfer Agent -**

The Company entrusted the entire work relating to processing of transfer of securities to M/s. Link Intime India Private Limited, a SEBI Registered Registrar and Share Transfer Agent.

The Registrar and Share Transfer Agent can be contacted at –

Link Intime India Private Limited
Akshay Complex, Block No 202,
Second Floor, Off Dhole Patil Road,
Near Ganesh Temple,
Pune 411001
Tel No. (020) 26161629 / 26163503
Fax No. (020) 26163503
Email : pune@linkintime.co.in

**Share Transfer System**

The applications for transfer of shares in physical form are processed by the Registrar and Share Transfer Agent of the Company and are returned after the registration of transfers within 15 days from the date of receipt, subject to the validity of all documents lodged with the Company. The applications for transfer of shares under objection are returned within a week. The transfer applications are approved at regular intervals.

**Distribution of Shareholding as on 31st March, 2017**

| Nominal Value of Shares (₹) | | Shareholders | | Shares | |
|---|---|---|---|---|---|
| From | To | Number | Percentage to Total | Number | Percentage to Total |
| 1 | 5,000 | 57,410 | 93.01 | 10,922,337 | 7.96 |
| 5,001 | 10,000 | 1,442 | 2.34 | 2,324,883 | 1.69 |
| 10,001 | 20,000 | 1,197 | 1.94 | 3,571,010 | 2.60 |
| 20,001 | 30,000 | 590 | 0.95 | 2,971,748 | 2.16 |
| 30,001 | 40,000 | 243 | 0.39 | 1,746,980 | 1.27 |
| 40,001 | 50,000 | 222 | 0.36 | 2,080,005 | 1.52 |
| 50,001 | 100,000 | 325 | 0.53 | 4,721,332 | 3.44 |
| 100,001 and above | | 296 | 0.48 | 108,969,786 | 79.36 |
| | **Total** | **61,725** | **100.00** | **137,308,081** | **100.00** |

**Shareholding Pattern as on 31st March, 2017**

| Category | Number of Shares | Percentage of Shareholding |
|---|---|---|
| Promoters and Promoters Group | 81,783,822 | 59.56 |
| Domestic Companies | 5,017,874 | 3.65 |
| Mutual Funds | 2,528,087 | 1.84 |
| Foreign Institutional Investors | 144,126 | 0.11 |
| Foreign Portfolio Investors | 830,075 | 0.60 |
| Financial Institutions / Banks | 500 | 0.00 |
| Non Resident Indians | 1,946,779 | 1.42 |
| Directors and their relatives | 196,988 | 0.14 |
| Hindu Undivided Families | 1,897,424 | 1.38 |
| Clearing Members | 299,601 | 0.22 |
| Trusts | 20,116 | 0.02 |
| General Public | 42,642,689 | 31.06 |
| Total | 137,308,081 | 100.00 |

**Equity Shares in electronic form**

As on 31st March, 2017, 96.04 percent of paid-up equity share capital of the Company was held in electronic form.

**Outstanding GDR / ADR /Warrants or any convertible instruments, conversion date and impact on equity.**

There are no convertible instruments outstanding as on 31st March, 2017 for conversion into equity shares.

**Commodity price risk or foreign exchange risk and hedging activities**

During the financial year 2016-2017, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against imports. The details of foreign currency exposure are disclosed in Note No. 38 forming part of the Financial Statements.

**Plant Locations**

1. Bevinahalli Village, P.O. Hitnal, Taluka and District Koppal, Karnataka 583234
2. Hotgi Road, Shivashahi, Solapur, Maharashtra 413224

**Address for correspondence**

| | |
|---|---|
| Kirloskar Ferrous Industries Limited<br>13, Laxmanrao Kirloskar Road,<br>Khadki, Pune 411 003<br>Tel (020) 66084664 direct<br>Fax (020) 25813208 / 25810209 | Link Intime India Private Limited<br>Akshay Complex, Block No 202,<br>Second Floor, Off Dhole Patil Road,<br>Near Ganesh Temple,<br>Pune 411001<br>Tel No. (020) 26161629 / 26163503<br>Fax No. (020) 26163503<br>Email : pune@linkintime.co.in |

**10. Other Disclosures**

a) **Related Party Transactions**

During the financial year 2016–2017, there were no materially significant transactions with the related parties. The Board of Directors has adopted the policy on related party transactions. The copy of the same has been uploaded and is available at the website of the Company, viz. www.kfil.com

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

c) **Vigil Mechanism / Whistle Blower Policy**

The Board of Directors has adopted the Vigil Mechanism / Whistle Blower Policy. The policy has provided a mechanism for Directors, Employees 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 Code of Conduct of the Company.

The details of the policy has been uploaded at the website of the Company, viz. www.kfil.com

d) The Company has no subsidiary company. Hence, no policy for determining material subsidiaries is adopted.

e) **Details of the Cost Auditor**

With reference to the General Circular No. 15/2011-52/5/CAB-2011 dated 11th April, 2011 issued by the Government of India, Ministry of Corporate Affairs, Cost Audit Branch, New Delhi following are the details of Cost Auditor and filing of cost audit report with the Central Government :

M/s. Parkhi Limaye and Co, Cost Accountants (Firm Registration No. 000191)
'Aabha', Plot No. 16, Siddhakala Society, Warje, Pune 411058
Email ID : parkhilimaye@hotmail.com

The Cost Audit Report for the financial year ended 31st March, 2016 has been filed with the Central Government on 25th August, 2016.

f) The Management Discussion and Analysis Report forms part of the Annual Report and is in accordance with the requirements laid out in Schedule V of the Listing Regulations.

g) The status of adoption of non-mandatory requirements as specified in sub–regulation 1 of Regulation 27 of the Listing Regulations are as follows :

i. The Board :
Mr. Atul C. Kirloskar is Non Executive Chairman. The Company does not bear the expenses for maintaining the office of the Chairman.

ii. Shareholder Rights:
As the quarterly and half yearly financial results are published in the newspapers and are also posted on the website of the Company, viz. www.kfil.com the same are not being sent to the shareholders.

iii. Modified opinion(s) in audit report:
The Financial Statements of the Company for the financial year ended 31st March, 2017 does not contain any modified audit opinion.

iv. Separate posts of Chairperson and CEO :
The Chairman of the Board is a Non Executive Director and his position is separate from that of the Managing Director.

v. Reporting of Internal Auditor :
The Internal Auditors report to the Audit Committee and have direct access to the Audit Committee.

**CEO / CFO Certification**

A certificate signed by the Managing Director and the Chief Financial Officer confirming compliance of Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 was placed before the meeting of the Board of Directors held on 28th April, 2017.

**Transfer of unpaid dividend to Investor Education and Protection Fund (IEPF)**

Pursuant to Section 124 of the Companies Act, 2013 and rules thereof, any money transferred to the Unpaid Dividend Account of a company, which remains unpaid or unclaimed for a period of seven years, shall be transferred by the Company to the Investor Education and Protection Fund (IEPF).

After the transfer of unpaid dividend to the IEPF, any person claiming to be entitled to such amount may apply to the Investor Education and Protection Fund Authority in accordance with provisions of Section 125 of the Companies Act, 2013 and rules thereof.

The Members who have not yet encashed their dividend warrant(s) are requested to make their claims without any delay to the Company's Registrar and Share Transfer Agent, i.e. Link Intime India Private Limited.

Due dates for transfer of unclaimed dividend to IEPF :

| Financial Year | Date of Declaration | Date of Payment | Dividend percent | Date on which dividend will become part of IEPF |
|---|---|---|---|---|
| 2009-2010 | 29th July, 2010 | 20th August, 2010 | 20 | 29th August, 2017 |
| 2010-2011 | 22nd July, 2011 | 11th August, 2011 | 20 | 26th August, 2018 |
| 2011-2012 | 24th July, 2012 | 16th August, 2012 | 20 | 27th August, 2019 |
| 2012-2013 | 26th July, 2013 | 19th August, 2013 | 25 | 29th August, 2020 |
| 2013-2014 | 13th August, 2014 | 2nd September, 2014 | 25 | 12th September, 2021 |
| 2014-2015 | 30th July, 2015 | 21st August, 2015 | 25 | 31st August, 2022 |
| 2015-2016 | 10th March, 2016 | 29th March, 2016 | 25 | 9th April, 2023 |

Pursuant to provisions of Rule 5 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the details of unclaimed dividend amounts as on the date of Annual General Meeting (i.e. 28th July, 2016) have been filed in Form No. IEPF–2 with the Ministry of Corporate Affairs and have been uploaded at the website of the Company, viz. www.kfil.com

**Procedure for dealing with unclaimed shares**

Pursuant to Regulation 39(4) of the Listing Regulations, the Company had sent reminder letters to those shareholders, whose share certificates have returned undelivered by the postal authorities due to insufficient / incorrect information and are lying with the Company. These share certificates will be sent to eligible shareholders, if these shareholders submit necessary documents to the Company.

**Nominations in respect of shares held in physical form / electronic form**

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be vested in the event of death of the registered shareholder(s). The prescribed nomination form can be obtained from the Company or the Registrar and Share Transfer Agent.

Nomination facility for shares held in electronic form is available with the depository participant as per the bye laws and business rules applicable to NSDL and CDSL.

**Payment of Dividend by electronic means**

As per Regulation 12 of the Listing Regulations, the Company shall use electronic modes of payment such as electronic clearing services, direct credit, real time gross settlement, national electronic funds transfer, etc. for making payment of dividend.

Accordingly, Shareholders holding shares in electronic mode are requested to register latest bank account details with their Depository Participants and those holding shares in physical form are requested to register latest bank account details with the Company's Registrar and Share Transfer Agent, viz. Link Intime India Private Limited.

**Income Tax PAN mandatory for Transfer of securities**

As per Regulation 40(7) read with Schedule VII of the Listing Regulations, for registration of transfer of securities, the transferee(s) as well as transferor(s) shall furnish a copy of their PAN card to the listed entity for registration of transfer of securities.

## DECLARATION OF COMPLIANCE WITH THE CODE OF CONDUCT

To the members of **KIRLOSKAR FERROUS INDUSTRIES LIMITED,**

Pursuant to Regulation 26(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), I hereby declare that all Board members and senior management personnel are aware of the provisions of the Code of Conduct laid down by the Board and made effective from 1st December, 2015. All Board members and senior management personnel have affirmed compliance with the Code of Conduct.

For Kirloskar Ferrous Industries Limited,

Ravindranath V. Gumaste
Managing Director
DIN : 00082829

Pune : 28th April, 2017

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## AUDITORS' CERTIFICATE ON COMPLIANCE OF REGULATIONS OF CORPORATE GOVERNANCE

We have examined the compliance of the regulations of Corporate Governance by **Kirloskar Ferrous Industries Limited** ('the Company') for the year ended 31st March, 2017, as stipulated in Part C of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

The Compliance of regulations of Corporate Governance is the responsibility of the management of the Company. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the regulations 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 regulations of Corporate Governance as stipulated in the above mentioned Listing Regulations.

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

For M/s. Kirtane & Pandit LLP
Chartered Accountants
Firm Registration number: 105215W/W100057

Suhas Deshpande
Partner
Membership No.31787

Pune : 28th April, 2017

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIRLOSKAR FERROUS INDUSTRIES LIMITED

## Report on the Financial Statements

We have audited the accompanying financial statements of **Kirloskar Ferrous Industries Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, 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 Financial Statements

The Company's Board of Directors is responsible for the matters in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder from time to time. This responsibility also includes the 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 control, 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 financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

An audit involves performing procedures to obtain audit evidence about the amounts and 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 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 Board of 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 financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, and its profit and its cash flows for the year ended on that date.

## Other Matter

The financial statements of the Company for the year ended 31st March, 2016 were audited by other auditor, who expressed an unmodified opinion on these statements on 29th April, 2016.

**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 Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.

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

   a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books;

   c. the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   d. in our opinion, the aforesaid financial statements comply with the Accounting Standards referred to in Section 133 of the Act, read with relevant rules issued thereunder from time to time;

   e. on the basis of written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164(2) of the Act.

   f. with respect to the adequacy of the internal financial controls over the financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B";

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

      i) The Company has disclosed the impact of pending litigations on its financial statements – Refer Note 37 to the financial statements;

      ii) The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses;

      iii) There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Company;

      iv) The Company has provided requisite disclosures in the financial statements as to holding as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note 41 to the financial statements.

For Kirtane & Pandit LLP
Chartered Accountants
Firm Reg. No. 105215W / W100057

Suhas Deshpande
Partner
Membership No.: 31787

Pune : 28th April, 2017

## ANNEXURE - A TO THE INDEPENDENT AUDITORS' REPORT

The annexure referred to in paragraph 1 in Report on Other Legal and Regulatory Requirements of the Independent Auditors' Report to the members of the Company on the financial statements for the year ended March 31, 2017, we report that:

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

(b) As informed to us, the fixed assets have been physically verified by the Management at reasonable intervals in accordance with the phased programme of verification adopted by the Company and the discrepancies noticed during such physical verification were not material.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.

(ii) As informed to us, the physical verification of inventory has been conducted by the management at reasonable intervals and the discrepancies noticed during such physical verification were not material. Stocks lying with third parties at the year-end have been confirmed.

The discrepancies noticed on physical verification of Inventory as compared to the book records have been properly dealt with the Books of Account.

(iii) The Company has not granted any loans, secured or unsecured, to Companies, Firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act. Accordingly, paragraph 3(iii) of the Order is not applicable.

(iv) In our opinion and according to the information and explanations given to us, the Company has not given loans, made investments or given guarantees which are covered by the provisions of Section 185 and 186 of the Act.

(v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public under Section 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under.

(vi) The Central Government has specified maintenance of cost records under Sub-Section (1) of Section 148 of the Act and we are of the opinion that prima facie such accounts and records are made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Value Added Tax, Duty of Customs, Duty of Excise, Service Tax, Employees' State Insurance, Cess and any other material statutory dues have been regularly deposited during the year by the Company with appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues were in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are amounts of Excise Duty, Customs Duty, Value Added Tax, Service Tax, Income Tax and Provident Fund which have not been deposited on account of dispute as listed below:

| Sl. No | Name of the statute | Nature of the dues | Amount in ₹ | Financial year to which the amount relates | Forum where dispute is pending | Remarks, if any |
|---|---|---|---|---|---|---|
| 1 | Central Excise Act, 1944 | Interest on refund | 341,496 | 2004-05 | Assistant Commissioner of Central Excise, Bellary | |
| 2 | Central Excise Act, 1944 | Cenvat Credit issues | 1,797,114 | 2007-08 to 2016-17 | Assistant Commissioner of Central Excise, Bellary | |
| 3 | Central Excise Act, 1944 | Cenvat Credit availed on Steel | 8,860,610 | 2004-05 to 2009-10 | CESTAT, Bangalore | |
| 4 | Central Excise Act, 1944 | Cenvat Credit availed on Steel | 268,737 | 2009-10 | Commissioner of Central Excise (Appeals), Mysore | |
| 5 | Central Excise Act, 1944 | Cenvat Credit availed on Steel | 94,084 | 2010-11 | Assistant Commissioner of Central Excise, Bellary | |
| 6 | Central Excise Act, 1944 | Cenvat Credit on capital goods write offs | 1,023,603 | 2009-10 | Additional Commissioner of Central Excise, Belgaum | |
| 7 | Central Excise Act, 1944 | Valuation of excisable goods | 1,876,214 | 2000-01 | CESTAT, Mumbai | |
| 8 | Finance Act, 1994 | Cenvat Credit utilised for Service Tax payment | 7,585,734 | 2006-07 | Commissioner of Central Excise, Belgaum | |
| 9 | Finance Act, 1994 | Cenvat Credit issues | 772,188 | 2009-10 to 2011-12 | Assistant Commissioner of Central Excise, Bellary | |
| 10 | Finance Act, 1994 | Penalty on Freight Outward | 2,992,835 | 2013-14 | CESTAT, Bangalore | |
| 11 | Finance Act, 1994 | Cenvat Credit issues | 2,716,155 | 2011-12 and 2016-17 | Assistant Commissioner of Central Excise, Bellary | |
| 12 | Finance Act, 1994 | Service Tax demand on Interest on Letter of Credit | 11,496,454 | 2012-13 | CESTAT, Bangalore | |
| 13 | Finance Act, 1994 | Service Tax demand on Interest on Letter of Credit | 1,887,734 | 2014-15 | Commissioner of Central Excise (Appeals), Mysore | |

| Sl. No | Name of the statute | Nature of the dues | Amount in ₹ | Financial year to which the amount relates | Forum where dispute is pending | Remarks, if any |
|---|---|---|---|---|---|---|
| 14 | Finance Act, 1994 | Service Tax demand on usance charges | 983,215 | 2015-16 and 2016-17 | Assistant Commissioner of Central Excise, Bellary | |
| 15 | Finance Act, 1994 | Service Tax demand on usance charges | 505,569 | 2015-16 | Commissioner of Central Excise (Appeals), Mysore | |
| 16 | Finance Act, 1994 | Service Tax Cenvat Credit availed on Input Services | 5,373,798 | 2015-16 and 2016-17 | Commissioner of Central Excise, Belgaum | |
| 17 | Customs Act, 1962 | Refund of customs duty | 337,883 | 2010-11 | CESTAT, Bangalore | |
| 18 | Income Tax Act, 1961 | Minimum Alternate Tax | 99,831,949 | 2004-05 to 2006-07 | Hon'ble High Court Mumbai | |
| 19 | Income Tax Act, 1961 | Disallowance of Expenses | 58,317,163 | 2010-11 and 2011-12 | Commissioner of Income Tax (Appeals), Pune | Unfavourable outcome will be adjusted against the refund amount. |
| 20 | Income Tax Act, 1961 | Disallowance of Expenses | 76,318 | 2014-15 | Deputy Commissioner of Income Tax, Pune | Unfavourable outcome will be adjusted against the refund amount. |
| 21 | Karnataka VAT Act, 2003 | Disallowed Input Tax Credit | 8,276,255 | 2007-08 | Hon'ble High Court of Karnataka, Dharwad Bench, | |
| 22 | Karnataka VAT Act, 2003 | Input Tax Credit on purchases | 52,730,556 | 2013-14 | Local Vat Officer, Koppal | |
| 23 | Maharashtra VAT Act, 2002 | Disallowed Input Tax Credit | 100,828 | 2012-13 | Deputy Commissioner of Sales Tax, Solapur | |
| 24 | Provident Fund and Miscellaneous Provisions Act, 1952 | Interest and damages for belated remittance | 6,719,589 | 2001 to 2005 | EPF Appellate Tribunal, New Delhi | |
| 25 | Provident Fund and Miscellaneous Provisions Act, 1952 | Demand for differential PF dues | 11,813,110 | 2012-13 to 2015-16 | EPFO, Bellary | |



(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its banks and financial institutions. The Company did not have any loan or borrowings from Government or any debentures outstanding during the year.

(ix) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised. The Company had not raised money by way of further public offer (including debt instruments) during the year.

(x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

(xi) According to the information and explanations given to us, the managerial remuneration is paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, all transactions with related parties are in compliance with Sections 177 and 188 of the Act and the details, as required by the applicable accounting standards have been disclosed in the financial statements.

(xiv) According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partially convertible debentures during the year.

(xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him during the year.

(xvi) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Kirtane & Pandit LLP
Chartered Accountants
Firm Registration No. 105215W/W100057

Suhas Deshpande
Partner
Membership No. 31787

Pune : 28th April, 2017

## ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT

The annexure referred to in paragraph 2(f) on Other Legal and Regulatory Requirements of the Independent Auditors' Report to the members of the Company on the financial statements for the year ended March 31, 2017.

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

We have audited the internal financial controls over financial reporting of Kirloskar Ferrous Industries Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the 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 financial control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under Companies Act, 2013.

**Auditor's Responsibility**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls 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 authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.



**Inherent Limitations of Internal Financial Control Over Financial Reporting**

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

**Opinion**

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

For Kirtane & Pandit LLP
Chartered Accountants
Firm Reg. No. 105215W/W100057

Suhas Deshpande
Partner
Membership No. 31787

Pune : 28th April, 2017

## BALANCE SHEET AS AT 31st MARCH, 2017

| Particulars | Note No. | As at 31st March, 2017 ₹ | As at 31st March, 2016 ₹ |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| Share capital | 3 | **686,540,405** | 686,540,405 |
| Reserves and surplus | 4 | **5,139,471,440** | 4,233,799,056 |
| | | **5,826,011,845** | 4,920,339,461 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities (Net) | 5 | **804,808,468** | 789,043,156 |
| Long-term provisions | 6 | **13,569,653** | 12,693,443 |
| | | **818,378,121** | 801,736,599 |
| **Current liabilities** | | | |
| Short-term borrowings | 7 | **968,755,239** | 982,446,046 |
| Trade payables | 8 | **1,637,996,135** | 1,367,717,463 |
| Other current liabilities | 9 | **429,969,601** | 436,752,663 |
| Short-term provisions | 10 | **40,679,231** | 56,563,976 |
| | | **3,077,400,206** | 2,843,480,148 |
| **TOTAL** | | **9,721,790,172** | 8,565,556,208 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, Plant and Equipments | 11 | **5,699,821,115** | 5,460,199,875 |
| Intangible assets | 12 | **41,824,014** | 41,637,501 |
| Capital work-in-progress | | **188,833,943** | 80,762,372 |
| Non-current investments | 13 | **98,100** | 100 |
| Long-term loans and advances | 14 | **130,169,060** | 171,295,324 |
| Other non-current assets | 15 | **535,400** | 499,670 |
| | | **6,061,281,632** | 5,754,394,842 |
| **Current assets** | | | |
| Inventories | 16 | **1,218,605,917** | 929,847,003 |
| Trade receivables | 17 | **1,959,530,934** | 1,394,484,267 |
| Cash and bank balances | 18 | **123,341,579** | 60,170,061 |
| Short-term loans and advances | 19 | **350,546,302** | 419,435,240 |
| Other current assets | 20 | **8,483,808** | 7,224,795 |
| | | **3,660,508,540** | 2,811,161,366 |
| **TOTAL** | | **9,721,790,172** | 8,565,556,208 |

Significant Accounting Policies **2**

The accompanying notes form an integral part of the financial statements.

As per our report of even date attached

For M/s Kirtane and Pandit LLP
Chartered Accountants
FRN : 105215W/W100057

Suhas Deshpande
Partner
M. No. 31787

Pune: 28th April, 2017

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman
DIN 00007387

C.S.PANICKER
Company Secretary

R.V.GUMASTE
Managing Director
DIN 00082829

R.S.SRIVATSAN
Chief Financial Officer

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2017

| Particulars | Note No. | For the Year ended 31st March, 2017 ₹ | For the Year ended 31st March, 2016 ₹ |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from operations (Gross) | | **12,778,187,608** | 12,607,066,390 |
| Less: Excise Duty | | **1,441,095,507** | 1,467,762,209 |
| Revenue from operations (Net) | **21** | **11,337,092,101** | 11,139,304,181 |
| Other income | **22** | **55,524,955** | 22,478,042 |
| Total Revenue | | **11,392,617,056** | 11,161,782,223 |
| **EXPENSES** | | | |
| Cost of materials consumed | **23** | **6,015,397,425** | 5,819,570,449 |
| Changes in inventories of | **24** | | |
| a. Finished goods | | **(74,856,877)** | 50,805,235 |
| b. By-Products | | **(4,203,888)** | 22,584,982 |
| c. Work-in-Progress | | **(69,110,535)** | 31,056,654 |
| Employee benefits expense | **25** | **731,446,234** | 709,220,119 |
| Finance costs | **26** | **136,570,017** | 235,049,178 |
| Depreciation and amortization expense | **27** | **458,726,057** | 443,661,387 |
| Other expenses | **28** | **2,984,064,353** | 2,997,577,733 |
| Total Expenses | | **10,178,032,786** | 10,309,525,737 |
| Profit before tax | | **1,214,584,270** | 852,256,486 |
| Tax expense: | | | |
| Current Tax | | **335,516,458** | 213,497,154 |
| Short/(excess) provision of earlier years | | **(30,129,930)** | 2,965,396 |
| MAT credit entitlement for earlier years | | **(12,239,953)** | - |
| Deferred tax | | **15,765,311** | 58,449,985 |
| **Profit for the Period** | | **905,672,384** | 577,343,951 |
| Earnings per equity share: | **30** | | |
| Basic and Diluted | | **6.60** | 4.20 |

Significant Accounting Policies **2**

The accompanying notes form an integral part of the financial statements.

As per our report of even date attached

For M/s Kirtane and Pandit LLP
Chartered Accountants
FRN : 105215W/W100057

Suhas Deshpande
Partner
M. No. 31787

Pune: 28th April, 2017

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman
DIN 00007387

C.S.PANICKER
Company Secretary

R.V.GUMASTE
Managing Director
DIN 00082829

R.S.SRIVATSAN
Chief Financial Officer

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2017

| Particulars | For the Year ended 31st March, 2017 | | For the year ended 31st March, 2016 |
|---|---|---|---|
| | ₹ | ₹ | ₹ |
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Net Profit before tax | | **1,214,584,270** | 852,256,486 |
| Add : | | | |
| Depreciation | **458,726,057** | | 443,661,387 |
| (Profit) / Loss on sale of assets | **56,270** | | 111,901 |
| Provision for doubtful debts | **1,994,834** | | 1,448,377 |
| Bad debts written off | **21,121** | | 6,047,491 |
| Unrealised Foreign exchange (Gain)/Loss | **(270,456 )** | | (1,707,150) |
| Finance Costs | **136,570,017** | | 235,049,178 |
| | | **597,097,843** | 684,611,184 |
| Less : | | **1,811,682,113** | 1,536,867,670 |
| Rental income | **(1,179,300)** | | (2,108,349) |
| Interest income | **(34,553,036)** | | (9,417,451) |
| Dividend income | **(50)** | | (50) |
| Provision no longer required written back | **(8,703,810)** | | (5,673,449) |
| Sundry credit balances appropriated | **(4,562,704)** | | - |
| | | **(48,998,900)** | (17,199,299) |
| Operating profit before working capital changes | | **1,762,683,213** | 1,519,668,371 |
| Movements in working capital: | | | |
| Decrease / (Increase) in Inventories | **(288,758,914)** | | 253,510,918 |
| Decrease / (Increase) in Trade Receivables | **(567,062,622)** | | 363,056,961 |
| Decrease / (Increase) in Long Term Loans and Advances | **(852,461)** | | (15,514,354) |
| Decrease / (Increase) in Short Term Loans and Advances | **19,652,579** | | (97,239,163) |
| Decrease / (Increase) in Other Current Assets | **(1,683,423)** | | (853,046) |
| Increase / (Decrease) in Other Long Term Provisions | **876,210** | | 2,865,884 |
| Decrease / (Increase) in Other Current and Non-Current Assets | **-** | | (113,601) |
| Increase / (Decrease) in Trade Payables | **293,549,004** | | (680,828,618) |
| Increase / (Decrease) in Other Current Liabilities | **79,153,093** | | (8,696,465) |
| Increase / (Decrease) in Short Term Provisions | **(15,884,745)** | | 5,533,749 |
| | | **(481,011,279)** | (178,277,735) |
| Cash generated from operations | | **1,281,671,934** | 1,341,390,636 |
| Taxes paid | | **(243,910,216)** | (180,011,351) |
| **Net cash from operating activities ( A )** | | **1,037,761,718** | 1,161,379,285 |
| **B. CASH FLOW FROM INVESTING ACTIVITIES :** | | | |
| Purchase of fixed assets, including CWIP and capital advances | **(746,775,619)** | | (336,643,090) |
| Proceeds from sale of fixed assets | **10,246,368** | | 1,375,425 |
| Interest received | **34,941,716** | | 9,548,828 |
| Dividend received | **50** | | 50 |
| Rental income | **1,179,300** | | 2,108,349 |
| **Net cash used in investing activities ( B )** | | **(700,408,185)** | (323,610,438) |
| **C. CASH FLOW FROM FINANCING ACTIVITIES :** | | | |
| Interest and other borrowing cost paid | **(155,013,048)** | | (232,209,395) |
| Proceeds from Long Term Borrowings (Net) | **(99,999,975)** | | (502,309,686) |
| Increase / (Decrease) in Cash Credit | **(13,690,807)** | | 257,462,109 |
| Increase in Investments | **(98,000)** | | - |
| Dividend paid | **-** | | (343,270,204) |
| Tax on dividend paid | **-** | | (70,855,227) |
| **Net cash from financing activities ( C )** | | **(268,801,830)** | (891,182,403) |
| **Net Increase/(Decrease) in Cash and Cash Equivalents ( A + B + C )** | | **68,551,703** | (53,413,556) |
| **Cash and Cash Equivalents at the beginning of the year (Refer Note 18A)** | **26,602,632** | | 80,016,188 |
| **Cash and Cash Equivalents at the end of the year (Refer Note 18A)** | **95,154,335** | | 26,602,632 |

The accompanying notes form an integral part of the Financial Statements.
**Note:** The above Cash Flow Statement has been prepared under the ''Indirect Method'' as set out in the Accounting Standard - 3 on Cash Flow Statement.

As per our report of even date attached

For M/s Kirtane and Pandit LLP
Chartered Accountants
FRN : 105215W/W100057

Suhas Deshpande
Partner
M. No. 31787

Pune: 28th April, 2017

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman
DIN 00007387

C.S.PANICKER
Company Secretary

R.V.GUMASTE
Managing Director
DIN 00082829

R.S.SRIVATSAN
Chief Financial Officer



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

**1. Basis of preparation of Financial Statements:**

a. The Financial Statements have been prepared and presented in accordance with the generally accepted accounting principles in India (Indian GAAP) under the historical cost convention, 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 Companies (Accounting Standards) Amendment Rules, 2016 and the relevant provisions of the Companies Act, 2013 and guidelines issued by the Securities and Exchange Board of India (SEBI).

b. The Company follows mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.

c. The accounting policies applied by the Company are consistent with those used in the previous year.

**2. Summary of significant accounting policies:**

**a. Use of Estimates**

Estimates and assumptions used in the preparation of the Financial Statements are based on management's evaluation of the relevant facts and circumstances as at the date of the Financial Statements, which may differ from the actual results at a subsequent date.

**b. Property, Plant and Equipment**

i. The Company has adopted cost model to measure the gross carrying amount of fixed assets.

ii. Tangible fixed assets are stated at original cost net of accumulated depreciation and impairment loss, if any. The cost of the fixed asset includes the purchase price and the incidental or directly attributable expenses incurred in bringing the asset to its working condition for its intended use.

iii. The Company identifies and determines the cost of each component / part of the asset separately, if component / part have a cost which is significant to the total cost of asset and has useful life that is materially different from that of the remaining asset.

iv. Spares and Parts which meet the definition of Property, Plant and Equipment, such items are accounted for in accordance with the AS 10, Property, Plant and Equipment.

v. Borrowing Costs relating to acquisition and construction of qualifying assets are also included to the extent they relate to the period till such assets are ready to be put to use.

vi. Pre-operative expenditure including trial run expenses comprising of revenue expenses incurred as reduced by the revenue generated during the period up to commencement of commercial production are treated as part of project costs and are capitalized.

vii. Cost of fixed assets not ready for use before the Balance Sheet date is disclosed as capital work-in-progress.

**c. Intangible Assets**

Intangible assets expected to provide future enduring economic benefits are recorded at the value of consideration paid for acquisition of such assets and are carried at cost of acquisition net of accumulated depreciation and impairment loss, if any.

**d. Depreciation and Amortisation**

i. The Company has provided for depreciation using the straight line method, based on the useful lives specified in Schedule II Part C to the Companies Act, 2013, except in case of the following assets:

| Description | Useful life considered | Justification for deviation |
|---|---|---|
| Plant and Equipments | | |
| a) Sinter Plant | 20 years | Based on past history of usage and supported by Technical Evaluation report |
| b) Blast Furnace and allied Machineries used in manufacture of Pig Iron | 20 years | |
| c) Foundry Machineries | 20 years | |
| d) Turbo Generator | 20 years | |
| e) Plant and Equipments under lease | 5 Years | |
| Office Equipments | | |
| Equipment installed at employee's residence | 3 Years | As per the terms of Company's policy |
| Vehicles | | |
| Vehicles given to employees | 5 years | As per the terms of Company's policy |

ii. Freehold land are not depreciated.

iii. Leasehold land are not depreciated due to the conversion option available in the lease agreement and Management's intention of opting the same.

iv. Depreciation on additions (other than land) are provided from the date of acquisition / purchase.

v. In the event of sale / retirement of assets, depreciation is provided up to the date of sale / retirement.

vi. The Mining Right acquired by the Company is amortised over 11 years being the period of lease.

vii. Computer software recognised as intangible asset is amortised on straight line method over an estimated useful life of 6 years.

viii. Spares and Parts are depreciated based on the assessed useful life by the management.

**e. Impairment of Asset**

The Company assesses at each Balance Sheet date whether there is any indication due to internal or external factors than an asset or a group of asset 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 Statement of Profit and Loss. 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 the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the Statement of Profit and Loss.

**f. Operating leases**

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 as expenses in the Statement of Profit and Loss.

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 and assets subjected to operating leases are included in the fixed assets. Receipt under operating leases are recognised as Income in the Statement of Profit and Loss.

Lease income / payment in respect of "Operating Lease" are recognized in the Statement of Profit and Loss on a straight-line basis over the lease period.

**g. Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

i. Current Investments are carried at lower of cost and fair value determined on an individual investment basis.

ii. Long-term investments are carried at cost less provision for diminution other than temporary (if any) in value of such investments.

**h. Inventories**

i. Raw Materials, Stores and Spares are valued at lower of cost and net realizable value. Cost is determined using weighted average method.

ii. Work in progress are valued at cost. Finished goods other than by-products are valued at lower of cost and net realizable value. Cost includes cost of raw material, conversion cost and other cost incurred in bringing the inventories to their present location and condition. Cost is arrived by absorption cost method.

iii. By-products are valued at net realisable value.

iv. Necessary provisions are made for obsolete and non-moving inventories as per the policy framed by the management and the value of inventory is net of such provision.

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

**i. Foreign Currency Transactions**

i. Initial Recognition: Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.

ii. Conversion: Monetary items denominated in foreign currencies other than those covered by forward contracts are reinstated into rupee equivalents at the exchange rates as on the reporting date and the resultant exchange difference, are recognized in the Statement of Profit and Loss for the year.

iii. Forward Exchange Contracts: In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate at the date of the transaction is recognised as discount or premium over the period of the contract.

**j. Revenue Recognition**

i. Revenue from sale of goods is recognised when the significant risks and rewards of

ownership of the goods have passed to the customer, which generally coincides with their delivery to customers/customers representatives. Sales reported includes excise duty and excludes discounts, rebates, returns, sales tax and value added tax.

ii. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

iii. Dividend income is recognised when the Company's right to receive dividend is established.

iv. All other incomes are accounted for on accrual basis.

**k. Borrowing Costs**

Borrowing costs are charged to Statement of Profit and Loss except in cases where the borrowings are directly attributable to the acquisition, construction or production of qualifying asset in which case they are capitalised.

Exchange Differences: Exchange difference arising from foreign currency borrowings are recognised as borrowing cost to the extent that they are regarded as an adjustment to interest costs as per AS 16 Borrowing Costs.

**l. Excise Duty**

Excise Duty in respect of goods manufactured by the Company is accounted on accrual basis.

**m. Employee Benefits**

i. Short Term Employee Benefits:

All employee benefits payable within twelve months of rendering of services 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.

ii. Post Employment Benefits:

a. Defined Contribution Plan:

The Company's approved Superannuation Scheme and Central Government Provident Fund Scheme, are defined contribution plans. The contribution paid / payable under the schemes are recognised during the period in which the employee renders the related service.

b. Defined Benefit Plans:

The employee's gratuity fund scheme, long term compensated absences is 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 net basis.

**n. Taxes on Income**

i. Deferred tax is recognised on timing differences between the accounting income and the taxable income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The deferred tax resulting from timing differences which originate on or before tax holiday period but are expected to reverse during the tax holiday period are not considered.

ii. Provision for current tax is made on the basis of the taxable profits computed for the current accounting period in accordance with Income Computation and Disclosure Standards as notified under Section 145 (2) of the Income Tax Act, 1961.

iii. Advance taxes and provisions for current Income Tax are presented in the Balance Sheet after off-setting advance taxes paid and Income Tax provision arising in the same tax jurisdiction and the Company intends to settle the assets and liabilities on a net basis.

iv. Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period of MAT credit entitlement as per the Income-tax Act, 1961. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

**o. Research and Development Expenses**

Revenue expenditure on the Research and Development is charged off as expense in the year in which incurred. Capital expenditure is grouped with Fixed Assets under appropriate heads and depreciation is provided as per the rates applicable.

**p. Earnings Per Share**

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

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

**q. Provisions and Contingencies**

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

ii. 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 is made.

**r. Cash and cash equivalents**

Cash and cash equivalents for the purposes of Cash Flow Statement comprise 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 and which are subject to an insignificant risk of changes in value.

**s. Dividend**

Dividend is recognized as liability in the period in which it is declared by the Company (usually when approved by shareholder at its General Meeting) or paid.

3.

| SHARE CAPITAL | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| **Authorised Share Capital** | | |
| 210,000,000 (210,000,000) Equity Shares of ₹ 5 each | **1,050,000,000** | 1,050,000,000 |
| 117,000,000 (117,000,000) Preference Shares of ₹ 10 each | **1,170,000,000** | 1,170,000,000 |
| **Total** | **2,220,000,000** | 2,220,000,000 |
| **Issued, Subscribed and Paid up Capital** | | |
| 137,308,081 (137,308,081) Equity Shares of ₹ 5 each | **686,540,405** | 686,540,405 |
| **Total** | **686,540,405** | 686,540,405 |

**a. Reconciliation of the shares at the beginning and at the end of the reporting period.**

| **Particulars** | **Year ended 31st March, 2017** | | Year ended 31st March, 2016 | |
|---|---|---|---|---|
| | **Number** | ₹ | Number | ₹ |
| Equity shares | | | | |
| Balance at the beginning of the year | **137,308,081** | **686,540,405** | 137,308,081 | 686,540,405 |
| Shares issued during the year | **-** | **-** | - | - |
| Shares bought back during the year | **-** | **-** | - | - |
| Balance at the end of the year | **137,308,081** | **686,540,405** | 137,308,081 | 686,540,405 |

**b. Rights and preferences attached to equity shares**

The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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 preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c. Equity shares held by holding company**

| **Name of Shareholder** | **Year ended 31st March, 2017** | | Year ended 31st March, 2016 | |
|---|---|---|---|---|
| | **No. of shares held** | **Percentage of holding** | No. of shares held | Percentage of holding |
| Kirloskar Industries Limited* | **70,643,754** | **51.45** | 70,613,876 | 51.43 |

* Kirloskar Industries Limited is the only shareholder holding more than 5 percent of the total equity shares.



**4.**

| RESERVES AND SURPLUS | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| **a. Securities Premium Reserve (Balance brought forward from previous year)** | | |
| Opening balance | **1,938,379,992** | 1,938,379,992 |
| Add : Securities premium credited on share issue | **-** | - |
| **Total (a)** | **1,938,379,992** | 1,938,379,992 |
| **b. General Reserves** | | |
| Opening Balance | **400,000,000** | 350,000,000 |
| Add: Current year transfer from Surplus | **50,000,000** | 50,000,000 |
| Closing Balance **Total (b)** | **450,000,000** | 400,000,000 |
| **c. Surplus - Balance in the Statement of Profit and Loss** | | |
| Opening Balance | **1,895,419,064** | 1,575,423,721 |
| Add : | | |
| Net Profit for the current period | **905,672,384** | 577,343,951 |
| Less : Appropriations | | |
| Interim dividend on equity shares for the period Nil (Previous Year ₹ 1.25) per share | **-** | (171,635,102) |
| Dividend Distribution Tax (Balance of Financial Year 2015-16 includes ₹ 772,638 pertaining to Financial Year 2014-15) | **-** | (35,713,506) |
| Amount transfered to General Reserves | **(50,000,000)** | (50,000,000) |
| Closing Balance **Total (c)** | **2,751,091,448** | 1,895,419,064 |
| **Total (a+b+c)** | **5,139,471,440** | 4,233,799,056 |

**5.**

| DEFERRED TAX LIABILITY ( NET ) | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| **a. Deferred Tax Liabilities** | | |
| Depreciation | **850,310,541** | 826,260,791 |
| Others | **-** | 65,147 |
| Total liabilities (a) | **850,310,541** | 826,325,938 |
| **b. Deferred Tax Assets** | | |
| Disallowance under Section 43 B of Income Tax Act | **31,818,256** | 23,940,233 |
| Provision for doubtful debts | **13,683,817** | 13,342,549 |
| Total Assets (b) | **45,502,073** | 37,282,782 |
| Net Deferred Tax Liability ( a - b ) | **804,808,468** | 789,043,156 |

**6.**

| LONG TERM PROVISIONS | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| **Provision for employee benefits** | | |
| Leave encashment | **13,569,653** | 12,693,443 |
| **Total** | **13,569,653** | 12,693,443 |

**7.**

| SHORT TERM BORROWINGS | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| **a) Secured** | | |
| Loans payable on demand | | |
| Cash Credit from banks | **622,935,157** | 798,601,226 |
| **Total (a)** | **622,935,157** | 798,601,226 |
| **b) Unsecured** | | |
| Loans payable on demand | | |
| Overdraft from Bank | **345,820,082** | 183,844,820 |
| **Total (b)** | **345,820,082** | 183,844,820 |
| **Total ( a + b )** | **968,755,239** | 982,446,046 |

**Security for Secured Loans :**

Working capital facilities with Consortium Banks (fund based and non fund based) aggregating to ₹ 4,500,000,000 (previous year ₹ 4,500,000,000) are secured by first charge by way of hypothecation on the current assets both present and future, in favour of IDBI Trusteeship Services Limited, as Security Trustees, for the benefit of consortium banks.

| Particulars | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| Outstanding amount under non fund based limits : | | |
| I. Aggregate value of the amount outstanding under letter of credit | | |
| Secured | **478,979,855** | 506,320,276 |
| Unsecured | **331,984,194** | 166,697,144 |
| ii. Aggregate value of guarantees outstanding | | |
| Secured | **35,100,000** | 8,261,500 |
| Unsecured | **10,000,000** | - |

**8.**

| TRADE PAYABLES | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| a. Acceptances | **793,162,801** | 638,353,002 |
| b. Others | **844,833,334** | 729,364,461 |
| **Total** | **1,637,996,135** | 1,367,717,463 |

**9.**

| OTHER CURRENT LIABILITIES | As at 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| a. Creditors for capital goods | | |
| I. Acceptances | **-** | - |
| ii. Others | **108,791,347** | 80,637,673 |
| b. Current Maturities of Long Term Borrowings | **-** | 99,999,975 |
| c. Interest accrued but not due on borrowings | **43,193** | 49,052 |
| d. Other payables | | |
| i. Taxes and duties | **40,585,157** | 30,488,480 |
| ii. Provident Fund payable | **4,577,009** | 4,556,036 |
| iii. Payable to employees | **112,808,135** | 100,435,985 |
| iv. Creditors for expenses | **46,082,517** | 24,716,110 |
| v. Security Deposit | **185,000** | 185,000 |
| vi. Unclaimed dividend # | **28,187,244** | 33,567,429 |
| vii. Advance from customers | **52,983,361** | 43,152,351 |
| viii. Exchange differences on forward contracts (Net) | **35,726,638** | 18,964,572 |
| **Total** | **429,969,601** | 436,752,663 |

# Note: There is no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund.

Disclosure in respect of principal and interest pertaining to the "Micro, Small and Medium Enterprises Development Act 2006". The information has been given in respect of such vendors on the basis of information available with the Company:

| Particulars | As at 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| Total outstanding to MSME Suppliers (not due) | | |
| i. Trade payables | **20,513,372** | 20,560,579 |
| ii. Other Current Liabilities - Creditors for capital goods | **2,104,486** | 132,692 |
| Principal amount due remaining unpaid | | |
| i. Trade payables | **-** | - |
| ii. Other Current Liabilities - Creditors for capital goods | **-** | - |
| Interest on above and unpaid interest | **-** | - |
| Interest paid | **-** | - |
| Payment made beyond the appointed day | **-** | - |
| Interest due and payable for the period of delay | **-** | - |
| Interest accrued and remaining unpaid at the end of the year | **-** | - |
| Amount of further interest remaining due and payable in succeeding year | **-** | - |

**10.**

| SHORT TERM PROVISIONS | As at 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| Provision for employee benefits (refer note no. 31 and 32) | | |
| i. Contribution to Provident and Superannuation funds | **1,874,196** | 1,745,631 |
| ii. Gratuity | **3,812,628** | 22,340,142 |
| iii. Leave encashment | **34,992,407** | 32,478,203 |
| **Total** | **40,679,231** | 56,563,976 |

## 11. FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENTS

(Amount in ₹)

| Assets | PROPERTY | | | PLANT AND EQUIPMENTS | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold land | Leasehold land | Buildings | Plant & Equipments | Plant & Equipments given under Lease | Furniture & Fixtures | Vehicles | Office equipments | Computers | |
| Gross Block | | | | | | | | | | |
| As at 31st March, 2015 | 48,562,505 | 44,205,001 | 1,485,188,577 | 7,062,947,351 | 3,900,774 | 22,207,943 | 36,408,040 | 42,301,255 | 19,406,906 | 8,765,128,352 |
| Additions | 1,747,200 | - | 136,338,016 | 344,349,000 | - | 3,886,548 | 8,496,151 | 8,320,359 | 6,019,240 | 509,156,514 |
| Disposals | - | - | - | 1,647,649 | 3,900,774 | - | 7,349,011 | 70,950 | 43,485 | 13,011,869 |
| Adjustments | - | - | - | (728,794) | 728,794 | - | - | - | - | - |
| As at 31st March, 2016 | 50,309,705 | 44,205,001 | 1,621,526,593 | 7,404,919,908 | 728,794 | 26,094,491 | 37,555,180 | 50,550,664 | 25,382,661 | 9,261,272,997 |
| Additions | - | - | 70,061,654 | 603,111,860 | - | 2,703,185 | 15,944,987 | 3,337,561 | 1,624,791 | 696,784,038 |
| Disposals | - | - | 469,566 | 191,239,158 | - | 58,762 | 5,384,671 | 623,384 | 549,358 | 198,324,899 |
| Adjustments | - | - | - | (350,518) | - | 242,218 | - | 543,220 | (434,920) | - |
| **As at 31st March, 2017** | **50,309,705** | **44,205,001** | **1,691,118,681** | **7,816,442,092** | **728,794** | **28,981,132** | **48,115,496** | **53,808,061** | **26,023,174** | **9,759,732,136** |
| Depreciation | | | | | | | | | | |
| As at 31st March, 2015 | - | - | 448,313,411 | 2,870,587,668 | 3,627,889 | 8,904,825 | 16,436,130 | 15,054,733 | 15,472,326 | 3,378,396,982 |
| For the year | - | - | 55,549,880 | 360,698,620 | 349,997 | 2,035,945 | 5,582,253 | 7,607,591 | 2,376,397 | 434,200,683 |
| Disposals | - | - | - | 517,504 | 3,880,714 | - | 7,044,154 | 38,686 | 43,485 | 11,524,543 |
| Adjustments | - | - | - | (50,228) | 50,228 | - | - | - | - | - |
| As at 31st March, 2016 | - | - | 503,863,291 | 3,230,718,556 | 147,400 | 10,940,770 | 14,974,229 | 22,623,638 | 17,805,238 | 3,801,073,122 |
| For the year | - | - | 61,266,254 | 365,465,781 | 97,172 | 2,463,965 | 6,011,856 | 8,790,410 | 2,764,724 | 446,860,162 |
| Disposals | - | - | 355,694 | 183,091,833 | - | 58,760 | 3,353,367 | 613,254 | 549,355 | 188,022,263 |
| Adjustments | - | - | - | (92,911) | - | - | 64,204 | 28,707 | - | - |
| **As at 31st March, 2017** | **-** | **-** | **564,773,851** | **3,412,999,593** | **244,572** | **13,345,975** | **17,696,922** | **30,829,501** | **20,020,607** | **4,059,911,021** |
| Net Block | | | | | | | | | | |
| **As at 31st March, 2017** | **50,309,705** | **44,205,001** | **1,126,344,830** | **4,403,442,499** | **484,222** | **15,635,157** | **30,418,574** | **22,978,560** | **6,002,567** | **5,699,821,115** |
| As at 31st March, 2016 | 50,309,705 | 44,205,001 | 1,117,663,302 | 4,174,201,352 | 581,394 | 15,153,721 | 22,580,951 | 27,927,026 | 7,577,423 | 5,460,199,875 |

Note 11 of Fixed Assets includes assets at Research and Development facility, the details of which are as under .

## 11. FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENTS : RESEARCH AND DEVELOPMENT FACILITY

(Amount in ₹)

(Below figures are included in Note 11 : Fixed Assets - Property, Plant and Equipments)

| Fixed Assets | PROPERTY | | | PLANT AND EQUIPMENTS | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold land | Leasehold land | Buildings | Plant & Equipments | Plant & Equipments given under lease | Furniture & Fixtures | Vehicles | Office equipments | Computer | |
| Gross Block | | | | | | | | | | |
| As at 31st March, 2015 | - | - | - | 24,361,790 | - | - | - | - | 477,918 | 24,839,708 |
| Additions | - | - | - | 489,250 | - | - | - | 46,565 | 459,490 | 995,305 |
| Disposals | - | - | - | - | - | - | - | - | - | - |
| As at 31st March, 2016 | - | - | - | 24,851,040 | - | - | - | 46,565 | 937,408 | 25,835,013 |
| Additions | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | 54,684 | 54,684 |
| **As at 31st March, 2017** | **-** | **-** | **-** | **24,851,040** | **-** | **-** | **-** | **46,565** | **882,724** | **25,780,329** |
| Depreciation | | | | | | | | | | |
| As at 31st March, 2015 | - | - | - | 13,377,965 | - | - | - | - | 420,828 | 13,798,793 |
| For the year | - | - | - | 1,091,344 | - | - | - | 1,021 | 114,273 | 1,206,638 |
| Disposals | - | - | - | - | - | - | - | - | - | - |
| As at 31st March, 2016 | - | - | - | 14,469,309 | - | - | - | 1,021 | 535,101 | 15,005,431 |
| For the year | - | - | - | 1,112,046 | - | - | - | 9,313 | 153,163 | 1,274,522 |
| Disposals | - | - | - | - | - | - | - | - | 54,684 | 54,684 |
| **As at 31st March, 2017** | **-** | **-** | **-** | **15,581,355** | **-** | **-** | **-** | **10,334** | **633,580** | **16,225,269** |
| Net Block | | | | | | | | | | |
| **As at 31st March, 2017** | **-** | **-** | **-** | **9,269,685** | **-** | **-** | **-** | **36,231** | **249,144** | **9,555,060** |
| As at 31st March, 2016 | - | - | - | 10,381,731 | - | - | - | 45,544 | 402,307 | 10,829,582 |

## 12. FIXED ASSETS - INTANGIBLE ASSETS

(Amount in ₹)

| Fixed Assets | Mining Rights | Computer software | Total |
|---|---|---|---|
| Gross Block | | | |
| As at 31st March, 2015 | 1,150,000 | 59,775,907 | 60,925,907 |
| Additions | - | 19,240,140 | 19,240,140 |
| Disposals | - | - | - |
| As at 31st March, 2016 | 1,150,000 | 79,016,047 | 80,166,047 |
| Additions | - | 12,052,409 | 12,052,409 |
| Disposals | - | 193,212 | 193,212 |
| **As at 31st March, 2017** | **1,150,000** | **90,875,244** | **92,025,244** |
| Depreciation | | | |
| As at 31st March, 2015 | 793,203 | 28,274,639 | 29,067,842 |
| For the year | 105,195 | 9,355,509 | 9,460,704 |
| Disposals | - | - | - |
| As at 31st March, 2016 | 898,398 | 37,630,148 | 38,528,546 |
| For the year | 105,195 | 11,760,700 | 11,865,895 |
| Disposals | - | 193,211 | 193,211 |
| **As at 31st March, 2017** | **1,003,593** | **49,197,637** | **50,201,230** |
| Net Block | | | |
| **As at 31st March, 2017** | **146,407** | **41,677,607** | **41,824,014** |
| As at 31st March, 2016 | 251,602 | 41,385,899 | 41,637,501 |

Note 12 of Fixed Assets includes assets at Research & Development facility, the details of which are as under

## 12. FIXED ASSETS - INTANGIBLE ASSETS : RESEARCH AND DEVELOPMENT FACILITY

(Below figures are included in Note 12 : Fixed Assets - Intangible Assets) (Amount in ₹)

| Fixed Assets | Mining Rights | Computer software | Total |
|---|---|---|---|
| Gross Block | | | |
| As at 31st March, 2015 | - | 5,167,938 | 5,167,938 |
| Additions | - | 2,128,500 | 2,128,500 |
| Disposals | - | - | - |
| As at 31st March, 2016 | - | 7,296,438 | 7,296,438 |
| Additions | - | - | - |
| Disposals | - | - | - |
| **As at 31st March, 2017** | **-** | **7,296,438** | **7,296,438** |
| Depreciation | | | |
| As at 31st March, 2015 | - | 3,869,312 | 3,869,312 |
| For the year | - | 1,049,122 | 1,049,122 |
| Disposals | - | - | - |
| As at 31st March, 2016 | - | 4,918,434 | 4,918,434 |
| For the year | - | 794,951 | 794,951 |
| Disposals | - | - | - |
| **As at 31st March, 2017** | **-** | **5,713,385** | **5,713,385** |
| Net Block | | | |
| **As at 31st March, 2017** | **-** | **1,583,053** | **1,583,053** |
| As at 31st March, 2016 | - | 2,378,004 | 2,378,004 |

**13.**

| NON CURRENT INVESTMENTS | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| Long Term Investments - Non Trade - Unquoted | | |
| Fully Paid Equity Shares | | |
| Kirloskar Proprietary Limited (One Equity Share with a face value of ₹ 100 per share) | **100** | 100 |
| S. L. Kirloskar CSR Foundation (9,800 Equity Shares with a face value of ₹ 10 per share) | **98,000** | - |
| **Total** | **98,100** | 100 |

**14.**

| LONG TERM LOANS AND ADVANCES | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| a. Capital advances | | |
| Unsecured, considered good | **23,123,562** | 65,102,287 |
| b. Security deposits | | |
| Unsecured, considered good | **93,191,922** | 92,373,122 |
| c. Other loans and advances | | |
| i. Unsecured and considered good | | |
| Advance to Suppliers | **8,106,777** | 9,433,500 |
| Loans to employees | **1,150,019** | 1,079,334 |
| Claims receivable | **3,057,446** | 3,057,446 |
| ii. Doubtful | | |
| Claims receivable | **4,500,000** | 4,500,000 |
| Less: Provision | **(4,500,000)** | (4,500,000) |
| d. Prepaid Expenses | **1,539,334** | 249,635 |
| **Total** | **130,169,060** | 171,295,324 |

**15.**

| OTHER NON CURRENT ASSETS | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| a. Non-current Bank Balances (Refer Note No.18(C)) | **480,647** | 480,647 |
| b. Interest Accrued on Deposits | **54,753** | 19,023 |
| **Total** | **535,400** | 499,670 |

**16.**

| INVENTORIES | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| a. i. Raw material at site | **320,296,863** | 234,805,252 |
| ii. Raw material in transit | **144,351,122** | 70,996,971 |
| | **464,647,985** | 305,802,223 |
| b. Work-in-progress | **294,176,344** | 225,065,809 |
| c. Finished goods | **118,657,330** | 43,800,453 |
| d. Stores and spares | **330,771,233** | 349,029,381 |
| e. By-Products | **10,353,025** | 6,149,137 |
| **Total** | **1,218,605,917** | 929,847,003 |

For mode of valuation refer note 2(h) - Significant Accounting Policies

Details of Work-in-progress

| Particulars | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| a. Castings | **213,922,588** | 185,095,213 |
| b. Patterns | **70,193,620** | 25,751,326 |
| c. Others | **10,060,136** | 14,219,270 |
| **Total** | **294,176,344** | 225,065,809 |

Details of Finished Goods

| Particulars | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| a. Pig iron | **96,537,459** | 18,160,887 |
| b. Castings | **22,119,871** | 25,639,566 |
| **Total** | **118,657,330** | 43,800,453 |

**17.**

| **TRADE RECEIVABLES** | As at 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| - Unsecured, considered good | | |
| a. Trade receivables outstanding for a period exceeding six months from the date they are due for payment | **17,082,720** | 36,212,085 |
| - Unsecured, considered doubtful | | |
| b. Trade receivables outstanding for a period exceeding six months from the date they are due for payment | **35,037,178** | 33,042,344 |
| Less: Provision therefor | **(35,037,178)** | (33,042,344) |
| **Total (a+b)** | **17,082,720** | 36,212,085 |
| c. Others* | **1,942,448,214** | 1,358,272,182 |
| **Total (c)** | **1,942,448,214** | 1,358,272,182 |
| **Total (a+b+c)** | **1,959,530,934** | 1,394,484,267 |

* Net of Sales bills discounted ₹ 142,632,608 (Previous year ₹ 261,429,596)



**18. CASH AND BANK BALANCES**

| | As at 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| A. Current | | |
| Cash and Cash Equivalents | | |
| I. Cash on hand | **122,223** | 510,441 |
| II. Balances with banks | | |
| In Current Accounts | **95,032,112** | 26,092,191 |
| **Total (A)** | **95,154,335** | 26,602,632 |
| B. Earmarked balances (Unpaid Dividend Accounts) | **28,187,244** | 33,567,429 |
| **Total (A+B)** | **123,341,579** | 60,170,061 |
| C. Non-current | | |
| Other Bank Balances | | |
| I. Margin money deposit | **136,957** | 136,957 |
| II. Deposits with more than 12 months maturity | **343,690** | 343,690 |
| **Total (C)** | **480,647** | 480,647 |
| **Total (A+B+C)** | **123,822,226** | 60,650,708 |

**19. SHORT TERM LOANS AND ADVANCES**

| | As at 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| Unsecured, considered good | | |
| a. Advance Income Tax (Net of provision) | **91,725,113** | 96,296,867 |
| b. MAT Credit Entitlement | **-** | 44,664,605 |
| c. Advances recoverable in cash / kind | **77,565,745** | 123,780,879 |
| d. Balances with Central Excise / Customs / Octroi | **65,646,974** | 40,320,202 |
| e. Balances with VAT Authorities | **103,401,195** | 100,909,091 |
| f. Prepaid expenses | **12,207,275** | 13,463,596 |
| **Total** | **350,546,302** | 419,435,240 |

**20. OTHER CURRENT ASSETS**

| | As at 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| Interest accrued on deposits | **2,349,850** | 2,774,260 |
| Deferred premium on Forward Contracts | **6,133,958** | 4,450,535 |
| **Total** | **8,483,808** | 7,224,795 |

**21. REVENUE FROM OPERATIONS**

| | For the Year ended 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| a. Sale of products | | |
| i. Pig Iron | **6,650,602,661** | 7,048,550,603 |
| ii. Castings | **5,844,221,047** | 5,263,545,472 |
| iii. By-Products | **217,265,731** | 214,999,933 |
| b. Other Operating Income | | |
| i. Scrap / Miscellaneous Sales | **66,098,169** | 79,970,382 |
| | **12,778,187,608** | 12,607,066,390 |
| Less: Excise duty | **1,441,095,507** | 1,467,762,209 |
| **Total** | **11,337,092,101** | 11,139,304,181 |

Product wise sales details (excluding excise duty)

| Particulars | For the Year ended 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| a. Pig iron | **5,889,062,094** | 6,231,196,865 |
| b. Castings | **5,191,381,561** | 4,606,682,980 |
| c. Others | **256,648,446** | 301,424,336 |
| **Total** | **11,337,092,101** | 11,139,304,181 |

**22. OTHER INCOME**

| | For the Year ended 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| a. Interest | **34,553,036** | 9,417,451 |
| b. Dividend | **50** | 50 |
| c. Net Gain on Foreign currency transactions | **2,103,137** | 457,706 |
| d. Other non-operating income | | |
| i. Rental income ## | **1,179,300** | 2,108,349 |
| ii. Insurance claim received | **80,000** | - |
| iii. Provision no longer required written back | **8,703,810** | 5,673,449 |
| iv. Sundry credit balances appropriated | **4,562,704** | - |
| v. Miscellaneous income | **4,342,918** | 4,821,037 |
| **Total** | **55,524,955** | 22,478,042 |

##The Company leases equipments under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental receipts with applicable taxes under such leases are ₹ 115,380 for the year ended 31st March, 2017 (Previous Year ₹ 782,179)

| Particulars | For the Year ended 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| Lease rent receivable | | |
| Not Later than one year | **56,000** | 72,000 |
| Later than one year and not later than five years | **30,000** | 17,000 |
| Later than five years | **-** | - |

**23. COST OF MATERIAL CONSUMED**

| | For the Year ended 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| Stock at the beginning of the year | **305,802,223** | 477,833,509 |
| Add : Purchases | **6,174,243,187** | 5,647,539,163 |
| | **6,480,045,410** | 6,125,372,672 |
| Less : Stock at the end of the year | **464,647,985** | 305,802,223 |
| Cost of material consumed | **6,015,397,425** | 5,819,570,449 |

| **Details of raw materials consumed** | For the Year ended 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| a. Iron Ore | **1,298,064,602** | 1,550,505,892 |
| b. Coke | **3,513,227,924** | 3,248,016,366 |
| c. M.S / C.I. Scrap | **755,228,860** | 815,228,599 |
| d. Others | **448,876,039** | 205,819,592 |
| **Total** | **6,015,397,425** | 5,819,570,449 |

**24.**

| CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND BY-PRODUCT | For the Year ended 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| a. Finished goods | | |
| At the end of the year | **118,657,330** | 43,800,453 |
| At the beginning of the year | **43,800,453** | 94,605,688 |
| (Increase)/Decrease | **(74,856,877)** | 50,805,235 |
| b. By-Products | | |
| At the end of the year | **10,353,025** | 6,149,137 |
| At the beginning of the year | **6,149,137** | 28,734,119 |
| (Increase)/Decrease | **(4,203,888)** | 22,584,982 |
| c. Work-in Progress | | |
| At the end of the year | **294,176,344** | 225,065,809 |
| At the beginning of the year | **225,065,809** | 256,122,463 |
| (Increase)/Decrease | **(69,110,535)** | 31,056,654 |
| **Total (Increase) / Decrease(a+b+c)** | **(148,171,300)** | 104,446,871 |

**25.**

| EMPLOYEE BENEFITS EXPENSE | For the Year ended 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| a. Salaries, wages and incentives | **609,769,058** | 586,581,304 |
| b. Contributions to | | |
| i. Provident fund | **24,640,201** | 23,981,791 |
| ii. Superannuation Scheme | **1,874,196** | 1,921,683 |
| iii. Gratuity (Refer note no.32) | **7,870,416** | 23,753,906 |
| iv. Others | **1,282,876** | 1,373,457 |
| c. Staff welfare expenses | **86,009,487** | 71,607,978 |
| **Total** | **731,446,234** | 709,220,119 |

**26.**

| FINANCE COSTS | For the Year ended 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| a. Interest expense | **114,530,907** | 175,348,853 |
| b. Other borrowing costs | **1,457,471** | 2,851,624 |
| c. Applicable net loss on foreign currency transactions | **20,581,639** | 56,848,701 |
| **Total** | **136,570,017** | 235,049,178 |

**27.**

| DEPRECIATION AND AMORTISATION EXPENSE | For the Year ended 31st March | |
|---|---|---|
| | **2017** | 2016 |
| | ₹ | ₹ |
| a. Tangible assets | **446,860,162** | 434,200,683 |
| b. Intangible assets | **11,865,895** | 9,460,704 |
| **Total** | **458,726,057** | 443,661,387 |

**28.**

| OTHER EXPENSES | For the Year ended 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| **a. OPERATIONAL EXPENSES** | | |
| Consumption of Stores and Spare parts | **1,234,486,222** | 1,207,559,168 |
| Power, fuel and water | **879,071,253** | 890,721,997 |
| Machinery hire Charges | **14,316,333** | 13,757,891 |
| Repairs and maintenance | | |
| - Machinery | **128,730,680** | 206,504,817 |
| - Buildings | **25,416,632** | 18,425,875 |
| Fettling and other Manufacturing Expenses | **265,038,904** | 262,693,396 |
| Excise duty on Increase / (Decrease) in closing stock of finished goods | **8,376,069** | (7,337,028) |
| **Total (a)** | **2,555,436,093** | 2,592,326,116 |
| **b. SELLING EXPENSES** | | |
| Freight and forwarding expenses ( Net ) | **85,845,366** | 76,739,377 |
| Advertisement | **2,041,946** | 1,256,833 |
| Sales commission and incentive | **83,638,606** | 87,421,040 |
| Royalty | **29,024,972** | 28,398,446 |
| Other Selling Expenses | **15,536,859** | 4,059,749 |
| **Total (b)** | **216,087,749** | 197,875,445 |
| **c. ADMINISTRATIVE EXPENSES** | | |
| Rent (Refer note (i) below) | **1,378,965** | 915,845 |
| Rates and taxes | **20,157,712** | 15,389,578 |
| Insurance | **3,357,187** | 3,202,667 |
| Other repairs and maintenance | **22,223,266** | 18,993,458 |
| Travelling expenses | **22,163,824** | 20,898,119 |
| Legal and professional charges | **45,329,158** | 58,381,064 |
| Communication expenses | **5,861,392** | 5,905,864 |
| Printing and stationery | **6,585,330** | 5,981,043 |
| Auditors remuneration (Refer note (ii) below) | **3,570,764** | 3,246,351 |
| Miscellaneous expenses | **52,981,890** | 47,001,067 |
| Directors' commission | **7,320,000** | 5,900,000 |
| Bad debts written off | **21,121** | 6,047,491 |
| Provision for doubtful debts | **1,994,834** | 1,448,377 |
| Directors sitting fees | **1,900,000** | 940,000 |
| CSR Expenses (Refer note (iii) below) | **17,638,798** | 13,013,347 |
| Loss on assets sold, demolished, discarded and scrapped | **56,270** | 111,901 |
| **Total (c)** | **212,540,511** | 207,376,172 |
| **Total ( a+b+c)** | **2,984,064,353** | 2,997,577,733 |

**Note (i)**
The lease payments under operating leases charged to the Statement of Profit and Loss during the year amounts to ₹ 622,574/- (Previous year ₹ 546,688 /-) and the total future minimum lease payments under operating leases are as under:

| Particulars | For the Year ended 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| Lease rent payable | | |
| Not Later than one year | **5,760,420** | 480,000 |
| Later than one year and not later than five years | **10,689,866** | 680,000 |
| Later than five years | **-** | - |

| Note (ii) Details of payments to auditors | For the Year ended 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| a. As Auditors | **2,775,000** | 2,250,000 |
| b. For Certification fees and Other Services | **668,451** | 876,111 |
| c. Reimbursement of expenses | **127,313** | 120,240 |
| **Total** | **3,570,764** | 3,246,351 |

| Note (iii) Details of CSR Expenditure | For the Year ended 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| Amount to be spent during the year | **14,337,120** | 12,925,518 |
| Amount spent in cash during the year on : | | |
| 1. Construction/acquisition of any asset | **-** | - |
| 2. Others | | |
| a. Education | **11,237,892** | 9,496,446 |
| b. Environment | **1,096,564** | 506,167 |
| c. Health | **2,330,077** | 1,204,295 |
| d. Rural development | **2,974,265** | 1,806,439 |
| **Total** | **17,638,798** | 13,013,347 |

**29.**

| Prior Period Items | For the Year ended 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| The Statement of Profit and Loss includes following prior period expenses/(income) under the respective heads | | |
| a. Interest Expense | **-** | 659,904 |
| b. Other Expenses | **205,377** | - |
| c. Tax Expense | **-** | 2,965,396 |

**30. Earnings per equity share as calculated in accordance with Accounting Standard (AS 20)**

| Particulars | For the Year ended 31st March | |
|---|---|---|
| | **2017** | 2016 |
| a. Net Profit after tax considered for the calculation of EPS (₹) | **905,672,384** | 577,343,951 |
| b. Weighted average number of equity shares used in computing earnings per equity share | **137,308,081** | 137,308,081 |
| c. Earnings per share Basic and Diluted (₹) | **6.60** | 4.20 |
| d. Face Value per Equity Share (₹) | **5.00** | 5.00 |

**31. Disclosure pursuant to Accounting Standard 15 (Revised) Employee Benefits:**

**Defined Contribution Plan:**

Contribution to the defined contribution plan recognised as expense are as under:

| Particulars | For the Year ended 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| a. Employer's contribution to provident fund | **24,640,201** | 23,981,791 |
| b. Employer's contribution to superannuation fund | **1,874,196** | 1,921,683 |

The Provident Fund contributions are remitted to the Regional Provident Fund Commissioner.

The Contribution on account of Superannuation is remitted to Life Insurance Corporation of India, who manages the Superannuation Fund.

**32. Disclosure pursuant to Accounting Standard 15 (Revised) Employee Benefits:**

**Defined Benefit Plan:**

The Employee Gratuity Fund Scheme is a Defined Benefit Plan. The present value of the obligation is based on the actuarial valuation using Projected Unit Credit Method.

| Particulars | Gratuity (Funded) For the Year ended 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| a. Changes in the Present Value of Obligations (PVO) | | |
| PVO at beginning of Period | **162,970,071** | 136,129,575 |
| Interest Cost | **12,720,677** | 10,303,966 |
| Current Service cost | **10,144,718** | 10,186,402 |
| Benefits paid | **(7,923,204)** | (6,350,362) |
| Actuarial (Gain)/ Loss on obligation | **(4,270,166)** | 12,700,490 |
| PVO at end of period | **173,642,096** | 162,970,071 |
| b. Changes in Fair Value of Plan Assets | | |
| Fair Value of Plan Assets at beginning of period | **140,629,929** | 118,155,321 |
| Adjustment to Opening Fair Value of Plan Assets | **-** | 188,018 |
| Expected Return on Plan Assets | **13,937,700** | 11,603,500 |
| Contribution | **26,397,930** | 19,200,000 |
| Benefit paid | **(7,923,204)** | (6,350,362) |
| Actuarial (Gain)/Loss on obligation | **(3,212,887)** | (2,166,548) |
| Fair Value of Plan Assets at the end of period | **169,829,468** | 140,629,929 |
| c. Fair Value of Plan Assets | | |
| Fair Value of Plan Assets at beginning of period | **140,629,929** | 118,155,321 |
| Adjustment to Opening Fair Value of Plan Assets | **-** | 188,018 |
| Actual Return on Plan Assets | **10,724,813** | 9,436,952 |
| Contributions | **26,397,930** | 19,200,000 |
| Benefit Paid | **(7,923,204)** | (6,350,362) |
| Fair Value of Plan Assets at end of period | **169,829,468** | 140,629,929 |
| Funded Status | **(3,812,628)** | (22,340,142) |
| Excess of actual over estimated return on Plan Assets | **(3,212,887)** | (2,166,548) |
| d. Actuarial Gain/(Loss) Recognized | | |
| Actuarial Gain/(Loss) for the period (obligation) | **4,270,166** | (12,700,490) |
| Actuarial Gain/(Loss) for the period (Plan Assets) | **(3,212,887)** | (2,166,548) |
| Total Gain/(Loss) for the period | **1,057,279** | (14,867,038) |
| Actuarial Gain/(Loss) Recognized for the period | **1,057,279** | (14,867,038) |
| Unrecognized Actuarial Gain/(Loss) at end of period | **Nil** | Nil |
| e. Amount Recognised in the Balance Sheet and Statement of Profit and Loss | | |
| PVO at end of period | **173,642,096** | 162,970,071 |
| Fair value of Plan Assets at end of Period | **169,829,468** | 140,629,929 |
| Funded Status | **(3,812,628)** | (22,340,142) |
| Unrecognized Actuarial Gain/(Loss) at end of period | **Nil** | Nil |
| Net Assets/(Liability) recognized in the Balance Sheet | **(3,812,628)** | (22,340,142) |

| Particulars | Gratuity (Funded) For the Year ended 31st March | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| f. Amount recognized in the Statement of Profit and Loss | | |
| Current Service Cost | **10,144,718** | 10,186,402 |
| Interest Cost | **12,720,677** | 10,303,966 |
| Expected Return on Plan Assets | **(13,937,700)** | (11,603,500) |
| Net Actuarial (Gain)/Loss recognized for the period | **(1,057,279)** | 14,867,038 |
| Expenses recognized in Statement of Profit and Loss | **7,870,416** | 23,753,906 |
| g. Movements in the Liability recognized in Balance Sheet | | |
| Opening Net Liability | **22,340,142** | 17,974,254 |
| Adjustment to Opening Fair Value of Plan Assets | **-** | (188,018) |
| Expenses as above | **7,870,416** | 23,753,906 |
| Contribution paid | **(26,397,930)** | (19,200,000) |
| Closing Net Liability | **3,812,628** | 22,340,142 |
| h. Actuarial Assumptions | | |
| Mortality | **IALM (2006-08) Ult** | IALM (2006-08) Ult |
| Discount Rate | **6.84%** | 8.00% |
| Rate of increase in compensation | **7.00%** | 7.00% |
| Withdrawal rates | **4.00%** | 4.00% |

**Major category of Fair Value of Plan Assets at the end of period is as under:**

| Particulars | **As at 31st March 2017** ₹ | **Percent** | As at 31st March 2016 ₹ | Percent |
|---|---|---|---|---|
| a. Balances in Current Accounts with scheduled Banks | **90,119** | **0.05** | 90,119 | 0.06 |
| b. Funds with Life Insurance Corporation of India | **169,739,349** | **99.95** | 140,539,810 | 99.94 |
| **Total** | **169,829,468** | **100.00** | 140,629,929 | 100.00 |

**33.** The disclosure required by Accounting Standard (AS-29) "Provisions, Contingent Liabilities, Contingent Assets" prescribed by the Companies (Accounting Standards) Amendment Rules, 2006 are as follows:

| Class of Provision | Opening balance as on 1st April, 2016 ₹ | Provisions for the year ₹ | Amounts used during the year ₹ | Closing balance as on 31st March, 2017 ₹ |
|---|---|---|---|---|
| Casting rejections | 12,300,009 | 18,292,813 | 12,300,009 | 18,292,813 |

Nature of obligation : Provision for possible obligation towards outflow of resources on casting rejections.

Expected timing of resulting outflow : Substantial costs will be incurred in the next financial year.

**34. Segment Information :** The Company operates in one segment namely "Iron Castings"

**35. Disclosures of transactions with Related Parties as required by AS 18**

a. Holding Company : Kirloskar Industries Limited

b. Key Management Personnel : Mr. R. V. Gumaste – Managing Director

c. Transactions with related parties :

| Particulars | Holding Company For the Year ended 31st March | | Key Management Personnel For the Year ended 31st March | |
|---|---|---|---|---|
| | **2017** ₹ | 2016 ₹ | **2017** ₹ | 2016 ₹ |
| i. Remuneration paid to | | | | |
| - Managing Director | **-** | - | **44,199,304** | 34,570,644 |
| ii. Dividend | **-** | 176,534,690 | **-** | 297,552 |
| iii. Building rent paid | **551,600** | 546,688 | **-** | - |
| iv. Outstanding as on 31st March | | | | |
| Outstanding Receivables | **Nil** | Nil | **-** | - |
| Outstanding Payables | **-** | - | **-** | - |
| Remuneration payable* | | | | |
| - Managing Director | **-** | - | **33,180,847** | 24,620,000 |
| Rent Deposit Receivable | **240,000** | 240,000 | **-** | - |

* payable does not include liability in respect of gratuity and leave encashment which is provided on actuarial basis for the Company as a whole and not individually.

Note : Company has not made any Loans / Advances / Investments during the year to the Holding Company.

d. Details of payment and provisions on account of remuneration to Managing Director included in the Statement of Profit and Loss are as under:

| Particulars | **For the Year ended 31st March** | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| Salary | **8,040,000** | 7,440,000 |
| Leave travel assistance | **90,000** | 90,000 |
| Perquisites | **178,594** | 82,953 |
| Commission | **32,500,000** | 24,000,000 |
| Contribution to Provident Fund | **864,000** | 792,000 |
| Contribution to Superannuation Fund | **1,080,000** | 990,000 |
| Gratuity | **1,206,933** | 1,109,870 |
| Leave encashment | **239,777** | 65,821 |
| **Total** | **44,199,304** | 34,570,644 |

**36.**

| **Capital and Other Commitments** | **As at 31st March** | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| Estimated amount of contracts remaining to be executed on capital account and not provided for | **130,617,095** | 358,801,403 |

**37.**

| **Contingent Liabilities not provided for** | **As at 31st March** | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| a. In respect of following (matter subjudice) * | | |
| i. Central Excise and Customs | **14,599,741** | 16,496,488 |
| ii. Service Tax | **34,313,772** | 54,055,527 |
| iii. Income Tax | **173,853,613** | 133,286,744 |
| iv. Sales Tax | **65,364,865** | 64,970,655 |
| v. Labour Matters to the extent quantifiable | **3,704,684** | 2,289,937 |
| vi. Provident Fund Matters | **18,532,699** | - |
| vii. Bank guarantee | **100,000** | 100,000 |
| b. Sales Bills discounted | **142,632,608** | 224,991,272 |

* In the opinion of the management the above legal matters when ultimately concluded will not have material effect on the results of the operations or the financial position of the Company.

**38. a. Details of foreign currency exposures that are hedged by derivative instruments or otherwise:**

| Particulars | Currency | Amount in foreign currency | Equivalent Indian currency | Purpose |
|---|---|---|---|---|
| **As at 31st March, 2017** | | | | |
| **Payables** | **USD** | **10,752,982** | **732,909,765** | **Hedging the Risk** |
| As at 31st March, 2016 | | | | |
| Payables | USD | 7,400,487 | 509,288,451 | Hedging the Risk |

**b. Details of foreign currency exposures that are not hedged by derivative instruments or otherwise:**

| Particulars | Currency | Amount in foreign currency | Equivalent Indian currency |
|---|---|---|---|
| **As at 31st March, 2017** | | | |
| **a. Advance for Supplies** | **USD** | **27,396** | **1,780,223** |
| | **EURO** | **9,936** | **686,109** |
| **b. Payables** | **USD** | **323,140** | **20,954,037** |
| | **EURO** | **6,118** | **431,202** |
| As at 31st March, 2016 | | | |
| a. Trade Receivables | EURO | 11,592 | 874,531 |
| b. Advance for Supplies | USD | 372,243 | 24,664,811 |
| | EURO | 175,092 | 12,965,703 |
| c. Payables | EURO | 33,500 | 2,527,362 |

**39. C.I.F. value of imports and expenditure in foreign currencies:**

| Particulars | **For the Year ended 31st March** | |
|---|---|---|
| | **2017** ₹ | 2016 ₹ |
| a. C.I.F. value of imports | | |
| i. Capital goods | **219,575,673** | 26,115,291 |
| ii. Raw materials | **1,772,253,208** | 1,103,131,185 |
| iii. Spare parts | **24,594,975** | 20,515,760 |
| b. Expenditure in foreign currencies | | |
| i. Interest | **9,944,352** | 3,511,242 |
| ii. Professional fee | **1,182,626** | - |
| iii. Others | **18,253,409** | 3,413,472 |

**40. a. Imported and Indigenous Raw Material Consumption:**

| Particulars | For the Year ended 31st March, 2017 | | For the Year ended 31st March, 2016 | |
|---|---|---|---|---|
| | ₹ | Percent | ₹ | Percent |
| i. Imported | **2,002,019,094** | **33.28** | 1,377,794,744 | 23.68 |
| ii. Indigenous | **4,013,378,331** | **66.72** | 4,441,775,705 | 76.32 |
| **Total** | **6,015,397,425** | **100.00** | 5,819,570,449 | 100.00 |

**b. Imported and Indigenous Stores and Spare Parts Consumption:**

| Particulars | For the Year ended 31st March, 2017 | | For the Year ended 31st March, 2016 | |
|---|---|---|---|---|
| | ₹ | Percent | ₹ | Percent |
| i. Imported | **22,081,427** | **1.79** | 13,261,596 | 1.10 |
| ii. Indigenous | **1,212,404,795** | **98.21** | 1,194,297,572 | 98.90 |
| **Total** | **1,234,486,222** | **100.00** | 1,207,559,168 | 100.00 |

**41. Details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016:**

| Particulars | SBNs | Other Denomination Notes | Total |
|---|---|---|---|
| **Closing cash in hand as on 8th November, 2016** | **85,000** | **357,238** | **442,238** |
| (+) Permitted receipts | - | 906,471 | 906,471 |
| (-) Permitted payments | 5,000 | 874,400 | 879,400 |
| (-) Amount deposited in Banks | 80,000 | - | 80,000 |
| **Closing cash in hand as on 30th December, 2016** | **-** | **389,309** | **389,309** |

**42.** Previous year's figures have been regrouped wherever considered necessary to make them comparable with those of the current year.

As per our report of even date attached

For M/s Kirtane and Pandit LLP
Chartered Accountants
FRN : 105215W/W100057

Suhas Deshpande
Partner
M. No. 31787

Pune: 28th April, 2017

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman
DIN 00007387

R.V.GUMASTE
Managing Director
DIN 00082829

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Chief Financial Officer

TEAR HERE

## PROXY FORM

Name of the Company : Kirloskar Ferrous Industries Limited
CIN : L27101PN1991PLC063223
Registered Office : 13, Laxmanrao Kirloskar Road, Khadki, Pune 411003 (Maharashtra)
Tel No (020) 66084664 Fax No (020) 25813208
Email : investor@kfil.com Website : www.kfil.com

| |
|---|
| Name of the member (s) |
| Registered address |
| Email ID |
| Folio No / DP ID and Client ID |

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

1. Name : ……
   Address : ……
   Email ID : ……
   Signature : ……, or failing him
2. Name : ……
   Address : ……
   Email ID : ……
   Signature : ……, or failing him
3. Name : ……
   Address : ……
   Email ID : ……
   Signature : ……..……,

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 26th Annual General Meeting of the Company, to be held on Thursday, the 3rd day of August, 2017 at 12 Noon at the Pudumjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 and at any adjournment thereof in respect of such resolutions as are indicated below :

| Resolution No | Particulars of Resolutions | Optional # | |
|---|---|---|---|
| | | For | Against |
| Ordinary Business | | | |
| 1 | Adoption of the Financial Statement for the financial year ended on 31st March, 2017 and also the reports of the Auditors and the Board of Directors thereon. | | |
| 2 | To declare Dividend on equity shares for the financial year 2016-2017. | | |
| 3 | Reappointment of Mr. Atul C. Kirloskar, who retires by rotation. | | |
| 4 | Ratification to the appointment of M/s. Kirtane & Pandit LLP, Chartered Accountants as Auditors and to authorise the Board of Directors to fix their remuneration. | | |
| Special Business | | | |
| 5 | Ratification of the remuneration of the Cost Auditors. | | |
| 6 | Appointment of Mr. Yashwant Shripad Bhave as an Independent Director for a term of five consecutive years upto 2nd August, 2022. | | |
| 7 | Approval for the payment of commission to Non Executive Directors not exceeding one percent of Net Profits for each financial year commencing from the financial year 2017–2018. | | |

Signed this …… day of …….. 2017

Affix Revenue Stamp

Signature of Member :……

Signature of Proxy holder(s) : ……

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**Notes :**

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. **A Proxy need not be a member of the Company.**

3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10 percent of the total share capital of the Company carrying voting rights. A member holding more than 10 percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

4. # This is only optional. Please 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 the resolutions, your Proxy will be entitled to vote in the manner as he / she thinks appropriate.

5. Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.



Upgradation of MBF-1 at Koppal Plant



New Fettling Shop at Solapur Plant



Machine Shop –Assembly at Solapur Plant

**KIRLOSKAR FERROUS INDUSTRIES LIMITED**
A Kirloskar Group Company
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