## NOTE 39: NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

### 1 Corporate Information

Kirloskar Oil Engines Limited is a public limited company domiciled in India and is incorporated under the provisions of the Companies Act 1956. The registered office of the Company is located at Laxmanrao Kirloskar Road, Khadki, Pune, Maharashtra- 411003. The equity shares of the Company are listed on two recognised stock exchanges in India i.e. BSE Limited and National Stock Exchange of India Limited.

The Company is engaged in the business of manufacturing of engines, generating sets, pump sets and power tillers and spares thereof. The Company has manufacturing facilities in the state of Maharashtra.

### 2 Basis of preparation of Financial Statements

The Company's standalone financial statements have been prepared in accordance with the provisions of the Companies Act, 2013 and the Indian Accounting Standards ("Ind AS") as issued under the Companies (Indian Accounting Standards) Rules, 2015 and amendments thereof issued by the Ministry of Corporate Affairs in exercise of the powers conferred by section 133 read with rule 7 of the companies (Accounts) Rules, 2014. In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) and the guidelines issued by the Securities and Exchange Board of India are also applied.

The standalone financial statements have been prepared on accrual basis following historical cost convention, except for,

(i) certain financial assets and financial liabilities that are measured at fair value or amortised cost in accordance with Ind AS.

(ii) defined benefit plans - plan assets measured at fair value.

Amounts in the financial statements are presented in Indian Rupees in crore rounded off to two decimal places as permitted by Schedule III to the Companies Act, 2013 unless otherwise stated.

The financial statements were approved by the Board of Directors and authorized for issue on 19 June 2020.

### 3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The Company continually evaluates these estimates and assumptions based on the most recently available information. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable.

#### 3.1 Judgements

In the process of applying the Company's accounting policies, the management has made the following judgements, which have the most significant effect on the amounts recognised in the standalone financial statements:

**Government grant**

The Company was eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2001 from 1 April 2008 to 31 March 2017. The Company has received an extension of the said scheme of incentives, for a further period of 2 years i.e. till 31 Mar 2019 along with the extension of original operative period by 2 years and compliances thereof. Further the company had determined the grant as a grant related to income based on the evaluation of terms and conditions attached to the eligibility of grant and the Company accounts for the grant as Income in statement of profit and loss.

**Leases**

The company has applied provisions of Ind AS 116 effective 01st April, 2019. The said standard provides for certain recognition exemptions for short term leases as well as provides for certain criteria when the lease contracts are non-enforceable. The determination of lease term for the purpose of availing such exemptions and evaluation of such criteria for non-enforceability of a contract involves significant judgment.

**Revenue Recognition**

The company recognises revenue for each performance obligation either at a point in time or over a time. In case performance obligation is satisfied over a time, the output method is used to determine the revenue since it is faithfully depicting the company's performance towards complete satisfaction of performance obligation. Practical expedient of "right to consideration" is also considered while recognizing revenue in the amount to which the entity has right to invoice.

In case performance obligation is satisfied at a point in time, the company generally recognises revenue when the control is transferred i.e. in case of goods either on shipment or upon delivery in domestic & on bill of lading date in case of export. In case of services, the revenue is recognized based on completion of distinct performance obligation. Refer significant accounting policy note 39.4.18 on revenue recognition for information about methods, input and assumptions w.r.t transaction price & variable consideration.

**3.2 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company bases its assumptions and estimates on information available till the date of approval of these standalone financial statements. The estimates and assumptions used, however may change based on future developments, due to market environment or due to circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions and estimates when they occur.

**Defined benefit plans**

The cost of the defined benefit plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future post-retirement medical benefit increase. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameter is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are mainly based on expected future inflation rates for the country.

Further details about defined benefit obligations are provided in Note 39.5.10.

**Development costs**

The Company capitalises development costs for a project in accordance with its accounting policy. Initially, capitalisation of costs is based on management's judgement that the technological and economic feasibility is confirmed when a product development project has reached a defined milestone, according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

For further details about the carrying amount of development costs capitalised as Internally generated intangible assets and as intangible assets under development, Refer Note 2.

**Warranty**

The Company recognises provision for warranties in respect of the products that it sells. The estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidences based on actions on product failures.

**Deferred Tax**

Deferred tax assets are recognised for all deductible temporary differences including the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

**Business combinations**

In accounting of Business Combinations, estimation is involved in recognizing contingent consideration. This measurement is based on information available at the acquisition date and is based on expectations and assumptions that have been deemed reasonable by management.

Any subsequent changes to the fair value of contingent consideration classified as liabilities, other than measurement period adjustments, are recognized in the standalone statement of profit and loss.

**Uncertainty relating to Global health pandemic on COVID-19**

The 'severe acute respiratory syndrome coronavirus 2' (SARS-CoV-2) virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in global and Indian economy. On 11 March 2020 the COVID-19 outbreak was declared as a global pandemic by the World Health Organization. The Government of India declared a lock down effective from 23 March 2020 and accordingly, the manufacturing facilities of the Company were closed in Maharashtra from 23 March 2020. The Company has since obtained required permissions and restarted its manufacturing facilities & places of business, albeit, partially since 22 April 2020.

The extent to which the COVID-19 pandemic will impact the Company's results will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by the Company. The company has made initial assessment of recoverability of its assets like investment, trade receivables, Inventories and other asset based on internal as well as external information up to the date, conducted sensitivity analysis of the assumptions used and is reasonably certain that these need not be impaired as on 31 March 2020. However the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration which may be different from that estimated as at the date of approval of these financial results, and the Board will continue to closely monitor the developments.

## 4 Significant Accounting Policies

### 4.1 Current Vs. Non Current Classification

**The company presents assets and liabilities in the Balance Sheet based on current/non - current classification.**

**An asset is treated as current when it is:**

a. Expected to be realised or intended to be sold or consumed in normal operating cycle

b. Held primarily for the purpose of trading

c. Expected to be realised within twelve months after the reporting period, or

d. Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non - current.

**A liability is current when it is:**

a. Expected to be settled in normal operating cycle

b. Held primarily for the purpose of trading

c. Due to be settled within twelve months after the reporting period, or

d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Deferred tax assets and liabilities are classified as non - current assets and liabilities.

The Company classifies all other liabilities as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

### 4.2. Fair value measurement

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

- In the principal market for the asset or liability

  Or

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Company’s management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value.

External valuation experts are involved for valuation of significant assets and liabilities. Involvement of external valuation experts is decided upon annually by the management.

Methods and assumptions used to estimate the fair values are consistently followed.

4.3 **Property , Plant and Equipment**

a Property, plant and equipment; and capital work in progress are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. 'Cost represents all expenses directly attributable to bringing the asset to its working condition capable of operating in the manner intended. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Standalone Statement of Profit and Loss as incurred.

b Capital work-in-progress comprises cost of property, plant and equipment that are not yet installed and not ready for their intended use at the balance sheet date.

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

**Depreciation and Amortization**

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

<table>
<tr><th>Asset Category</th><th>Life in Years</th><th>Basis for useful life</th></tr>
<tr><td>Factory Buildings</td><td>30</td><td rowspan="10">Life as prescribed under Schedule-II of Companies Act, 2013</td></tr>
<tr><td>Building- Non Factory</td><td></td></tr>
<tr><td>RCC Frame Structure</td><td>60</td></tr>
<tr><td>*Other than RCC Frame Structure</td><td>30</td></tr>
<tr><td>Fence, Wells, Tube wells</td><td>5</td></tr>
<tr><td>Building – Roads</td><td></td></tr>
<tr><td>Carpeted Roads- RCC</td><td>10</td></tr>
<tr><td>Carpeted Roads- Other than RCC</td><td>5</td></tr>
<tr><td>Non Carpeted Roads</td><td>3</td></tr>
<tr><td>Building - Temporary Shed</td><td>3</td></tr>
<tr><td>* Plant & Equipment other than Pattern Tooling</td><td>7.5 to 15</td><td>Useful life based on Number of Shifts as prescribed under Schedule-II of Companies Act, 2013</td></tr>
<tr><td>Plant & Equipment - Pattern Tooling</td><td>4</td><td>Lower useful life considered based on past history of usage and supported by Technical Evaluation</td></tr>
<tr><td>Computers</td><td></td><td></td></tr>
<tr><td>Network</td><td>6</td><td rowspan="2">Life as prescribed under Schedule-II of Companies Act, 2013</td></tr>
<tr><td>End user devices, such as, desktops, laptops, etc.</td><td>3</td></tr>
</table>

| Asset Category | Life in Years | Basis for useful life |
|---|---|---|
| Servers | 4 | Lower useful life considered based on past history of usage and supported by Technical Evaluation |
| **Electrical Installations** | 10 | Life as prescribed under Schedule-II of Companies Act, 2013 |
| *** Furniture & Fixture** | | |
| Furniture, Fixtures and Electrical Fittings | 10 | Life as prescribed under Schedule-II of Companies Act, 2013 |
| Furniture, AC, Refrigerators and Water coolers - Residential Premises | 4 | Lower useful life considered based on past history of usage and supported by Technical Evaluation |
| AC, Refrigerators and Water coolers - Company and Guest House Premises | 5 | Lower useful life considered based on past history of usage and supported by Technical Evaluation |
| **Office Equipment** | 5 | Life as prescribed under Schedule-II of Companies Act, 2013 |
| *** Vehicles** | | Lower useful life considered based on past history of usage and supported by Technical Evaluation |
| Motorcars, Jeep | 5 | |
| Trucks | 5 | |
| Other Vehicles | 5 | |
| *** Aircrafts** | 15 | Lower useful life considered based on past history of usage and supported by Technical Evaluation |

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

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

- Foreign exchange fluctuation gain/ loss on imported plant and equipment were capitalized in the cost of the respective fixed asset up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

*The Company, based on technical assessments made by technical experts and management estimates depreciates certain items of plant and equipment; building; computers; furniture and fixtures; vehicles and aircraft over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Standalone Statement of Profit and Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

## 4.4 Investment properties

Investment properties were measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties were stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the property are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

### Depreciation & Amortisation

Depreciation on investment property was calculated on a straight-line basis over the estimated useful life of assets as follows:

| Asset Category | Life in Years | Basis for charging Depreciation |
|---|---|---|
| **Factory Buildings** | 30 | Life as prescribed under Schedule-II of Companies Act, 2013 |
| **Building- Non Factory** | | |
| RCC Frame Structure | 60 | |
| Other than RCC Frame Structure | 30 | |
| Fence, Wells, Tube wells | 5 | |
| **Building - Roads** | | |
| Carpeted Roads- RCC | 10 | |
| Carpeted Roads- Other than RCC | 5 | |
| Non Carpeted Roads | 3 | |

An investment property is derecognised on disposal or on permanent withdrawal from use or when no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Transfers are made to (or from) investment property only when there is a change in use. Transfers between investment property, owner-occupied property and inventories are at carrying amount of the property transferred.

## 4.5 Intangible Assets

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

Intangible assets are recorded at the consideration paid for acquisition. In case of internally generated intangible assets, expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses. Other internally generated intangibles are not capitalised and the related expenditure is reflected in the statement of profit & Loss for the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortised by using straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset maybe impaired.

| Sr. No. | Asset category | Life in years |
|---|---|---|
| 1 | Computer Software | 5 years |
| 2 | Drawings & Designs | 10 years |
| 3 | Technical Knowhow - acquired | 6 years |
| 4 | Technical Knowhow - Internally generated | 3 to 5 years |

Intangible assets with indefinite useful lives, if any are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "Intangible assets under development".

**4.6. Borrowing Cost**

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

**4.7. Impairment of Non Financial Assets**

The Company assesses at each balance sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognized in the profit and loss account. If at any subsequent balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the profit and loss account. 'Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.'An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognised or relates to a change in the estimate of the recoverable amount in the previous periods.

**4.8 Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

**a. Financial assets**

**i Initial recognition and measurement of financial assets**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

**ii Subsequent measurement of financial assets**

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)

**Debt Instrument :**
**A financial asset is measured at amortised cost if:**

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

This category is most relevant to the company . After initial measurement, such financial assets are subsequently measured at amortised cost by applying the effective interest rate ("EIR"). The amortised cost is calculated by taking into account any premium or discount on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss.

- **Financial assets at fair value through other comprehensive income**

  A financial asset is measured at fair value through other comprehensive income if:

  - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income except for interest income, impairment gains or losses and foreign exchange gains and losses which are recognised in the statement of profit and loss.

- **Financial assets at fair value through profit or loss**

  A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

**Equity Instrument :**

Investment in equity instruments issued by subsidiary are measured at cost.

Investments in equity instruments issued by other than subsidiaries are classified as at FVTPL, unless the related instruments are not held for trading and the Company irrevocably elects on initial recognition to present subsequent changes in fair value in Other Comprehensive Income.

In addition, the Company may elect to classify a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

After initial measurement, such financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the statement of profit and loss.

**iii Derecognition of financial assets**

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire,

  or

- The Company has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

iv **Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassifications and how they are accounted for.

| Original classification | Revised classification | Accounting treatment |
|---|---|---|
| Amortised cost | FVTPL | Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in the statement of Profit and loss. |
| FVTPL | Amortised Cost | Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount. |
| Amortised cost | FVOCI | Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification. |

| Original classification | Revised classification | Accounting treatment |
|---|---|---|
| FVOCI | Amortised cost | Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost. |
| FVTPL | FVOCI | Fair value at reclassification date becomes its new carrying amount. No other adjustment is required. |
| FVTOCI | FVTPL | Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to statement of profit and loss at the reclassification date. |

v **Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost.
- Financial assets that are debt instruments and are measured as at FVOCI
- Lease receivables under Ind AS 116
- "Trade receivables under Ind AS 115"

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

- Trade receivables resulting from transactions within the scope of Ind-AS 115, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 115 that contain a significant financing component, if the Company applies practical expedient to ignore separation of time value of money, and
- All lease receivables resulting from transactions within the scope of Ind AS 116

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Company is required to use the remaining contractual term of the financial instrument.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected in a separate line in the P&L as an impairment gain or loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not derecognize impairment allowance from the gross carrying amount."

- Loan commitments: ECL is presented as a provision in the balance sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

**b. Financial Liabilities**

**i Initial recognition and measurement of financial liabilities**

All financial liabilities are recognised initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities.

ii **Subsequent measurement of financial liabilities**

For purposes of subsequent measurement, financial liabilities are classified and measured as follows:

- **Financial liabilities at fair value through profit or loss**

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

- **Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.**

  Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as at fair value through profit and loss.

- **Loans and Borrowings at amortised Cost**

  This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

  Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

iii **Derecognition of financial liabilities**

A financial liability (or a part of a financial liability) is derecognised from its balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

iv **Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in teh normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

**4.9 Derivatives**

Company uses derivative contracts to hedge its exposure against movements in foreign exchange rates. The use of derivative contracts is intended to reduce the risk or cost to the Company. Derivative contracts are not used for trading or speculation purpose.

All derivatives are measured at fair value through the profit or loss unless they form part of a qualifying cash flow hedge, in which case the fair value is taken to reserves and released into the statement of profit and loss at the same time as the risks on the hedged instrument are recognised therein. Any hedge ineffectiveness will result in the relevant proportion of the fair value remaining in the statement of profit and loss. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third-party quotes. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. All hedging activity is explicitly identified and documented by the Company.

**4.10 Foreign Currency Transactions**

a **Initial Recognition**

Foreign currency transactions are recorded in Indian currency (the "functional and presentation currency"), by applying the exchange rate between the Indian currency and the foreign currency at the date of the transaction.

b **Conversion**

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

c **Exchange Differences**

Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they were adjusted in the cost of the corresponding asset. Further, as per extant circulars issued by the Ministry of Corporate Affairs, eligible exchange difference on foreign currency loans utilized for acquisition of assets, was adjusted in the cost of the asset to be depreciated over the balance life of the asset up to transition date of Ind AS.

**4.11 Leases**

Lease is a contract that provides to the customer (lessee) the right to use an asset for a period of time in exchange for consideration.

a **Where the Company is a lessee**

A lessee is required to recognise assets and liabilities for all leases and to recognise depreciation of leased assets separately from interest on lease liabilities in the statement of Profit and Loss. The Company uses the practical expedient to apply the requirements of this standard to a portfolio of leases with similar characteristics if the effects on the financial statements of applying to the portfolio does not differ materially from applying the requirement to the individual leases within that portfolio.

However, when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty the Company considers that lease to be no longer enforceable. Also according to Ind AS 116, for leases with a lease term of12 months or less (short-term leases) and for leases for which the underlying asset is of low value, the lessee is not required to recognize right-of-use asset and a lease liability. The Company applies both recognition exemptions. The lease payments associated with those leases are generally recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

**Right-of-use assets:**

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, the Company also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

**Lease Liability**

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

**Lease Modification**

For a lease modification that is not accounted for as a separate lease, the company accounts for the re-measurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

b **Where the Company is a lessor**

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Where the Company is a lessor under an operating lease, the asset is capitalised within property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognised in the Statement of profit and Loss on a straight-line basis over the term of the lease.

## 4.12 Inventories

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

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

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

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

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

## 4.13 Cash and cash equivalents

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

## 4.14 Taxes

### Current income tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or in equity, respectively, and not in the statement of Profit and Loss. The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences including, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside the statement of profit and loss is recognised outside the profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Sales tax / GST**

Expenses and assets are recognised net of the amount of sales tax / GST, except:

- When the sales tax/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax/GST included.

The net amount of sales tax/GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

4.15 **Non-Current Assets held for sale and Discontinuing operations**

a **Non-Current Assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate use in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

b **Discontinuing operations**

Discontinuing operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit and loss account.

Assets and liabilities classified as held for distribution are presented separately from others assets and liabilities in the balance sheet.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

i Represents a separate major line of business or geographical area of operations,

ii Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

OR

iii Is a subsidiary acquired exclusively with a view to resale

An entity does not depreciate (or amortise) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

4.16 **Employee Benefits**

a **Short Term Employee Benefits**

The distinction between short term and long term employee benefits is based on expected timing of settlement rather than the employee’s entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and are recognised in the period in which the employee renders the related service.

b **Post-Employment Benefits**

i **Defined contribution plan**

The Company makes payment to approved superannuation schemes, state government provident fund scheme and employee state insurance scheme which are defined contribution plans. The contribution paid/payable under the schemes is recognised in the statement of profit and loss during the period in which the employee renders the related service. The Company has no further obligations under these schemes beyond its periodic contributions.

ii **Defined benefit plan**

The employee's gratuity fund scheme, pension, post-retirement medical and long term service award benefit schemes are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on a net basis.

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

Past service costs are recognised in the statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs"

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

c **Other long term employment benefits:**

The employee's long term compensated absences are Company's other long term benefit plans. The present value of the obligation 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, to recognise the obligation on a net basis.

In regard to other long term employment benefits, the Company recognises the net total of service costs; net interest on the net defined benefit liability (asset); and remeasurements of the net defined benefit liability (asset) in the statement of profit and loss.

d **Termination Benefits:**

Termination benefits such as compensation under voluntary retirement scheme are recognised in the statement of profit and loss in the year in which termination benefits become payable or when the Company determines that it can no longer withdraw the offer of those benefits, whichever is earlier.

### 4.17 Provisions, Contingencies and Commitments

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

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

Commitments are future liabilities for contractual expenditure, classified and disclosed as estimated amount of contracts remaining to be extracted on capital account and not provided for.

### 4.18 Revenue Recognition

**Revenue from operations**

**a Sale of Goods & services:**

The company recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or rendering of services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness.

Revenue is the transaction price the company expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved.

The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which it is expected to better predict the amount of variable consideration.

Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the company.

Performance obligations are identified based on individual terms of contract. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. The company reasonably estimates the stand-alone selling prices if such prices are not observable. For each performance obligations identified as above, the revenue is recognised either at a point in time or over time. When the company's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis over time.

The incremental cost to obtain a contract are recognised as an asset if the company expects to recover those cost over the period of contract. Company recognises the incremental costs of obtaining a contract as an expense, when incurred, if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

b Contract Balances

Contract assets

The incremental cost to obtain a contract are recognised as an asset if the company expects to recover those cost over the period of contract. Company recognises the incremental costs of obtaining a contract as an expense, when incurred, if the amortisation period of the asset that the entity otherwise would have recognised is one year or less. Impairment loss (termed as provision for foreseeable losses in the financial statements) is recognized in profit or loss to the extent the carrying amount of the contract asset exceeds the remaining amount of consideration that the company expects to receive towards remaining performance obligations (after deducting the costs that relate directly to fulfill such remaining performance obligations).

Trade receivables

The amounts billed on customer for work performed and are unconditionally due for payment i.e. only passage of time is required before payment falls due, are disclosed in the Balance Sheet as trade receivables.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised when the company performs under the contract.

Other Income

a Interest Income from a Financial Assets

Interest Income from a Financial Assets is recognized using effective interest rate method.

b Dividend Income

Dividend Income is recognized when the Company's right to receive the amount has been established.

c Others

Other items of income are accounted as and when the right to receive such income arises and it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably.

## 4.19 Exceptional items

An item of income or expense which by its size, type or incidence requires disclosure in order to improve an understanding of the performance of the company is treated as an exceptional item.

### 4.20 Government Grant

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

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

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

**a Export Incentives**

Export incentives under various schemes notified by government are accounted for in the year of exports as grant related to income and is recognized as other operating income in the statement of profit and loss if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

**b. Industrial Promotion Subsidy**

Government grants received with reference to Industrial Promotion Subsidy under Packaged Scheme of Incentives, 2001 is treated as grant related income and is recognized as other operating income in the statement of profit and loss as per the appropriate recognition criteria.

**c. Export Promotion Capital Goods**

Government grants received with reference to export promotion capital goods scheme are initially recognised as deferred revenue and grant in proportion of export obligation achieved during the year is reduced from deferred revenue and recognized as other operating income in the statement of profit and loss.

### 4.21 Cash dividend

The Company recognises a liability to make cash distributions to the equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the provisions of Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions, if any, are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit and loss.

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

4.23 Cash Flow Statement

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

Cash and cash equivalents (including bank balances)shown in the Statement of cash flows exclude items which are not available for general use as at the date of the Balance sheet.

4.24 Segment Reporting

a Identification of Segments

Operating segments are reported in a manner consistent with the internal reporting to the management.

b Allocation of common costs

CCommon allocable costs are allocated to the reportable Segment based on sales of reportable segment to the total sales of the Company.

c Unallocated items

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

5 Additional Notes to the Financial Statements

5.1 Contingent Liabilities ₹ in Crs.

| | | As at 31 Mar 2020 | As at 31 Mar 2019 |
|---|---|---|---|
| a | **Contingent Liabilities not provided for** | | |
| i | Disputed Central Excise Demands | 16.30 | 16.30 |
| ii | Disputed Sales Tax & Octroi Demands | 11.27 | 8.97 |
| iii | Disputed Customs Duty Demands | 0.86 | 0.86 |
| iv | Disputed Income Tax Liability – matter under appeal | 8.43 | 10.07 |
| v | Claims against Company not acknowledged as debts | 61.72 | 61.36 |

b The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports against which, remaining future obligations aggregates NIL ( PY - USD 0.75 million). Non fulfillment of export obligations, if any, entails options/rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export obligation to be fulfilled by the company is achieved by the company under the said scheme in financial year 19-20.

| | | | |
|---|---|---|---|
| 5.2 | **Charge of Hypothecation referred to in Note no. 21 for working capital facilities extends to letter of credit issued by the Company's bankers** | | |
| | Aggregate amount of such letters of credit outstanding | 22.92 | 9.37 |
| | **Capital & Other Commitments** | | |
| 5.3 | **Capital Commitment** | | |
| | Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances) | 47.60 | 19.55 |
| 5.4 | **Other Commitments** | | |
| | Purchase of Bearings from KSPG Automotive India Pvt. Ltd. on a non-exclusive basis | - | 10.10 |

**5.5 Commitment w.r.t. Acquisitions**

The Company, on June 21, 2017 executed definitive share purchase agreement for acquisition of 100 % equity shares in La-Gajjar Machineries Private Limited (LGM). On 1st August 2017 the company acquired 76% of equity shares of LGM as per the terms of share purchase agreement for consideration of Rs.252.93 crs. Further, as per the said agreement, the company agreed to pay additional consideration with respect to certain identified projects, linked to EBITDA achieved up to 31 DEC 2018. As per extant guidelines of IND AS 103, 'Business combination', this additional consideration being contingent in nature is to be fair valued. Accordingly, the fair value is estimated at Rs.0.85 crs by applying the discounted cash flow approach to the expected EBITDA. This additional consideration, is capitalized as investment by creating corresponding financial liability in the standalone financials. The Contingent consideration has been discharged in previous year.

Further, the company has entered into a shareholders agreement on June 21, 2017 to purchase remaining 24% equity shares. The Company has a call option to acquire and simultaneously, shareholders of LGM have put option to sell the remaining 24% equity shares, to be exercised after holding period at a price based on mutually agreed upon formula. However, if the options are not exercised in the given option period, the company has to purchase remaining equity shares at the end of the option period by applying same formula agreed for at the time of exercising options.

The company has made an initial assessment of impact due to Covid 19 pandemic while evaluating the purchase price of 24 % shares based on agreed upon formula and reasonably believes that it does not carry any intrinsic value.

5.6. Payment to Auditors (Net of taxes) ₹ in Crs.

| Sr. No. | Particulars | 2019-20 | 2018-19 |
|---|---|---|---|
| a | **Statutory Auditors** | | |
| i | As Auditors | **0.49** | **0.49** |
| | Audit Fees | 0.37 | 0.37 |
| | Tax Audit Fees | 0.06 | 0.06 |
| | Limited Review | 0.06 | 0.06 |
| ii | Certification fees & Assurance Services | 0.04 | 0.03 |
| iii | Reimbursement of expenses | 0.01 | 0.01 |
| | **TOTAL (a)** | **0.54** | **0.53** |
| b | **Cost Auditors** | | |
| i | As auditors | 0.08 | 0.08 |
| ii | In other capacity | | |
| | Certification fees | 0.00 | 0.00 |
| | Reimbursement of expenses | - | 0.00 |
| | **TOTAL (b)** | **0.08** | **0.08** |
| | **Grand Total (a+b)** | **0.62** | **0.61** |

**5.7 The Sales for the current year includes an amount of Rs 0.29 Crs (PY Rs 3.44 Crs ) on account of supplies to SEZ.**

**5.8 The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) as at 31 Mar 2020.The disclosure pursuant to the said Act is as under.**

₹ in Crs.

| Particulars | 2019-20 | 2018-19 |
|---|---|---|
| Principal outstanding to MSME suppliers | 22.06 | 29.57 |
| Payment made to suppliers (other than interest) beyond the appointed day, during the year | 5.13 | 11.35 |
| Interest due and payable to suppliers under MSMED Act, for the payments already made | 0.03 | 0.04 |
| Interest due on principle amount remaining unpaid as on year end date | 0.00 | - |
| Interest accrued and remaining unpaid at the end of the year to suppliers under MSME Act | 0.18 | 0.15 |

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

5.9 Revenue Recognition

a Disaggregation of Revenue

Set out below is the disaggregation of the company's revenue from contracts with its customers:

₹ in Crs.

| Business | Engines | Others | Total |
|---|---|---|---|
| Power Generating Business | 1,148.40 | | 1,148.40 |
| Agriculture & Allied Businesses | 240.04 | 222.04 | 462.08 |
| Industrial Engine Business | 434.59 | | 434.59 |
| Customer Support | 402.74 | | 402.74 |
| International Business | 232.82 | | 232.82 |
| Large Engine Business | 159.94 | | 159.94 |
| **Total** | **2,618.53** | **222.04** | **2,840.57** |

b Revenue recognised in relation to contract liabilities

The company has generated revenue of Rs 35.50 Crs ( PY: Rs 4.07 Cr ) during the year from its Contract Liabilities as on 1 April, 2019.The Contract liabilities are presented in Note 20 & 25 as advance from customer and revenue received in advance.

c Information About Performance Obligation

i The company is mainly in the business of manufacturing and trading of engines, gensets and related spares. The company also provides after sales services such as annual maintenance contract, extended warranty etc.

ii The company generally recognizes revenue in case of goods, when the performance obligation is satisfied at a point in time when the control is transferred i.e. either on shipment or upon delivery as per the terms of contracts in domestic and in case of export on the date of bill of lading.

In case of services, where performance obligation is satisfied at a point in time, revenue is generally recognised upon completion of services and on obtaining work completion certificates from the customers. In contracts under which performance obligation satisfied over a period of time, either according to stage of completion or on straight line basis depending upon the type of services provided. The stage of completion is determined based on the contractual terms.

When the company's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis.

The payment is due from the date of invoice and payment terms are in the range of 7 days to 90 days depending on product/market segment and market channel.

iii The company provides to its customers warranties in the forms of Repairs or Replacement warranty under its standard terms and recognizes it as Warranty Provision as per Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets

**d Unsatisfied Performance Obligations as at the end of reporting period:**

As on 31st March, 2020, the company has unsatisfied performance obligation of Rs 66.89 Cr ( 31 March 2019 : Rs 72.43 Cr ). The Company expects that Rs 33.24 Cr will be recognised as revenue in financial year 2020-21 and remaining in subsequent years based on contractual terms.

**e Asset recognised for cost incurred to obtain a contract and cost incurred to fulfil Contract**

The company has recognized an asset as on 31st March, 20 of Rs 1.36 Cr (31 March 2019 : Rs 2.50 Cr) from cost incurred to obtain a contract & fulfil a contract. Asset is included in Note 14 other current asset Pre-Paid Expenses.

**f Reconciliation of the company's revenue from contract price with revenue:**

**₹ in Crs.**

| Particulars | 2019-2020 | 2018-2019 |
|---|---|---|
| Contract Price | 2,885.10 | 3,165.77 |
| Adjustment for : | | |
| Contract Liabilities: Discounts, Incentives & Late delivery Charges | (44.53) | (48.58) |
| **Revenue from contracts with customers** | **2,840.57** | **3,117.19** |

**5.10. Disclosure pursuant to Employee benefits:**

**A. Defined contribution plans:**

Amount of Rs. 12.58 Crs. (March 31, 2019: Rs. 11.22 Crs.) is recognised as expenses and included in Note No. 33 "Employee benefit expense"

**B. Defined benefit plans:**

The Company has following post employment benefits which are in the nature of defined benefit plans:

(a) Gratuity

(b) Pension, Post retirement medical scheme and Long-term award scheme

**March 31, 2020 : Changes in defined benefit obligation and plan assets** ₹ In Crs

| | | Gratuity cost charged to statement of profit and loss | | | | Remeasurement gains/(losses) in other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **April 1, 2019** | Service cost | Net interest expense | **Sub-total included in statement of profit and loss (Note 33)** | **Benefit paid** | Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | **Sub-total included in OCI** | **Contributions by employer** | **March 31, 2020** |
| **Gratuity** | | | | | | | | | | | | |
| Defined benefit obligation | (43.32) | (4.22) | (3.16) | (7.38) | 2.44 | - | (0.06) | 0.63 | (0.60) | (0.03) | - | (48.29) |
| Fair value of plan assets | 43.68 | - | 3.42 | 3.42 | (2.39) | - | - | (0.14) | (2.49) | (2.63) | 6.11 | 48.19 |
| Benefit liability | 0.36 | (4.22) | 0.26 | (3.96) | 0.05 | - | (0.06) | 0.49 | (3.09) | (2.66) | 6.11 | (0.10) |
| **Pension, Post retirement medical scheme and Long-term award scheme** | | | | | | | | | | | | |
| Defined benefit obligation | (3.30) | (0.05) | (0.24) | (0.29) | 0.34 | - | 0.02 | (0.12) | 0.16 | 0.06 | - | (3.19) |
| Fair value of plan assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Benefit liability | (3.30) | (0.05) | (0.24) | (0.29) | 0.34 | - | 0.02 | (0.12) | 0.16 | 0.06 | - | (3.19) |
| **Total benefit liability** | **(2.94)** | **(4.27)** | **0.02** | **(4.25)** | **0.39** | **-** | **(0.04)** | **0.37** | **(2.93)** | **(2.60)** | **6.11** | **(3.29)** |

### March 31, 2019 : Changes in defined benefit obligation and plan assets

₹ In Crs

| | April 1, 2018 | Gratuity cost charged to statement of profit and loss: Service cost | Net interest expense | Sub-total included in statement of profit and loss (Note 33) | Benefit paid | Remeasurement gains/(losses) in other comprehensive income: Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Sub-total included in OCI | Contributions by employer | March 31, 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gratuity** | | | | | | | | | | | | |
| Defined benefit obligation | (38.64) | (3.94) | (2.93) | (6.87) | 2.08 | - | 0.33 | (2.23) | 2.01 | 0.11 | - | (43.32) |
| Fair value of plan assets | 40.43 | - | 3.16 | 3.16 | (2.02) | - | - | 0.28 | (0.30) | (0.02) | 2.13 | 43.68 |
| Benefit liability | 1.79 | (3.94) | 0.23 | (3.71) | 0.06 | - | 0.33 | (1.95) | 1.71 | 0.09 | 2.13 | 0.36 |
| **Pension, Post retirement medical scheme and Long-term award scheme** | | | | | | | | | | | | |
| Defined benefit obligation | (3.20) | (0.06) | (0.24) | (0.30) | 0.34 | - | 0.10 | (0.06) | (0.18) | (0.14) | - | (3.30) |
| Fair value of plan assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Benefit liability | (3.20) | (0.06) | (0.24) | (0.30) | 0.34 | - | 0.10 | (0.06) | (0.18) | (0.14) | - | (3.30) |
| **Total benefit liability** | **(1.41)** | **(4.00)** | **(0.01)** | **(4.01)** | **0.40** | **-** | **0.43** | **(2.01)** | **1.53** | **(0.05)** | **2.13** | **(2.94)** |

## C. Other long-term employment benefits

The Company has Compensated Absences plan which is covered by other long-term employment benefits

### March 31, 2020 : Changes in defined benefit obligation and plan assets of Compensated absences

₹ In Crs.

| Particulars | April 1, 2019 | Cost charged to statement of profit and loss: Service cost | Interest cost | Actuarial changes arising from various assumption | Sub-total included in statement of profit and loss (Note 33) | Benefit paid | Contributions by employer | March 31, 2020 |
|---|---|---|---|---|---|---|---|---|
| **Compensated absences** | | | | | | | | |
| Defined benefit obligation | (28.87) | (3.55) | (2.07) | (0.22) | (5.84) | 2.61 | - | (32.10) |
| Fair value of plan assets | - | - | - | - | - | - | - | - |
| **Benefit liability** | **(28.87)** | **(3.55)** | **(2.07)** | **(0.22)** | **(5.84)** | **2.61** | **-** | **(32.10)** |

March 31, 2019 : Changes in defined benefit obligation and plan assets of Compensated absences

₹ In Crs.

| Particulars | April 1, 2018 | Cost charged to statement of profit and loss | | | | Benefit paid | Contributions by employer | March 31, 2019 |
|---|---|---|---|---|---|---|---|---|
| | | Service cost | Interest cost | Actuarial changes arising from various assumption | Sub-total included in statement of profit and loss (Note 33) | | | |
| **Compensated absences** | | | | | | | | |
| Defined benefit obligation | (26.01) | (3.63) | (1.95) | 0.63 | (4.95) | 2.09 | - | (28.87) |
| Fair value of plan assets | - | - | - | - | - | - | - | - |
| **Benefit liability** | **(26.01)** | **(3.63)** | **(1.95)** | **0.63** | **(4.95)** | **2.09** | **-** | **(28.87)** |

The major categories of plan assets of the fair value of the total plan assets of Gratuity are as follows:

₹ In Crs.

| Particulars | Year ended March 31, 2020 (₹ In Crs.) | Year ended March 31, 2019 (₹ In Crs.) |
|---|---|---|
| Special Deposit Scheme | - | 7.86 |
| (%) of total plan assets | 0% | 18% |
| Insured managed funds | 48.19 | 0.87 |
| (%) of total plan assets | 100% | 2% |
| Others | - | 34.95 |
| (%) of total plan assets | 0% | 80% |

The principal assumptions used in determining above defined benefit obligations for the Company's plans are shown below:

| Particulars | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|---|---|
| Discount rate | 6.80% | 7.50% |
| Future salary increase | 7.00% | 8.00% |
| Expected rate of return on plan assets | 7.50% | 7.80% |
| Expected average remaining working lives (in years) | | |
| Gratuity | 11.35 | 10.23 |
| Pension, Post retirement medical scheme and Long-term award scheme | 9.73 - 11.78 | 9.54 - 12.60 |
| Compensated Absences | 11.35 | 10.23 |
| Withdrawal rate (based on grade and age of employees) | | |
| Gratuity | 0%-13% | 0%-12% |
| Pension, Post retirement medical scheme and Long-term award scheme | 0%-13% | 0%-12% |
| Compensated Absences | 0%-13% | 0%-12% |

A quantitative sensitivity analysis for significant assumption is as shown below:

**Gratuity**

| Particulars | Sensitivity level | (increase) / decrease in defined benefit obligation (Impact) Year ended March 31, 2020 (₹ In Crs.) | Year ended 31 March 2019 (₹ In Crs.) |
|---|---|---|---|
| Discount rate | 1% increase | 3.31 | 2.97 |
| | 1% decrease | (3.80) | (3.40) |
| Future salary increase | 1% increase | (3.29) | (2.94) |
| | 1% decrease | 2.93 | 2.62 |
| Withdrawal rate | 1% increase | 0.05 | 0.10 |
| | 1% decrease | (0.03) | (0.06) |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

**Pension, Post retirement medical scheme and Long-term award scheme**

| Particulars | Sensitivity level | (increase) / decrease in defined benefit obligation (Impact) Year ended March 31, 2020 (₹ In Crs.) | Year ended 31 March 2019 (₹ In Crs.) |
|---|---|---|---|
| Discount rate | 1% Increase | 0.16 | 0.17 |
| | 1% Decrease | (0.18) | (0.19) |
| Withdrawal rate | 1% Increase | 0.01 | 0.01 |
| | 1% Decrease | 0.14 | 0.12 |

The sensitivity analyse above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The followings are the expected future benefit payments for the defined benefit plan :

| Particulars | Year ended 31 March 2020 (₹ In Crs.) | Year ended 31 March 2019 (₹ In Crs.) |
|---|---|---|
| **Within the next 12 months (next annual reporting period)** | | |
| Gratuity | 6.98 | 6.43 |
| Pension, Post retirement medical scheme and Long-term award scheme | 0.36 | 0.43 |
| Compensated absences | - | - |
| **Between 2 and 5 years** | - | - |
| Gratuity | 20.36 | 18.89 |
| Pension, Post retirement medical scheme and Long-term award scheme | 1.60 | 1.79 |
| Compensated absences | - | - |
| **Beyond 5 years** | - | - |
| Gratuity | 19.82 | 19.74 |
| Pension, Post retirement medical scheme and Long-term award scheme | 2.00 | 2.26 |
| Compensated absences | - | - |
| Total expected payments | 51.12 | 49.54 |

**Weighted average duration of defined plan obligation (based on discounted cash flows)**

| Particulars | Year ended 31 March 2020 Years | Year ended 31 March 2019 Years |
|---|---|---|
| Gratuity | 10.97 | 10.43 |
| Pension, Post retirement medical scheme and Long-term award scheme | 8.99 -11.59 | 8.66 -12.25 |

The followings are the expected contributions to planned assets for the next year:

| Particulars | Year ended 31 March 2020 (₹ In Crs.) | Year ended 31 March 2019 (₹ In Crs.) |
|---|---|---|
| Gratuity | 7.00 | 2.00 |

Risk Exposure

Through its defined benefit plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

a. **Discount rate risk:** Variations in the discount rate used to compute the present value of the liabilities may see small,but in practise can have a significant impact on the defined benefit liabilities.

b. **Future salary escalation and inflation risk:** Since price inflation and salary growth are linked economically, they are combined for disclosure purposes. Rising salaries will often result in higher future defined benefit payments resulting in a higher present value of liabilities especially unexpected salary increases provided at management's discretion may lead to uncertainities in estimating this increasing risk.

c. **Asset risks:** Plan assets are maintained in a self-managed trust fund mainly managed by investments in leading Mutual Fund companies,special deposits and a small part of fund is managed by a public sector insurer viz; LIC of India.

   LIC has a sovereign guarantee and has been providing consistent and competitive returns over the years. The company has opted for a traditional fund wherein all assets are invested primarily in risk averse markets. The company has no control over the management of funds but this option provides a high level of safety for the total corpus. Also interest rate and inflation risk are taken care of.

   The company has opted for Mutual Funds which is market linked with options to invest in equity funds. The company has the option to structure the portfolio based on its risk appetite providing an opportunity to earn market linked returns. But there is an investment risk here which is borne by the company.

   A single account is maintained for both investment and claim settlement and hence 100% liquidity is ensured."

d. **Asset-Liability mismatch risk:** Risk which arises if there is a mismatch in the duration of the assets relative to the liabilities. By matching duration with the defined benefit liabilities, the company is successfully able to neutralize valuation swings caused by interest rate movements.

e. **Unfunded Plan Risk –** This represents unmanaged risk and a growing liability. There is an inherent risk here that the company may default on paying the benefits in adverse circumstances. Funding the plan removes volatility from the balance sheet and better manages defined benefit risk through increased returns.

**Funding policy:**

There is no compulsion on the part of the Company to fully prefund the liability of the Gratuity Plan. The Company's philosophy is to fund these benefits based on its own liquidity and the level of underfunding of the plan.

5.11 The Company’s operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof and hence the Company has considered “Engines” as the single reportable segment. As per Ind AS 108 “Operating Segments”, company is required to disclose required segment details in consolidated financial statement. Hence, these details are disclosed under consolidated financial statement.

5.12 Related parties have been identified as defined under Clause 9 of Accounting Standard (Ind AS 24) “Related Party Disclosures”

a Description of Related Parties

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

| Sr. No. | Related Party Category | Company |
|---|---|---|
| 1 | Entities controlled by Company<br>(Company controlling > 50% of voting power) | KOEL Americas Corp, USA |
| | | La-Gajjar Machineries Private Limited |
| | | ARKA Fincap Limited (formerly known as Kirloskar Capital Limited) (w.e.f. 20 April 2018) |
| 2 | Entities controlled by Key Managerial Personnel | Achyut & Neeta Holdings & Finance Private Limited |
| | | Expert Quality Cloud Information Technology Private Limited |
| | | Kirloskar Energen Private Limited |
| | | Kirloskar Solar Technologies Private Limited |
| | | Kloudq Technologies Limited |
| | | Lakeland Universal Limited BVI |
| | | Navsai Investments Private Limited |
| 3 | Entities controlled by Close Member of Key Managerial Personnel | Alpak Investments Private Limited |
| | | Beluga Whale Capital Management Pte Limited |
| | | Snow Leopard Technology Ventures LLP |
| 4 | Promoter/Promoter group which hold(s) 10% or more shareholding | Atul C. Kirloskar |
| | | Rahul C. Kirloskar |
| 5 | Post-Employment benefit plan of Company | Kirloskar Oil Engines Limited Employees' Group Gratuity Fund |
| | | Kirloskar Oil Engines Limited Employees' Gratuity Trust |
| | | Kirloskar Oil Engines Limited Officers' Superannuation Scheme |
| | | Kirloskar Oil Engines Limited Officers' Superannuation Trust |

ii Key Management Personnel and their relatives:

| Sr. No. | Name | Name of Relatives | Relationship |
|---|---|---|---|
| 1 | Atul C. Kirloskar (Executive Chairman) | Arti A. Kirloskar | Wife |
| | | Gauri A. Kirloskar (Kolenaty) | Daughter |
| | | Aditi A. Kirloskar (Sahni ) | Daughter |
| | | Rahul C. Kirloskar | Brother |
| | | Suman C. Kirloskar | Mother |
| 3 | Nihal G. Kulkarni (Managing Director) upto 28 April 2020 | Shruti N. Kulkarni | Wife |
| | | Ambar G. Kulkarni | Brother |
| | | Jyotsna G. Kulkarni | Mother |
| 4 | Rajendra R. Deshpande (Managing Director & Chief Executive Officer) upto 28 April 2020 | Veena R. Deshpande | Wife |
| | | Kaustubh R. Deshpande | Son |
| | | Saurabh R. Deshpande | Son |

b Transactions with Related Parties

₹ in Crs.

| Sr. No. | Nature of the transaction / relationship / major parties | 2019-20 | | 2018-19 | |
|---|---|---|---|---|---|
| | | Amount | Amount from major parties | Amount | Amount from major parties |
| 1 | **Sales** | | | | |
| | **Subsidiary Company** | **15.52** | | **11.78** | |
| | KOEL Americas Corp. | | 15.52 | | 11.78 |
| | **Total** | **15.52** | **15.52** | **11.78** | **11.78** |
| 2 | **Purchases of other intangible assets - Computer software** | | | | |
| | **Entity controlled by Key Managerial Personnel** | **0.84** | | **-** | |
| | Kloudq Technologies Limited | | 0.84 | | - |
| | **Total** | **0.84** | **0.84** | **-** | **-** |
| 3 | **Purchases of goods** | | | | |
| | **Subsidiary Company** | **15.29** | | **6.49** | |
| | La-Gajjar Machineries Private Limited | | 15.29 | | 6.49 |
| | **Entity controlled by Key Managerial Personnel** | **6.29** | | **1.33** | |
| | Kloudq Technologies Limited | | 6.29 | | 1.33 |
| | **Total** | **21.58** | **21.58** | **7.82** | **7.82** |

₹ in Crs.

| Sr. No. | Nature of the transaction / relationship / major parties | 2019-20 | | 2018-19 | |
|---|---|---|---|---|---|
| | | Amount | Amount from major parties | Amount | Amount from major parties |
| 4 | **Rendering of Services from** | | | | |
| | **Key Management Personnel** | **11.83** | | **14.98** | |
| | Atul C. Kirloskar | | 3.68 | | 6.33 |
| | Nihal G. Kulkarni | | 2.51 | | 3.21 |
| | Rajendra R. Deshpande | | 5.64 | | 5.44 |
| | **Close member of Key Managerial Personnel** | **0.42** | | **0.40** | |
| | Rahul C. Kirloskar | | 0.10 | | 0.09 |
| | Gauri A. Kirloskar (Kolenaty) | | 0.32 | | 0.31 |
| | **Entity controlled by Key Managerial Personnel** | **22.04** | | **22.69** | |
| | Kloudq Technologies Limited | | 22.04 | | 22.69 |
| | **Total** | **34.29** | **34.29** | **38.07** | **38.07** |
| 5 | **Expenses paid to** | | | | |
| | **Subsidiary Company** | **1.12** | | **0.89** | |
| | KOEL Americas Corp. | | 1.12 | | 0.89 |
| | **Entity controlled by Key Managerial Personnel** | **0.40** | | **0.45** | |
| | Kirloskar Solar Technologies Private Limited | | 0.40 | | 0.45 |
| | **Total** | **1.52** | **1.52** | **1.34** | **1.34** |
| 6 | **Reimbursement / (recovery) of Expenses** | | | | |
| | **Subsidiary Company** | **(1.79)** | | **(8.54)** | |
| | La-Gajjar Machineries Private Limited | | (1.83) | | (0.24) |
| | KOEL Americas Corp. | | 0.04 | | - |
| | ARKA Fincap Limited (formerly known as Kirloskar Capital Limited) (w.e.f. 20 April 2018) | | - | | (8.30) |
| | **Entity controlled by Key Managerial Personnel** | **-** | | **0.09** | |
| | Kirloskar Solar Technologies Private Limited | | - | | 0.09 |
| | **Total** | **(1.79)** | **(1.79)** | **(8.45)** | **(8.45)** |

₹ in Crs.

| Sr. No. | Nature of the transaction / relationship / major parties | 2019-20 | | 2018-19 | |
|---|---|---|---|---|---|
| | | Amount | Amount from major parties | Amount | Amount from major parties |
| 7 | **Interim Dividend and Final Dividend Paid** | | | | |
| | **Key Management Personnel** | **16.35** | | **9.32** | |
| | Atul C. Kirloskar | | 12.02 | | 9.23 |
| | Nihal G. Kulkarni | | 4.32 | | 0.08 |
| | Rajendra R. Deshpande | | 0.01 | | 0.01 |
| | **Close member of Key Managerial Personnel** | **28.84** | | **25.42** | |
| | Rahul C. Kirloskar | | 11.55 | | 8.87 |
| | Arti A.Kirloskar | | 4.59 | | 3.53 |
| | Jyotsna G. Kulkarni | | 8.44 | | 12.99 |
| | Suman C. Kirloskar | | 0.04 | | 0.03 |
| | Ambar Kulkarni | | 4.22 | | - |
| | **Entity controlled by Key Managerial Personnel** | **0.07** | | **0.04** | |
| | Achyut & Neeta Holdings & Finance Pvt. Ltd. | | 0.07 | | 0.04 |
| | Navsai Investments Pvt. Ltd. | | 0.00 | | 0.00 |
| | **Entity controlled by Close Member of Key Managerial Personnel** | **0.00** | | **0.00** | |
| | Alpak Investments Private Limited | | 0.00 | | 0.00 |
| | **Total** | **45.26** | **45.26** | **34.78** | **34.78** |
| 8 | **Investment made** | | | | |
| | **Subsidiary Company** | **499.50** | | **27.00** | |
| | ARKA Fincap Limited (formerly known as Kirloskar Capital Limited) (w.e.f. 20 April 2018) | | 499.50 | | 27.00 |
| | **Total** | **499.50** | **499.50** | **27.00** | **27.00** |
| 9 | **Contributions Paid** | | | | |
| | **Post-Employment Benefit Plan of Company** | **8.35** | | **4.36** | |
| | Kirloskar Oil Engines Limited Employees' Group Gratuity Fund | | 6.00 | | 2.00 |
| | Kirloskar Oil Engines Limited Employees' Gratuity Trust | | 0.11 | | 0.13 |
| | Kirloskar Oil Engines Limited Officers' Superannuation Scheme | | 2.14 | | 2.14 |
| | Kirloskar Oil Engines Limited Officers' Superannuation Trust | | 0.10 | | 0.09 |
| | **Total** | **8.35** | **8.35** | **4.36** | **4.36** |

₹ in Crs.

| Sr. No. | Nature of the transaction / relationship / major parties | As at 31st March 2020 | | As at 31st March 2019 | |
|---|---|---|---|---|---|
| | | Amount | Amount from major parties | Amount | Amount from major parties |
| | **Outstanding** | | | | |
| 1 | **Accounts Payable** | | | | |
| | **Subsidiary Company** | **3.09** | | **1.41** | |
| | KOEL Americas Corp. | | 0.04 | | 0.15 |
| | La-Gajjar Machineries Private Limited | | 3.05 | | 1.26 |
| | **Key Management Personnel** | | | | |
| | **Commission** | **5.50** | | **9.25** | |
| | Atul C. Kirloskar | | 1.00 | | 4.00 |
| | Nihal G. Kulkarni | | 0.50 | | 1.25 |
| | Rajendra R. Deshpande | | 4.00 | | 4.00 |
| | **Close member of Key Managerial Personnel** | **0.35** | | **0.35** | |
| | Rahul C. Kirloskar | | 0.06 | | 0.06 |
| | Gauri A. Kirloskar (Kolenaty) | | 0.29 | | 0.29 |
| | **Entity controlled by Key Managerial Personnel** | **1.38** | | **0.80** | |
| | Kloudq Technologies Limited | | 1.32 | | 0.76 |
| | Kirloskar Solar Technologies Private Limited | | 0.06 | | 0.04 |
| | **Post-Employment Benefit Plan of Company** | **0.61** | | **0.61** | |
| | Kirloskar Oil Engines Limited Officers' Superannuation Scheme | | 0.53 | | 0.53 |
| | Kirloskar Oil Engines Limited Officers' Superannuation Trust | | 0.08 | | 0.08 |
| | **Total** | **10.93** | **10.93** | **12.42** | **12.42** |
| 2 | **Accounts Receivable** | | | | |
| | **Subsidiary Company** | **5.97** | | **5.24** | |
| | KOEL Americas Corp. | | 5.97 | | 5.24 |
| | **Total** | **5.97** | **5.97** | **5.24** | **5.24** |

₹ in Crs.

| Sr. No. | Nature of the transaction / relationship / major parties | As at 31st March 2020 | | As at 31st March 2019 | |
|---|---|---|---|---|---|
| | | Amount | Amount from major parties | Amount | Amount from major parties |
| | **Outstanding** | | | | |
| 3 | **Investment** | | | | |
| | **Subsidiary Company** | **781.87** | | **282.37** | |
| | KOEL Americas Corp. | | 1.59 | | 1.59 |
| | La-Gajjar Machineries Private Limited | | 253.78 | | **253.78** |
| | ARKA Fincap Limited (formerly known as Kirloskar Capital Limited) (w.e.f. 20 April 2018) | | 526.50 | | **27.00** |
| | **Total** | **781.87** | **781.87** | **282.37** | **282.37** |

Transactions with Related parties are inclusive of Indirect Taxes, wherever applicable.

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

**Terms and conditions of transactions with related parties**

Transactions entered into with related party are made in ordinary course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2019: Rs.Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

**Commitments with related parties**

The Company has not provided any commitment to the related party as at 31 March 2020 (31 March 2019: Rs. Nil)

**Transactions with key management personnel**

Compensation of key management personnel of the Company ₹ in Crs.

| Particulars | 2019-20 | 2018-19 |
|---|---|---|
| Short-term employee benefits | 11.26 | 14.49 |
| Post employment benefits | 0.57 | 0.49 |
| Other long-term employment benefits | - | - |
| Termination benefits | - | - |
| **Total compensation paid to key management personnel** | **11.83** | **14.98** |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

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

**5.13 Earnings Per Share (Basic and Diluted)**

| Particulars | 2019-20 | 2018-19 |
|---|---|---|
| Profit for the year after taxation (Rs. in Crs.) | 170.38 | 224.98 |
| Total number of equity shares at the end of the year (One Equity share of face value of ₹ 2/- each) | 144614326 | 144614326 |
| Weighted average number of equity shares for the purpose of computing Earning Per Share | 144614326 | 144614326 |
| **Basic and Diluted Earnings Per Share (in Rs.)** | **11.78** | **15.56** |

Earnings per share are calculated in accordance with Accounting Standard (Ind AS 33) "Earnings Per Share".

**5.14 Fair value disclosures for financial assets and financial liabilities**

The management believes that the fair values of non-current financial assets (e.g., Investments at FVPL, loans and others),current financial assets ( e.g., cash and cash equivalents, trade and other receivables, loans), non-current financial liabilities and current financial liabilities(e.g. Trade payables and other payables and others) approximate their carrying amounts.

The Company has not performed a fair valuation of its investment in unquoted ordinary shares other than subsidiary, which are classified as FVOCI (refer Note 3), as the Company believes that impact of change, if any , on account of fair value is insignificant.

Fair value of unquoted investment in Mutual fund is determined by reference to Net Asset Value ('NAV') available from respective Assets Management Companies ('AMC').

**5.15 Fair Value Measurement hierarchy**

The following table provides the fair value measurement hierarchy of assets & liabilities

**₹ In Crs.**

| Particulars | Note | Carrying Amount | Level of Input Used in | | |
|---|---|---|---|---|---|
| | | | Level 1 | Level 2 | Level 3 |
| **As at 31 March 2020** | | | | | |
| **Financial Assets** | | | | | |
| **Investment at FVTPL** | | | | | |
| Mutual Funds | 8 | 319.04 | | 319.04 | |
| **Investments at FVTOCI** | | | | | |
| Unquoted Equity Shares | 3 | 0.50 | | | 0.50 |
| **Other Financial assets at FVTPL** | | | | | |
| Assets held for disposal | 13 | 0.12 | | | 0.12 |

| Particulars | Note | Carrying Amount | Level of Input Used in | | |
|---|---|---|---|---|---|
| | | | Level 1 | Level 2 | Level 3 |
| **As at 31 March 2019** | | | | | |
| **Investment at FVTPL** | | | | | |
| Mutual Funds | 8 | 711.21 | | 711.21 | |
| **Investments at FVTOCI** | | | | | |
| Unquoted Equity Shares | 3 | 0.01 | | | 0.01 |
| **Other Financial assets at FVTPL** | | | | | |
| Assets held for disposal | 13 | 2.17 | | | 2.17 |

Movement in fair value measurement of unquoted equity share and for asset held for sale is not material.

**5.16 Financial instruments risk management objectives and policies**

The Company's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance and support the Company's operations. The Company's principal financial assets include Investments, loans, trade and other receivables, cash and short-term deposits and other financial assets that have been derived directly from its operations. The Company also enters into derivative transactions.

The company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Audit Committee and Board review financial risks and the appropriate risk governance framework for the company's financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below

**a. Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, deposits, Investments, trade and other receivables, trade and other payables and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2020 and 31 March 2019.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions. The following assumption has been made in calculating the sensitivity analyses:

The sensitivity of the relevant statement of profit and loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2020 and 31 March 2019 including the effect of hedge accounting.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's does not have any long term borrowings with floating interest rate. Thus the Company does not have any interest rate risk at present.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries.

**Amounts in Foreign Currencies in 000's**

| Nature of exposure | Currency | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| Receivable | USD | 6,161 | 7,226 |
| Payable | USD | 1,982 | 1,159 |
| | EUR | 374 | 280 |
| | GBP | 1 | 4 |
| | SEK | 250 | 298 |
| | JPY | 176 | - |

The Company manages its foreign currency risk by hedging transactions related to sales & purchases. This foreign currency risk is hedged by using foreign currency forward contracts. At 31 March 2020 and 31 March 2019, the Company has hedged Nil of its total foreign currency exposure.

**Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in USD & EUR exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Company's pre-tax equity is due to changes in the Company's profit before tax . The Company's exposure to foreign currency changes for all other currencies is not material.

**₹ in Crs.**

| As at | Change in USD rate | Effect on profit before tax | Effect on pre-tax equity |
|---|---|---|---|
| 31-Mar-20 | +5% | 1.57 | 1.57 |
| | -5% | (1.57) | (1.57) |
| 31-Mar-19 | +5% | 2.10 | 2.10 |
| | -5% | (2.10) | (2.10) |

| As at | Change in Euro rate | Effect on profit before tax | Effect on pre-tax equity |
|---|---|---|---|
| 31-Mar-20 | +5% | (0.16) | (0.16) |
| | -5% | 0.16 | 0.16 |
| 31-Mar-19 | +5% | (0.11) | (0.11) |
| | -5% | 0.11 | 0.11 |

**Commodity price risk**

The Company is affected by the price volatility of certain commodities. Its operating activities require the on-going purchase and manufacture of engines and therefore require a continuous supply of copper and steel. However, Company being the indirect user of these commodities, volatility in price of such commodity does not have direct or immediate impact on the profitability of the Company. Hence, the Company does not foresee any direct or immediate risk with respect to such commodity price fluctuation.

**Other Price Risk**

The company's portfolio of investments mainly consists of debt mutual fund with short term maturity. Hence management believes that this portfolio is not significantly susceptible to market risk.

**b. Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

**Trade receivables**

Receivables are reviewed, managed and controlled for each class of customers separately. Credit exposure risk is mainly influenced by class /type of customers, depending upon their characteristics. Credit risk is managed through credit approval process by establishing credit limits along with continuous monitoring of credit worthiness of customers to whom credit terms are granted. Wherever required, credit risk of receivables is further covered through letter of credit, bank guarantee, business deposits and such other forms of credit assurance schemes.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are combined into homogenous category and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are spread over vast spectrum.

**Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made as per the approved investment policy. Investment limits are set to minimise the concentration of risks and therefore mitigate financial loss if any.

**c. Liquidity risk**

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Company to manage risk concentrations at both the relationship and industry levels.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

**₹ in Crs.**

| Particulars | On demand | upto 3 months | > 3 months to 1 year | 1 year to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| **Year ended 31 March 2020** | | | | | | |
| Interest bearing borrowings | - | 9.58 | 5.68 | - | - | **15.26** |
| Other financial liabilities | 15.92 | 14.52 | 21.38 | 0.00 | 18.55 | **70.36** |
| Lease liabilities | - | 0.09 | 0.27 | - | - | **0.36** |
| Trade payables | 0.18 | 341.67 | 6.24 | - | - | **348.09** |
| **Total** | **16.10** | **365.86** | **33.56** | **0.00** | **18.55** | **434.07** |
| **Year ended 31 March 2019** | | | | | | |
| Interest bearing borrowings | - | 13.07 | - | - | - | **13.07** |
| Other financial liabilities | 14.62 | 6.22 | 39.68 | 0.04 | 17.31 | **77.87** |
| Lease liabilities | - | - | - | - | - | **-** |
| Trade payables | 0.15 | 376.83 | 5.00 | - | - | **381.98** |
| **Total** | **14.77** | **396.12** | **44.68** | **0.04** | **17.31** | **472.92** |

### 5.17 Capital management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 31 March 2019.

5.18 Leases

a Lessee Accounting

Effective 1 April, 2019, the company adopted Ind AS 116 “Leases” using the modified retrospective transition method, applied to lease contracts that are ongoing as at 1 April, 2019. In accordance with such transition method, the company has recognised right-of-use asset at the date of initial application, for leases previously classified as operating leases, at an amount equal to lease liability, adjusted for prepaid or accrued lease payments, if any. The following practical expedients have been used by the Company :

- The lease liability is measured at the present value of the outstanding lease payments only for leases previously classified as operating leases according to Ind AS 17 which are discounted using incremental borrowing rate at 1 April 2019. The weighted average incremental borrowing rate was 9%. The respective right-of-use asset is generally recognized at an amount equal to the lease liability.
- An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognized in the balance sheet as at 31 March, 2019.
- Regardless of their original lease term, leases for which the lease term ends at the latest on 31 March, 2020 are recognized as short-term leases.
- At the date of initial application, The measurement of a right-of-use asset excludes the initial direct costs.
- Information in hindsight is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.
- The difference between the lease commitment disclosed under Ind AS 17 as at 31st March 2019 and the lease liability recognised in the balance sheet as at 1st April 2019 are in respect of discounting of such lease payments.

The following table shows impact of Ind AS 116 on Balance sheet and Statement of Profit or loss:

**₹ in Crs.**

| Particulars | 2019-20 |
|---|---|
| Initial Measurement of Right-of-use assets including reclassification under Ind AS 116 amounting to Rs 11.24 Cr (refer to Note 1b) | 11.94 |
| Initial Measurement of Lease liabilities | 0.70 |
| Depreciation charged on right-of-use asset | 0.49 |
| Interest expense on lease liability | 0.05 |
| Expense for short term leases/ Low value Leases | 0.46 |
| Cash outflow for leases | 0.38 |
| Carrying amount of right-of-use asset as on 31st March 2020 | 11.45 |
| Carrying amount of Lease liabilities as on 31st March 2020 | 0.36 |

Lessee has enforceable lease agreements for Plant and Machineries and Building up to 31 March 2021. The said agreement has an extension option for further 2 terms of 3 years each at the sole option of the lessee. Lessee has not considered this extension period for the purpose of recognizing lease liability keeping in view the uncertainty involved in opting the extension. The lease payments for the said extension, if opted, would be as follows :

₹ in Crs.

| Period of Balance Term | Annual Lease Payment |
|---|---|
| From 1st April, 2021 to 31st March 2024 | 1.14 |
| From 1st April, 2024 to 31st March 2027 | 1.14 |

b. **Lessor Accounting**

The Company is a lessor in the operating lease . The subject of these transactions is primarily aircraft leasing and, to a small extent plant and machinery. There is definitive binding agreement between lessor and lessee defining rights and obligation with respect to underlying assets which in substance mitigates the company's risk.

Tangible assets provided on operating lease as at March 31, 2020 are as follows:

₹ in Crs.

| Particulars | Gross block | Accumulated Depreciation | Net block |
|---|---|---|---|
| Aircraft | 25.88 | 22.38 | 3.50 |
| Plant & Equipments | 8.59 | 8.55 | 0.04 |

Lease Income generated during the year is Rs . 1.05 Cr (Note 29)

**Maturity analysis of lease payments**

The following is maturity analysis of lease payments showing non-discounted operating lease payments which are expected over the coming years:

₹ in Crs.

| Particulars | FY 2020-21 | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| Lease Payments | 0.60 | 0.38 | 0.03 | 1.01 |

**5.19 Expenditure on CSR Activities**

₹ in Crs.

| Sr No | Particulars | 2019-20 | 2018-19 |
|---|---|---|---|
| 1 | Gross amount required to be spent by the company during the year | 5.38 | 4.48 |
| 2 | Amount spent during the year | 5.49 | 4.59 |

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

The approval for weighted deduction received from DSIR for the period 01st April 2019 to 31st March 2020 vide order no. TU/IV-15(476)/35(2AB)/3CM/333/2019 dated 20th January 2020. However, during the year, new section 115BAA is introduced by the CBDT. As per this section, option is given to all existing companies to either pay Income tax as per existing rates ( i.e. 25% or 30% plus applicable surcharge and cess) or as per new concessional rate of 22% plus applicable surcharge and cess. This new rate is available only if company forgoes certain deductions including weighted deduction u/s 35(2AB). The Company decided to adopt new rate u/s 115BAA. Since provisions of section 115BAA of the Income tax act, 1961 are applicable , company is not entitled to avail weighted deduction u/s 35(2AB) of the income tax act, 1961 , for FY 2019-20. Thus the company will not avail weighted deduction benefit on in-house R&D expenditure for FY 2019-20 and subsequent financial years. However, company will continue to maintain separate set of books for in-house R &D activities.

## 40 (Net Debt)/Surplus Reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2020

₹ In Crs.

| Particulars | 31-Mar-20 | 31-Mar-19 |
|---|---|---|
| Cash and Cash Equivalents | 2.89 | 49.71 |
| Current Borrowings | (15.26) | (13.07) |
| Non-Current Borrowings | - | - |
| **(Net Debt)/Surplus** | **(12.37)** | **36.64** |

₹ In Crs.

| Particulars | Other Assets | Liabilities from financing activity | Total |
|---|---|---|---|
| | Cash and Cash Equivalents | Current Borrowings | |
| **(Net Debt)/Surplus as on 1st April 2019** | **49.71** | **(13.07)** | **36.64** |
| Cash Inflow/(outflow) | (46.82) | 2.19 | (49.01) |
| **(Net Debt)/Surplus as on 31st March 2020** | **2.89** | **(15.26)** | **(12.37)** |

## 41 Standard issued but not effective

Exposure draft on amendments to following standards have been issued by the Institute of Chartered Accountants of India:

1. Ind AS 1 “Presentation of Financial Statements” and Ind AS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”
2. Ind AS 40, “Investment Property”
3. Ind AS 103, “Business Combinations”
4. Ind AS 109, “Financial Instruments” and Ind AS 107, “Financial Instruments: Disclosure”

However, such exposure drafts have not been notified by the Ministry of Corporate Affairs (‘MCA’) to be applicable from 1 April, 2020 as at the date of approval of these financial statements.

42 **Salient features of the financial statements of subsidiary for the year ended 31 March 2020**

**Form AOC-1**

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

**₹ in Crs.**

| Sr No. | Particulars | KOEL Americas Corp. | La-Gajjar Machineries Private Limited | ARKA Fincap Limited (formerly known as) Kirloskar Capital Limited |
|---|---|---|---|---|
| a | The date since when subsidiary was Acquired / Incorporated | 23-Jun-15 | 1-Aug-17 | 20-Apr-18 |
| b | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | N A | N A | N A |
| c | Reporting currency as on the last date of the relevant financial year in the case of foreign subsidiaries | USD | INR | INR |
| d | Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries | 75.55 | - | - |
| e | Share capital | 1.59 | 1.08 | 526.50 |
| f | Reserves and surplus | 2.93 | 59.41 | 2.79 |
| g | Total assets | 11.94 | 243.26 | 617.47 |
| h | Total liabilities | 7.43 | 182.78 | 88.18 |
| i | Investments | - | - | 113.09 |
| j | Turnover | 19.21 | 467.00 | 48.44 |
| k | Profit / (Loss) before tax | 1.25 | 23.26 | 10.17 |
| l | Provision for tax | 0.21 | 6.83 | 4.07 |
| m | Profit / (Loss) after tax | 1.04 | 16.43 | 6.10 |
| n | Proposed dividend | - | - | - |
| o | % of shareholding | 100% | 76% | 100% |

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

a **Subsidiary Company**

**KOEL Americas Corp.**

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

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

There are no Investments in the firms/companies in which Directors are interested except as disclosed in Note 3 (i) and (ii).

b **La-Gajjar Machineries Private Limited**

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

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

There are no Investments in the firms/companies in which Directors are interested except as disclosed in Note 3(i) and (ii).

c **ARKA Fincap Limited (formerly known as Kirloskar Capital Limited)**

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

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

There are no Investments in the firms/companies in which Directors are interested except as disclosed in Note 3(i) and (ii).

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

Signatures to Note 1 to 44, forming part of the Financial Statements.

| | | |
|---|---|---|
| As per our attached report of even date | For and on behalf of the board of directors | |
| FOR M/S. P. G. BHAGWAT<br>Chartered Accountants<br>Firm Registration Number : 101118W | ATUL C. KIRLOSKAR<br>Executive Chairman<br>DIN: 00007387 | SANJEEV NIMKAR<br>Managing Director<br>DIN:07869394 |
| NACHIKET DEO<br>Partner<br>Membership Number : 117695 | PAWAN KUMAR AGARWAL<br>Chief Financial Officer<br>FCA: 056975 | SMITA RAICHURKAR<br>Company Secretary<br>ACS: A21265 |
| Pune : 19 June 2020 | Pune : 19 June 2020 | |