



## KIRLOSKAR PNEUMATIC COMPANY LIMITED

A Kirloskar Group Company

Enriching Lives

Ref.:SEC & LEG/ 114

June 28, 2021  
Through online portal

BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai 400 001  
Scrip Code - 505283

Kind Atten.: Ms. Bharti Bhambwani, Corporate Relationship Manager  
Sub.: Annual Report and Notice of the 46<sup>th</sup> Annual General Meeting

Pursuant to Regulation 34 and any other applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the Annual report including Notice of the 46<sup>th</sup> Annual General Meeting of the Company for the financial year 2020-21.

In compliance with provisions of the Companies Act, 2013 ('the Act') and rules thereof, as amended, read with the General Circular No(s). 14/2020 dated 8<sup>th</sup> April, 2020, 17/2020 dated 13<sup>th</sup> April, 2020, 20/2020 dated 5<sup>th</sup> May, 2020 and 02/2021 dated 13<sup>th</sup> January, 2021 issued by the Ministry of Corporate Affairs ('MCA Circulars') and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, read with the SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12<sup>th</sup> May, 2020 and SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15<sup>th</sup> January, 2021, the Annual report including Notice of the Annual General Meeting are being sent only by email to all those Members, whose email addresses are registered with the Company / Registrar and Share Transfer Agent (RTA) / their respective Depository Participant(s).

The Annual Report containing the Notice of the Annual General Meeting has been uploaded on the website of the Company viz., [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)

Request you to take this on record.

Yours faithfully,  
For Kirloskar Pneumatic Co.Ltd.

Jitendra R Shah  
Company Secretary  
Membership No: 17243

Encl.: As above  
cc.: National Securities Depository Limited (NSDL)  
Central Depository Services (India) Limited (CDSL)



An IMS Certified Company

Manufacturer of Air, Refrigeration, Gas compressors & systems and Transmission Equipments  
Regd. Office: Hadapsar Industrial Estate, Pune - 411 013 INDIA. Tel.: +91 (20) 2672 7000  
Fax: +91 (20) 2687 0297 Email [infokpcl@kirloskar.com](mailto:infokpcl@kirloskar.com) Website: [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)  
CIN No.: L29120PN1974PLC110307





**KIRLOSKAR PNEUMATIC COMPANY LIMITED**

A Kirloskar Group Company

ANNUAL REPORT 2020 - 2021

Enriching Lives



**Stand Together,**

**Grow Together**

## With Great Change Comes Great Resilience

The importance of togetherness in the workplace is demonstrated by feelings of unity, collaboration and motivation. Each of us is different in nature, strength and personal inspirations. But our effective team works as a collective by utilising the various skills and talents of each of our team members to support and achieve a common goal.

It is not only about how we perform during the good times, but the strength, courage and professionalism we display through the most difficult times. Yes! Teamwork, flexibility & resilience are the core virtues which can turn setbacks into opportunities.

Today, resilience holds more significance than ever. With continuing uncertainty in the external environment, there are challenges every day for business leaders and managers to contend with. We cannot always control these circumstances, but we can control our actions. With each problem that comes our way, we look for solutions that enable us to seek an advantage, rather than just attempting to eliminate the problem.

Navigating a storm with resilience and determination gives us the knowledge and strength to tame it. In our new and rapidly changing normal, transition has been tough but we have emerged stronger than before. It is because of this collective collaboration, hard work and sacrifice of our teams that we have been able to transcend all barriers and dispel all doubts. All our people rose to the occasion and showed immense perseverance and strength to deal with the disruptions.

Transformation is the key to growth and our people have embraced it not only to deliver, but set the bar higher while innovating and growing from strength to strength. The undying spirit, dedication, determination and teamwork helped us deliver a stronger result.

Kirloskar has been synonymous with setting industry standards. Today, we are ready to embrace the endless possibilities the future holds.

As part of our transformation, we are becoming more agile and adaptable to create solutions through innovation, business processes and market competitiveness. We are integrating new technologies such as digitisation, Industry 4.0, 3D printing and artificial intelligence, and are considering several new businesses. We are shifting gears from the manufacturing space to offering solutions around it.

As we enter this era, we are ready to work with the renewed spirit of our people by imparting new skills and offering more opportunities and processes that will help them and us unleash our full potential. Together with them, we will build socially responsible, sustainable and profitable businesses.

## BOARD OF DIRECTORS

Mr Rahul C Kirloskar	Executive Chairman
Mr Aditya Kowshik	Managing Director (upto January 1, 2021)
Mr K Srinivasan	Managing Director (w.e.f. January 2, 2021)
Mr Atul C Kirloskar	
Mr Vikram S Kirloskar	
Mr G Krishna Rao	
Mr D R Swar	
Mr Sunil Shah Singh	
Dr Ajay Dua	
Mr K Venkataramanan	
Mrs Nalini Venkatesh	
Mr Tejas Deshpande	w.e.f. October 27, 2020
Mr Mahesh Chhabria	w.e.f. March 3, 2021

## CHIEF FINANCIAL OFFICER

Mr Suhas S Kolhatkar

## COMPANY SECRETARY

Mr Jitendra R Shah

## AUDITORS

P G Bhagwat LLP, Chartered Accountants

## SECRETARIAL AUDITORS

M/s SVD & Associates, Company Secretaries

## BANKERS

Bank of India  
Bank of Maharashtra  
ICICI Bank Ltd.  
HDFC Bank Ltd.

## REGISTRAR & SHARE TRANSFER AGENT

### Link Intime India Private Limited

Block No. 202, 2<sup>nd</sup> Floor, 'Akshay' Complex,  
Near Ganesh Temple, Off Dhole Patil Road, Pune- 411 001  
Ph. No. 020 - 26161629 / 26160084

## REGISTERED OFFICE

Hadapsar Industrial Estate, Pune 411 013  
Ph. No. 020 – 26727000  
Email : sec@kirloskar.com  
www.kirloskarpneumatic.com  
CIN : L29120PN1974PLC110307

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**FINANCIALS AT A GLANCE**
**Rs in Million**

Particulars	Ind AS					Indian GAAP				
	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
Revenue from Operations	<b>8,232.64</b>	8,290.81	7,102.44	6064.40*	5,533.05*	5,088.78	4,409.59	5,099.27	5,488.09	6,666.14
Profit Before Tax	<b>838.78</b>	719.15	802.29	726.81	714.40	516.45	284.19	614.65	707.76	884.72
Profit After Tax	<b>638.42</b>	534.92	552.62	499.43	537.80	363.79	225.75	388.30	470.98	619.15
Dividend (%)	<b>175.00</b>	135.00	125.00	120.00	100.00	70.00	50.00	100.00	120.00	120.00
Dividend per share (Rs)	<b>3.50</b>	2.70	2.50	12.00	10.00	7.00	5.00	10.00	12.00	12.00
Earning per share (Rs)#	<b>9.94</b>	8.33	8.60	38.88	41.87	28.32	17.58	30.23	36.67	48.20
Book Value Per Share (Rs)#	<b>91.59</b>	77.02	76.90	359.38	331.48	250.34	230.43	220.03	201.50	178.87
Share Capital	<b>128.53</b>	128.44	128.44	128.44	128.44	128.44	128.44	128.44	128.44	128.44
Reserves and Surplus	<b>5,757.91</b>	4,817.77	4,809.86	4,487.48	4,129.07	3,086.89	2,831.24	2,697.66	2,459.63	2,168.98
Shareholders' Funds	<b>5,886.44</b>	4,946.21	4,938.30	4,615.92	4,257.51	3,215.33	2,959.68	2,826.10	2,588.07	2,297.42
Loan Funds	<b>400.00</b>	277.78	5.31	6.88	-	-	-	-	-	62.55
Total Capital Employed	<b>6,286.44</b>	5,223.99	4,943.61	4,622.80	4,257.51	3,215.33	2,959.68	2,826.10	2,588.07	2,359.97
Net Block	<b>1,750.17</b>	2,066.53	1,217.81	748.09	793.65	817.42	970.59	1,139.07	1,020.38	905.86

**\*Note:**

- The Company transitioned into Ind AS from 1<sup>st</sup> April, 2016.
- Sales include excise duty of Rs. 59 Million collected from Customers upto 30<sup>th</sup> June, 2017 i.e. till the date of implementation of GST. (Previous year Rs. 388 Million for full year.)  
Sales net of excise duty is Rs. 6,005.40 Million. (Previous year Rs. 5,145.05 Million.)
- #The equity shares of the Company were sub-divided from Rs. 10/- per share to Rs. 2/- per share w.e.f. 27<sup>th</sup> September, 2018.

**Green Initiative - Go Paperless!!!**

Dear Shareholder(s),

In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (MCA) has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 ("MCA Circulars") permitted the holding of the AGM through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the MCA Circulars and the relevant provisions of the Companies Act, 2013 ("the Act") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") the AGM of the Company will be held through VC / OAVM. Further the Ministry of Corporate Affairs and Securities and Exchange Board of India (SEBI) has permitted the Companies to serve the documents viz. Annual Reports, Notice of general meetings / postal ballot, any other shareholders' communication etc. to the members through the electronic mode. Your Company, is also dedicated in preserving and protecting the environment and has been continuously seeking opportunities to reduce and conserve resources and minimize waste. To participate in this green initiative, you are requested to :

- Register your email addresses to attend the Annual General Meeting and ensure prompt receipt of communication and avoid any loss during postal transit.
- Convert your shares held in physical mode into dematerialized mode as the transfer of shares in physical mode is not allowed w.e.f. 1<sup>st</sup> April, 2019 to ensure safe and speedy transaction in securities.
- Register your NECS facility (National Electronic Clearing System) for crediting your Dividend directly to your Bank Account.

**Note :**

- In case of Members holding shares in physical mode and who have not registered / updated their email addresses with the Company are requested to update their email addresses by writing to the Company at [sec@kirloskar.com](mailto:sec@kirloskar.com) or just follow the procedure at [https://linkintime.co.in/emailreg/email\\_register.html](https://linkintime.co.in/emailreg/email_register.html)





## NOTICE OF 46<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 46<sup>th</sup> Annual General Meeting (“AGM”) of the Members of Kirloskar Pneumatic Company Limited (‘the Company’) will be held on Tuesday, the 20<sup>th</sup> day of July, 2021 at 10.30 a.m. (IST) through Video Conferencing (‘VC’) or Other Audio Visual Means (‘OAVM’) facility, in compliance of provisions of the Companies Act, 2013 (‘the Act’) and rules thereof read with the General Circular No. 14/2020 dated 8<sup>th</sup> April, 2020; the General Circular No. 17/2020 dated 13<sup>th</sup> April, 2020; the General Circular No. 20/2020 dated 5<sup>th</sup> May, 2020 and the General Circular No. 02/2021 dated 13<sup>th</sup> January, 2021 issued by the Ministry of Corporate Affairs (hereinafter referred as “MCA Circulars”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Circular No(s). SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12<sup>th</sup> May, 2020 and SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15<sup>th</sup> January, 2021 (hereinafter referred as “SEBI Circulars”) to transact the businesses as mentioned below:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statement of the Company for the financial year ended 31<sup>st</sup> March, 2021 together with the Report of the Auditors' and Board of Directors thereon.
2. To declare dividend on equity shares for the financial year ended on 31<sup>st</sup> March, 2021.
3. To appoint a Director in place of Mr Vikram S Kirloskar (holding DIN 00007907), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors and to fix their remuneration and in this regard pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:

"RESOLVED that pursuant to the provisions of Sections 139, 142 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Kirtane & Pandit LLP (Firm Registration No. 105215W/W100057) Chartered Accountants be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this 46<sup>th</sup> Annual General Meeting till the conclusion of the 51<sup>st</sup> Annual General Meeting.

RESOLVED FURTHER that the Board be and is hereby authorised to decide the remuneration from time to time in consultation with the Auditors plus goods and service tax as applicable, and reimbursement of travelling and out-of-pocket expenses incurred."

### SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED that pursuant to the provisions of Section 148 and any other applicable provisions of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) consent of the Company be and is hereby accorded for the payment of remuneration of Rs. 6 Lakhs (Rupees Six Lakhs only) to Company's Cost Auditor, M/s Sudhir Govind Jog, a proprietary firm of Cost Accountant, for auditing the cost records maintained by the Company for the financial year ending on 31<sup>st</sup> March, 2022."

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED that pursuant to the provisions of Sections 149, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “SEBI LODR Regulations”), pursuant to

the recommendation of the Nomination and Remuneration Committee, Mr Tejas Deshpande (holding DIN 01942507), who was appointed as an Additional and Independent Director of the Company by the Board of Directors with effect from 27<sup>th</sup> October, 2020 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director in terms of Section 160 of the Companies Act, 2013, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five (5) consecutive years upto 26<sup>th</sup> October, 2025 and whose office shall not be liable to retirement by rotation.

RESOLVED FURTHER that pursuant to the provisions of Sections 149, 197, Schedule V and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr Tejas Deshpande be paid such fees and remuneration and profit related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED that pursuant to the provisions of Section 152, and any other applicable provisions of the Companies Act, 2013 and rules, circulars, orders and Notifications issued thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), pursuant to the recommendation of the Nomination and Remuneration Committee, Mr K Srinivasan (holding DIN 00088424), who has been appointed as Additional Director of the Company by the Board of Directors with effect from 27<sup>th</sup> October, 2020 in terms of Section 161 of the Companies Act, 2013 and whose term of office expires at the Annual General Meeting be and is hereby appointed as Director of the Company.

RESOLVED FURTHER that pursuant to the provisions of Sections 196, 197, 203 read with Schedule V and any other applicable provisions of the Companies Act, 2013 and rules, circulars, orders and notifications issued thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), pursuant to the recommendation of the Nomination and Remuneration Committee, and subject to such other approvals as may be necessary, consent of the Members be and is hereby accorded to the appointment of Mr K Srinivasan (holding DIN 00088424) as Whole time Director of the Company designated as Executive Director for the period 27<sup>th</sup> October, 2020 to 1<sup>st</sup> January, 2021 and Managing Director w.e.f. 2<sup>nd</sup> January, 2021 to 26<sup>th</sup> October, 2023 on the terms and conditions and remuneration as contained in the draft agreement, material terms of which are set out in the explanatory statement attached to this notice and the Board of Directors be and is hereby authorised to alter and vary the said terms of appointment and remuneration but so as not to exceed the limits specified in Section 197 and Schedule V to the Companies Act, 2013 or any amendments thereto, as may be agreed to between the Board of Directors and Mr K Srinivasan.

RESOLVED FURTHER that subject to the provisions of the Companies Act, 2013 and in terms of Article 99 of the Articles of Association of the Company, the Managing Director shall not, while he continues to hold office of the Managing Director, be subject to retirement by rotation of Directors and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire, but he shall ipso facto and immediately cease to be the Managing Director if he ceases to hold the office of Director for any cause."

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED that pursuant to the provisions of Section 152 and any other applicable provisions of the Companies Act, 2013 and rules, circulars, orders and notifications issued thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with the Articles of Association of the Company, pursuant to recommendation of the Nomination and Remuneration Committee, Mr Mahesh Chhabria (holding DIN 00166049), who was appointed as an Additional Director at the meeting of the Board of Directors held on 3<sup>rd</sup> March, 2021 and who holds office till this Annual

General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation.

RESOLVED FURTHER that pursuant to the provisions of Section 197, Schedule V and any other applicable provisions of the Companies Act, 2013 and the rules, circulars, orders and notifications issued thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr Mahesh Chhabria be paid such fees and remuneration and profit related commission as the Board / Nomination and Remuneration Committee may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

9. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED that pursuant to the provisions of Sections 196, 197, 203 read with Schedule V and any other applicable provisions of the Companies Act, 2013 and rules, circulars, orders and notifications issued thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), pursuant to recommendation of the Nomination and Remuneration Committee, and subject to such other approvals as may be necessary, consent of the Members be and is hereby accorded to the re-appointment of Mr Rahul C Kirloskar (holding DIN 00007319), Executive Chairman as the Whole Time Director to be designated as the 'Executive Chairman' of the Company for a further period of five (5) years with effect from 23<sup>rd</sup> January, 2022 on the terms and conditions and remuneration as contained in the draft agreement, material terms of which are set out in the explanatory statement attached to this notice and the Board of Directors be and is hereby authorised to alter and vary the said terms of appointment and remuneration but so as not to exceed the limits specified in Section 197 and Schedule V to the Companies Act, 2013 or any amendments thereto, as may be agreed to between the Board of Directors and Mr Rahul C Kirloskar."

10. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **SPECIAL RESOLUTION**:

"RESOLVED that pursuant to the provisions of Sections 149, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI LODR Regulations"), pursuant to the recommendation of the Nomination and Remuneration Committee, Dr Ajay Dua (holding DIN 02318948), who was appointed as an Independent Director at 41<sup>st</sup> Annual General Meeting of the Company held on Friday, 22<sup>nd</sup> July, 2016 for a term of 5 consecutive years and who holds office upto 21<sup>st</sup> July, 2021 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director in terms of Section 160 of the Companies Act, 2013, be and is hereby re-appointed as an Independent Director of the Company to hold office for a second term of five (5) consecutive years with effect from 22<sup>nd</sup> July, 2021 to 21<sup>st</sup> July, 2026 and whose office shall not be liable to retirement by rotation.

RESOLVED FURTHER that pursuant to the provisions of Sections 149, 197, Schedule V and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Dr Ajay Dua be paid such fees and remuneration and profit related commission as the Board / Nomination and Remuneration Committee may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time.

RESOLVED FURTHER that pursuant to SEBI LODR Regulations, as amended from time to time, Dr Ajay Dua (holding DIN 02318948), who will attain the age of 75 years on 15<sup>th</sup> July, 2022, continue to hold his directorship as Non-Executive Independent Director even after he attains the age of 75 years till the expiry of his second term, on the same terms and conditions of such re-appointment."



**NOTES:**

1. Pursuant to the provisions of the Companies Act, 2013 read with MCA Circulars and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circulars, the Notice of the 46<sup>th</sup> AGM along with the Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to Special Business and instructions for e-voting are being sent only through electronic mode to those members whose email addresses are registered with the Company / RTA / Depository participant(s). Those Members who have already registered their email addresses are requested to keep their email addresses validated with their Depository Participants / RTA / Company to enable serving of notices / documents / Annual Reports electronically to their email address. For members who have not received the notice due to change / non-registration of their e-mail address with the Company / RTA / Depository Participants, they may request latest by 12<sup>th</sup> July, 2021 by following the procedure given below:
  - a) **Registration of Email Id for shareholders holding physical shares:**

The Members of the Company holding Equity Shares in physical form and who have not registered their e-mail addresses may get their e-mail address registered with the Company's RTA, Link Intime India Pvt Ltd, by clicking the link: [https://linkintime.co.in/emailreg/email\\_register.html](https://linkintime.co.in/emailreg/email_register.html) or through their web site [www.linkintime.co.in](http://www.linkintime.co.in) > Investor Services > E mail / Bank Registration > select 'KIRLOSKAR PNEUMATIC COMPANY LIMITED' and follow the registration process as guided therein. The members are requested to provide details such as Name, Folio Number, Certificate number, PAN, Mobile number and Email ID and also upload the image of share certificate in PDF or JPEG format (up to 1 MB) and other supporting documents.

On submission of the shareholder's details, an OTP will be received by the shareholder, which needs to be entered in the link for verification and submit thereafter.

Post successful registration of email, the shareholder would be provided soft copy of the notice and the procedure for e-voting along with the User ID and the Password to enable e-voting for this AGM. In case of any query, Shareholder may write to [pune@linkintime.co.in](mailto:pune@linkintime.co.in)
  - b) **Registration for Demat shareholders:** Members are requested to register their e-mail address, in respect of demat holdings with their respective Depository Participant (DP) by following the procedure prescribed by them.
  - c) **Permanent Registration:** It is clarified that for permanent registration of e-mail address, the Members are however requested to register their e-mail address, in respect of demat holdings with their respective Depository Participant (DP) by following the procedure prescribed by them and in respect of physical holdings with the Company / RTA.
2. Pursuant to the MCA Circulars and SEBI Circulars, the Companies are allowed to hold AGM through VC, without the physical presence of members at a common venue. Hence, in compliance with the Circulars, the AGM of the Company is being held through VC / OAVM.
3. Since the AGM is being held through VC / OAVM, in accordance with the Circulars, the facility for appointment of proxies by the members will not be available hence Proxy Form, Attendance Slip and Route Map are not annexed to this Notice.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 13<sup>th</sup> July, 2021 to Tuesday, 20<sup>th</sup> July, 2021 (both days inclusive) for the purpose of declaration of dividend and Annual General Meeting. The dividend, if declared, at the Annual General Meeting will be paid to Members:
  - a. whose names appear as Beneficial Owners as at the end of the business hours on 12<sup>th</sup> July, 2021 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of equity shares held in electronic form; and

- b. whose names appear as Members in the Register of Members of the Company after giving effect to valid share transmissions / deletion of names in physical form lodged with the Company / its Registrar and Share Transfer Agent on or before 12<sup>th</sup> July, 2021.
5. Members holding shares in physical form are requested to promptly notify in writing any changes in their address (i.e. latest Utility Bill, copy of Aadhar / passport / bank account statement) and / or Bank Account Details (i.e. Name of the Bank, Branch, its address, Account Number, IFSC code, MICR code and Type of Account) to the Company or its Registrar and Share Transfer Agent namely M/s Link Intime India Pvt Ltd (LI IPL). Shareholders holding shares in electronic form are requested to inform their address and Bank Account details to their respective Depository Participants. Those Members who do not opt for electronic mode for payment of dividend may inform their details to LI IPL for printing the same on the Dividend Warrants to ensure safety.
6. All documents and agreements referred to in the notice and the explanatory statement requiring the approval of the Members at the Meeting will be made available for inspection through e-mail. A member is requested to send an e-mail to [sec@kirloskar.com](mailto:sec@kirloskar.com) for the same.
7. Electronic copies of necessary statutory registers, certificate(s), agreements and other documents, if any, will be available for inspection by the Members during the AGM.
8. Members' Queries:  
A Member, who wish to receive information regarding financial statements or matters to be placed at the AGM, shall send a request by providing full name, DP ID and Client ID / Folio Number and contact number from the registered e-mail ID to [sec@kirloskar.com](mailto:sec@kirloskar.com) at least 7 days in advance so as to enable the management to keep the information ready.
9. Speaker Registration for the AGM:  
A Member, who wish to ask questions or express views at the AGM, shall register with the Company as a 'Speaker' by sending a request by providing full name, DP ID and Client ID / Folio Number and contact number from the registered e-mail ID to [sec@kirloskar.com](mailto:sec@kirloskar.com) at least 4 days in advance before the meeting i.e. on or before 15<sup>th</sup> July, 2021.  
For smooth conduct of proceedings of the AGM, Members may note that the Company reserves the right to restrict number of questions and speakers during the AGM depending upon availability of time.
10. In terms of the provisions of Section 124 of the Companies Act, 2013, the amount of dividend not encashed or claimed within seven (7) years from the date of its transfer to the unpaid dividend account, will be transferred to the Investor Education and Protection Fund (IEPF) established by the Government. Accordingly, the unclaimed dividend in respect of financial year 2013-14 is due for transfer to the said Fund on 27<sup>th</sup> August, 2021.
11. Members who have neither received nor encashed their dividend warrant(s) for the financial years 2013-14 to 2019-20, are requested to write to LI IPL or the Company, mentioning the relevant Folio number or DP ID and Client ID along with bank account details and original cancelled cheque for getting the credit of unpaid dividend amount, before the amount becomes due for transfer.
12. Equity shares of the Company are under compulsory demat trading by all investors. Considering the advantage of scripless trading, members are encouraged to consider dematerialization of their shareholding so as to avoid inconvenience in future.
13. In accordance with the provisions of the Income Tax Act, 1961 (the Income Tax Act) as amended from time to time, dividend declared and paid by a company is taxable in the hands of shareholders and the company is required to deduct tax at source (TDS) from dividend paid to the shareholders at the applicable rates. We shall therefore be required to deduct tax at source at the time of making the payment of the said dividend.

Tax rate applicable to a shareholder depends upon residential status and classification as per the provisions of the Income Tax Act. All shareholders are thereby requested to update any change in residential status and / or category with depository participants (in case of shares held in electronic form) or with the RTA, i.e. Link Intime India Private Limited (in case of shares held in physical form), as may be applicable, before the cut-off Date i.e. 12<sup>th</sup> July, 2021 as the Book Closure is from 13<sup>th</sup> July, 2021 to 20<sup>th</sup> July, 2021 (both days inclusive).

This communication summarizes applicable TDS provisions for Resident Shareholders and Non-Resident Shareholders as per the Income Tax Act:

**For Resident Shareholders:**

Tax will be deducted at source under Section 194 of the Income Tax Act at the rate of 10 percent on the sum of dividend payable unless exempt under any of the provisions of the Income Tax Act. However, in case of individuals, TDS would not apply if the aggregate of total dividend distributed to them by the Company during the financial year 2021–2022 does not exceed Rs. 5,000.

TDS will not be deducted in cases where a shareholder provides Form 15G (applicable to any person other than a Company or a Firm) or Form 15H (applicable to an individual above the age of 60 years) alongwith copy of self attested PAN, provided that eligibility conditions are being met. Form 15G / Form 15H can be uploaded at below link provided by the RTA (i.e. Link Intime India Private Limited) : <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html>

TDS will not be deducted, if the shareholder is exempted from TDS provisions through any circular(s) or notification(s) and provides an attested copy of the Permanent Account Number (PAN) along with documentary evidence in relation to the same.

Needless to mention, PAN will be mandatorily required. If your PAN details are available in your demat account for shares held in demat form or with the RTA for shares held in physical form, then there is no need to send PAN details again to the Company. If PAN is not available or invalid, TDS would be deducted at the rate of 20 percent as per Section 206AA of the Income Tax Act.

In order to provide exemption from withholding of tax, following organisations must provide a self-declaration as listed below:

- **Insurance companies:** A declaration that it has full beneficial interest in the shares along with self-attested copy of PAN and Registration Certificate.
- **Mutual Funds:** A declaration that it is a mutual fund governed by the provisions of Section 10(23D) of the Income Tax Act and is covered under Section 196 of the Income Tax Act, along with self-attested copy of PAN and valid SEBI Registration Certificate or Notification.
- **Alternative Investment Fund (AIF) established in India:** A declaration that its dividend income is exempt under Section 10(23FBA) of the Income Tax Act and it has been granted a certificate of registration as Category I or Category II AIF under the SEBI Regulations, along with self-attested copy of PAN and valid SEBI Registration Certificate or Notification.
- **New Pension System Trust:** A declaration that they are governed by the provisions of Section 10(44) Subsection 1E to Section 197A of the Income Tax Act along with self-attested copy of registration documents.
- **Corporation established by or under a Central Act:** A declaration that it is a corporation established by or under a Central Act whereby income-tax is exempt on the income and accordingly, covered under Section 196 of the Income Tax Act, along with self-attested copy of PAN and valid SEBI Registration Certificate or Notification.
- **Recognised Provident Fund / Approved Gratuity / Superannuation Fund:** Necessary documentary evidence as per Circular No. 18 / 2017 issued by Central Board of Direct Taxes.

In case of other resident shareholder having Order under Section 197 of the Income Tax Act, TDS will be deducted at the rate mentioned in the Order; provided the Shareholder submits copy of the Order obtained from the income-tax authorities.

**For Non-Resident Shareholders:**

Tax is required to be withheld in accordance with the provisions of Section 195 of the Income Tax Act at applicable rates in force. As per the relevant provisions of the Income Tax Act, the tax shall be withheld at the rate of 20 percent (plus applicable surcharge and cess) on the amount of dividend payable.

Further, in the case of Foreign Institutional Investors and Foreign Portfolio Investors, tax shall be deducted at source at the rate of 20 percent (plus applicable surcharge and cess) under Section 196D of the Income Tax Act.

However, as per Section 90 of the Income Tax Act, a non-resident shareholder has the option to be governed by the provisions of the Double Tax Avoidance Agreement ("DTAA") between India and the country of tax residence of the shareholder, if they are more beneficial to the shareholder. For this purpose, i.e. to avail the tax treaty benefits, the Non-Resident Shareholder (including FII and FPI) will have to provide the following:

- Self-attested copy of PAN card, if any, allotted by the Indian income tax authorities.
- Self-attested copy of Tax Residency Certificate (TRC) issued by the tax authorities of the country of which the shareholder is resident, evidencing and certifying shareholder's tax residency status during the financial year 2021–2022.
- Self-declaration in Form 10F duly filled and signed.
- SEBI registration certificate in case of Foreign Institutional Investors and Foreign Portfolio Investors.
- Self-declaration in the prescribed format certifying that:
  - (a) The shareholder is eligible to claim the beneficial Tax Treaty rate for the purposes of tax withholding on dividend declared by the Company;
  - (b) The transaction / arrangement / investments from which the dividend is derived by the shareholder is not arranged in a manner which results in obtaining a tax benefit, whether directly or indirectly, as one of its principal purposes. The tax benefit, if any, derived from such transaction / arrangement / investments would be in accordance with the object and purpose of the provisions of the relevant Tax Treaty ('the Principle Purpose Test', if applicable to the respective Tax Treaty);
  - (c) No Permanent Establishment / fixed base in India during the FY 2021-22 in accordance with the applicable tax treaty;
  - (d) The shareholder is the ultimate beneficial owner of its shareholding in the Company and dividend receivable from the Company.

The Company is not obligated to apply the beneficial DTAA rates at the time of tax deduction / withholding on dividend amounts. Application of beneficial DTAA rate shall depend upon the completeness and satisfactory review by the Company, of the documents submitted by a Non-Resident Shareholder.

In case of Non-Resident shareholder having Order under Section 197 of the Act, TDS will be deducted at the rate mentioned in the Order; provided the shareholder submits copy of the order obtained from the income-tax authorities.

Where any entity is entitled for exemption from TDS, TDS will not be deducted provided such shareholder / entity provides valid self-attested documentary evidence (e.g. relevant copy of registration, notification, order, etc. issued by the Indian tax authorities).

**For All shareholders:**

The Finance Act, 2021 has introduced Section 206AB of the Income Tax Act w.e.f. 1<sup>st</sup> July, 2021, whereby tax would be required to be deducted at twice the applicable rate in respect of any sum or amount or income paid or payable or credited to a 'specified person'.

Further, the Act defined 'specified person' to mean:

- A person who has not filed returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted and the time for filing tax return under Section 139(1) of the Income Tax Act has expired for both these assessment years; and
- aggregate of tax deducted at source and tax collected at source in his / her case is Rs. 50,000 or more in each of these two previous years.

However, the aforementioned withholding at higher rate shall not apply to a Non-Resident who does not have a Permanent Establishment / fixed base in India. Accordingly, a Non-Resident should submit a No Permanent Establishment declaration (as referred above).

**Notes:**

1. All the above referred tax rates will be enhanced by surcharge and cess, as applicable.
2. For all self-attested documents, shareholders must mention on the document "certified true copy of the original". For all documents being uploaded by the shareholder, the shareholder undertakes to send the original document(s) on request by the Company.
3. A soft copy of TDS certificate will be sent to your registered email ID in due course after deposit of TDS with the Government.
4. In case tax on dividend is deducted at a higher rate in the absence of receipt of the aforementioned details / documents, the concerned Shareholder may still have the option of claiming refund at the time of filing the income tax return (provided a valid PAN is registered with your RTA or DP). No claim shall lie against the Company for such taxes deducted.
5. In the event of any income tax demand (including interest, penalty etc.) arising from any misrepresentation, inaccuracy or omission of information provided / to be provided by the Shareholder(s), such Shareholder(s) will be responsible to indemnify the Company and also, provide the Company with all information / documents and co-operation in any proceedings.
6. Shareholders holding shares under multiple accounts under different status / category and single PAN, may note that, higher of the tax as applicable to the status in which shares are held under a PAN will be considered on their entire holding in different accounts.
7. Documents furnished by the shareholders (such as Form 15G / 15H, TRC, Form 10F, Self-Attested Declaration etc.) shall be subject to review and examination by the Company before granting any beneficial rate or Nil Rate. The Company reserves the right to reject documents in case of any discrepancies or the documents are found to be incomplete. Decision of the Company with respect to the validity of any document will be final.
8. In case of any discrepancy in documents submitted by the shareholder, the Company will deduct tax at higher rate as applicable, without any further communication in this regard.
9. The Company will withhold taxes as per the stipulated tax laws prevalent at the time of deduction of taxes i.e. as on aforesaid cut-off Date.

To enable us to determine the appropriate TDS / withholding tax rate applicable, you should upload necessary documents at <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html> on or before Monday, 12<sup>th</sup> July, 2021.



**No communication on tax determination / deduction shall be considered after 12<sup>th</sup> July, 2021.**

14. Equity shares of the Company are under compulsory demat trading by all investors. Considering the advantage of scripless trading, members are encouraged to consider dematerialization of their shareholding so as to avoid inconvenience in future.

**15. Instructions for E-voting and procedure for attending the AGM through VC / OAVM facility**

**A. Voting through electronic means (Remote e-voting / e-voting on the date of AGM)**

I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and as amended from time to time, Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, including amendments thereunder and the circulars issued by the Ministry of Corporate Affairs viz. Circular No. 14/2020 dated 8<sup>th</sup> April, 2020, Circular No. 17/2020 dated 13<sup>th</sup> April, 2020, Circular No. 20/2020 dated 5<sup>th</sup> May, 2020 and Circular No. 02/2021 dated 13<sup>th</sup> January, 2021, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the 46<sup>th</sup> Annual General Meeting. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-voting system as well as e-voting on date of the AGM will be provided by NSDL.

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

III. THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING AND JOINING GENERAL MEETING ARE AS UNDER:

The remote e-voting period commences on Saturday, 17<sup>th</sup> July, 2021 (9:00 am) (IST) and ends on Monday, 19<sup>th</sup> July, 2021 (5:00 pm) (IST). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Monday, 12<sup>th</sup> July, 2021, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

A. Member whose email IDs are registered with the Company / R & T Agent viz. Link Intime India Private Limited / Depository Participant(s) will receive an email from NSDL. Once the Members receive the email, he or she will need to go through the following steps to complete the remote e-voting process:

The way to vote electronically on NSDL e-voting system consists of "Two Steps" which are mentioned below:

Step 1: Access to NSDL e-voting system

A. Login method for e-voting and joining virtual meeting for Individual shareholders holding securities in demat mode:

In terms of SEBI circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 9<sup>th</sup> December, 2020 on e-voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-voting facility.



Login method for Individual shareholders holding securities in demat mode is given below:

<b>Type of shareholders</b>	<b>Login Method</b>
Individual Shareholders holding securities in demat mode with NSDL.	<ol style="list-style-type: none"><li data-bbox="748 450 1430 1035">1. If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: <a href="https://eservices.nsd.com/">https://eservices.nsd.com/</a> either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the “Beneficial Owner” icon under “Login” which is available under “IDeAS” section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-voting services. Click on “Access to e-voting” under e-voting services and you will be able to see e-voting page. Click on options available against company name or e-voting service provider - NSDL and you will be re-directed to NSDL e-voting website for casting your vote during the remote e-voting period or joining virtual meeting &amp; voting during the meeting.</li><li data-bbox="748 1035 1430 1219">2. If the user is not registered for IDeAS e-Services, option to register is available at <a href="https://eservices.nsd.com">https://eservices.nsd.com</a> Select “Register Online for IDeAS” Portal or click at <a href="https://eservices.nsd.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsd.com/SecureWeb/IdeasDirectReg.jsp</a></li><li data-bbox="748 1219 1430 1823">3. Visit the e-voting website of NSDL. Open web browser by typing the following URL: <a href="https://www.evoting.nsd.com/">https://www.evoting.nsd.com/</a> either on a Personal Computer or on a mobile. Once the home page of e-voting system is launched, click on the icon “Login” which is available under ‘Shareholder / Member’ section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password / OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-voting page. Click on options available against company name or e-voting service provider - NSDL and you will be redirected to e-voting website of NSDL for casting your vote during the remote e-voting period or joining virtual meeting &amp; voting during the meeting.</li></ol>

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with CDSL	<ol style="list-style-type: none"> <li>Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-voting page without any further authentication. The URL for users to login to Easi / Easiest are <a href="https://web.cdslindia.com/myeasi/home/login">https://web.cdslindia.com/myeasi/home/login</a> or <a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on New System Myeasi.</li> <li>After successful login of Easi / Easiest the user will be also able to see the E Voting Menu. The Menu will have links of e-voting service provider i.e. NSDL. Click on NSDL to cast your vote.</li> <li>If the user is not registered for Easi / Easiest, option to register is available at <a href="https://web.cdslindia.com/myeasi/Registration/EasiRegistration">https://web.cdslindia.com/myeasi/Registration/EasiRegistration</a></li> <li>Alternatively, the user can directly access e-voting page by providing demat Account Number and PAN No. from a link in <a href="http://www.cdslindia.com">www.cdslindia.com</a> home page. The system will authenticate the user by sending OTP on registered Mobile &amp; Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-voting is in progress.</li> </ol>
Individual Shareholders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL / CDSL for e-voting facility. Once login, you will be able to see e-voting option. Once you click on e-voting option, you will be redirected to NSDL / CDSL Depository site after successful authentication, wherein you can see e-voting feature. Click on options available against company name or e-voting service provider-NSDL and you will be redirected to e-voting website of NSDL for casting your vote during the remote e-voting period or joining virtual meeting & voting during the meeting.

Note: Members who are unable to retrieve User ID / Password are advised to use Forgot User ID and Forgot Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a> or call at toll free no.: 1800 1020 990 and 1800 22 44 30

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022-23058738 or 022-23058542-43

- B. Login Method for e-voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.

How to Log-in to NSDL e-voting website?

1. Visit the e-voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
2. Once the home page of e-voting system is launched, click on the icon "Login" which is available under 'Shareholder / Member' section.
3. A new screen will open. You will have to enter your User ID, your Password / OTP and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDeAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDeAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company. For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***.

5. Password details for shareholders other than Individual shareholders are given below:
  - a) If you are already registered for e-voting, then you can use your existing password to login and cast your vote.
  - b) If you are using NSDL e-voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

- c) How to retrieve your 'initial password'?
  - (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
  - (ii) If your email ID is not registered, please follow steps mentioned below in process for those shareholders whose email ids are not registered.
6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
  - a) Click on "Forgot User Details / Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsd.com](http://www.evoting.nsd.com)
  - b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on [www.evoting.nsd.com](http://www.evoting.nsd.com)
  - c) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number / folio number, your PAN, your name and your registered address etc.
  - d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-voting system of NSDL.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-voting will open.

Step 2: Cast your vote electronically and join General Meeting on NSDL e-voting system.

How to cast your vote electronically and join General Meeting on NSDL e-voting system?

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.
2. Select "EVEN" of company for which you wish to cast your vote during the remote e-voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC / OAVM" link placed under "Join General Meeting".
3. Now you are ready for e-voting as the Voting page opens.
4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify / modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.



5. Upon confirmation, the message "Vote cast successfully" will be displayed.
6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Process for those shareholders whose email IDs are not registered with the Company / R & T Agent / Depository Participants(s) and for procuring user id and password and registration of e-mail ids for e-voting for the resolutions set out in this notice:

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to sec@kirloskar.com.
2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated-Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to sec@kirloskar.com If you are an Individual shareholder holding securities in demat mode, you are requested to refer to the login method explained at step 1 (A) i.e. Login method for e-voting and joining virtual meeting for Individual shareholders holding securities in demat mode.
3. Alternatively member may send an e-mail request to evoting@nsdl.co.in for obtaining User ID and Password by proving the details mentioned in Point (1) or (2) as the case may be.
4. Please follow all steps from Sr. No. III (A) above, to cast vote.
5. In terms of SEBI circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 9<sup>th</sup> December, 2020 on e-voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-voting facility.

**General Guidelines for shareholders**

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF / JPG Format) of the relevant Board Resolution / Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to deulkarcs@gmail.com with a copy marked to evoting@nsdl.co.in
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details / Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: Ms. Sarita Mote, Assitant Manager via email at evoting@nsdl.co.in or call toll free no. 1800 1020 990 and 1800 22 44 30.

IV. THE INSTRUCTIONS FOR MEMBERS FOR E-VOTING ON THE DAY OF THE AGM ARE AS UNDER:-

1. The procedure for e-voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members / shareholders, who will be present in the AGM through VC / OAVM facility and have not casted their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system in the AGM.
3. Members who have voted through Remote e-voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
4. The details of the person who may be contacted for any grievances connected with the facility for e-voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

V. INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC / OAVM ARE AS UNDER:

1. Member will be provided with a facility to attend the AGM through VC / OAVM through the NSDL e-voting system. Members may access by following the steps mentioned above for Access to NSDL e-voting system. After successful login, you can see link of "VC / OAVM link" placed under "Join General meeting" menu against company name. You are requested to click on VC / OAVM link placed under Join General Meeting menu. The link for VC / OAVM will be available in Shareholder / Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the notice to avoid last minute rush.
2. Members are encouraged to join the Meeting through Laptops for better experience.
3. Further, Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio / Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

Facility of joining the AGM through VC / OAVM shall open 15 minutes before the time scheduled for the AGM and closed after 15 minutes from scheduled time for AGM.

5. Members who need assistance before or during the AGM, can contact NSDL on [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or contact Ms. Sarita Mote, Assistant Manager – NSDL at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or Mr. Sagar Ghosalkar, Assistant Manager – NSDL at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or call on toll free no: 1800 1020 990 and 1800 224 430.
6. Members who would like to express their views / ask questions during the AGM may register themselves as a speaker and may send their request mentioning their name, demat account number / folio number, email id and mobile number at email address viz. [sec@kirloskar.com](mailto:sec@kirloskar.com) at least 4 days before date of the meeting. Those shareholders who have registered themselves as a speaker will only be allowed to express their views / ask questions during the AGM.

For smooth conduct of proceedings of the AGM, Members may note that the Company reserves the right to restrict number of questions and speakers during the AGM depending upon availability of time.

7. You can also update your mobile number and e-mail ID in the user profile details of the Folio, which may be used for sending future communication(s).
  8. Any person holding shares in physical form and non-individual shareholders, who acquire shares of the Company and becomes member of the Company after the notice is send through e-mail and holding shares as of the cut-off date i.e. 12<sup>th</sup> July, 2021, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or Issuer / RTA. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using “Forgot User Details / Password” or “Physical User Reset Password” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no. 1800 1020 990 or 1800 224 430. In case of Individual Shareholders holding securities in demat mode who acquire shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date i.e. 12<sup>th</sup> July, 2021 may follow steps mentioned in the Notice of the AGM under “Access to NSDL e-voting system”.
  9. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of “e-voting facility availed from NSDL” for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
  10. The Scrutinizer shall after the conclusion of e-voting at the Annual general meeting, will unblock the votes cast through remote e-voting / e-voting at the time of AGM, not later than forty eight hours of the conclusion of the AGM, a consolidated scrutinizer’s report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- VI. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com) and on the website of NSDL [www.evoting.nsdl.com](http://www.evoting.nsdl.com) immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the Stock Exchanges viz. BSE Limited.
- VII. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of Monday, the 12<sup>th</sup> July, 2021.
- VIII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through e-voting.
- IX. Mr. Sridhar Mudaliar, Partner (CP No. 2664) or failing him Mr. S. V. Deulkar, Partner (CP No. 1321) or failing him Mrs. Meenakshi Deshmukh, Partner (CP No. 7893) of M/s. SVD & Associates, Company Secretaries, Pune has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
11. Queries on Accounts of the Company, if any, may please be sent to the Company Secretary at the designated email [sec@kirloskar.com](mailto:sec@kirloskar.com) seven (7) days in advance of the Meeting so that the answers may be made available at the Meeting.

12. With a view to using natural resources responsibly, we request shareholders to update their email address with their Depository Participants to enable the Company to send communications electronically.

13. Re-appointment of Director at the Annual General Meeting:

Mr Vikram S Kirloskar (holding DIN 00007907) aged 62 years, is liable to retire by rotation and being eligible, offers himself for re-appointment. Pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, particulars of the aforesaid Director are mentioned below:

Mr Vikram S Kirloskar was appointed as a Director on the Board w.e.f. 28<sup>th</sup> June, 2002. He graduated from Massachusetts Institute of Technology, USA, with a Bachelor degree in Mechanical Engineering. Mr Vikram S Kirloskar has been trained at various organizations in India and abroad in different capacities. In this capacity, he was instrumental in setting up successful joint ventures for companies such as Toyota Kirloskar Motor Private Limited, Kirloskar Toyota Textile Machinery Private Limited and Toyota Kirloskar Auto Parts Private Limited. He is also on the Board of several Companies.

The Directorship in other listed / public limited companies are as follows:

Name of the Public Companies	Board position held	Committee position held
Kirloskar Proprietary Limited	Director	-
Kirloskar Systems Limited	Chairman and Managing Director	Audit Committee – Member
Quadrant Communications Limited	Director	-

Mr Vikram S Kirloskar holds 31,010 shares in the Company, the said shareholding is considered in the name of the first holder (PAN based) only. The last drawn remuneration of Mr Vikram S Kirloskar, Director is given in the Report on Corporate Governance.

None of the Directors or Key Managerial Personnel or their relatives other than Mr Vikram S Kirloskar are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 3.

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013  
Date : 23<sup>rd</sup> June, 2021

By Order of the Board of Directors  
sd/-  
**Jitendra R Shah**  
Company Secretary

## **ANNEXURE TO THE NOTICE**

### **The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013**

#### **ITEM NO. 4 OF THE NOTICE**

The Members of the Company in their meeting held on 22<sup>nd</sup> July, 2016 had re-appointed M/s. P G Bhagwat (Firm Registration No. 101118W), Presently P G Bhagwat LLP (Firm Registration No. 101118W/W100682), Chartered Accountants (“PGB”) as the Statutory Auditors for a period of five years from the conclusion of 41<sup>st</sup> Annual General Meeting till the conclusion of the 46<sup>th</sup> Annual General Meeting. Accordingly, the present term of PGB will complete at the conclusion of this 46<sup>th</sup> Annual General Meeting in terms of the said approval and Section 139 of the Companies Act, 2013 (‘the Act’) read with the Companies (Audit and Auditors) Rules, 2014 and PGB are not eligible for re-appointment as Auditors of the Company for a further period. The present remuneration of PGB for conducting the audit for the financial year 2020-21 is Rs. 2.60 Million plus GST as applicable and reimbursement of travelling and out of pocket expenses incurred.

Therefore, the Board of Directors of the Company (‘the Board’), on the recommendation of the Audit Committee (‘the Committee’), recommended for the approval of the Members, the appointment of Kirtane & Pandit LLP (Firm Registration No. 105215W/W100057), Chartered Accountants as the Statutory Auditors of the Company for a term of five (5) consecutive years from the conclusion of the 46<sup>th</sup> AGM till the conclusion of the 51<sup>st</sup> AGM of the Company. On the recommendation of the Committee, the Board also proposed, the remuneration of Rs. 2.90 Million plus GST as applicable and reimbursement of travelling and out of pocket expenses incurred for the financial year 2021-22 as set out in the Resolution relating to their appointment. Further, the Board is authorised to fix the remuneration for the remaining period from time to time. There is no material change in fees payable to the new auditor.

Kirtane & Pandit LLP, established in the year 1956 has strong team of 23 partners, total staff strength of more than 450 professionals and 600+ clients over various industry sectors. The Audit Committee considered various parameters like capability to serve a business landscape as that of the Company, audit experience, market standing of the firm, clientele served, technical knowledge etc., and found Kirtane & Pandit LLP to be best suited to handle the audit of the financial statements of the Company.

Kirtane & Pandit LLP have given their consent to act as the Statutory Auditors of the Company and have confirmed that the said appointment, if made, would be within the limits prescribed under the Act.

None of the Directors and Key Managerial Personnel or their relatives are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 4.

The Board recommends the proposed resolution as set out at Item No. 4 of the Notice for approval of the Members.

#### **ITEM NO. 5 OF THE NOTICE**

The Board of Directors at their meeting held on 29<sup>th</sup> April, 2021, based on the recommendation of the Audit Committee, had appointed M/s Sudhir Govind Jog, a proprietary firm of Cost Accountants (Firm Registration No. 102117) as Cost Auditors of the Company for auditing the cost records maintained by the Company for the financial year ending on 31<sup>st</sup> March, 2022 and also fixed their remuneration for the said purpose.

Pursuant to the provisions of Section 148 and any other applicable provisions of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) remuneration payable to the Cost Auditors is required to be ratified by the members of the Company.



None of the Directors and Key Managerial Personnel or their relatives are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 5.

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

#### ITEM NO. 6 OF THE NOTICE

Mr Tejas Deshpande (DIN 01942507) was appointed as an Additional and Independent Director by the Board with effect from 27<sup>th</sup> October, 2020 to hold office for a term of five (5) consecutive years upto 26<sup>th</sup> October, 2025 subject to approval of Members. In view of the above, it is proposed to appoint Mr Tejas Deshpande as an Independent Director under Section 149 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactments thereof for the time being in force) not liable to retire by rotation, and to hold office upto the respective date as mentioned herein. The Company has received from Mr Tejas Deshpande (i) consent in writing to act as director in Form DIR 2 in terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, (ii) intimation in Form DIR 8 in terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, (iii) a declaration to the effect that he is not debarred from holding the office of director by virtue of any SEBI order or any other such authority (iv) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 & Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 as amended from time to time; and (v) inclusion of name in the databank of Independent Directors pursuant to Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014 and other related documents.

#### Profile of Director

Mr Tejas Deshpande aged 39 passed out of ILS, Law College, Pune and has been practicing law for the last 16 years. He predominantly has a litigation practice, in various courts, with focus on High Court, Mumbai and Supreme Court of India. He specializes in real estate, infrastructure and company law related cases. Mr Tejas Deshpande assisted in writing and researching book 'Kuler - Indian Contract Act' on Indian Contract Act published in 2003. He also assisted in researching book 'Pollock & Mulla - Indian Contract Act and Specified Relief Acts' which was edited and republished in 2004.

The Directorship and committee positions held in other listed / public limited companies are as follows:

Name of the Company	Board position held	Committee Position held
Kirloskar Industries Limited	Independent Director	Audit Committee – Member Risk Management Committee – Member
Valecha Engineering Limited	Independent Director	Audit Committee - Chairman Nomination and Remuneration Committee – Chairman Stakeholder's Relationship Committee – Chairman
Wellness Space Developers Limited	Director	-

In the opinion of the Board, Mr Tejas Deshpande fulfils the conditions specified in the Companies Act, 2013 and the rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management and also possesses appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively.

Copy of the draft letter of appointment of Mr Tejas Deshpande as an Independent Director setting out the terms and conditions would be available for inspection upto the date of declaration of voting results of forthcoming AGM.

The Board considers that his association would be of an immense benefit to the Company and it is desirable to avail services of Mr Tejas Deshpande as an Independent Director.

Under the Companies Act, 2013, Independent Directors can receive fees under the provisions of the Section 197(5) and profit related commission as may be approved by the Members. Accordingly, approval of Members is also being sought for purposes of payment of fees and profit related commission, which amounts may be decided by the Board / Nomination and Remuneration Committee, from time to time, subject to the limit prescribed under the Companies Act, 2013 and as may be prescribed under the rules that are passed or may be passed from time to time.

Currently, Mr Tejas Deshpande does not hold any Equity Share of the Company.

Mr Tejas Deshpande is not related to any other director on the Board of the Company.

None of the Directors or Key Managerial Personnel or their relatives other than Mr Tejas Deshpande are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 6. This explanatory statement may also be regarded as disclosure under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

#### **ITEM NO. 7 OF THE NOTICE**

The Board of Directors of the Company, on the recommendation of the Nomination and Remuneration Committee at their Meeting held on 27<sup>th</sup> October, 2020 appointed Mr K Srinivasan (DIN 00088424) as an Additional Director and Whole-Time Director of the Company for the period of three (3) years designated as Executive Director w.e.f. 27<sup>th</sup> October, 2020 to 1<sup>st</sup> January, 2021 and re-designated as the Managing Director w.e.f. 2<sup>nd</sup> January, 2021 to 26<sup>th</sup> October, 2023, with substantial powers of the management.

As the Managing Director, Mr K Srinivasan shall be entrusted with powers of management of the business and affairs of the Company subject to superintendence, direction and control of the Board of Directors.

Pursuant to Section 160 of the Companies Act, 2013 the Company has received a notice in writing from a Member proposing candidature of Mr K Srinivasan as a Director of the Company.

#### **Profile of the Director**

Mr K Srinivasan graduated in Mechanical Engineering from REC, Surathkal, Karnataka. Srinivasan began his career in 1980 with brief stints at Widia India Limited and Philips India Ltd. In 1983, he joined Wendt India Ltd where he was instrumental in turning around the company and finally bringing it into the Cumi fold. He has had stints of running the Industrial Ceramic business and Abrasive business of Cumi. Since taking over as Managing Director in 2005, he has grown Cumi from a leading Indian abrasive company to a global player with major operations in Russia, China, South Africa, Australia and Thailand. He was ranked as the Most Valuable CEO of mid-sized companies in India in 2012. He was in the Boards of Volzhsky Abrasives Ltd, Murgappa Morgan Thermal Ceramics, Wendt India Ltd, Sterling Abrasives Ltd, Foskor Zirconia Pte SA, Cumi Australia, China and the US. Currently, he is also on the Board of Aspinwall and Company Limited as Independent Director.

He is a member of the Corporate Social Responsibility Committee, Risk Management Committee and Transfer Committee of the Board. He also holds 77,800 shares in the Company.

The appointment of Whole time Director designated as Managing Director is subject to approval of Members and in accordance with the conditions relating to the remuneration as specified in Schedule V to the Companies Act, 2013 and on the other terms and conditions as set out in draft agreement which is available for inspection.

The details of remuneration paid / payable to Mr K Srinivasan are as under:

**SALARY:**

Rs. 9,00,000/- (Rupees Nine Lakh) per month

**PERQUISITES AND OTHER BENEFITS:**

**In addition to the aforesaid salary, Mr K Srinivasan shall be entitled to the following perquisites:**

- a. Fully furnished residential accommodation - 4 Bedroom Apartment on rent. The rental shall not exceed more than Rs. 2,50,000/- per month. The expenses on gas, electricity, water and other utilities and repairs shall be borne by the Company subject to limit of Rs. 30,000/- per month.
- b. Expenses on Hard and Soft furnishing by way of an allowance upto a limit of Rs. 5,00,000/- per annum.
- c. Reimbursement of all medical expenses incurred for Self and family as per Company rules. In addition, hospitalisation expenses for Self and family will be paid on actual basis.
- d. Leave travel assistance of Rs. 2,50,000/- per annum.
- e. Club fees as per Company Rules.
- f. Suitable Personal Accident Insurance premium shall be paid by the Company.
- g. A car with driver.
- h. Telephone, Telefax, and other telecommunication facilities at Residence.
- i. Contribution to Provident Fund, Superannuation Fund as per Company rules.
- j. Gratuity - 15 days salary for each completed year of service.
- k. Privilege Leave as per Company rules. Leave not availed of may be encashed as per Company rules, and
- l. Employees stock options granted / to be granted to Mr K Srinivasan, from time to time as per the Scheme of the Company.

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

**SITTING FEES:**

The Managing Director shall not be entitled to receive any fees for attending meetings of the Board and / or any Committee thereof.

**COMMISSION:**

Commission shall be decided by the Board of Directors based on the net profits of the Company for each year, subject to the condition that the aggregate remuneration shall not exceed the limit laid down under Section 197 and Schedule V of the Companies Act, 2013.

**MINIMUM REMUNERATION:**

In case of loss or inadequacy of profits in any financial year of the Company during his tenure, the minimum remuneration payable by way of salary and perquisites would be determined in accordance with Schedule V to the Companies Act, 2013.

Mr K Srinivasan is not related to any other director on the Board of the Company.

None of the Directors or Key Managerial Personnel or their relatives other than Mr K Srinivasan are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 7. This explanatory statement may also be regarded as disclosure under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board recommends the proposed resolution as set out at item No. 7 of the Notice for approval of the Members.

**ITEM NO. 8 OF THE NOTICE**

Mr Mahesh Chhabria (DIN 00166049) is an Additional Director of the Company with effect from 3<sup>rd</sup> March, 2021 till the ensuing Annual General Meeting.

Pursuant to Section 160 of the Companies Act, 2013 the Company has received a notice in writing from a Member proposing candidature of Mr Mahesh Chhabria as a Director of the Company.

**Profile of the Director**

Mr Mahesh Chhabria has a firm belief in the emerging market growth story and corporate India's push to go global.

Mr Mahesh Chhabria has been Managing Director of Kirloskar Industries Limited since July 2017. Prior to this he worked as a Partner with Actis, where he was responsible for advising Actis Global LLP to invest money in private equity and buy-out space in India. Actis Global LLP is a leading private equity fund in the emerging market space.

He previously worked at 3i India, where he was a partner in the firm's Growth Capital Group and the lead partner globally for the Healthcare sector, heading up and contributing to 3i investments in India and international markets. Before moving to private equity in 2006, he was co-head of investment banking at Enam, one of the leading domestic investment banks in India.

He is a regular Speaker at various industry forums and a contributor to most Indian business publications. He holds a Bachelor of Commerce from the University of Mumbai, and is an Associate Member of the Institute of Chartered Accountants of India.

The Directorship and committee positions held in other listed / public limited companies are as follows:

<b>Name of the Company</b>	<b>Board position held</b>	<b>Committee Position held</b>
Kirloskar Industries Limited	Managing Director	Risk Management Committee – Member
Kirloskar Oil Engines Limited	Director	Audit Committee – Member Nomination & Remuneration Committee – Member
Kirloskar Ferrous Industries Limited	Director	-
Tube Investments of India Limited	Director	Audit Committee – Chairman Corporate Social Responsibility Committee – Member Risk Management Committee – Chairman
WABCO India Limited	Director	Audit Committee – Chairman
Kirloskar Proprietary Limited	Director	Remuneration Committee – Member
ARKA Fincap Limited	Director	Audit Committee – Chairman Allotment Committee – Chairman Nomination and Remuneration Committee - Member Risk Management Committee - Member IT Strategy Committee - Member Wholesale Lending Credit Committee - Member Asset Liability Committee – Member

He holds 9,325 equity shares (Pan based) in the Company.

He is appointed as Member of the Nomination and Remuneration Committee of the Company with effect from 30<sup>th</sup> April, 2021. He is not related to any Director on the Board of Directors of the Company.

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

None of the Directors or Key Managerial Personnel of the Company or their relatives other than Mr Mahesh Chhabria are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 8. This Explanatory Statement may also be regarded as a disclosure under Regulation 36 of the SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015.

The Board recommends the proposed resolution as set out at Item No. 8 of the Notice for approval of the Members.

#### **ITEM NO. 9 OF THE NOTICE**

Mr Rahul C Kirloskar (DIN 00007319) is on the Board w.e.f. 30<sup>th</sup> September, 1993 and was co-opted as Non-Executive Chairman w.e.f. 9<sup>th</sup> March, 2010. He was appointed as the Whole Time Director designated as the 'Executive Chairman' of the Company, for a period of 5 years from 23<sup>rd</sup> January, 2012 till 22<sup>nd</sup> January, 2017 by the Members of the Company, in its Annual General Meeting held on 17<sup>th</sup> July, 2012. He was re-appointed as the Whole Time Director designated as the 'Executive Chairman' of the Company, for a period of 5 years from 23<sup>rd</sup> January, 2017 till 22<sup>nd</sup> January, 2022 by the Members of the Company, in its Annual General Meeting held on 22<sup>nd</sup> July, 2016.

The Board of Directors of the Company, in its meeting held on 29<sup>th</sup> April, 2021, on the recommendation of the Nomination and Remuneration Committee, re-appointed Mr Rahul C Kirloskar as a Whole Time Director designated as the 'Executive Chairman' of the Company, for a further period of five (5) years with effect from 23<sup>rd</sup> January, 2022. The said re-appointment as Whole Time Director as well as remuneration to be paid is subject to approval by the Members of the Company at the ensuing Annual General Meeting. The remuneration and other terms and conditions are as set out below and contained in the agreement to be entered into between the Company and Mr Rahul C Kirloskar as approved by the Board of Directors at the said meeting, a copy whereof is open for inspection.

#### **Profile of Director**

Mr Rahul C Kirloskar has been associated with the Kirloskar Group of Companies for more than thirty years at senior levels in different capacities. He started his career in the then Kirloskar Cummins Ltd. and later joined a family owned small-scale unit where he worked for a period of 3 years. In 1989, he joined erstwhile Kirloskar Pneumatic Company Ltd., (KPCL) as Sr. Manager Operations for the Air Compressors Division.

He was promoted as Joint Managing Director of KPCL in July 1991. He was also appointed as a Director on K.G. Khosla Compressors Limited in September 1993 with which KPCL was amalgamated in 2002. He continued to be a Director of the amalgamated Company which was renamed as Kirloskar Pneumatic Company Limited (the Company). In December, 1993 he was appointed as the Managing Director of KPCL and thereafter in September 1998, he took over as the Chairman of the Company. In June 2001 (till January 2012), he was appointed as the Director Exports of the Kirloskar Oil Engines Limited (KOEL).

He has participated in an intensive course for Management Professionals on Total Quality Management. He has played a pivotal role in focusing the Company on its Compression and Transmission Segments.

Mr Kirloskar took over as Executive Chairman of the Company from 2012. Mr Kirloskar had also been Chairman of Confederation of Indian Industry (CII) Pune Council as well as Maharashtra State CII Council.

Mr Kirloskar is a Chairman of the Corporate Social Responsibility Committee & Share Transfer Committee and Member of Stakeholders Relationship Committee of the Company.



## KIRLOSKAR PNEUMATIC COMPANY LIMITED

A Kirloskar Group Company

The Directorship in other listed / public limited companies are as follows:

Name of the Company	Board position held	Committee Position held
Kirloskar Oil Engines Ltd	Director	Corporate Social Responsibility Committee - Chairman Nomination & Remuneration Committee - Member
Kirloskar Ferrous Industries Ltd	Director and Vice-Chairman	Corporate Social Responsibility Committee - Chairman
J. K. Fenner India Ltd	Independent Director	Audit Committee - Member Nomination & Remuneration Committee - Member
Kirloskar Proprietary Ltd	Director	-

Mr Rahul C Kirloskar holds 74,93,650 shares (in the name of first holder only / PAN based) in the Company. The details of remuneration payable to Mr Rahul C Kirloskar are as under:

### SALARY:

Rs. 15,00,000/- per month in grade of Rs. 15,00,000/- to Rs.25,00,000/- per month.

### PERQUISITES

In addition to the aforesaid salary, Mr Rahul C Kirloskar as Executive Chairman shall be entitled to the following perquisites:

- a) Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities and repairs shall be borne by the Company.
  - b) Reimbursement of all medical expenses incurred for self and family.
  - c) Leave travel assistance for self and family not exceeding Rs. 2,00,000/- per annum.
  - d) Fees of clubs, subject to a maximum of two clubs, which will include admission fee but will not include life membership fees.
  - e) Personal accident insurance, premium whereof does not exceed Rs. 25,000/- per annum.
  - f) A car with driver.
  - g) Telephone, fax and other communication facilities at residence.
  - h) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules.
  - i) Gratuity at the rate of 30 days' salary for each completed year of service as per the Scheme of the Company.
  - j) Leave at the rate of one month for every eleven months of service. Leave not availed of may be encashed at the end of the tenure, and
  - k) Education Allowance for the education of his Children as per Company Rules.
- "Family" for the above purpose means wife, dependent children and dependent parents of the Executive Chairman.

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

**COMMISSION:**

Commission shall be decided by the Board of Directors based on the net profits of the Company each year subject to the condition that the aggregate remuneration of the Executive Chairman shall not exceed the limit laid down under Section 197 and Schedule V of the Companies Act, 2013.

**MINIMUM REMUNERATION:**

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

Mr Rahul C Kirloskar will be a Director liable to retire by rotation and his re-appointment as such Director shall not be deemed to constitute a break in his appointment as Executive Chairman.

The Board considers that the re-appointment of Mr Rahul C Kirloskar would be of immense benefit to the Company. Accordingly, the Board of Directors recommend his appointment.

Mr Rahul C Kirloskar is interested to the extent of remuneration payable to him. Mr Atul C Kirloskar, Director of the Company being the brother is related to each other and hence may be deemed to be interested in his re-appointment.

None of the Directors or Key Managerial Personnel or their relatives other than Mr Rahul C Kirloskar and Mr Atul C Kirloskar are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 9. This explanatory statement may also be regarded as disclosure under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board recommends the proposed resolution as set out at Item No. 9 of the Notice for approval of the Members.

**ITEM NO. 10 OF THE NOTICE**

Dr Ajay Dua (DIN 02318948), was appointed as an Independent Director of the Company on 22<sup>nd</sup> July, 2016 for a term of 5 consecutive years upto 21<sup>st</sup> July, 2021. Since Dr Ajay Dua will complete his initial term as an Independent Director of the Company on 21<sup>st</sup> July, 2021, he is eligible for re-appointment for one more term.

In view of the above, it is proposed to appoint Dr Ajay Dua as an Independent Director under Section 149 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactments thereof for the time being in force) not liable to retire by rotation, and to hold office upto the respective date as mentioned herein. The Company has received from Dr Ajay Dua (i) consent in writing to act as director in Form DIR 2 in terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, (ii) intimation in Form DIR 8 in terms of the Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, (iii) a declaration to the effect that he is not debarred from holding the office of director by virtue of any SEBI order or any other such authority (iv) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 & Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time; and (v) inclusion / renewal of name in the databank of Independent Directors pursuant to Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014 and other related documents.

**Profile of Director**

Dr Ajay Dua (aged 73 years) is a graduate of St. Stephens' College, Delhi where he studied for an Honors Degree in Economics. He was awarded a Ph.D by the University of Bombay for his work on Economics of Urban Renewal Programmes. He holds Diplomas in Business Administration, Marketing Management and Russian Language.

Dr Ajay Dua, a career civil servant joined the Indian Administrative Services in 1971. He has held a variety of senior assignments in the Government of Maharashtra and the Government of India, including as Managing Director of Industrial Promotion Corporations, Joint Secretary in the Union Ministry of Power. He was also the Secretary in the Department of Industrial Policy & Promotion of the Ministry of Commerce and Industry, Government of India, between July 2005 and July 2007.

Currently, he is a senior business advisor of several multinational corporations and on the board of following listed / public limited company:

<b>Name of the Company</b>	<b>Board position held</b>	<b>Committee Position held</b>
Dabur India Ltd	Independent Director	Corporate Social Responsibility Committee – Chairman Risk Management Committee – Chairman Audit Committee – Member Stakeholders' Relationship Committee – Member

Dr Ajay Dua is a Chairman of Nomination and Remuneration Committee and member of the Audit Committee and Risk Management Committee of the Company.

Dr Ajay Dua does not hold any shares in the Company.

He has attended 5 Board Meetings of the Company during the year 2020-21.

In the opinion of the Board, Dr Ajay Dua fulfils the conditions specified in the Companies Act, 2013 and the rules made thereunder for his re-appointment as an Independent Director of the Company and is independent of the management and also possesses appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively.

The Nomination and Remuneration Committee and Board on the basis of the report of performance evaluation and considering his background and experience and contribution made by him during his tenure are of the opinion that the continued association of Dr Ajay Dua would be beneficial to the Company and it is desirable to continue to avail his services as Independent Director, has recommended re-appointment of Dr Ajay Dua as Independent Director for a second term of five (5) consecutive years on the Board of the Company. Accordingly, it is proposed to re-appoint Dr Ajay Dua as Independent Director of the Company, not liable to retire by rotation and to hold office for a second term of five (5) consecutive years on the Board of the Company upto 21<sup>st</sup> July, 2026.

Copy of the draft letter of re-appointment of Dr Ajay Dua as an Independent Director setting out the terms and conditions would be available for inspection by the Members at the website of the Company upto the date of declaration of voting results of forthcoming AGM.

Under the provisions of Companies Act, 2013, Independent Directors can only receive fees and profit related commission as may be approved by the Members. Accordingly, approval of Members is also being sought for purposes of payment of fees and profit related commission, which amounts may be decided by the Board / Nomination and Remuneration Committee, from time to time subject to the limit prescribed under the Companies Act, 2013 and as may be prescribed under the rules that are passed or may be passed from time to time.

As per Regulation 17 (1A) of SEBI LODR Regulations, 2015 (as amended from time to time) no listed entity shall continue the directorship of any person as a non-executive director who has attained the age of 75 (seventy-five) years unless a special resolution is passed to that effect.

The Board also recommends the resolution in relation to the continuation of directorship of Dr Ajay Dua as Non-Executive Independent Director, even after he attains the age of 75 years, till the expiry of his second term, for your approval.

Except Dr Ajay Dua none of the Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution set out at an Item No 10. This Explanatory Statement may also be regarded as a disclosure under Regulation 36 of the SEBI LODR Regulations.

The Board recommends the special resolution as set out at Item No 10 for approval by the Members.

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013  
Date : 23<sup>rd</sup> June, 2021

By Order of the Board of Directors  
sd/-  
**Jitendra R Shah**  
Company Secretary

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting this Report with Audited Annual Accounts of the Company for the year ended 31<sup>st</sup> March, 2021.

### 1. COMPANY SPECIFIC INFORMATION

#### 1.1. Financial Summary & Highlights

The financial results for the year ended 31<sup>st</sup> March, 2021 are summarized below:

	Amount Rs. in Million	
	2020-21	2019-20
Total Income	<b>8,333.80</b>	8,395.96
Profit before tax	<b>838.78</b>	719.15
Tax Expense (Current & Deferred tax)	<b>200.36</b>	184.23
Profit after tax	<b>638.42</b>	534.92
Other Comprehensive Income / (Loss), net of tax	<b>278.20</b>	(213.41)
Total Comprehensive Income for the year	<b>916.62</b>	321.51
Transferred to General Reserve	<b>700.00</b>	300.00

Your Company earned a total income of Rs. 8,333.80 Million for the financial year 2020-21, against Rs. 8,395.96 Million of the previous year. Your Company earned a net profit of Rs. 638.42 Million compared to Rs. 534.92 Million earned in last year representing an increase over 19%.

#### 1.2. Reserves

During the reporting year, Rs. 700 Million has been transferred to the General Reserves of the Company.

#### 1.3. Dividend

The Board of Directors has recommended a dividend of Rs. 3.50 (175%) per equity share of Rs. 2/- each for the year 2020-21 which shall be paid subject to the approval of shareholders in the ensuing Annual General Meeting as against dividend aggregating to Rs. 2.70 (135%) per equity share of Rs. 2/- each for the year 2019-20.

#### 1.4. Major events that occurred during the year

##### Segment-wise position of business and its operations

Operations of the Company witnessed disruptions in the business during the first quarter of the financial year due to nationwide lockdown imposed to curb the outbreak of COVID-19. Despite these disruptions, Compression Segment registered a modest growth over the previous year by earning revenue of Rs. 7,853 Million as compared to Rs. 7,752 Million in the previous year. Transmission Segment however earned lower revenue of Rs. 313 Million compared to Rs. 478 Million in the previous year.



**2. CAPITAL STRUCTURE**Increase in Share Capital

During the year, the Company allotted 45,600 equity shares of Rs. 2/- each upon the exercise of the options granted to employees of the Company pursuant to KPCL Employee Stock Option Scheme 2019 ('KPCL ESOS 2019' or 'the Scheme'). Issued Capital, Subscribed Capital and Paid-up Capital of the Company therefore increased by Rs. 91,200 and was Rs. 128,534,580/- consisting of 64,267,290 equity shares of Rs. 2/- each as on 31<sup>st</sup> March 2021.

Employee Stock Option Scheme

Your Company introduced KPCL ESOS 2019 in order to motivate, incentivize and reward its employees. Your Company views employee stock options as an instrument that would enable the employees to share the value they create for the Company and align individual objectives of the employees with the objectives of the Company.

The Nomination and Remuneration Committee at its meeting held on 22<sup>nd</sup> October, 2019 approved the grant of 684,000 stock options exercisable into 684,000 Equity Shares of Rs. 2/- each of the Company to its specified employees.

The Scheme is in compliance with the applicable provisions of the Companies Act, 2013 and the Rules issued thereunder, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("Employee Benefit Regulations") and other applicable regulations, if any.

The disclosures as required under the Companies (Share Capital and Debentures) Rules, 2014 for the year 2020-21 is as under:

Options granted during the year	Nil
Options vested during the year	196,500
Options exercised during the year	45,600
The total number of shares arising as a result of exercise of option during the year	45,600
Options forfeited / lapsed / cancelled / expired during the year	37,000
The exercise price (In Rs.)	120
Variation of terms of options during the year	No variation
Money realized by exercise of options during the year (In Rs.)	5,472,000
Total number of options in force	601,400
During the year 2020-21, Employee wise details of options granted to :	
1. Key Managerial Personnel:	Nil
2. Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during the year 2020-21.	Nil
3. Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant during the year 2020-21.	Nil

The certificate from P G Bhagwat, LLP, Chartered Accountants, Statutory Auditors of the Company, confirming that the Scheme has been implemented in accordance with the aforesaid regulations and in accordance with the resolution passed by the Company at its Annual General Meeting held on 20<sup>th</sup> July, 2019, will be placed before the shareholders at the ensuing Annual General Meeting. A copy of the same will be available for inspection at the Company's website and can be accessed on the following weblink [https://kirloskarpneumatic.com/site/assets/files/6421/esos\\_certificate.pdf](https://kirloskarpneumatic.com/site/assets/files/6421/esos_certificate.pdf)

The disclosures relating to the implementation of the Scheme, details of options granted, changes to the Scheme, if any, etc. are placed on the website of the company as required under the Employee Benefit Regulations, 2014 read with SEBI Circular No. CIR/CFD/POLICY CELL/2/2015 dated 16<sup>th</sup> June, 2015 and can be accessed on the following weblink [https://kirloskarpneumatic.com/site/assets/files/6408/disclosure\\_under\\_esos.pdf](https://kirloskarpneumatic.com/site/assets/files/6408/disclosure_under_esos.pdf)

In line with the Indian Accounting Standards ("IND AS") 102 on 'Share Based Payments' issued by the Institute of Chartered Accountants of India ("ICAI"), your Company has computed the cost of equity-settled transactions by using the fair value of the options at the date of the grant and recognized the same as employee compensation cost over the vesting period.

### 3. AWARDS

During the reporting year, your Company was recognized with prestigious and diverse external accolades which include:

- ❖ "Prize for Leadership in HR Excellence 2020-21" in 11<sup>th</sup> CII HR Excellence Assessment for the year 2020-21.
- ❖ 1<sup>st</sup> Prize under Large Scale Category – an Award for Green Initiatives in Industry by MCCIA.

Awards in the 34<sup>th</sup> National Convention on Quality Concepts NCQC – 2020 organized by QCFI:

- ❖ 1 "Par Excellence Award Trophy"
- ❖ 4 "Excellence Award Trophy"
- ❖ 1 "Distinguish Award Trophy"

Awards in the 35<sup>th</sup> Annual Chapter Convention on Quality Concepts CCQC – 2020 organized by QCFI:

- ❖ 3 "Gold Trophy"
- ❖ 3 "Silver Trophy"

### 4. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

No Loans, Guarantees covered under the provisions of Section 186 of the Companies Act, 2013 are given / provided / made during the reporting year.

During the reporting year, the Company has not made any investment except investments in Mutual Funds.

### 5. INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Details of the transfer/s to the IEPF made during the year as mentioned below:

During the reporting year, your Company transferred following amount and shares to the Investor Education and Protection Fund.

Final Dividend for the year 2012-13	2,543,136
No. of shares of Rs. 2/- each	25,860

Year wise amount of unpaid / unclaimed dividend lying in the unpaid account up to the year and the corresponding shares, which are liable to be transferred to the IEPF and the due dates for such transfer:

Sr. No.	Year	Amount to be Transferred as on 31-03-2021	Corresponding Number of Equity Shares of the Company	Date of Transfer
1	Final Dividend 2013-14	2,148,960.00	214,896	27 <sup>th</sup> August, 2021
2	Final Dividend 2014-15	1,227,975.00	245,595	3 <sup>rd</sup> September, 2022
3	Dividend 2015-16 (Interim)	1,642,256.00	234,608	19 <sup>th</sup> April, 2023
4	Dividend 2015-16 (Interim - PHL)	1,403,667.00	155,963	6 <sup>th</sup> May, 2023
5	Dividend 2016-17 (Interim - PHL)	1,209,660.00	161,288	3 <sup>rd</sup> May, 2024
6	Final Dividend 2016-17	4,270,360.00	427,036	1 <sup>st</sup> September, 2024
7	Final Dividend 2017-18	3,854,220.00	321,185	29 <sup>th</sup> August, 2025
8	Dividend 2018-19 (Interim)	1,605,781.00	1,605,781	28 <sup>th</sup> February, 2026
9	Final Dividend 2018-19	2,367,448.50	1,578,299	25 <sup>th</sup> August, 2026
10	Dividend 2019-20 (Interim)	1,655,725.00	1,655,725	28 <sup>th</sup> February, 2027
11	Dividend 2019-20 (Second Interim)	3,021,399.80	1,777,294	9 <sup>th</sup> April, 2027

Note : The Sr No. 4 & 5 states the amount of dividend declared and paid by erstwhile Pneumatic Holdings Limited, which was merged into the Company w.e.f. 28<sup>th</sup> April, 2017 by virtue of the order of the Hon'ble National Company Law Tribunal, Mumbai.

## 6. DIRECTORS

### i. Directors and Key Managerial Personnel

During the year, your Company appointed Mr K Srinivasan as Additional and Independent Director on 25<sup>th</sup> June, 2020 subject to approval of Members. The Members approved the appointment of Mr K Srinivasan as Independent Director of the Company by way of Postal Ballot on 30<sup>th</sup> July, 2020.

Further Mr K Venkataramanan and Mrs Nalini Venkatesh were re-appointed as Independent Director(s) of the Company by the Members by passing special resolution(s) through Postal Ballot on 30<sup>th</sup> July, 2020.

Mr Tejas Deshpande was appointed as an Independent Director by the Board of Directors with effect from 27<sup>th</sup> October, 2020 to hold office for a term of 5 (Five) consecutive years upto 26<sup>th</sup> October, 2025, subject to the approval of the Members. The necessary resolution for appointment of Mr Tejas Deshpande is considered in the forthcoming Annual General Meeting.

The Board of Directors is of the opinion that all the above Independent Directors hold the highest standards of integrity and possess necessary expertise and experience including proficiency in the field in which your Company operates.

Mr K Srinivasan tendered his resignation as an Independent Director of the Company on 27<sup>th</sup> October, 2020 in the Board Meeting with immediate effect. He was appointed as an Additional and Whole-Time Director designated as Executive Director of the Company by the Board of Directors in the same Board Meeting with effect from 27<sup>th</sup> October, 2020 to 1<sup>st</sup> January, 2021 and was re-designated as the Managing Director, with substantial powers of management, w.e.f. 2<sup>nd</sup> January, 2021 upto 26<sup>th</sup> October, 2023 subject to the approval of the Members. Details of the

proposal for appointment of Mr K Srinivasan are given in the Explanatory Statement to the Notice of the 46th Annual General Meeting as required under Section 102 of the Companies Act, 2013. The necessary resolution for appointment of Mr K Srinivasan is proposed for approval in the forthcoming Annual General Meeting.

Mr Mahesh Chhabria was appointed as an Additional Director by the Board of Directors with effect from 3<sup>rd</sup> March, 2021 to hold office upto the forthcoming Annual General Meeting. The necessary resolution for appointment of Mr Mahesh Chhabria is proposed for approval in the forthcoming Annual General Meeting.

The tenure of Mr Aditya Kowshik as Managing Director was completed on 1<sup>st</sup> January, 2021, consequently he ceased to be Director on that date. The Board of Directors places on record its sincere appreciation for the contribution made by him during his tenure.

Mr Vikram S Kirloskar, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. The necessary resolution for appointment of Mr Vikram S Kirloskar is proposed for approval in the forthcoming Annual General Meeting.

Mr Rahul C Kirloskar was appointed as Whole Time Director designated as Executive Chairman up to 22<sup>nd</sup> January, 2022. He is further re-appointed as Whole Time Director designated as Executive Chairman for a period of 5 years with effect from 23<sup>rd</sup> January, 2022 subject to approval of Members in the ensuing Annual General Meeting. Details of the proposal for re-appointment of Mr Rahul C Kirloskar are given in the Explanatory Statement to the Notice of the 46<sup>th</sup> Annual General Meeting as required under Section 102 of the Companies Act, 2013. The necessary resolution for appointment of Mr Rahul C Kirloskar is proposed for approval in the forthcoming Annual General Meeting.

**ii. Declaration from Independent Directors and Statement on Compliance of Code of Conduct**

Your Company has received necessary declarations from all its Independent Directors stating that they meet the criteria of independence as provided in Sub-section (6) of Section 149 of the Companies Act, 2013 and Regulation 16 (1) (b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Independent Directors have complied with the code for Independent Directors prescribed in Schedule IV to the Companies Act, 2013.

All the Directors and Senior Management Personnel have also complied with the Code of Conduct of the Company as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for its Directors and Senior Management.

**iii. Directors Appointment and Remuneration Policy**

The Board, on the recommendation of the Nomination and Remuneration Committee, adopted a policy for selection and appointment of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel. Policy also prescribes the guidelines for determining the remuneration of Executive Directors, Non-Executive Directors, KMP and Senior Management.

The Remuneration Policy is available on the website of the Company, viz. [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)

**iv. Board Evaluation**

The annual evaluation framework for assessing the performance of Directors comprises of the following key areas:

- a) Attendance in the meetings, participation and independence during the meetings;
- b) Interaction with Management;
- c) Role and accountability of the Board;
- d) Knowledge and proficiency; and
- e) Strategic perspectives or inputs.

The evaluation involves assessment by the Nomination and Remuneration Committee and Board of Directors. A member of the Nomination and Remuneration Committee and Board does not participate in the discussion of his / her evaluation.

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 (10) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out performance evaluation of its own performance and that of its committees and individual Directors.

**v. Number of Meetings of the Board**

A calendar of meetings is prepared and circulated in advance to the Directors. During the year, five Board Meetings were convened and held, the details of which are given in the Report on Corporate Governance. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**vi. Composition of Committee Meetings**

The composition of the Audit Committee, Nomination and Remuneration Committee & Stakeholders' Relationship Committee constituted by the Board under the Companies Act and Listing Regulations as well as changes in the composition, if any and no. of meetings held during the year forms part of the Report on Corporate Governance.

**vii. Directors' Responsibility Statement**

To the best of their knowledge and belief and according to the information and explanation obtained by them, the Directors in terms of clause (c) of Sub-section (3) of Section 134 state that:

- a) In the preparation of the annual accounts, the applicable Indian Accounting Standards (IND AS) have been followed and there have been no material departures;
- b) Accounting policies as mentioned in the financial statements have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March, 2021 and of the profit of the company for the year ended on that date;
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for prevention and detection of fraud and other irregularities;



- d) The annual accounts have been prepared on a going concern basis;
- e) Proper internal financial controls have been laid down for the company and that such internal financial controls are adequate and are operating effectively; and
- f) Proper systems to ensure compliance with the provisions of all applicable laws are in place and that such systems are adequate and operating effectively.

## **7. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

All related party transactions which were entered into during the financial year were on an arm's length basis and in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

The statement that the transactions are at arm's length and in the ordinary course of business is supported by a certificate from the Managing Director. The Company has also obtained the certificate from a Chartered Accountant on periodical basis.

All Related Party Transactions have been placed before the Audit Committee for their approval and to the Board, as and when required.

In certain cases, prior omnibus approval of the Audit Committee is obtained on a yearly basis. The transactions entered into pursuant to the omnibus approval so granted are reviewed by the Audit Committee on a quarterly basis.

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

The disclosures as per Indian Accounting Standards (IND AS) for transactions with related parties are provided in the Financial Statement of the Company.

## **8. RISK MANAGEMENT**

Though the provisions related to the Risk Management Committee of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are not applicable to the Company, the Company has in place a Risk Management Committee of the Board, Corporate Risk Management Committee and Segment Level Risk Committees.

The Company has a Risk Management framework to identify, evaluate business risks and opportunities. To strengthen the risk management framework, Company has Segment Level Risk Committees, Corporate Risk Management Committee and Board level Risk Management Committee. This framework seeks to minimize adverse impact on the business objectives and enhance the Company's competitive advantage.

## **9. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has an Internal Control System commensurate with the size, scale and complexity of its operations. The scope of the Internal Audit is decided by the Audit Committee and the Board. To maintain its objectivity and independence, the Board has appointed an external Auditor, which reports to the Audit Committee of the Board on a periodic basis.

The Internal Auditor monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies for various functions of the Company. Based on the report of Internal Auditor, process owners undertake corrective action wherever required in their respective areas and thereby strengthen the controls further. Audit

observations and actions taken thereof are presented to the Audit Committee of the Board on periodic basis.

During the reporting year, Internal Financial Controls laid down by the Board were tested for adequacy & effectiveness and no reportable material weakness in the design or operations was observed. The Company has policies and procedures in place for ensuring proper and efficient conduct of its business, safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records and timely preparation of reliable financial information. Statutory Auditors have also given unmodified audit opinion on adequacy of internal financial controls system with reference to financial statements.

## 10. AUDITORS

### a) Statutory Auditors

The Auditors of the Company, P G Bhagwat LLP (Formerly M/s P G Bhagwat), Firm Registration No. 101118W/W100682, Chartered Accountants, Pune, were appointed as Statutory Auditor for a period of five years from 41<sup>st</sup> Annual General Meeting. Accordingly, the term of P G Bhagwat LLP as Statutory Auditor will be completed at the conclusion of this ensuing Annual General Meeting in terms of the said approval and Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

There are no qualifications, reservations or adverse remarks or disclaimers made by the Statutory Auditors in their Audit Report for the year ended 31<sup>st</sup> March, 2021.

The Auditors of the Company, P G Bhagwat LLP (Formerly M/s P G Bhagwat), Firm Registration No. 101118W/W100682, Chartered Accountants, Pune, were the Auditors of the Company for two consecutive periods of 5 years each and are not eligible for re-appointment as Auditors of the Company for a further period. The Audit Committee and Board of Directors of the Company have therefore recommended appointment of Kirtane & Pandit LLP (Firm Registration No. 105215W/W100057), Chartered Accountants as the Statutory Auditors of the Company for a term of 5 (five) consecutive years from the conclusion of the 46<sup>th</sup> Annual General Meeting till the conclusion of the 51<sup>st</sup> Annual General Meeting of the Company at such remuneration plus applicable taxes, and out of pocket expenses, as may be determined and recommended by the Audit Committee in consultation with the Auditors and duly approved by the Board of Directors of the Company.

Details of the proposal for appointment of Kirtane & Pandit LLP are given in the Explanatory Statement to the Notice of the 46<sup>th</sup> Annual General Meeting as required under Section 102 of the Companies Act, 2013. Accordingly, the necessary resolution for appointment of Kirtane & Pandit LLP, Chartered Accountants for a period of five year(s) is proposed for approval in the forthcoming Annual General Meeting.

### b) Cost Auditors

The Board of Directors had, on the recommendation of the Audit Committee, appointed M/s Sudhir Govind Jog, a proprietary firm to audit the cost accounts of the Company for the financial year 2021-22 on a remuneration of Rs. 0.6 Million.

As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification. Accordingly, a resolution seeking Members' ratification for the remuneration payable to M/s Sudhir Govind Jog, a proprietary firm as Cost Accountant for the year ended on 31<sup>st</sup> March, 2022 is proposed for approval in the forthcoming Annual General Meeting.

**c) Secretarial Audit**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s SVD & Associates, a partnership firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The report of the Secretarial Audit is annexed herewith as Annexure "1".

There are no qualifications, reservations or adverse remarks or disclaimer made by the Secretarial Auditors in their Secretarial Audit Report for the year ended 31<sup>st</sup> March, 2021.

M/s SVD & Associates, a partnership firm of Company Secretaries has submitted Annual Secretarial Compliance Report as laid down in SEBI Circular CIR/CFD/CMD1/27/2019 dated 8<sup>th</sup> February, 2019 and has also confirmed that the Company has complied with all applicable SEBI Regulations and circulars / guidelines issued thereunder, for the financial year 2020-21. Observations made by the Secretarial Auditors in their Annual Secretarial Compliance Report for the year ended 31<sup>st</sup> March, 2021, are self-explanatory.

**11. SECRETARIAL STANDARDS**

The Institute of Company Secretaries of India had revised the Secretarial Standards on Meetings of the Board of Directors (SS-1) and Secretarial Standards on General Meetings (SS-2) with effect from 1<sup>st</sup> October, 2017. The Company is in compliance with the revised Secretarial Standards.

**12. REPORTING OF FRAUDS BY AUDITORS**

During the reporting year, neither the statutory auditors nor the secretarial auditor has reported to the Audit Committee, under Section 143 (12) of the Companies Act, 2013, any instance of fraud committed against the Company by its officers or employees. Therefore no details are required to be provided in the Board's report.

**13. CORPORATE GOVERNANCE**

The Company strives to maximize the wealth of the shareholders by managing the affairs of the Company with pre-eminent level of accountability, transparency and integrity. A report on Corporate Governance including the relevant Auditors' Certificate regarding compliance with the conditions of Corporate Governance as stipulated in Regulation 34 (3) read with Part E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed and forms part of the Annual Report.

State of Company's affairs and future outlook is provided in the Management Discussion and Analysis Report, annexed hereto forming part of Directors' Report.

**14. ANNUAL RETURN**

The Annual Return as provided under Sub-section (3) of Section 92 of the Companies Act, 2013 is available on the following web-link : [https://kirloskarpneumatic.com/site/assets/files/6407/annual\\_return\\_2020-21.pdf](https://kirloskarpneumatic.com/site/assets/files/6407/annual_return_2020-21.pdf)

**15. CORPORATE SOCIAL INITIATIVES**

The Board has established a CSR Committee to monitor its CSR activities. On the recommendation of the CSR Committee, the Board of Directors has adopted a CSR Policy in line with the Companies Act, 2013.

As part of its initiatives under Corporate Social Responsibility (CSR), the Company has undertaken projects in the areas of Promoting Education, Education of Girls, Environment, Health and Sanitation. These projects are largely in accordance with Schedule VII of the Companies Act, 2013. During the reporting year, the scope of some of the projects as stated in the CSR Policy was expanded to accommodate the needs and expectations of the relevant stakeholders due to COVID-19 Pandemic.

This year of COVID-19 Pandemic was characterised by lockdowns and unlock related challenges for everyone including our CSR beneficiaries. Your Company through its Health & Hygiene initiatives has reached out to most of the schools adopted for its CSR activities and provided them need based supports like masks, sanitizers, liquid soap, awareness displays, sanitation material etc. for their reopening. COVID-19 related supports like grocery kits, masks, sanitizers etc. were also provided to people living with HIV and their families through DISHA Initiative during and post lockdown periods. The education related CSR initiatives (Bharari and KaShi) also focused on supporting girl education by facilitating eLearning by way of distributing tablets, establishing eLearning facility in a school and conducting online classes etc. Your Company is participating in Ramnadi Restoration Mission of Kirloskar Vasundhara Initiative by way of supporting RRM School Project in which various activities for children from 20 schools in the vicinity of Ramnadi river are being implemented. The details on CSR activities are provided in Management Discussion Analysis Report.

During the reporting year, the CSR Policy was amended pursuant to Companies (Corporate Social Responsibility) Amendment Rules, 2021, effective from 1<sup>st</sup> April, 2021. This CSR policy is available on the website of the Company.

**CSR Policy in brief:**

The focus of CSR activities will be on Education, Environment and Health.

While devising projects, care would be taken to promote education, health and sanitation, protect the environment and minimize adverse impact, if any, on the society at large.

The Company shall spend at least 2% (two percent) of the average net profits, calculated in accordance with the provisions of the Companies Act, 2013 and Rules thereunder, made by it in three immediately preceding financial years, in every financial year.

The Annual Report on CSR Activities is annexed herewith as Annexure “2”.

**16. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

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

**17. BUSINESS RESPONSIBILITY REPORT**

Business Responsibility Report as required under Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, forms part of this Annual Report.

**18. MATERIAL CHANGES AND COMMITMENTS, BETWEEN THE DATE OF BALANCE SHEET AND THE DATE OF REPORT**

There have been no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the Financial Statements relate and the date of this Report.

**19. MAINTENANCE OF COST RECORDS**

Your Company confirms that the maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained.

**20. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

**21. VIGIL MECHANISM / WHISTLE BLOWER POLICY**

The Company has established a vigil mechanism for Directors and Employees to report their genuine concerns, details of which have been given in the Report on Corporate Governance.

**22. FIXED DEPOSIT**

Your Company has discontinued accepting fixed deposits since 2001-02. As such, as of 31<sup>st</sup> March, 2021 there are no fixed deposits outstanding.

**23. PARTICULARS OF EMPLOYEES**

Disclosures with respect to the remuneration of Directors and Employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 have been annexed as Annexure "4" to this Report.

In accordance with the provisions of Section 197(12) of the Companies Act, 2013 and Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and other particulars of Employees are available at the Registered Office of the Company during working hours for a period of 21 days before the Annual General Meeting and shall be made available to any shareholder on request.

**24. DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

Your Company has formulated 'Prevention of Sexual Harassment of Women at Workplace Policy' and the highlights are communicated to all Employees and also displayed across all its locations as well as on its intranet.

Your Company has complied with provisions relating to constitution of Internal Committee (IC) under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. IC meets every quarter and submits the minutes of meeting to the employer i.e. Managing Director. During the reporting year, four such meetings were conducted and no complaint has been received.

During the reporting year, to create ongoing awareness, your Company has :

- Continued with a PoSH Awareness Module in its employee induction program.
- Conducted nine workshops (in induction programs) for 28 new employees.

**25. EMPLOYEES**

Your Company has taken several initiatives for Human Resource Development and manpower retention. Manpower is classified under Frontend, Internal and Support functions for better Customer Reach and Support. Assessment of performance through a robust and interactive PMS procedure, identifying



Learning needs through the 70-20-10 format, Career Counselling and Skill Development Programs are some of the initiatives adopted by your Company. Training programs are designed to enhance skills, knowledge and behaviour. Employees are motivated through empowerment and rewards for good performance. Adoption of 5S across the Company has led to a clean and healthy environment. Your Company has achieved an India benchmark employee engagement score of 85 in the engagement survey 2019 conducted by an external Independent Agency. Your Company has been conferred with “Prize for Leadership in HR Excellence” in the 11<sup>th</sup> CII HR Excellence Award – 2020.

Your Company has 711 permanent employees on its rolls as on 31<sup>st</sup> March, 2021.

## 26. ACKNOWLEDGEMENT

The outbreak of the COVID-19 pandemic resulted into loss of several lives in India and abroad. Various stakeholders have lost their colleagues, close relatives and acquaintances. The Directors regret this loss and are deeply grateful to and have immense respect for every stakeholder who risked his / her life in fighting this pandemic.

The Directors wish to convey their appreciation to all employees for their individual efforts and collective contribution to your Company's performance under difficult and challenging conditions. The Directors would also like to thank the shareholders, customers, dealers, suppliers, bankers and all other stakeholders for their continued support and confidence in the management of the Company.

For and on behalf of the Board of Directors

sd/-

**Rahul C Kirloskar**

Executive Chairman

DIN 00007319

Place : Pune

Date : 29<sup>th</sup> April, 2021

**ANNEXURE "1" TO THE BOARD'S REPORT  
SECRETARIAL AUDIT REPORT**

**Form No. MR-3**  
SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED **March 31, 2021**

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule no. 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014  
and

Pursuant to Regulation 24A of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015]

To,  
The Members,  
Kirloskar Pneumatic Company Limited  
Hadapsar, Industrial Estate,  
Pune – 411013

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kirloskar Pneumatic Company Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided and explanation provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2021 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2021 according to the provisions of:

- i. The Companies Act, 2013, as amended from time to time (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment, wherever applicable;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), Regulations, 2018 **(not applicable to the Company during the audit Period)**;

- d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(not applicable to the Company during the audit Period)**;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(not applicable to the Company during the audit Period)**; and
  - h) The Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 **(not applicable to the Company during the audit Period)**
- vi. We further report that having regards to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, no other law was applicable specifically to the Company.

We have also examined compliance with the applicable clauses and regulations of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India.
- ii. The Listing Agreement entered into by the Company with Stock Exchange pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendments thereto.

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

**We further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. However, as required under sub-rule 2 of Rule 6 of Companies (Appointment and Qualification of Directors) Rules, 2014 the validity of registration as independent Director, as per the certificate issued by the Indian Institute of Corporate Affairs (IICA), of one of the independent directors of the company was valid till January 27, 2021 and the renewal is delayed due to prevailing pandemic situation of Covid-19. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

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

We further report that during the audit period, there were no specific events / actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. except following:

- 1. The members of the Company have approved the following resolutions by way of postal ballot dated July 30, 2021;

## KIRLOSKAR PNEUMATIC COMPANY LIMITED

A Kirloskar Group Company

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- a) Special resolution for re-appointment of Mr. K Venkataramanan as an Independent Director of the Company, for second term of two consecutive years and of Mrs. Nalini Venkatesh as an Independent Director of the Company, for second term of five consecutive years.
  - b) Ordinary resolution for appointment of Mr. K Srinivasan as an Independent Director of the Company for the first term of five consecutive years.
2. Mr. Aditya Kowshik ceased to be Managing Director of the Company w .e. f January 2, 2021 and Mr. K Srinivasan who was appointed as Whole Time Director w. e. f. October 27, 2020 to January 01, 2021 and was designated as Managing Director of the Company w.e.f. from January 2, 2021
  3. Securities and Exchange Board of India (SEBI) has passed an order dated 20<sup>th</sup> October, 2020, against which certain promoters / directors of the Company has gone to appeal with Hon'ble Securities Appellate Tribunal (The SAT). The SAT has passed an interim order dated December 24, 2020 for staying the operation and effect of the said SEBI Order. Further hearing in this matter is pending.

For **SVD & Associates**

Company Secretaries

sd/-

Sridhar G Mudaliar

Partner

FCS No: 6156

CP No: 2664

Place: Pune

Date: April 29, 2021

UDIN : F006156C000196381

**Note:** This report is to be read with letter of even date by the Secretarial Auditors, which is annexed as Annexure A and forms an integral part of this report.

**'ANNEXURE A'**

To,  
The Members,  
Kirloskar Pneumatic Company Limited  
Hadapsar, Industrial Estate,  
Pune-411013

Our Secretarial Audit Report of even date is to be read along with this letter.

**Management's Responsibility**

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

**Auditor's Responsibility**

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. We have relied on the documents and evidences provided by electronic mode, in view of prevailing pandemic situation of Covid-19.
5. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events, etc.

**Disclaimer**

6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
7. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.

For **SVD & Associates**

Company Secretaries

sd/-

Sridhar G Mudaliar

Partner

FCS No: 6156

CP No: 2664

Place: Pune

Date: April 29, 2021

UDIN : F006156C000196381

## ANNEXURE "2" TO THE BOARD'S REPORT

### ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2020-21

**1. A brief outline of the Company's CSR Policy**

The focus of CSR activities will be on Education, Environment and Health.

While devising projects, care would be taken to promote education, health and sanitation, protect the environment and minimize adverse impact, if any, on the society at large.

The Company shall spend at least 2% (two percent) of the average net profits, calculated in accordance with the provisions of the Companies Act, 2013 and Rules thereunder, made by it in three immediately preceding financial years, in every financial year.

**2. The Composition of the CSR Committee of the Company**

The CSR Committee consists of :

Sl No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mr Rahul C Kirloskar	Executive Chairman (Chairman of CSR Committee)	2	2
2.	Mr Aditya Kowshik (upto 1 <sup>st</sup> January, 2021)	*Managing Director (Member of CSR Committee)	2	1
3.	Mr K Srinivasan (w.e.f. 21 <sup>st</sup> January, 2021)	**Managing Director (Member of CSR Committee)	2	1
4.	Mr Sunil Shah Singh	Independent, Non-Executive Director (Member of CSR Committee)	2	2
5.	Mrs Nalini Venkatesh	Independent, Non-Executive Director (Member of CSR Committee)	2	2

Notes :

\* Ceased to be Director and Managing Director of the Company on account of his retirement on 1<sup>st</sup> January, 2021.

\*\* Appointed as an Additional and Whole-time Director designated as Executive Director of the Company w.e.f. 27<sup>th</sup> October, 2020 and further re-designated as Managing Director w.e.f. 2<sup>nd</sup> January, 2021.

**3. Web-link where Composition of CSR Committee, CSR Policy and CSR Programmes approved by the Board are disclosed on website of the Company :**

Composition of CSR Committee

[https://kirloskarpneumatic.com/site/assets/files/1031/composition\\_of\\_various\\_committees\\_of\\_board\\_of\\_directors-1.pdf](https://kirloskarpneumatic.com/site/assets/files/1031/composition_of_various_committees_of_board_of_directors-1.pdf)

CSR Policy approved by the Board

[https://kirloskarpneumatic.com/site/assets/files/2181/corporate\\_social\\_responsibility\\_csr\\_policy-1.pdf](https://kirloskarpneumatic.com/site/assets/files/2181/corporate_social_responsibility_csr_policy-1.pdf)

CSR Programmes approved by the Board

<https://kirloskarpneumatic.com/csr/csr-programs-approved-by-the-board/>



4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report) :

Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any : Nil

6. Average net profit of the Company as per Section 135(5) : Rs. 709.41 Million

7. Prescribed CSR Expenditure (two per cent of the amount as in item 6 above): The Company is required to spend Rs. 14.2 Million towards CSR.

- a. Two percent of average net profit of the Company as per section 135(5) : Rs. 14.2 Million
- b. Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Rs. NIL
- c. Amount required to be set off for the financial year, if any: Rs. NIL
- d. Total CSR obligation for the financial year (7a+7b- 7c) : Rs. 14.2 Million

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
Rs. 14.2 Million	NIL		NIL		

- (b) Details of CSR amount spent against ongoing projects for the financial year: Not Applicable

- (c) Details of CSR amount spent against **other than ongoing projects** for the financial year:

1	2	3	4	5	6	7	8
Sr No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No)	Location of the project. (State, District)	Amount spent in the current financial Year (Rs. in Million)	Mode of Implementation - Direct (Yes/ No)	Mode of Implementation Through Implementing Agency (Name, CSR Registration Number)
1	Contribution by way of donation for promoting education	(ii) promoting education	Yes	Pune (Maharashtra)	9.2	No	Kirloskar Institute of Advanced Management & Studies
2	CSR activities under Education and Environment • KaShi (Kanya Shiksha) • Bharari • Kirloskar Vasundhara Initiative	(ii) promoting education  (iv) ensuring environmental sustainability	Yes	Pune (Maharashtra), Uttar Pradesh, Gujarat, Rajasthan and Madhya Pradesh	2.2	Yes: KaShi (Kanya Shiksha)	Bharari through Madhavi Kapur Foundation Kirloskar Vasundhara through Vasundhara Club
3	CSR activities under Health & Hygiene • School Health Initiative • DISHA-HIV AIDS Initiative • Kirloskar WaSH Initiative	(i) promoting health care including preventive health care	Yes	Pune (Maharashtra)	2.8	Yes: School Health Initiative Kirloskar WaSH Initiative	DISHA through Deep Griha Society
TOTAL					14.2		

- (d) Amount spent in Administrative Overheads :Rs. NIL
- (e) Amount spent on Impact Assessment, if applicable : Not Applicable
- (f) Total amount spent for the Financial Year (8b+8c+8d+8e) : Rs. 14.2 Million
- (g) Excess amount for set off, if any : Not Applicable

## KIRLOSKAR PNEUMATIC COMPANY LIMITED

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- 9 (a) Details of Unspent CSR amount for the preceding three financial years: Not Applicable
- (b) Details of CSR amount spent in the financial year for **ongoing projects** of the preceding financial year(s): Not Applicable
10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details): Not Applicable
11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): Not Applicable

For Kirloskar Pneumatic Company Limited

Sd/-  
Suhas S Kolhatkar  
Vice President &  
Chief Finance Officer

Sd/-  
K Srinivasan  
Managing Director  
DIN 00088424

Sd/-  
Rahul C Kirloskar  
Executive Chairman &  
Chairman CSR Committee  
DIN 00007319

Place : Pune

Date : 29<sup>th</sup> April, 2021

## ANNEXURE "3" TO THE BOARD'S REPORT

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

[Section 134 of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014]  
Conservation of natural resources and environment protection is of utmost importance to all of us. Your Company's commitment to energy conservation is evident from consistent implementation and recognition of our ENCON projects.

#### A. CONSERVATION OF ENERGY

##### i. The steps taken or impact on conservation of Energy:

Total 29 Nos. ENCON projects implemented by using new technology, by waste elimination, by reuse and recycling in different areas like power, process, lighting, natural resources. Some of the projects are as under:

##### a. Continuous projects

- Timer controlled switching ON/OFF of street light.
- Isolation of 1500 kVA transformer from HT and LT side.
- Use of dry type paint booth to eliminate water consumption for painting operation.
- Use of energy efficient LED lights, energy efficient motors at shop floor and office area, street light in all divisions.
- Timer based operation of domestic water circulation pump at Hadapsar Plant.
- Saving in water consumption by maintaining water filtration plant at Saswad Plant.
- TOD Tariff benefit by scheduling activities at Heat Treatment Shop.
- Switch 'OFF' Power Transformer at no load condition and save no load losses.
- Maximum demand control through remote control operation.
- Transformer of 1 MW gear testing to be put off during no load and on holidays to avoid no load power consumption.
- Rigorous Planned Maintenance of Compressed Air Grid with intent to eliminate Air Leakage.

##### b. Process improvement projects

- Conversion of Aluminium turning into LM 13 INGOTS for production of Pistons in Non-Ferrous Foundry.
- Use of direct heating instead of indirect heating system on Phosphating plant.
- Multiple crank case loading at Phosphating plant.
- Reduction in air grid pressure by 0.5 bar of compressed air at foundry compressor to achieve energy saving.
- Improvement in heat transfer efficiency of phosphating plant at Saswad.
- Reduction in surface temperature loss while pouring of molten metal in foundry.
- Proper utilization of stress relieving furnaces by improving net weight loading percentage and TOD tariff.

- Process improvement in cycle time reduction by 1.5 hrs at heat treatment carburizing furnaces.
- Use of face driver attachment for all type of between center shaft for turning operation.
- Reduction in energy consumption by elimination of 1500 kVA (3.3 kV / 415 V) transformer switching ON continuously for BOP testing.
- Improvement in net weight loading percentage of heat treatment furnace by fixture modification.
- Process modification for HP cylinder and gear housing machining operation at Air compressor division.

**c. New Technology**

- VFD interfacing to 15kW Wheelabrator motor for energy of Shot Blasting Machine.
- Use of energy efficient High Bay 140W LED lights instead of less efficient High Bay conventional 250W T5 fittings in Heat Treatment & TRM Assembly.
- Replacement of Reciprocating Compressor by new energy efficient Screw Compressor in Hofler shop.
- Replacement of less efficient old AC with new energy efficient split Inverter AC.
- Replacement of IE2 Spindle motor of VTL with energy efficient IE 3 grade motor.
- Conversion of office lighting from 72 W conventional lights to 36 W led at Saswad.
- Replaced old conventional transformer by 1600 kVA energy efficient, hermetically sealed transformer, losses per IS 1180 energy efficiency level 2 during TRM shop expansion.
- VFD based control panel with pressure transducer for controlling pressure of water circulation of induction furnace.
- Installation of Energy Monitoring System (EMS) system for Hadapsar Plant.
- Use of Human Sensor for office lightening & of AC saver.
- Use of thyrister controlled PID base control panel for heat treatment furnace.
- Introduction of "Nail less" packing at our Saswad and Hadapsar Plant. This eliminates the hazards of nailing.

**d. Waste elimination**

- Energy Saving by use of compressor test bed air to utility air grid at Hadapsar plant.
- Saving in cutting oil consumption by recovering oil from hobbing burr and grinding dust, 13.6 KL of oil recovered in FY 21.
- Loading of non VFD compressor and switching off VFD compressor during irregular demand as motor is switch off after unloading to achieve energy efficiency at Saswad.
- Use of scrap casting burr for making new casting at ferrous foundry. Total of 94.9 Tons of metal scrap is reused to make new ferrous casting Conversion of Aluminium turning burr for production of Pistons in Non-Ferrous Foundry. Total of 3.7 Tons of aluminium burr is reused to make Aluminium casting.
- Coolant emulsion system implemented to save cutting oil at Saswad.
- Change in pump operating system to avoid unnecessary pump operation at central pump house.

- Reduction of fresh oil consumption at Transmission and Air Compressor & Refrigeration Division with help of oil extraction centrifugal unit.

As a result of steps taken, your Company avoided 735.70 Tons of CO<sub>2</sub> emissions & reduced natural resources consumption like water, oil, aluminium and casting significantly. Use of inverter based / 3 star rated air conditioners, High Bay LED based lighting systems at Hadapsar Plant and LED lighting systems at office area and street lights created positive impact on employees and elicited a good response.

**ii. Steps taken by the company for utilizing alternate sources of energy:**

During the year under review, your Company used 2kWp capacity off-grid solar power plant at Hadapsar Plant. This has fulfilled 24% energy requirement of lighting load installed at OHC, E&E office and employees credit society.

**iii. The capital investment on energy conservation equipments:**

Company has made capital investment of Rs 1.18 Million on energy conservation equipments and technology adoption for the energy efficiency improvement projects.

**B. TECHNOLOGY ABSORPTION**

**i. Efforts made towards technology absorption:**

- A bigger size Airend 291 is developed to cater higher power range adopting the technology developed for other size of screw compressor.
- With the use of in-house and efficient compressor blocks developed in recent years, new compressor packages have been developed with enhanced features of power / noise reduction with better performance.
- Product upgrade for oil injected diesel compressors for local / outside India market.
- Developed & validated new frame of Centrifugal compressor A-3500 Upgrade to meet stringent requirement of API-672 standard & all major consultants specifications.
- Standardization of Centrifugal compressors with & without canopy.
- Cost reduction of Centrifugal compressors through design and use of alternative vendors.
- Water cooled and air-cooled cooler standardization and cost reduction for Reciprocating compressors.
- Launched Reciprocating compressor HY frame (PKE-05-RE) with tandem arrangement for PET application.
- Acoustic Canopy development for Reciprocating compressor T-BTD-JMas silent package.
- Development of Single & Four stage reciprocating compressor with variable capacity control for SYN gas and Nitrogen application.
- KPCL designed fixed profile bearings successfully implemented and manufactured indigenously.
- Development of Tilting pad bearings for high speed applications has been taken up.

**ii. Benefits derived like product improvement, cost reduction, product development or import substitution:**

- New screw compressor packages with improved performance, features along with in-house make compressor blocks benefited the organisation in indigenisation and cost reduction.

- Upgraded design in diesel screw compressor for Indian market will increase the product performance and organisation's market share.
  - New frame of centrifugal compressor that meets requirements of Oil & Gas and Refineries market.
  - Reduced cost of the centrifugal compressors and dependence on single source is avoided.
  - Reduced cost of coolers and higher productivity for Reciprocating compressors.
  - New compressor for PET application.
  - New reciprocating compressor availability for SYN gas & Nitrogen application.
  - New screw air end development enabled us to manufacture our own compressors with reduced cost compared to imported compressors. This resulted in import substitution as well as indigenisation. Design upgraded in Electric screw compressor for cost and design optimization. This will enhance product performance and market share.
  - Standardization with design optimization of water cooled reciprocating compressors for cost reduction.
  - Standardization with design optimization of air cooled reciprocating compressors for cost reduction will enhance market share.
  - Air Cooled PCX2 compressor is having 10% improved efficiency than water cooled PC2 compressor.
  - Having in house ability to offer Indigenous gearboxes for powers up to 50 MW power will make KPCL a recognized player in niche High speed, High power transmission segment. This will result in more contribution levels.
  - Having in house design and analysis ability of sliding bearings will facilitate fast deliveries of gearboxes and flexibility to select the vendors of bearings. More optimization for reduced power losses can be done so that the gearboxes become more efficient.
- iii. **Imported technology (imported during the last three years reckoned from the beginning of the financial year) : NIL.**
- iv. **Expenditure incurred on Research and Development : Rs. 110.68 Million.**

**C. Foreign Exchange Earnings and Outgo**

Foreign Exchange Earning earned during the year : Rs. 242.43 Million.

Foreign Exchange Outgo during the year : Rs. 751.56 Million.



**ANNEXURE "4" TO THE BOARD'S REPORT**

**DISCLOSURE PURSUANT TO SECTION 197 (12) OF THE COMPANIES ACT, 2013  
AND  
THE RULES MADE THEREUNDER**

**A. Information as per Section 197 (12) and Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:**

i) & ii) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year and the percentage increase in remuneration of each Director & KMP in the financial year :

<b>Sr. No.</b>	<b>Name of the Director / KMP and Designation</b>	<b>% Increase in Remuneration in the FY 2020-21</b>	<b>Ratio of remuneration of each Director / to median remuneration of employees</b>
1	Mr Rahul C Kirloskar Executive Chairman	1.09	41.14
2	Mr Atul C Kirloskar Non-Executive Director	Nil	0.94
3	Mr Vikram S Kirloskar Non-Executive Director	170	0.55
4	Mr G Krishna Rao Independent Director	Nil	2.43
5	Mr D R Swar Non-Executive Director	Nil	2.27
6	Mr Sunil Shah Singh Independent Director	14	2.48
7	Dr Ajay Dua Independent Director	Nil	2.02
8	Mr K Venkataramanan Independent Director	Nil	2.22
9	Mrs Nalini Venkatesh Independent Director	Nil	1.00
10	Mr K Srinivasan* Managing Director	NA*	NA*
11	Mr Tejas Deshpande** Independent Director	NA**	NA**
12	Mr Mahesh Chhabria** Non-Executive Director	NA**	NA**
13	Mr Aditya Kowshik Managing Director	6.21	40.79
14	Mr Suhas S Kolhatkar Vice President and Chief Financial Officer	Nil	NA
15	Mr Jitendra R Shah Company Secretary & Head Legal	Nil	NA

## KIRLOSKAR PNEUMATIC COMPANY LIMITED

A Kirloskar Group Company

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### Notes :

1. Liability for gratuity and leave encashment is provided on actuarial basis for the company as a whole hence the amount pertaining to Key Managerial Personnel cannot be ascertained separately and hence is not included above.
  2. \*Details not given as Mr K Srinivasan was Independent Director for part of the financial year 2020-21 i.e. 25<sup>th</sup> June, 2020 to 27<sup>th</sup> October, 2020. He was further appointed as Additional Director designated as Executive Director w.e.f. 27<sup>th</sup> October, 2020 and further re-designated as Managing Director w.e.f. 2<sup>nd</sup> January, 2021.
  3. \*\*Details not given as Mr Tejas Deshpande and Mr Mahesh Chhabria are Director only for part of the financial year 2020-21 i.e. w.e.f. 27<sup>th</sup> October, 2020 and 3<sup>rd</sup> March, 2021, respectively.
- iii) In the financial year, there was an increase of 1.83% in the median remuneration of employees.
- iv) There were 711 permanent employees on the rolls of Company as on 31<sup>st</sup> March, 2021.
- v) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2020-21 was NIL whereas average percentage increase in the managerial remuneration is 20.35% due to co-opted additional members on the Board and value of perquisite on the exercise of stock options.
- vi) The Board affirms that the remuneration is as per the remuneration policy of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

*Better under Pressure !*



### Theme:

Note: In this Report, the word "KPCL" or "Company" refers to "Kirloskar Pneumatic Company Limited".

The image shows two allotropes of Carbon – Coal when subject to extreme pressure and temperature transforms to diamond.

The various allotropes of Carbon have all had an extraordinary role in human lives. They have been the primary source of energy for hundreds of years (Coal), they have been used to write (graphite in Pencils), they are used as refractory insulation in steel making as well as electrical contacts brushes in motors (graphite). And they are a symbol of eternal value – Diamonds !

As the world moves from the silicon age to the graphene age its yet another allotrope of Carbon that's showing the way !

At KPCL, we have been making Compressors for many years for many applications. Right from basic air compressors to compressors for various refrigerants, compressors to handle natural gas, compressors to handle other gases and hydrocarbons. Not just compressors, we provide complete package solutions for various requirements – be it for a CNG gas station or a Petrochemical complex needing process refrigeration.

Be it for LPG bottling or for climate control in submarines. Not to forget the compressors that we deliver to the Oxygen plants. We do it all. In good times; in tough times.

After all working with Pressure is our business !

## Overview:

KPCL is a diversified product company serving key sectors viz. Industrial, Oil & Gas, Infrastructure & Food Processing markets. The Company's broad in-house resources provide the capability to engineer, design, manufacture, construct, commission and service products and systems.

Your Company's manufacturing facilities at Hadapsar, Saswad and Nashik are modern and investments have been planned to ensure that State of the Art manufacturing technologies will always be in place. Your Company has highly qualified and trained Service Personnel across India with Sales & Service networks in place at strategic locations in India.

Your Company is a dominant market leader in some of the areas of its business and is now looking at exports to the Middle East, South East Asia, Indo China, South and West Africa. Your Company has also decided to strengthen the Sales & Service network in countries targeted for exports. This growth in export revenue will be achieved with a combination of Products & Projects.

Your Company has two business segments – Compression Products / Systems and Transmission Products, having a wide range of products and solutions.

## Indian Economy & Economic Prospects:

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF), and it is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships.

As per the IMF in April 2021, India will have a sizeable upward revision of 12.5 percent in GDP on account of continued normalization of its economy and a more growth-friendly fiscal policy, but the current surge in Covid infections presents a worrisome downside risk.

Recently, the Reserve Bank maintained its 10.5 percent GDP growth estimate, but the rising cases as the biggest impediment to recovery.

Although a recovery is now underway, and the pandemic is receding in some countries, elsewhere, second and third waves of infections are raging, notably in India and some of the ASEAN economies. While exports and manufacturing generally have held up, due to surge in global demand for pandemic related supplies, services are taking longer to recover, adding to sectoral divergence.

There is uncertainty surrounding projections of growth rate issued by multiple agencies like IMF, RBI, etc. Setbacks in the vaccine rollout, questions about the potency of the vaccine against new variants of the disease, and a resurgence of the virus, together, constitute a key downside risk. On the upside, however, a faster vaccine rollout would propel the economic recovery. Strong international cooperation remains essential to ensure adequate vaccine production and universal distribution at affordable prices. In this respect, the efforts of India has been commendable, and therefore we should hope that we continue to make supplies available to other countries, while ensuring adequate supplies at home.

The impact of the second wave may not be as disruptive as the first one, despite the daily case load touching three times of the first wave's peak, as administration is experienced and prepared to handle the wave. Also, businesses and other economic agents are better prepared and there is a significant amount of learning by doing, which can help them withstand and navigate through the second wave of COVID-19 crisis. Additionally, the vaccine will also enhance safety and reduce the fear element among the vaccinated community.

## Industry Structure and Developments, Segment Analysis, Risks and Concerns, Opportunities & Threats and Outlook:

### 1. Compression Products:

Your Company's product portfolio includes Air, Gas and Refrigeration Compressors, Packages and Systems. These products primarily serve Oil and Gas, Cold Chain, Industrial markets and Defence needs of compression systems. The Company's in-house resources provide the capability to engineer, design, manufacture, construct, commission and service systems.

**a. Air Compressors ( ACD ):**

We make a wide range of compressors for various requirements. The global air compressor market is said to be about \$ 30 Bil and continuing to grow at over 3%. The Indian market is said



to be about Rs 4,500 crores and is largely fragmented with the top 4 players having a combined share of less than 60%. Most players continue to import key inputs – be it the Impeller or Rotors. The smaller players and niche players import complete air ends.

In terms of products, Air Compressors can be broadly classified as Reciprocating Compressors, Screw Compressors and Centrifugal Compressors. Over 60% of the market is now with Screw

Compressors. KPCL is probably the only Company that manufactures in India all the three products with all inputs – be it Impellers or Screws – made in its plant in India. Further KPCL is also unique in that it has the capability to design Rotor profiles for various applications / uses in India and to manufacture the same in its plant on state-of-the-art machines. In this sense, the decision to take the less travelled route of working on understanding the 'Know why' and to build our own IP rather than go for straight forward 'Know how' transfer is starting to paying off. In the last couple of years, a core team of Designers have been working with The City University UK to understand, assimilate and develop our own designs. A slew of best-in-class products are in the offing. Clearly the best is yet to come.



**b. Refrigeration Compressors & Systems ( ACR ):**

The refrigeration compressor market is over \$ 60 Bil globally. A significant part of this is for transportation and storage of perishable goods. The temperature tends to be about 0° C. We do not address this market. We are in the range from -10° C and below.

This market is about \$ 8 Bil and growing by over 3% annually. The Indian market is about Rs 1,200 crores and growing at about 8%.

The key industries that we address are Cold Storages, Ice plants, Fisheries, Milk / Dairy, Meat plants, Pharmaceutical, Fertilizer and Chemical plants, Oil & Gas plants etc. The key products are the reciprocating compressors for industrial refrigeration, Screw compressors packages for various refrigerants and Centrifugal compressors for large Refineries & Petro-chemical





plants. We are market leaders in the Ammonia compressor segment. Ammonia is the most economical and safe refrigerant. In addition it has the lowest environmental impact. Most Cold Chains, Ice plants and Fisheries use this. KPCL has the widest range of these compressors and we deliver this through a strong distributor network to the Cold Chain OEs. With increasing emphasis on food processing and storage, this segment is expected to grow dramatically in the

years ahead.

We also build a range of Vapour Absorption Chillers (VAC) that are extensively used in Pharma, Paper plants and other industry having large quantity of steam. Our VAC's are seen as far more efficient than those available in the market. This is a growth area for us.

KPCL are leaders in delivering complex Heat, Ventilation & Air Conditioning (HVAC) systems to the Naval ships and submarines. There are new developments happening in this space with the introduction of the 'sliding-bearing' units. This will not only enhance the performance of the HVAC units but also make it more robust.



The large refrigeration systems that we deliver to the Oil & Gas sector and the Petrochemical sector are complex 'fail-safe' systems that ensure smooth plant operations. KPCL have a leadership position in India in this space.

One notable area that we would address going forward is the Screw Compressors for the Pharma and Food processing Industry (500 TR and above). This is under development and we hope to have a solution for this segment which is currently being served by imports.

### c. Gas Compressor Systems ( PGS ):

The global market for gas compressor systems is about \$ 3 Bil. This includes the Upstream Mid-stream and Downstream systems. This is currently growing at over 5% due to newer gas finds / production. In addition to the traditional Natural Gas, we have newer gas production from Shale gas, Coal bed methane and Bio gas. Based on the distance to be transported, gas is carried in pipes or liquefied and carried in cryogenic tankers. In all cases, right from the extraction at the well, production at the plant, carrying it through pipeline and finally delivering at the gas stations into the motor vehicles, KPCL is involved with its compressor systems. The Indian market is rapidly evolving and is expected to double as the percentage of gas in the energy basket moves from 6 % to 12%.

With strong Proven Track Record (PTR) as a prerequisite to participate in this industry, KPCL will significantly benefit from this market growth in the coming years.

Broadly, KPCL's offering in this space falls into two groups: The CNG packages for the Gas Stations



and the complex Compression Systems for the gas plants and gas / oil wells.

All compressors used in this space are predominantly, reciprocating compressors and are expected to be compliant of American Petroleum Industry (API) standard.

KPCL is unique in that it manufactures the compressors for the CNG packages in India unlike most others. This gives it a sustainable competitive advantage. We make, deliver, commission and run these plants 24 x 7 x 365 days across 15 States in India.



Performance: During the year, revenue for the Compression Product segment was Rs 7,853 Million (Previous year Rs 7,752 Million), which marginally grew over previous year. The Compression segment contributed about 95% of our total revenue. In this, Air Compressor sales constitutes about 15% to 18%, Refrigeration and Compression System contributes about 30% to 35% and Gas Compression System constitutes about 45% to 50% of total sales.



KPCL has record sales of CNG packages during the year through the city gas distribution companies. KPCL not only delivered and commissioned most of these plants but actually operated them through pandemic across 15 states on 24/7 basis throughout the year. We expect this volume to grow in the coming years with allotment of 136 GAs in the 9<sup>th</sup> and 10<sup>th</sup> round of the city gas distribution bidding process. This is expected to create demand for around 8,000 CNG

stations in the next eight years.

During the reporting year, KPCL continues to deliver large gas package system to the Oil and Gas sector and this business though it was muted in first half, picked up very well in second half.

## 2. Transmission Products:

### Gears & Transmission ( TRM ):

This has its origins in the 60's when the Indian Railways needed Gears and Transmission on a war footing. KPCL stepped into this and built a robust business. Over the years this requirement changed. At KPCL too, we changed; we moved on to make Hydro-Pneumatic Suspension for the tanks and started building customised gearboxes. The change was both time consuming and expensive as new capabilities had to be built. High performance CNC machines needed to be bought. New skill sets had to be developed. The Company had to take a strategic call in going this way: Do we invest; work through the learning / proving curve (particularly with Defense supplies the approval is a long process) or we simply exit the business? We took a long term view: Compressors were our Core Business and the fastest growing segment was clearly going to the Centrifugal Compressors. And in a Centrifugal compressor the heart is a High Speed Gear Box !



Building a sustainable competitive advantage meant that we needed to have an integrated Value Chain – we needed to keep and build our Gear business.

Today we build one of the finest range of Centrifugal compressors with a fully integrated Value Chain – gears, impellers, castings, high precision grinding and super-balancing – all done in-house. As this segment grows, KPCL's right-to-win position in this will ensure leadership in this market.

Your Company offers a wide range of products that includes – Traction Gears, Customised Gearboxes and Specialized Products. These products primarily serve Indian Railways and other industrial markets sub-divided into segments – Steel, Cement, Power,

Sugar and Wind Power, etc.

Performance: With muted demand in railway business and sub-megawatt wind turbine business, during the year, revenue for the Transmission Product segment was Rs 313 Million (Previous year Rs 478 Million).

### 3. Other:

#### RoadRailer ( RR ):

In the 90's Wabash US, popularized the intermodal - Road & Rail – transportation concept in the US. It quickly moved on to other parts of the world that had long distances to cover. For KPCL this was the typical 'Kirloskar iron plough' moment \*– to go out and pioneer a concept that could fundamentally change the way things are done.

India had long distance haulages; relatively poor / crowded road network with no specific cargo carriage ways; plus KPCL had been working with the Indian Railways of over 30 years with its gear and transmission business. A detailed plan for building the RoadRailers in India under license; getting the necessary approvals from the Railways; Permits to run the Railers on the road for end-to-end connection with the customers; setting up the terminals at Chennai and Delhi were all done. The Nashik plant of KPCL was suitably modified to build the RoadRailers. The KPCL team was sent to Wabash for training.



The project finally started rolling by 2016. KPCL was creating a category in India all alone; Dealing with Railways for trying out and running RoadRailers as a 50 unit train on its tracks from Chennai to Delhi and back, States for road permit and with logistic partners who needed to pick cargos from customers and have it delivered at the destination. It was not easy but we persisted. Last year, in spite of over the 4 months Covid shut down and all other challenges, we operated

over 1,250 RoadRailers between Chennai & Delhi. Clearly the concept has now been accepted by the Customers. We expect to rapidly scale up the numbers as well as the routes across India going forward.

\* India's 1<sup>st</sup> iron plough was introduced in 1904 by our founder Late Shri Laxmanrao Kirloskar

### **Technology:**

KPCL has over the years built its in-house capability to design, manufacture and test Compressors and Compressor systems. With over 90 engineers engaged in Design and Development activity, we would be bringing out a slew of newer products going forward.

We have strengthened our design capability by further investment in software packages that allows us to simulate various conditions and to have predictable outcomes.

The DSIR registration for R&D is being renewed and a strong focus on building our IP through Patent filing is initiated.

In the last few years, significant investment has been made in modernising the plant at both Hadapsar and at Saswad. The latest of CNC machines from Japan and Europe have been installed and commissioned to deliver consistently superior quality products.

The captive foundry is being upgraded to give a special thrust in using material science as a competitive advantage.

KPCL has embarked on its Industry 4.0 journey. We today have nearly all our Screw compressors with 'smart sensors' and IOT making them easier to track, monitor and service. The plants have more connected machines that allow us to optimise machine utilisation and throughput.

Clearly all this will allow us to move from a 'Right-to-play' position to a 'Right-to-win' position.

### **Internal Control Systems and their Adequacy:**

Your Company is very conscious of the risks involved in supply of products and execution of projects and a very elaborate Risk Management Process is in place for the Company and the Company wide Risk Management Matrix is derived from Divisional Risk Management Process. There is a continuous monitoring on receivables and generations of free cash. More details are given in Director's Report.

### **Operating Performance:**

During the year under review, revenue from operations remains almost at the same level as compared to previous year. Operating profits however increased due to product mix and lower cost compared to the previous year. With a strong order board at the start of the year, your Company is poised to achieve better results in the year.

During the year, there were no significant variations in the key financial ratios such as Debtors Turnover, Inventory Turnover, Debt Equity Ratio, Interest Coverage Ratio, Current Ratio, Operating Profit Margin and Net Profit Margin as compared to previous financial year.

As on 31<sup>st</sup> March, 2021 your Company's return on net worth improved to 11.80% as compared to 10.80% in the previous financial year resulting from increase in profit for the year.

### **Safety, Health and Environment:**

Your Company is one of the few IMS (Integrated Management System - ISO 9001, ISO 14001 and ISO 45001) Certified Companies. During the year, at the time of Surveillance Audit along with up-gradation to ISO 45001, your Company received a certificate certifying that Company has established and applies an Integrated Management System - ISO 9001, ISO 14001 and ISO 45001, which is valid up to 27<sup>th</sup> August, 2021. Your Company is committed to comply with all statutory and regulatory requirements. Your Company has been making efforts in building awareness among employees, suppliers and service providers. Your Company has given a lot of attention to improving greenery all around its manufacturing plants. Energy conservation initiatives, safety initiatives and quality initiatives are being taken on a regular basis to ensure sustainability.

The Company has a well-equipped Occupational Health Centre that delivers qualitative preventive health services not only to its employees but also to their families and to the society at large. First- Aid



preparedness and an equipped ambulance are available at all times in the factory premises. Medical surveillance that includes pre-employment, periodic medical examinations and occupational rehabilitation is ensured so that employee health and well-being are maintained. Hospitalized employees are given meaningful help and reassurance. Annual Wellness Planner ensures that all employees are covered under preventive health checks and health promotion programmes. Special Awareness drives regarding the COVID-19 preventive protocols were conducted at all locations. All COVID-19 positive cases were assisted during the year.

**Corporate Social Responsibility ( CSR ):**



Inspired by our founder Late Shri S L Kirloskar all our CSR initiatives are focused in the areas of Education, Environment and Health. CSR initiatives in your Company are planned, budgeted, implemented and reviewed regularly. CSR provides a volunteering platform to the employees and about 20% of employees volunteer to actively contribute for a social cause every year.

Your Company has contributed an amount of Rs 9.2 Million by way of donation to Kirloskar Institute of

Advanced Management and Studies for promoting education.

Awareness on Sanitation is a national agenda. Your Company through Kirloskar WaSH Initiative creates awareness about water, sanitation and hygiene among students from schools in the vicinity of Hadapsar, Saswad and Nashik plants by deploying employee volunteers. Additionally School Health Initiative offers preventive health checkups to students and teachers of many of these schools. This year during post COVID-19 reopening of some of these schools, need based supports like face masks, hand sanitizers, liquid soap, sanitization equipment & material, awareness display posters etc. were provided by expanding the scope under these two initiatives. Uniquely physically challenged children of one of the supported residential schools (Society for Welfare of Physically Handicapped & Research Centre, Pune) were provided with artificial orthopaedic aids / appliances during COVID-19 Pandemic situation thus reducing their hardships considerably.

To create awareness about HIV AIDS amongst different sections of the society your Company's DISHA project reaches out to members of the general community including secondary school and college students. This year DISHA Initiative provided supports in the form of grocery kits, face masks, hand sanitizers etc. to PLHIV (People Living with HIV) and other socio-economically affected families in the vicinity of the Company particularly from Tadiwala and Ramtekdi slums of Pune during COVID-19 pandemic.



Your Company has started supporting various initiatives in schools associated with Ramnadi Restoration Mission through its RRM School Project in addition to participating in an online Ramnadi Festival and other Kirloskar Vasundhara Initiative related activities. This year river restoration message was propagated for children by painting walls in these schools associated with the project.

Your Company is supporting Education of girls, by supporting daughters of workmen of Cold Storage Units from UP, Gujarat, Rajasthan and MP. This unique CSR Initiative, named KaShi, is implemented by employee Volunteers from Regional Offices of the Company in North and West in collaboration with respective State Cold Storage Associations.

Socio-economically challenged girl students from 5<sup>th</sup> to 10<sup>th</sup> Std. from a school in the vicinity of Saswad Plant are supported for development through Bharari Initiative. This year Bharari Online learning was facilitated through Madhavi Kapur Foundation (100 Day Planner for 9<sup>th</sup> and 10<sup>th</sup> Std.) To enable eLearning in COVID-19 Pandemic situation Bharari Classroom with virtual learning / audio visual facility was set up in this school and tablets were provided to 10<sup>th</sup> Std. students going for Board examination.



### People, Processes and Systems: Its Customer first, always !

KPCL once again won the CII National HR excellence award with a score of over 650.

This is a testimony to the robust HR practices that the company has. During this unprecedented time of pandemic, the company supported its employees, their family as well as our business associates in many ways. We also ensured that the plants and the service set up ran as best as it could, safely, to deliver on our promise to our customers. Over 350 CNG stations across 15 States in India was run by KPCL team right through the pandemic. We delivered over 24 compressors for Oxygen plants on an emergency basis. We had to rush VAC's to Pharma companies to meet their urgent requirement. We were called in to quietly do some emergency work for our defence forces faced with an extraordinary situation at the border. The KPCL team rose to the occasion as one. There were challenges; nearly 15% of the KPCL team were infected and recovered over the last 14 months. Unfortunately two of our colleagues didn't make it. Yet in all this our resolve remained steadfast: Customer first, whatever it takes!

The IMS audits and certification were done remotely and the company continued to invest on its participative culture through 5S, Kaizen & CFT. We participated in National Competition and won several awards.

### Values:

As a part of the Kirloskar Group, KPCL is known for its Values and Ethics in all its dealings. With the pandemic induced uncertainty, a revisiting of the Values was thought of as appropriate and timely. The six Values that will help us in our Strategy and Decision making are:



### Human Resources and Industrial Relations:

The Human Resources (HR) department at KPCL is driven by the mission 'To be an employer of choice'. We look at the employee's entire work life cycle, to ensure timely interventions that help build a long-lasting and fruitful career.

**Recruitment & Staffing:** With the growth of business, we continued to focus on having the most befitting managers with the most relevant job-experience to fill in the vacancies. As such, we do have a robust recruitment and Human Resources Management Process. Changes are made in the process based on employee feedback. Selection of new employees is done through a rigorous process to ensure the right candidate is selected. With the projected growth of the business, more number of engineers are getting trained to manage higher level of manufacturing efficiencies.

The annualized attrition rate for FY-21 stands at 4.3%, as compared to Industrial Average of around 6.0%. We continue to work on simplifying internal processes. HR process owners collaborate with various teams in the Organization to ensure that employees are able to work at their productive best.

**Career Planning:** Aspiring managers do need a career path to contribute better. Accordingly, the Critical Role Holders are identified as part of the succession process. This year due to COVID-19 restrictions most of our L&D initiatives were rolled out through a virtual platform. These programs covered important

topics like Data Analytics and Presentation, Developing Analytical Skills, Managing My Career, Personal Effectiveness for Managers, Personal Leadership, and Team Development etc.

Learning & Development: L&D initiatives are at the foundation of KPCL. Competency Development continues to be a key area of strategic focus for us. During fiscal 2021, the total training provided for employees was over 1.6 days per employee though there were restrictions for in person trainings due to COVID-19. Some of our employees are internal trainers and shared their domain knowledge in the Company. Such an intervention not only fosters a climate of mutual learning, but also encourages others to be a part of the larger community of internal-trainers at KPCL. We recognize their contribution through rewards.

Rewards & Recognition: It is understood that employee-motivation is key to many success stories. Acknowledging one's value-addition and recognising them play an important key role. Recognition schemes are monetary as well as non-monetary. Achievers are recognized every quarter for outstanding achievements as Star of the Month, Spontaneous and Team Rewards by Senior Management. As always, we have continued to focus on the much needed performance differentiation to ensure that our high-potential (HiPo), high-performing employees are driven towards higher purpose and goals. They are being groomed as our Talent-Pipeline to succeed to key roles in future. This year we conducted Virtual Reward and Recognition for our Achievers Felicitation.

Apart from the above, we do measure our performance, with intent to raise the bar of better performance; also to scale up the deliverables from HR team.

In addition to the above, we have mechanisms in place to foster a positive workplace environment, free from harassment of any nature. We have institutionalized the Prevention of Sexual Harassment Initiative (PoSH) framework, through which we address complaints of sexual harassment at the workplace. Our policy assures discretion and guarantees non-retaliation to complainants.

Communication: An attempt to encourage company-wide employee-communication is one of our pursuits. Dialogue is maintained with employees throughout the year through quarterly performance sessions, in-house magazine (Susamwad) and intranet (Shashwat). The employees are aware of various developments in the Company.

Your Company has been selected by CII time and again to showcase Business Excellence, HR, Safety & EHS Policies and their implementation. Many companies regularly visit your Company to get a first-hand impression of these processes. This year we enhanced our reach to our employees through Virtual Round Table sessions (Google meet) across all Business Divisions every quarter. These sessions helped us in communicating Business strategies and gather ideas and suggestions from our employees supporting the theme. The relations with the employees at all levels continue to be cordial.

**Cautionary Statement:**

This Report contains statements relating to future business developments and economic performance that could constitute 'forward looking statements'. While these forward looking statements represent the Company's judgements and future expectations, a number of factors could cause actual developments and results to differ materially from expectations. The Company undertakes no obligation to publicly revise any forward looking statements to reflect future events or circumstances. Further, investors are requested to exercise their own judgement in assessing various risks associated with the Company and also the effectiveness of the measures being taken by the Company in tackling them, as those enumerated in this Report are only as perceived by the Management.

For and on behalf of the  
Board of Directors

sd/-

**Rahul C Kirloskar**  
Executive Chairman  
DIN 00007319

Place : Pune  
Date : 29<sup>th</sup> April, 2021



## REPORT ON CORPORATE GOVERNANCE

The Company has been practicing the principles of good corporate governance over the years. The Directors present below the Company's report on Corporate Governance for the financial year 2020-21.

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company as a part of Kirloskar Group is committed to maintain high standards of Corporate Governance. To us, Corporate Governance means conduct of business with transparency, accountability and business prosperity with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of all other stakeholders as well.

### 2. BOARD OF DIRECTORS:

#### i. Composition and Category of Directors:

The Board of Directors of the Company represents an optimum mix of professionalism, gender, knowledge and experience, comprising of Executive, Non-Executive and Independent Directors. The Chairman is an Executive Director. Overall, there are Twelve Directors as on 31<sup>st</sup> March, 2021 consisting of Six (50%) Non-Executive & Independent Directors including a Woman Director in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'LODR Regulations, 2015'), Four (33%) Non-Executive Directors and Two (17%) Executive Directors. As on 31<sup>st</sup> March, 2021, the composition of the Board of Directors of the Company meets the stipulated requirements of Regulation 17 of the LODR Regulations, 2015.

#### During the reporting year:

In compliance with the Companies Act, 2013 and LODR Regulations, 2015, Mr K Venkataramanan has been re-appointed as Independent Director for a second term by way of Special Resolution, for a period of 2 (Two) consecutive years from 27<sup>th</sup> July, 2020 to 26<sup>th</sup> July, 2022. Mrs Nalini Venkatesh has also been re-appointed as Independent Director by way of Special Resolution, for a second term for a period of 5 (Five) consecutive years from 25<sup>th</sup> July, 2020 to 24<sup>th</sup> July, 2025. Further, approval was also granted to Mrs Nalini Venkatesh who will attain the age of 75 years on 27<sup>th</sup> December, 2024, to continue to hold the directorship as Non-Executive Independent Director of the Company even after she attains the age of 75 years, for her current term.

Further, Mr K Srinivasan was appointed as an Independent Director of the Company by way of an Ordinary Resolution, for a period of 5 (Five) consecutive years from 25<sup>th</sup> June, 2020 to 24<sup>th</sup> June, 2025. However, he tendered his resignation as an Independent Director of the Company on 27<sup>th</sup> October, 2020 in the Board Meeting with immediate effect stating that in view of his proposed appointment as an Executive Director, Mr K Srinivasan resigned as an Independent Director before expiry of his tenure. He also confirmed in the said resignation that there are no other material reasons other than those which are provided in his resignation letter.

In addition, Mr Tejas Deshpande was appointed as an Independent Director by the Board of Directors with effect from 27<sup>th</sup> October, 2020 to hold office for a term of 5 (Five) consecutive years upto 26<sup>th</sup> October, 2025, subject to the approval of the Members.

Mr K Srinivasan was appointed as an Additional and Whole-Time Director designated as Executive Director of the Company by the Board of Directors in the same Board Meeting with effect from 27<sup>th</sup> October, 2020 to 1<sup>st</sup> January, 2021 and was further re-designated as the Managing Director, w.e.f. 2<sup>nd</sup> January, 2021 subject to the approval of the Members.

## KIRLOSKAR PNEUMATIC COMPANY LIMITED

A Kirloskar Group Company

Also, Mr Mahesh Chhabria was appointed as an Additional Director by the Board of Directors with effect from 3<sup>rd</sup> March, 2021 to hold office upto the forthcoming Annual General Meeting.

The Company has issued letter of appointment to all the Independent Directors as per Schedule IV to the Companies Act, 2013 and the terms and conditions of their appointment have been disclosed on the website of the Company namely [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)

None of the Independent Directors of the Company serve as an Independent Director in more than seven listed companies.

Mr Aditya Kowshik, Managing Director ceased to be a Director and Managing Director upon completed his term on 1<sup>st</sup> January, 2021.

### ii. Board Training and Induction:

The Company had arranged familiarization programs for all the Directors during the year. The programs were aimed at acclimatizing the Directors with the processes, business and actual functioning of the Company so as to enable them to carry out their role effectively. The details of familiarization and training programs have been posted on Company's website at following weblink: [https://kirloskarpneumatic.com/site/assets/files/2183/training\\_familiarization\\_program.pdf](https://kirloskarpneumatic.com/site/assets/files/2183/training_familiarization_program.pdf)

### iii. Number of Meetings:

The Board meets at least once in every quarter to review Company's operations and the maximum time gap between any two meetings is not more than 120 days.

During the year ended on 31<sup>st</sup> March, 2021, five Board Meetings were held on:

- 25<sup>th</sup> June, 2020
- 12<sup>th</sup> August, 2020
- 27<sup>th</sup> October, 2020
- 21<sup>st</sup> January, 2021
- 3<sup>rd</sup> March, 2021.

The Annual General Meeting of the Company was held on 21<sup>st</sup> August, 2020.

### iv. Meeting of Independent Directors:

Separate meeting of Independent Directors in compliance with Schedule IV of the Companies Act, 2013 was held during the year.

### v. Director's attendance record and directorships held:

The details of attendance of the Directors at the various Board Meetings, Annual General Meeting held during the financial year and also the numbers of other Directorships and Committee Memberships / Chairmanships are as follows:

Name of the Director and Position	No. of Board Meetings attended	Directorship held in Indian Public Limited Companies (Including KPCL)*	Name of other Directorships in Listed Companies as on 31 <sup>st</sup> March, 2021		Committee Position# (including KPCL) as on 31 <sup>st</sup> March, 2021	
			Name of the Company	Category of Directorship	Member	Chairman
Non - Executive Directors						
\$@Mr Atul C Kirloskar (DIN 00007387)	5	5	Kirloskar Oil Engines Ltd	Executive Director	1	1
			Kirloskar Ferrous Industries Ltd	Non-Executive Non-Independent Director		
			Kirloskar Industries Ltd			
\$Mr Vikram S Kirloskar (DIN 00007907)	3	4	-	-	1	-

Name of the Director and Position	No. of Board Meetings attended	Directorship held in Indian Public Limited Companies (Including KPCL)*	Name of other Directorships in Listed Companies as on 31 <sup>st</sup> March, 2021		Committee Position# (including KPCL) as on 31 <sup>st</sup> March, 2021	
			Name of the Company	Category of Directorship	Member	Chairman
Mr D R Swar (DIN 00007495)	5	1	-	-	1	-
Mr Mahesh Chhabria (DIN 00166049)	1	8	Kirloskar Industries Ltd	Managing Director	4	3
			Kirloskar Oil Engines Ltd	Non-Executive Non-Independent Director		
			Kirloskar Ferrous Industries Ltd			
			Tube Investments of India Ltd	Non-Executive Independent Director		
WABCO India Ltd						
Non - Executive - Independent Directors						
Mr G Krishna Rao (DIN 00058985)	5	1	-	-	2	1
Mr Sunil Shah Singh (DIN 00233918)	5	4	ITD Cementation India Ltd	Non-Executive Independent Director	5	3
			Kirloskar Industries Ltd			
			Kirloskar Oil Engines Ltd			
Dr Ajay Dua (DIN 02318948)	5	2	Dabur India Ltd	Non-Executive Independent Director	3	-
Mr K Venkataramanan (DIN 00001647)	5	4	Nilkamal Ltd	Non-Executive Independent Director	4	-
			Vedanta Ltd			
Mrs Nalini Venkatesh (DIN 06891397)	5	2	Kirloskar Ferrous Industries Ltd	Non-Executive Independent Director	1	-
Mr Tejas Deshpande (DIN 01942507)	3	4	Kirloskar Industries Ltd	Non-Executive Independent Director	3	2
			Valecha Engineering Ltd			
Executive Directors						
\$ @Mr Rahul C Kirloskar (DIN 00007319) Chairman	5	5	Kirloskar Oil Engines Ltd	Non-Executive Non-Independent Director	2	-
			Kirloskar Ferrous Industries Ltd			
!Mr K Srinivasan (DIN 00088424) Managing Director w.e.f. 02.01.2021	5	2	Aspinwall and Company Ltd	Non-Executive Independent Director	-	-
Mr Aditya Kowshik (DIN 00228983) Managing Director w.e.f. 02.01.2021	3	-	-	-	-	-

Notes: KPCL means Kirloskar Pneumatic Company Ltd.

\* Excluding Private, Foreign and Section 8 Companies.

# For this purpose, only Membership / Chairmanship of Audit Committee and Stakeholders' Relationship Committee of Public Limited Companies are considered.

\$ Promoter Directors.

@ Mr Rahul C Kirloskar, Executive Chairman and Mr Atul C Kirloskar, Director are brothers and related to each other.

! Mr K Srinivasan was an Independent Director on 25<sup>th</sup> June, 2020 and ceased to be an Independent Director from 27<sup>th</sup> October, 2020. He attended 2 meetings of the Board of Directors as during the said period. He was further appointed as Additional and designated as Executive Director w.e.f. 27<sup>th</sup> October, 2020.

All Directors except Mr Vikram S Kirloskar attended the Annual General Meeting held on 21<sup>st</sup> August, 2020.

**vi. Core skills / expertise / competencies:**

The Company has in place the skill matrix for evaluation of Directors. The table below summarizes core skills / expertise / competencies identified by the Board of Directors as required and available with the Board in the context of business of the Company for its effective functioning and the name of the Directors who have such skills / expertise / competencies are as follows:

	SKILLS							
	Strategy & Strategic Planning	Corporate Governance	Business Acumen	Leadership	Industry Knowledge	Financial Skills	Technology	Legal & Regulatory Knowledge
Mr Atul C Kirloskar	✓	✓	✓	✓	✓	✓	✓	✓
Mr Rahul C Kirloskar	✓	✓	✓	✓	✓	✓	✓	✓
Mr Vikram S Kirloskar	✓	✓	✓	✓	✓	✓	✓	✓
Mr Sunil Shah Singh	✓	✓	✓	✓	✓	✓	✓	✓
Mr G K Rao	✓	✓	✓	✓	✓	✓		✓
Dr Ajay Dua	✓	✓	✓	✓	✓	✓	✓	✓
Mr K Venkataramanan	✓	✓	✓	✓	✓	✓	✓	✓
Mr D R Swar	✓	✓	✓	✓	✓	✓	✓	✓
Mrs Nalini Venkatesh	✓	✓	✓			✓		✓
Mr Tejas Deshpande	✓	✓	✓			✓		✓
Mr K Srinivasan	✓	✓	✓	✓	✓	✓	✓	✓
Mr Mahesh Chhabria	✓	✓	✓	✓	✓	✓		✓
*Mr Aditya Kowshik	✓	✓	✓	✓	✓	✓	✓	✓

\* Mr Aditya Kowshik ceased to be the Managing Director of the Company w.e.f 2<sup>nd</sup> January, 2021.

**vii. Confirmation on declarations given by Independent Directors:**

The Board of Directors confirm that, in the opinion of the Board, Independent Directors fulfill the conditions specified in the LODR Regulations, 2015 and they are independent of the management.

**viii. Code of Conduct:**

The Board has prescribed the Code of Conduct for all its Board Members and Senior Management.

The Code of Conduct has been posted on Company's Website at [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)

The Managing Director has confirmed to the Board that the Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year ended on 31<sup>st</sup> March, 2021. A declaration to this effect signed by the Managing Director has been incorporated in the Annual Report.

**3. AUDIT COMMITTEE:****i. Composition:**

The Audit Committee comprises of 4 Independent Directors namely Mr Sunil Shah Singh, Mr G Krishna Rao, Dr Ajay Dua and Mr K Venkataramanan and a Non – Executive Director namely Mr D R Swar.

Mr Sunil Shah Singh is the Chairman of the Audit Committee. The Chairman and Members of the Audit Committee are well-versed with the financial matters and are finance literate.

Executive Chairman, Managing Director, Vice President & Chief Financial Officer attend the Audit Committee Meetings. The representatives of the Statutory Auditors, Internal Auditors are also invited to the Meetings. The Internal Auditors submit their report to the Audit Committee. Company Secretary acts as Secretary to the Audit Committee.

**ii. Terms of Reference:**

The role and terms of reference of the Audit Committee cover the areas as contemplated under Regulation 18 read with Part C of Schedule II of the LODR Regulations, 2015 and Section 177 of the Companies Act, 2013 read with relevant rules issued thereunder besides other terms as may be referred by the Board of Directors.

**Role of Audit Committee**

The brief role of the audit committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration, terms of appointment of auditors of the Company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing with management the quarterly / half yearly / annual financial statements and auditor's report thereon before submission to the Board for approval;
5. Review and monitor the auditor's independence and performance and effectiveness of audit process;
6. Approval or any subsequent modification of transactions of the Company with related parties;
7. Scrutiny of inter-corporate loans and investments;
8. Valuation of undertakings or assets of the Company, wherever it is necessary;
9. Evaluation of internal financial controls and risk management systems;
10. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
11. Discussion with internal auditors of any significant findings and follow up thereon;
12. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
13. Discussion with statutory auditors before the audit commences, about nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
14. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
15. To review the functioning of the Whistle Blower mechanism;
16. Reviewing the utilization of loans and / or advances from / investment by the holding company in the subsidiary exceeding Rs 100 Crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments; and
17. Carrying out any other function as mentioned in the terms of reference of the Audit Committee.

**iii. Meetings & attendance of the Audit Committee:**

The Audit Committee met five times during the year i.e. 25<sup>th</sup> June, 2020, 12<sup>th</sup> August, 2020, 27<sup>th</sup> October, 2020, 20<sup>th</sup> January, 2021 and 3<sup>rd</sup> March, 2021. These were attended by the members as per the following details:

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr Sunil Shah Singh	5	5
Mr G Krishna Rao	5	5
Dr Ajay Dua	5	4
Mr D R Swar	5	5
Mr K Venkataramanan	5	5

Note : The Chairman of the Committee was present in the Annual General Meeting to answer the shareholder queries.

**4. NOMINATION AND REMUNERATION COMMITTEE:****i. Composition:**

The Nomination & Remuneration Committee comprises of 3 Independent Directors namely Dr Ajay Dua, Mr G Krishna Rao and Mr Sunil Shah Singh. Dr Ajay Dua is the Chairman of the Committee. Company Secretary acts as Secretary to the Committee.

**ii. Terms of Reference:**

The broad terms of reference of the Nomination and Remuneration Committee are as under:

1. Formulation of the criteria for determining the qualifications, positive attributes and independence of Director;
2. Devising a policy on Board diversity;
3. Formulation of Remuneration policy;
4. Review the structure, size and composition of the Board;
5. Identifying and selection of candidates for appointment as Directors;
6. Identifying potential individuals for appointment as Key Managerial Personnel and Senior Management;
7. Formulation of criteria for evaluation of Independent Directors and the Board;
8. Recommend to the Board all remuneration, in whatever form, payable to senior management;
9. Formulation, Administration and Superintendence of KPCL Employee Stock Option Scheme 2019; and
10. Review of succession planning mechanism and recommend changes / modifications thereto, if required.



**iii. Meetings & attendance of the Nomination & Remuneration Committee:**

During the year, four Meetings were held on 25<sup>th</sup> June, 2020, 19<sup>th</sup> October, 2020, 27<sup>th</sup> October, 2020 and 3<sup>rd</sup> March, 2021 which were attended by the members as per the following details:

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Dr Ajay Dua	4	3
Mr G Krishna Rao	4	4
Mr Sunil Shah Singh	4	4

Notes: Dr Ajay Dua, the Chairman of the Committee was present in the Annual General Meeting to answer the shareholder queries.

Mr Sunil Shah Singh was appointed as Chairman of the Committee for the meeting held on 3<sup>rd</sup> March, 2021 due to leave of absence was granted to Dr Ajay Dua for that meeting.

**iv. Criteria for performance evaluation:**

The annual evaluation of Directors is made on the following criteria:

- a) attendance for the meetings, participation and independence during the meetings;
- b) interaction with Management;
- c) role and accountability of the Board;
- d) knowledge and proficiency; and
- e) strategic perspectives or inputs.

**5. REMUNERATION POLICY:**

The Board determines the remuneration payable to the Executive Directors taking into account their qualification, expertise & contribution and based on recommendations of the Nomination and Remuneration Committee.

Non-Executive Directors are paid sitting fees for attending Board / Committee Meetings as decided by the Board within the limits prescribed under the Companies Act, 2013. During the year, the Board has reduced the sitting fees payable to the Directors for attending the Board and Committee Meetings to the extent of 30% during the period from 25<sup>th</sup> June, 2020 to 2<sup>nd</sup> March, 2021 on account of COVID-19 Pandemic. The Board restored the original sitting fees w.e.f. 3<sup>rd</sup> March, 2021.

Commission payable to Non-Executive Directors is limited to a fixed amount per year as determined and approved by the Board on their attendance and contribution at the Board and Committee Meetings based on recommendations of the Nomination and Remuneration Committee. The total amount of commission to Non-Executive Directors is within the limit of 1% of the net profits of the Company for the year, calculated as per the provisions of the Companies Act, 2013 subject to necessary approvals, as applicable, if any.

**KIRLOSKAR PNEUMATIC COMPANY LIMITED**

A Kirloskar Group Company

Details of remuneration paid / payable to Directors during the year 2020-21:

**A. Non- Executive Directors**

Name of Director	Sitting Fees	Commission on Net Profit *	Salary & Perquisites	Total	No. of shares held **
	(Amount in Million)				
Mr Atul C Kirloskar	0.190	0.50	-	0.690	61,05,023
Mr Vikram S Kirloskar	0.105	0.30	-	0.405	31,010
Mr G Krishna Rao	0.527	1.25	-	1.777	-
Mr D R Swar	0.415	1.25	-	1.665	-
Mr Sunil Shah Singh	0.570	1.25	-	1.820	5,000
Dr Ajay Dua	0.382	1.10	-	1.482	-
Mr K Venkataramanan	0.380	1.25	-	1.630	-
Mrs Nalini Venkatesh	0.232	0.50	-	0.732	230
Mr Tejas Deshpande	0.120	0.30	-	0.420	-
Mr K Srinivasan***	0.070	0.20	-	0.270	-
Mr Mahesh Chhabria	0.050	0.10	-	0.150	9,325

Notes:

- \* Payable only on adoption of accounts in the ensuing Annual General Meeting.
- \*\* The above shareholding is considered in the name of first holder (PAN based) only.
- \*\*\* Appointed as Non-Executive Independent Director w.e.f. 25<sup>th</sup> June, 2020 and he ceased thereof from 27<sup>th</sup> October, 2020. He did not hold any shares of the Company during his said tenure.
- There are no other pecuniary relationships or transactions of Non-Executive Directors vis-a-vis the Company.
- Pursuant to limits approved by the Board, all Non-Executive Directors are paid sitting fees of Rs 0.035 Million for attending each meeting of the Board and Audit Committee and Rs 0.0175 Million for attending each meeting of the other Committees of the Board w.e.f. 25<sup>th</sup> June, 2020 to 2<sup>nd</sup> March, 2021. Further Rs. 0.050 Million are paid as sitting fees for attending each meeting of the Board and Audit Committee and Rs 0.025 Million for attending each meeting of the other Committees of the Board w.e.f. 3<sup>rd</sup> March, 2021.

**B. Remuneration paid / payable to Mr Rahul C Kirloskar, Executive Chairman & Mr K Srinivasan, Managing Director and Mr Aditya Kowshik, former Managing Director:**

(Amount in Million)

Particulars	Mr Rahul C Kirloskar	*Mr Aditya Kowshik	**Mr K Srinivasan
Salary	1.50	8.33	4.44
House Rent Allowance	-	0.86	-
Contribution to Funds	1.91	2.91	1.40
Other perquisites	4.24	10.48	0.53
*** Commission	24.00	8.00	5.00
TOTAL	31.65	30.58	11.37
****No. of shares held	74,93,650	40,000	77,800

Notes:

- \* Mr Aditya Kowshik was Managing Director upto 1<sup>st</sup> January, 2021. Pursuant to KPCL ESOS 2019 Scheme (hereinafter referred to as "the Scheme") 40,000 stock options were vested to him on 22<sup>nd</sup> October, 2020. Further in accordance with the Scheme 40,000 equity shares of Rs. 2/- each allotted to him, upon exercise of those stock options, on 26<sup>th</sup> March, 2021 and the value of perquisite thereon was considered in the other perquisites.

- 2.\*\* Mr K Srinivasan was appointed as Additional Director designated as Executive Director w.e.f. 27<sup>th</sup> October, 2020 to 1<sup>st</sup> January, 2021 and further re-designated as Managing Director w.e.f. 2<sup>nd</sup> January, 2021.
- 3.\*\*\* Payable only on adoption of accounts in the ensuing Annual General Meeting.
- 4.\*\*\*\* The above shareholding is considered in the name of first holder (PAN based) only.

## 6. STAKEHOLDERS' RELATIONSHIP COMMITTEE:

The Committee functions under the Chairmanship of Mr G Krishna Rao, an Independent Director.

Mr Sunil Shah Singh, an Independent Director and Mr Rahul C Kirloskar, Executive Director act as its members. Mr Jitendra Shah, Company Secretary is the Compliance Officer.

During the year, four Stakeholders' Relationship Committee meetings were held on 25<sup>th</sup> June, 2020, 12<sup>th</sup> August, 2020, 27<sup>th</sup> October, 2020 and 20<sup>th</sup> January, 2021 and the same were attended by members as per the following details:

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr G Krishna Rao	4	4
Mr Rahul C Kirloskar	4	4
Mr Sunil Shah Singh	4	4

The Company has received 2 complaints during the year. Out of that one complaint was received on 30<sup>th</sup> March, 2021, which was pending as on 31<sup>st</sup> March, 2021.

## 7. GENERAL BODY MEETINGS:

### i. The details of the last three Annual General Meetings are as follows:

Date	Time	Location
21 <sup>st</sup> August, 2020	11.30 a.m. (IST)	Video Conferencing / Other Audio Visual Means
20 <sup>th</sup> July, 2019	11.30 a.m.	S.M. Joshi Socialist Foundation (S.M. Joshi Hall) S. No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune- 411 030
24 <sup>th</sup> July, 2018	3.00 p.m.	

### ii. Special Resolutions passed in last 3 AGM's:

The members of the Company have passed following Special Resolution(s) in the Annual General Meeting held on 20<sup>th</sup> July, 2019:

Sr. No.	Resolution
1	Re-appointment of Mr Sunil Shah Singh (DIN 00233918) as Independent Director of the Company.
2	Re-appointment of Mr G Krishna Rao (DIN 00058985) as Independent Director of the Company.
3	Continuation of appointment of Mr K Venkataramanan (DIN 00001647) as Non-Executive and Independent Director of the Company.
4	Approval of KPCL Employee Stock Option Scheme 2019 ("KPCL ESOS 2019").

No special resolution was passed in the Annual General Meeting held on 21<sup>st</sup> August, 2020 & 24<sup>th</sup> July, 2018.

**iii. Postal Ballot:**

The Members of the Company have passed the following special resolution(s) by way of Postal Ballot on 30<sup>th</sup> July, 2020:

Sr. No.	Resolution	Votes in favour of the Resolution *		Votes against the Resolution*	
		No. of votes	% to total votes	No. of votes	% to total votes
1	Re-appointment of Mr K Venkataramanan (DIN 00001647) as Independent Director	129	99.99%	8	0.01%
2	Re-appointment of Mrs Nalini Venkatesh (DIN 06891397) as Independent Director	125	95.64%	11	4.36%

\*Only number of valid votes counted.

The Notice dated 25<sup>th</sup> June, 2020 was sent to the Members and the last date for receipt of postal ballot forms was 28<sup>th</sup> July, 2020. Mr Sridhar G Mudaliar, Partner of M/s SVD & Associates, Practicing Company Secretaries was appointed as Scrutinizer for the process of postal ballot exercise. According to the Scrutinizer's report, the resolutions were passed by the requisite majority. The result of the postal ballot was declared on 30<sup>th</sup> July, 2020 at the registered office of the Company and informed to the BSE Limited, where the shares of the Company are listed for the information of the members.

**8. MEANS OF COMMUNICATION:**

The unaudited quarterly / half yearly results are announced within forty-five days of the close of the quarter. The audited annual results are announced within sixty days from the close of the financial year as per the requirements of the LODR Regulations, 2015 or any other period extended by the Securities Exchange Board of India.

The aforesaid financial results are sent to BSE Limited where the Company's securities are listed, immediately after these are approved by the Board. The results are thereafter published in the leading English newspaper namely Business Standard and Marathi newspaper namely Loksatta.

The audited financial statements form part of the Annual Report which is sent to the Members well in advance of the Annual General Meeting.

The Company also informs by way of intimation to BSE Limited and placing on its website all price sensitive matters or such other matters, which in its opinion are material and of relevance to the members.

The Annual Report of the Company, the quarterly / half yearly and the annual results of the Company, statement of unclaimed dividend, shareholding pattern, corporate governance report etc. are also placed on the Company's website: [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)

**9. GENERAL SHAREHOLDER INFORMATION:**

**i. Annual General Meeting**

Day & Date : Tuesday, 20<sup>th</sup> July, 2021  
 Time : 10:30 am (IST)  
 Venue : Annual General Meeting will be held through Video Conferencing (VC) / Other Audio Visual Means (OAVM)

**ii. Financial Year** : 1<sup>st</sup> April to 31<sup>st</sup> March

**iii. Dividend Payment Date** : On or after 20<sup>th</sup> July, 2021

**iv. Book Closure** : 13<sup>th</sup> July, 2021 to 20<sup>th</sup> July, 2021 (both days inclusive)

**v. Listing on** : BSE Ltd  
 Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001  
 Annual Listing Fees for the year 2021-22 has been paid to BSE Ltd

**vi. Stock Code** : 505283

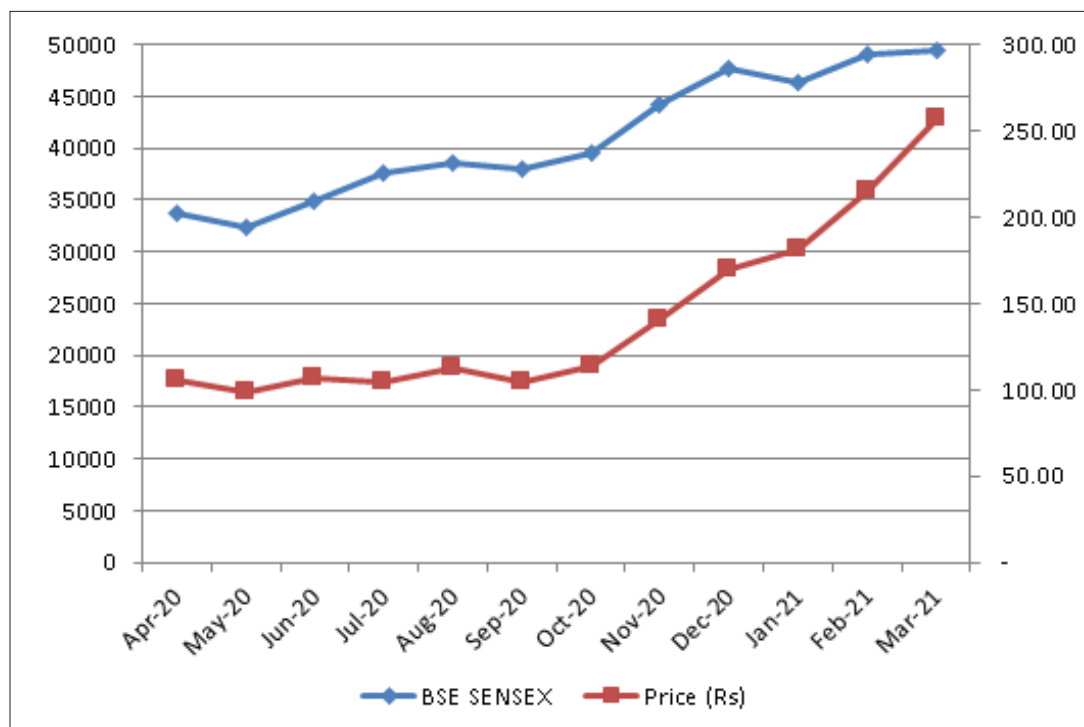
**vii. Depositories** : National Securities Depository Ltd (NSDL)  
 Central Depository Services (I) Ltd (CDSL)

**viii. ISIN No.** : INE811A01020

**ix. Market Price Data :**

Market Price Data as per BSE Limited, i.e. High-Low and Close for each month during this financial year:

Year	High (Rs)	Low (Rs)	Close (Rs)
April 2020	119.40	90.25	105.95
May 2020	106.00	92.40	98.25
June 2020	124.00	98.25	107.30
July 2020	122.80	102.10	105.00
August 2020	129.00	101.05	113.15
September 2020	121.00	98.20	105.05
October 2020	125.00	104.00	113.95
November 2020	144.50	111.05	140.60
December 2020	172.30	135.35	170.10
January 2021	194.90	161.50	181.50
February 2021	227.70	168.55	214.75
March 2021	299.00	213.05	256.95

**x. Stock Performance in comparison to BSE Sensex:****xi. Registrar & Transfer Agent:**

M/s Link Intime India Private Limited is the Registrar & Transfer Agent for shares in physical form as well as electronic mode.

**xii. Share Transfer System:**

SEBI has fixed 31<sup>st</sup> March, 2021 as the cut-off date for re-lodgment of transfer requests and that such transferred shares shall be issued only in demat mode vide its circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated 7<sup>th</sup> September, 2020 (hereinafter referred to as "SEBI Circular No. 1").

Thereafter, SEBI has issued operational guidelines for transfer and dematerialization of re-lodged physical shares vide its circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236 dated 2<sup>nd</sup> December, 2020 (hereinafter referred to as "SEBI Circular No. 2").

The Operational Guidelines, as per SEBI Circular No.2 are as under:

- a) Subsequent to processing of re-lodged transfer request, the Registrar and Transfer Agent shall retain the physical shares and intimate the investor (transferee) about the execution of transfer of shares through letter of confirmation. This letter shall be sent through Registered / Speed Post or through email with digitally signed letter and shall inter-alia, contain details of endorsement, shares, folio of investor (required on Demat Request Form) as available on the physical shares.
- b) The investor shall submit the demat request, within 90 days of issue of letter of confirmation, to depository participant along with letter of confirmation. The Registrar and Transfer Agent shall also issue a reminder at the end of 60 days of issue of letter of confirmation, informing the investor to submit the demat request as above.



- c) The depository participant will process the demat request on the basis of letter of confirmation, as this letter is a confirmation of holding of physical shares on behalf of the investor by the Registrar and Transfer Agent.
- d) In case of non-receipt of demat request form from the investor within 90 days of the date of letter of confirmation, the shares will be credited to Suspense Escrow Demat Account of the Company.

**xiii. Distribution of Shareholding as on 31<sup>st</sup> March, 2021:**

Holding		No. of Members	%	No. of Shares of Rs. 2/- each	% to Capital
UPTO	500	21,971	85.23	2,166,622	3.37
501	1,000	1,863	7.23	1,363,905	2.12
1,001	2,000	939	3.64	1,360,887	2.12
2,001	3,000	351	1.36	893,685	1.39
3,001	4,000	163	0.63	574,891	0.89
4,001	5,000	133	0.52	632,000	0.98
5,001	10,000	177	0.69	1,266,357	1.97
10,001	AND ABOVE	182	0.71	56,008,943	87.15
<b>Total</b>		<b>25,779</b>	<b>100.00</b>	<b>64,267,290</b>	<b>100.00</b>

**xiv. Dematerialisation of Shares & Liquidity:**

The name of the Company appears in the Compulsory Trading List and 96.18% of Share Capital is in Electronic Form as on 31<sup>st</sup> March, 2021.

- xv.** Company has not issued GDRs / ADRs / Warrants or any convertible instruments. However, the details of the options granted and vested to employees of the Company and exercise thereof are provided in the Directors' Report under the heading of Capital Structure. The disclosure on the KPCL ESOS 2019 as required under Employee Benefit Regulations, 2014 is available on the website of the company namely [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)
- xvi.** Details of foreign exchange risk and hedging activities are provided in the notes annexed to and forming part of the financial statements.
- xvii.** CRISIL has reaffirmed AA-/Stable and A1+ rating for Company's long term bank facility and short term bank facility, respectively.

**xviii. Plant Locations:**

Pune	Saswad	Nashik
Hadapsar Industrial Estate, Pune 411 013	Saswad, Tal.: Purandar, Dist. Pune	Thermal Power Station Road, Nashik Road, Nashik

**xix. Address for Correspondence:****Registered Office of the Company:**

Kirloskar Pneumatic Co. Ltd.  
Hadapsar Industrial Estate,  
Pune 411 013  
Phone No. 020 - 26727000  
Fax No. 020 - 26870297  
Email : sec@kirloskar.com  
Website : www.kirloskarpneumatic.com

**Registrar & Transfer Agent:**

Link Intime India Private Limited

**Pune Office:**

Akshay Complex, No. 202,  
2<sup>nd</sup> Floor, Near Ganesh Temple,  
Off Dhole Patil Road, Pune 411 001  
Phone Nos.: 020 - 26160084 / 1629  
Fax No. 020 - 26163503  
Email : pune@linkintime.co.in

**Mumbai Office:**

C 101, 247 Park,  
L. B. S. Marg, Vikhroli (West),  
Mumbai – 400083  
Phone No.: 022 - 4918 6000  
Fax No. 022 - 4918 6060  
Email : mumbai@linkintime.co.in

**10. OTHER DISCLOSURES:****i. Related Party Transactions:**

There are no materially significant related party transactions during the year 2020-21 that have potential conflict with the interest of Company at large.

As required under LODR Regulations, 2015, the Company has formulated a policy on materiality of Related Party Transactions and dealing with Related Party Transactions and placed on website at : [https://kirloskarpneumatic.com/site/assets/files/2180/policy\\_on\\_materiality\\_of\\_related\\_party\\_transactions\\_and\\_dealing\\_with\\_related\\_party\\_transactions-1.pdf](https://kirloskarpneumatic.com/site/assets/files/2180/policy_on_materiality_of_related_party_transactions_and_dealing_with_related_party_transactions-1.pdf)

**ii. Strictures or Penalties:**

There were no penalties or strictures imposed on the Company by SEBI or any statutory authority on any matter related to Capital Markets, during the last three years.

**iii. Vigil Mechanism / Whistle-Blower Policy:**

The Company has a Whistle-Blower Policy for establishing a vigil mechanism for Directors and employees to report genuine concerns regarding unethical behavior, actual or suspected fraud or violation of the Company's code of conduct and ethics policy. The said mechanism also provides for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases.

During the year, no employee of the Company was denied access to the Audit Committee.

The said policy has been uploaded on the website of the Company at: [https://kirloskarpneumatic.com/site/assets/files/2178/whistle\\_blower\\_policy\\_-\\_vigil\\_mechanism.pdf](https://kirloskarpneumatic.com/site/assets/files/2178/whistle_blower_policy_-_vigil_mechanism.pdf)

**iv. The Company has complied with all mandatory requirements as specified in LODR Regulations, 2015.**

**v. The Company has also complied with the following non-mandatory requirements:**

a. Audit qualification: Company's financial statements are unqualified.

b. The Internal Auditor reports to the Audit Committee.

**vi. Subsidiary Company:**

A policy on material subsidiaries has been formulated by the Company and placed on the website of the Company at [https://kirloskarpneumatic.com/site/assets/files/2179/policy\\_on\\_material\\_subsidaries.pdf](https://kirloskarpneumatic.com/site/assets/files/2179/policy_on_material_subsidaries.pdf)

Company does not have any Subsidiary Company.

**vii. Commodity price risk or foreign exchange risk and hedging activities:**

Commodity price risk hedging is not applicable to the company. The Company has adopted a policy for hedging of Foreign Exchange Risk and accordingly company hedges its foreign exchange risk from time to time.

**viii.** Company has received a certificate from M/s SVD & Associates, Practicing Company Secretaries that none of the Directors of the Company have been debarred or disqualified from being appointed or continuing as directors of the company by SEBI / Ministry of Corporate Affairs or any such statutory authority.

**ix.** Company has complied with corporate governance requirements as specified in Regulation 17 to 27 and clause (b) to (i) of Regulation 46(2) of LODR Regulations, 2015.

**x. Total fees for all services paid to the Statutory Auditor:**

During the year, total fees for all services paid to the Statutory Auditor is Rs 3.28 Million.

**xi. Prohibition of Insider Trading:**

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and Designated Persons of the Company. The code provides for periodical disclosures from Directors and Designated Persons as well as pre-clearances of transactions by such persons.

**xii. Disclosure in relation to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:**

During the financial year, no complaint has been received / filed, disposed off and pending as at the end of the year.

**xiii.** Details of utilization of funds raised through Preferential Allotment or Qualified Institutions Placement : Not Applicable

**11. RISK MANAGEMENT:**

The provisions of Regulation 21 of LODR Regulations, 2015 are not applicable to the Company, however the detailed framework relating to the Risk Management has been provided under the Section of Directors' Report in the Annual Report.

**12. CEO / CFO CERTIFICATION:**

The CEO / CFO Certificate signed by Mr K Srinivasan, Managing Director and Mr Suhas S Kolhatkar, Vice President & Chief Financial Officer was placed before the meeting of Board of Directors held on 29<sup>th</sup> April, 2021.

For Kirloskar Pneumatic Company Limited

sd/-

**K Srinivasan**  
Managing Director  
DIN 00088424

Date : 29<sup>th</sup> April, 2021

Place : Pune

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**DECLARATION FOR COMPLIANCE WITH THE CODE OF CONDUCT**

I, hereby declare that all the Directors & Senior Management Personnel have confirmed compliance with the Code of Conduct as adopted by the Company.

sd/-

**K Srinivasan**  
Managing Director  
DIN 00088424

Date : 29<sup>th</sup> April, 2021

Place : Pune

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**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

**Independent Auditors' Certificate on Compliance with the Corporate Governance Requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

To,

The Members

**Kirloskar Pneumatic Company Limited**

1. This certificate is issued in accordance with the terms of our engagement letter dated 24<sup>th</sup> August 2020.
2. This report contains details of compliance of conditions of corporate governance by **Kirloskar Pneumatic Company Limited** ('the Company') for the year ended 31<sup>st</sup> March 2021 as stipulated in regulations 17-27, clause (b) to (i) of regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as amended from time to time.

### **Management's Responsibility for compliance with the conditions of Listing Regulations**

3. The compliance with the terms and conditions contained in the corporate governance is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents.

### **Auditors' Responsibility**

4. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of corporate governance as stipulated in Listing Regulations for the year ended 31<sup>st</sup> March 2021.
6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) (the 'Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### **Opinion**

8. In our opinion, and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above-mentioned Listing Regulations.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

### **Restriction on use**

10. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

### **FOR P G BHAGWAT LLP**

Chartered Accountants

Firm Registration Number: 101118W/W100682

sd/-

Nachiket Deo

Partner

Membership number: 117695

Place: Pune

Date : 29<sup>th</sup> April, 2021

UDIN: 21117695AAAABP4288

**BUSINESS RESPONSIBILITY REPORT**

**OVERVIEW**

Kirloskar Pneumatic Company Limited ('KPCL' or 'the Company') is a multi-product diversified engineering Company with a product range that includes Air, Refrigeration and Gas Compressors & Systems, Vapour Absorption Chillers, Gears and Gear Boxes. KPCL undertakes O&M services for Compression Packages and has also entered logistic services by operating RoadRailer trains for end to end transportation of goods. KPCL serves a variety of sectors like Oil & Gas, Steel, Cement, Food & Beverages, Railways, Marine and other industries.

In keeping with the Company's commitment to create a sustainable organization, KPCL is pleased to present this Business Responsibility Report in line with Regulation 34 (2) (f) of the SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2019. This report delineates the Company's approach to conduct business with responsibility in accordance with nine principles of the Government of India's 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'.

**GENERAL INFORMATION**

1	Corporate Identity Number (CIN) of the Company	L29120PN1974PLC110307	
2	Name of the Company	Kirloskar Pneumatic Company Limited (KPCL)	
3	Registered Address	Hadapsar Industrial Estate, Pune 411013	
4	Website	www.kirloskarpneumatic.com	
5	Email	sec@kirloskar.com	
6	Financial Year Reported	2020-21	
7	Sectors that the company is engaged in (Industrial Activity Code wise)	Manufacturing and Service of Engineering goods	
		NIC* Code	Product Description
		28132	Compressors
		28140	Transmission Gears & Gear boxes
*National Industrial Classification for India			
8	List three key products that company manufactures / provides (as in Balance Sheet)	Air, Refrigeration & Gas Compressors and Systems. Operation & Maintenance of Compressor Systems. Leasing of Assets and Products. Traction Gears & Gearboxes.	
9	Total number of locations where business activity is undertaken by the Company	i) 6 National Locations	Hadapsar (Pune), Saswad (Pune), Nashik, Palwal, Melpakkam and Kunchanapalli.
		ii) International Locations	Through Dealers and Representatives.
10	Markets served by the company	India and countries in South East Asia, Middle East and Africa.	



## FINANCIAL DETAILS

Sr. No.	Particulars	Amount (Rs. in Million)
1	*Paid up capital	128.53
2	Total Income	8,333.80
3	Total profit after taxes	638.42
4	Total spending on corporate social responsibility (CSR) as % of average profit for last 3 financial years	2.00%

\* During the reporting year the Paid-up capital increased from Rs. 128.44 Million to Rs. 128.53 Million.

5 Activities under which expenditure on 4 above has been incurred include:

a) Health & Hygiene:

**Kirloskar WaSH Initiative:** Awareness about water, sanitation and hygiene is created among students, teachers, non-teaching staff and administrators of schools. The focus is on educating children about hand wash, personal hygiene, health & illness, school hygiene, domestic waste and adolescence & hygiene.

**School Health Initiative:** Every year students and teachers / staff from schools adopted by KPCL undergo a health check which covers basic physical, dental, ENT and eye check up with distribution of spectacles, wherever required.

These initiatives that are highly engaging and involve employee volunteering were implemented in 2020-21 with a view to support the stakeholders from the perspective of COVID-19 Pandemic situation. The needs of schools were identified from COVID-19 perspective and 25+ schools were supported during post lockdown reopening by way of providing masks, hand sanitizers, liquid soap, sanitation material, awareness displays etc. 30 physically challenged students of one of the supported schools were provided with orthopaedic appliances and aids leading to reducing their hardships in the pandemic year.

**DISHA:** KPCL supports the DISHA Program of Deep Griha Society which conducts HIV AIDS Awareness workshops every month for general community members and school / college students. During the COVID-19 Pandemic year of 2020-21, this initiative catered to the needs of HIV affected people (vulnerable) and other socio-economically challenged slum community members by way of providing grocery kits, masks, sanitizers etc. to 850+ families.

b) Education & Environment:

**Bharari:** 200 socio-economically challenged girl students of 5<sup>th</sup> to 10<sup>th</sup> Std. from a school nearby our Saswad Plant are supported for development through Madhavi Kapur Foundation. This year due to COVID-19 Pandemic, the focus was on eLearning which was facilitated by developing a classroom with audio-visual facility, providing quality eTablets / ePads to 10<sup>th</sup> Std. students and conducting 100 virtual classroom sessions.

**KaShi (Kanya Shiksha):** This unique CSR Initiative by KPCL represents Girl Education Initiative, supporting daughters of workmen of Cold Storage Units from UP, Gujarat, Rajasthan and MP. It is implemented by employee Volunteers from KPCL's North and West Regional Offices in collaboration with respective State Cold Storage Associations. During the year 2020-21, the initiative supported 30 girl students mostly by way of providing eTablets / ePads for eLearning and facilitating virtual education.

**Kirloskar Vasundhara Initiative:** Even during the COVID-19 Pandemic situation, the Company contributed by way of creating awareness in 20 schools about Ramnadi Restoration Mission through wall paintings and participating in 1<sup>st</sup> Ramnadi Online Festival.

**OTHER DETAILS**

1	Does the Company have any Subsidiary Company / Companies	No
2	Do the Subsidiary Company / Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Not Applicable
3	Do any other entity / entities (e.g. suppliers, distributors etc.) that the Company does business with / participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity / entities (less than 30%, 30-60%, more than 60%).	Yes, less than 30%.

**Business Responsibility Framework****BUSINESS RESPONSIBILITY (BR) INFORMATION****Responsibility for BR**

Director / Directors responsible for implementation of BR Policy / Policies

Name	Designation	DIN	Telephone No.	Email Id
Rahul C Kirloskar	Non-Independent Executive Chairman	00007319	020-26727000	rahul.kirloskar@kirloskar.com
Aditya Kowshik	Managing Director (upto 1 <sup>st</sup> January, 2021)	00228983	020-26727000	aditya.kowshik@kirloskar.com
K Srinivasan	Managing Director (w.e.f. 2 <sup>nd</sup> January, 2021)	00088424	020-26727000	srinivasan.k@kirloskar.com

**BR Head**

Name	Designation	Telephone No.	Email Id
Jitendra R Shah	Company Secretary	020-26727000	jitendra.shah@kirloskar.com

**BR Policies**

At KPCL, Business Responsibility is guided by India's 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business', which articulates nine principles as below:

Principle 1 (P1)	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
Principle 2 (P2)	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
Principle 3 (P3)	Businesses should promote the well-being of all employees.
Principle 4 (P4)	Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
Principle 5 (P5)	Businesses should respect and promote human rights.
Principle 6 (P6)	Businesses should respect, protect and make efforts to restore the environment.
Principle 7 (P7)	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
Principle 8 (P8)	Businesses should support inclusive growth and equitable development.
Principle 9 (P9)	Businesses should engage with and provide value to their customers and consumers in a responsible manner.

All nine principles as articulated in India's 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' are covered by policies of KPCL as outlined in the table below:

**BR Policies and coverage of NVG nine principles**

Sr. No.	Particulars	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Availability of Policy	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Policy formulated in consultation with relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Conformity of policy to any national / international standards?	Y	Y	Y	Y	Y	Y	Y	Y	Y
4	Policy approved by the Board #	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Policy signed by MD / owner / CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Specified committee of the Board / Director / Official appointed to oversee the implementation of the policy #	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?*	Y	Y	Y	Y	Y	Y	Y	Y	Y
7	Policy communicated to all relevant internal and external stakeholders	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Existence of an in-house structure within the Company to implement the policy / policies	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Availability of a grievance redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Assessment by an internal / external agency of the working of this policy	Y	Y	Y	Y	Y	Y	Y	Y	Y

Notes :

Y Yes

# Few Policies are adopted under the authority given by the Board.

\* Certain Policies are available on internal portal, which are accessible only to employees. All other statutory policies are available on Company's website – [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)

a) If answer to Sr. No. (1) against any principle, is 'No', please explain why: (Tick up to 2 options)

Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The company has not understood the Principles	-	-	-	-	-	-	-	-	-
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify)	-	-	-	-	-	-	-	-	-

**Governance of BR**

The Managing Director and Senior Leadership Team review the BR Performance of the Company periodically as a part of overall Management Review Process. The company is publishing this Business Responsibility Report pursuant to Regulation 34 (2) (f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**NVG PRINCIPLE-WISE PERFORMANCE****ETHICS, TRANSPARENCY AND ACCOUNTABILITY****PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY.**

Integrity is one of the core Values of the Company which governs the organizational culture. KPCL believes in conducting its business in a fair and transparent manner. Every employee of the Company pledges to uphold the highest standards of ethics and integrity by signing the code of conduct at the time of joining KPCL.

Additionally, the Board of Directors and senior management of the Company are required to abide by the Code of Conduct adopted as per the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Their affirmation to the Code of Conduct is communicated to all stakeholders by the Managing Director through a declaration in the Annual Report.

KPCL has communicated 'Ethical Business Practices' to all its vendors, dealers and other business partners / stakeholders and the process of communication is on-going nature.

The Company also has an Internal Committee to redress complaints received with respect to sexual harassment. No complaints were received in the year 2020-21.

As a vigil mechanism, the Company has also adopted a formal Whistle Blower Policy which allows all employees to voice their concern against any unethical and unlawful behaviour that may compromise organizational integrity. No complaints were received in the year 2020-21.

**PRODUCT STEWARDSHIP****PRINCIPLE 2: BUSINESSES SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE.**

KPCL is an EMS (ISO14001:2015) certified company and through this system all its operations undergo environmental aspect impact assessments to ensure that our processes and products are environment friendly.

During the year 2020, KPCL has successfully migrated from OHSAS 18001 to ISO 45001:2018 standard and obtained the certification of the same from an External Agency.

KPCL serves its customers with products and services as per the processes established in accordance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards. Further, all our products are designed and manufactured considering environment, health and safety concerns according to other applicable product standards / certification as follows:

Sr. No.	Business Segment	Product Model	Standard Certification
Compression Segment			
1	Refrigeration Compressors	Reciprocating (KC / KCX / PC2 series)	CE
2	Refrigeration Systems	Customer Specific Systems with Reciprocating / Screw / Centrifugal Compressors	API / ASME / TEMA / NAVAL
3	Vapour Absorption Chillers	1. Steam Driven / Direct Fired 2. Maintenance Services	JIS B8622

Sr. No.	Business Segment	Product Model	Standard Certification
4	Gas Compression System	1. Customer Specific Systems with Reciprocating / Screw Compressors / CNG Packages 2. Operation and Maintenance Services	API / ASME / TEMA
5	Air Compressors and Systems	1. Reciprocating / Screw / Centrifugal Compressors 2. Service Air Trolley / Nitrogen and Oxygen Trolley / Integrated Air Compression & Storage Facility 3. Maintenance Services	ASME / TEMA
Transmission Segment			
1	Gears and Gear Boxes	Railway / Windmill / Industrial / High Speed Gear Box / Hydro Turbine Gear Box / Planetary Gear Box of Mill Drive	RDSO / GL / DIN / AGMA

Starting from product design, it is ensured through process control that, the health and safety features are implemented in areas of manufacturing, testing, commissioning and use of the product in field.

The safety features are effectively elaborated and communicated through marketing literature as well as O & M manuals.

KPCL has following key products whose design incorporates social or environmental concerns, risk or opportunities

a. CNG Compression System / CNG Compressor

Use of CNG helps in cleaner environment and KPCL through its CNG compressors manufactured in-house is committed to provide the same. The Government has added about 136 geographic areas in the 9<sup>th</sup> and 10<sup>th</sup> round of bidding for gas distribution network which is expected to provide greater business opportunities in this segment. KPCL today is a leader in CNG compressor market and is confident of retaining this leadership position in future.

KPCL has taken initiatives to develop CNG packages with reduced footprint and acoustic enclosure in order to minimize the noise level emitted to surroundings thereby meeting customer expectations.

b. Refrigeration Compressor - Air Cooled

Through a countrywide network of dealers, KPCL supplies ammonia based environment friendly refrigeration compressors and packages to cold storage units, food processing and pharmaceutical units. Additionally towards its commitment for the protection of the environment, KPCL insists that only air cooled compressors are used instead of water cooled ones. This has led to reduction in water consumption at customer's end of over 3.08 Lakhs M<sup>3</sup> / Yr from the compressors sold during the year. With the population of the Air Cooled Compressors running in the market, the resultant saving is multifold.

c. Centrifugal Compressor

KPCL has been a dominant player in supplying of reciprocating compressors. Considering changing preferences of industrial customers for energy efficiency, performance efficiency and lower lifecycle cost particularly in Cement, Steel and Power Sector, KPCL has started manufacturing and selling its own centrifugal compressors which has resulted in power saving to the customer reducing its payback period on the investment.

## KIRLOSKAR PNEUMATIC COMPANY LIMITED

A Kirloskar Group Company

These product improvements benefit economically not only to KPCL but also to its customers while conserving scarce resources of water and energy apart from providing cleaner environment. Thus, it provides a huge opportunity for KPCL to better its economic results and to the country, environmentally.

While KPCL's products aim at better efficiency and conservation of natural resources, measures taken in-house by practicing 3 R (Reduce, Reuse and Recycle) – Reduce energy (ENCON Initiative), Reuse water (gardening and plantation) and Recycle materials like steel, aluminium, oil and wood helps Company to reduce its consumption levels.

The resource consumption towards Energy and Water is as under:

### Specific Energy Consumption

Plant	Energy Type	UOM	FY 2020-21
Hadapsar	Electricity – Compression	kWh/MT	1001 (PY 1004)
	Electricity – Air End Machine Shop	kWh/SMH	228 (PY 237)
	Electricity – Transmission	kWh/MT	1077 (PY 1216)
Saswad	Electricity	kWh/Cyl	156 (PY 179)
	CNG	KG/Pkge	74 (PY 83)

Note:

During the year the Company has improved on the energy conservation by eliminating Plate Type Heat Exchanger (PHE) with the direct heating principle and multiple crank case loading at Phosphating plant, which results into energy saving.

### Water Consumption

Plant	Total Water Input	Water Recycled	
UOM	kL	kL	%
Hadapsar	21,807 (PY 17,076)	6,341 (PY 5,883)	32.10 (PY 36.46)
Saswad	11,277 (PY 12,053)	1,125 (PY 2,103)	9.98 (PY 16.10)

Note:

Various new machines and utilities for precision machining installed in controlled atmosphere has necessitated higher consumption of water at Hadapsar Plant. Extended green initiative to newer areas used recycled water higher than the previous year. Use of dry paint booth and change in heating process for Phosphating reduced consumption of water and consequently recycling thereof in Saswad Plant.

KPCL has a captive foundry where pig iron and aluminium are used as basic inputs for producing ferrous and nonferrous castings. Installation of oil recovery and sand reclamation unit in its Hadapsar Plant and oil filtration unit at its Saswad plant has helped organization in saving sand and oil procurement. Recycled material, cast iron, aluminium and steel machining scrap, sand and recovered oil is shown in the following table:

Material	FY 2020-21
Recycled Cast Iron / Steel	94.8 Ton (PY 195 Ton)
Recycled Aluminium	3.7 Ton (PY 4.8 Ton)
Recycled Oil	28.43 KL (PY 33.82 KL)
Recycled Sand	1,975 Ton (PY 3,000 Ton)

Note:

Reduction in recycled quantities over previous year is a result of process improvement in production of castings and also lower volume of operations due to lockdown during COVID-19 Pandemic.



At present, KPCL does not reclaim the sold products and packaging materials. However, to minimize the environmental impact of the packaging in which products are delivered to customers, reusable packaging is used wherever possible.

Wood	FY 2020-21
Total Wood Consumption	49,507 CFT (PY 56,184 CFT)
Reuse of wood	3,506 CFT (PY 4,074 CFT)
% Reuse	7.1% (PY 7.2%)

Note:

The wood consumption has been reduced due to use of corrugated boxes for packing, wherever possible.

The Company's suppliers are assessed periodically based on quality, environment and occupational, health and safety management systems. Company encourages its suppliers to follow Integrated Management Systems (IMS) standards and educate them about the quality standards during regular visits of our employees. The Company has taken strategic steps to ensure business with local and small producers. During the year 2020-21, about 43% (PY 14%) of goods and services were procured from MSME suppliers. Local Purchases during the year represent 72% (PY 64%) of the total purchases.

## EMPLOYEE WELL-BEING

### PRINCIPLE 3: BUSINESSES SHOULD PROMOTE THE WELL-BEING OF ALL EMPLOYEES.

KPCL treats its employees as their most valuable resource. The Company's HR processes address the well-being of its employees at all levels. KPCL offers equal opportunity to all without any discrimination on caste, religion, region, gender or physical disability. These processes are guided by the inherent values of the company and are always in conformity with labour laws, human rights and other legislations promulgated from time to time.

To achieve KPCL's Mission of becoming an employer of choice, HR leads, facilitates and is a catalyst for talent management initiatives. KPCL focuses on attracting, developing and retaining talent through various employee engagement initiatives. KPCL conducts EES (Employee Engagement Survey) through an Independent Agency every alternate year. Survey conducted during 2019, shows that overall engagement score of KPCL increased to 85%, which became a Benchmark Score for India.

Employee Category	Number of Employees	% Trained on Safety	% Trained for skill up-gradation
Permanent Male	673 (PY 669)	85% (PY 65%)	100% (PY 98%)
Permanent Female	38 (PY 42)	100% (PY 65%)	92% (PY 100%)
Temporary / Contractual	387 (PY 350)	70% (PY 60%)	51% (PY 15%)

Note:

There was more focus on online trainings during FY 2020-21 due to pandemic. Some of the organizational level initiatives were applicable to all employees.

The Company has a well-equipped Occupational Health Centre that delivers qualitative preventive health services not only to its employees but also to their families and to the society at large. First-Aid Preparedness and an equipped ambulance are available at all times in the factory premises. Employee health is critical for the Company's sustainable growth and in keeping with this; medical surveillance that includes pre-employment, periodic medical examinations and occupational rehabilitation is ensured so that employee health and well-being are maintained. Annual Wellness Planners ensures that all employees are covered under preventive health checks and health promotion programs. The Company constantly strives to address the issue of work life balance and encourages its employees to maintain the same. With the ongoing COVID-19 Pandemic, in addition to implementing various workplace protocols / guidelines as well as supporting all employees for prevention, testing, treatment, hospitalization etc., we also introduced a Work from Home enabler Policy to ensure the safety and well-being of our employees.

Environmental & Occupational Safety & Health Management System (EHS) requirements are communicated to contractors annually. KPCL ensures that OH&S Management requirements are met by contractors & their workers through work permit system and other Safety Protocols.

KPCL does not and has not employed child labour at any of its locations. None of KPCL's locations / offices has been identified as at a significant risk of incidences of child labour. KPCL abides by all legal and statutory requirements regarding child labour.

KPCL's contract with the labour contractors has a clause ensuring that no child is engaged for any kind of work directly or indirectly by them. Similarly, KPCL through a process of selection and re-evaluation of suppliers verifies the compliance / existence of this practice of non-deployment of child labour at suppliers end using a suitable evaluation / assessment questionnaire.

There were no complaints relating to child labour, forced labour, involuntary labour or sexual harassment in the year 2020-21.

KPCL believes in the right of workers to establish and join organisations of their own choosing without the need for prior authorization. KPCL's workforce is represented by an internal union and KPCL enters into an Agreement with it periodically. The last Agreement was signed on 24<sup>th</sup> December, 2018 for a period of 3 years with effect from 1<sup>st</sup> January, 2019 and the whole exercise of negotiations was completed before due date, showing mutual trust and understanding between the KPCL management and its workmen union leading to harmonious industrial relations at all times. The 6.90% (PY 7.5%) of the permanent employees are the members of the internal union.

KPCL provides various mechanisms and platforms to employees to voice their opinions such as, virtual round table sessions, suggestion scheme, employee engagement survey, MIR Survey etc. for filing / pointing out all kinds of grievances including human rights (discrimination, association and collective bargaining, child labour, forced or compulsory labour and security practices, etc.) related grievances.

#### STAKEHOLDER ENGAGEMENT

#### **PRINCIPLE 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALIZED.**

In addition to shareholders, KPCL recognises customers, dealers, suppliers / vendors, government, financial institutions, society and employees as its stakeholders.

KPCL has developed a process of engagement with its various stakeholders. Stakeholder engagement is a continuously evolving, dynamic process.

The Company recognises that its stakeholders are integral to its journey towards sustainability. The Company considers stakeholders as partners in business and engages with internal and external stakeholder groups, beyond normal transactional engagement.

KPCL identifies vulnerable and disadvantaged sections amongst the stakeholders and takes special efforts to address their concerns. Through various CSR initiatives, as explained in Clause 5 of the Financial Details, KPCL demonstrates its commitment towards the upliftment of local communities. Needs and expectations as well as satisfaction levels are captured through society perception survey conducted every alternate year through an External Agency. This process of engaging the community stakeholders through CSR has enabled us to provide meaningful supports to them during the COVID-19 Pandemic outbreak and lockdown situations. Amongst employees, we address specific concerns of women. Amongst suppliers, KPCL handholds small and medium sized enterprises.

## RESPECT FOR HUMAN RIGHTS

### **PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS.**

Becoming an 'Employer of choice' is a part of KPCL's Mission Statement. To achieve this, it provides a decent work environment and follows fair labour practices upholding the human rights.

KPCL has a formal policy on Human Rights. This policy is based on UN declaration of human rights and ILO declaration on fundamental principles and rights at work.

In addition, Company has internal policies on Code of Conduct, Organizational Values, Ethics, Whistle Blower, PoSH and CSR recognises all the key aspects of human rights which lays down acceptable behaviour of the employees and provides for stringent disciplinary actions in case of violations of policies.

All new recruits are made aware about Values, Code of Conduct and PoSH Policy during the induction program. They also give an undertaking pertaining to adherence to the Code of Conduct and policy of Prevention of Sexual Harassment of women at workplace.

We comply with all applicable local laws and human rights standards. To prevent and address cases of sexual harassment at the workplace, if any, we have implemented a policy and constituted Internal Committee. Our Safety Committee meetings regularly review issues related to safety of workmen at manufacturing plants.

During the year under review, the company has not received any complaints from any stakeholders.

## PROTECTION AND RESTORATION OF ENVIRONMENT

### **PRINCIPLE 6: BUSINESSES SHOULD RESPECT, PROTECT AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT.**

Amongst other certifications, KPCL is an ISO14001:2015 certified Company and through this system, all its operations undergo environmental aspect impact assessments to ensure that our processes and products are environment friendly. The Company encourages its suppliers and dealers to implement various Quality Management Systems with a focus on meeting environmental and social norms.

Changing climatic conditions and related government regulations do not require KPCL to incur any additional expenditure for product modifications. In fact, KPCL foresees increasing opportunities for its environment friendly products.

Increase in ambient temperature due to Global warming has posed a challenge for storage of perishable goods. This will increase requirements of cold storages providing an opportunity for supply of KPCL ammonia refrigeration compressors in domestic as well as global markets.

The government has banned use of CFC refrigerants due to their Ozone Depletion Potential (ODP) and Global Warming Potential (GWP). This will increase use of Ammonia as refrigerant for industrial refrigeration. Ammonia is an eco-friendly refrigerant and has Zero ODP & Zero GWP. KPCL is a pioneer in India for introducing Ammonia as refrigerant in compressors and systems. Therefore, KPCL considers this as an opportunity for increasing its business.

To reduce the carbon footprint, a number of measures have been put in place by the Government of India. Use of alternate fuel such as natural gas is being promoted as it leads to lower GHG emission. To minimise the impact on climate change, Oil and Gas sector requires compression packages for waste heat and flare gas recovery systems. With several exploration projects in the pipeline and promotion of natural gas, KPCL considers this as an opportunity to enhance its operations by supply of necessary gas compression packages.

Vehicles that use petrol & diesel as fuel cause high level emissions that is harmful to the environment and living beings. CNG being a cleaner fuel than other fossil fuels, the combustion of natural gas produces negligible amount of sulphur, mercury and particulate matter. Burning natural gas does produce nitrogen oxides (NOx) which are precursors to smog, but at lower levels than gasoline and diesel used for motor vehicles. The Government therefore is expanding CNG stations in the country and encouraging use of CNG in Vehicles.

Company is the market leader in supply of CNG Compressors and operation & management of CNG stations and expects to continue good business of CNG systems for many years.

Scarcity of stored water due to unpredictable rains is a common feature in many states of India. This will result in requirement of bore-well as a source for water. This is an opportunity for our water-well Rig Compressors. KPCL has developed and is promoting air cooled refrigeration compressors and air compressors. This shift from use of water to air for refrigeration process will decrease the dependency on use of water and also results in saving in substantial usage of water by eliminating evaporation losses. KPCL, thus addresses environmental issues beyond its organisational boundaries, particularly at customer's end by taking suitable approaches in its product offerings.

The emissions / wastes generated are well within limits prescribed under consents of SPCB / CPCB. These are also reported to SPCB as per the process prescribed by them every year.

There are no show cause and legal notices received during the year under review from the CPCB or SPCB at any of the KPCL operations.

### PUBLIC POLICY ADVOCACY

#### **PRINCIPLE 7: BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER.**

KPCL is a member of various industry associations, national and international advocacy organisations where it actively participates and views such memberships as strategic in nature. Our senior executives participate through active dialogues. They provide their expertise and business acumen during public policy consultations.

List of such memberships is given below:

- a) Confederation of Indian Industry (CII) - Western Region
- b) Engineering Export Promotion Council
- c) Maharashtra Chamber of Commerce and Industry
- d) Maharashtra Economic Development Council
- e) Mahratta Chamber of Commerce, Industries & Agriculture (MCCIA)
- f) All India Gas Manufacturer's Association (AIGMMA)
- g) International Association of Ammonia Refrigeration (IAAR)
- h) American Gear Manufacturer's Association (AGMA)
- i) Cold Storage Owners Association(s)
- j) CII Technical Committee on Cold Chain of National Horticulture Board
- k) Hadapsar Industries Association
- l) Indian Institute of Material Management
- m) Quality Circle Forum of India
- n) ASM International
- o) Indian Society of Heating, Refrigerating and Air Conditioning Engineers (ISHRAE)

KPCL also does CSR for the members of Cold Storage Association(s).

## INCLUSIVE GROWTH

### **PRINCIPLE 8: BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT.**

KPCL gives utmost priority to the engagement and upliftment of local community through various CSR initiatives with a focus on education, environment and health. KPCL's CSR Framework and Policy are deployed in a structured manner by implementing development programs based on the needs and expectations of the local community. In order to ensure inclusive growth, KPCL drives its CSR initiatives by collaborating with employee volunteers and NGO partners with intent of Enriching Lives and providing an 'EDGE' to enhance stakeholder engagement and company image.

Through various CSR initiatives, KPCL demonstrates its commitment towards the upliftment of local communities. Needs and expectations as well as satisfaction levels are captured through society perception survey conducted every alternate year.

CSR Representatives and Employee Volunteer Teams are regularly interacting with various community members while implementing CSR initiatives and collect feedbacks, grievances and improvement opportunities. KPCL has a formal grievance process implemented through 'External Complaints Register' that is available on factory main gates for the use of visitors, local community members etc.

The CSR initiatives of the Company have a focus on education, environment, health and hygiene. During the year, the identified beneficiaries were provided relevant COVID-19 related supports through various CSR initiatives as explained in Clause 5 of Financial Details. The Company had spent Rs. 14.2 Million on CSR initiatives during the year 2020-21.

## DELIVERING VALUE TO CUSTOMERS

### **PRINCIPLE 9: BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER.**

KPCL is committed to providing its customers with the best experience in all areas of interface and interaction. Our activities and actions are always aimed at enhancing customer satisfaction.

KPCL serves its customers with products and services as per the procedures established in accordance with IMS standards. Further, all our products are designed and manufactured considering environment, health and safety concerns as well as according to other applicable product standards / certifications.

KPCL conducts Customer Satisfaction Survey through independent third party agency every alternate year to evaluate levels of satisfaction and improve its processes wherever applicable. The latest Customer Survey indicates excellent scores.

As a part of KPCL's operational procedures, information regarding environmental and social impact about the products and services (as applicable) is gathered from the vendors. All the relevant information is further communicated to the customers or end users through O & M manuals, training programmes etc.

As part of customer privacy, KPCL respects and adheres to the confidentiality of the contracts with the customers. KPCL ensures that the information received from a customer is neither used nor shared with any third party without the knowledge or permission of the customer.

KPCL has IT enabled Customer complaint registration system for post sales.

There are no cases filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and / or anti-competitive behaviour during the last five years and none pending as at end of financial year.

For Kirloskar Pneumatic Company Limited

Sd/-

K. Srinivasan  
Managing Director

## INDEPENDENT AUDITOR'S REPORT

To the Members of **Kirloskar Pneumatic Company Limited**

### Report on the Audit of the Standalone Indian Accounting Standards (Ind AS) Financial Statements

#### Opinion

We have audited the accompanying standalone Ind AS financial statements of Kirloskar Pneumatic Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of Significant Accounting Policies and other explanatory information (hereinafter referred to as "the Standalone Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS Financial Statements give the information required by the Companies Act, 2013 as amended ('the Act') in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India, of the standalone state of affairs of the Company as at March 31, 2021, and its standalone profit (including Other Comprehensive Income), standalone changes in equity and its standalone cash flows for the year ended on that date.

#### Basis for Opinion

We conducted our audit of standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs) as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone Ind AS Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS Financial Statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matter described below to be the key audit matter to be communicated in our report.

#### **Revenue recognition:**

During the financial year the company has recognised revenue from contracts with customers for sale of goods and services of Rs. 8,147.75 million (Refer Note 19 of standalone Ind AS financial statements). Revenue is recognised as per revenue recognition policy described in Note 53.4.16 by applying significant judgments described in Note 53.3.1.



We have identified revenue recognition as a key audit matter since it involves significant management judgement and estimates more particularly in cases of services including whether contracts contain multiple performance obligations which should be accounted for separately. This comprises allocation of the transaction price to each performance obligation and assessing whether the identified performance obligations are satisfied at a point in time or satisfied over a period of time and determining when the control is transferred based on reasonable measures of progress.

Our audit methodology included the following:

- Obtained an understanding and assessed internal controls and its effectiveness with regards to recognition of revenue.
- Analysed major streams of revenue of company to assess whether the method of revenue recognition is consistent with IND AS 115 and has been applied consistently.
- Focused on contract classification, determination of the performance obligations and determination of transaction price including variable consideration for selected samples.
- Tested on sample basis whether revenue transactions near to the reporting date have been recognised in the appropriate period based on terms of the contract.
- Evaluated and critically analysed on sample basis, the significant judgements and estimates made by the management in applying the accounting policy for allocation of transaction price and the timing of transfer of control.
- Critically analysed the adequacy and appropriateness of disclosures required as per Ind AS 115- Revenue from Contracts with Customers.

#### **Impairment testing:**

As per Ind AS 36 “Impairment of Assets”, the Company at each end of the reporting period needs to assess whether there is an indication that any asset of the company is required to be tested for impairment. External/ internal indications are required to be considered for this assessment. Accordingly, the company has assessed the need for testing impairment and has done the impairment testing of cash generating unit (CGU) wherever necessary. This process involved significant judgment and estimates. Due to inherent uncertainties involved in forecasting of cash flows, which are the basis of the assessment of recoverability of CGU tested for impairment, this is one of the key judgmental areas.

We have identified this as a key audit matter due to the significant estimates and judgements involved in impairment testing.

Our audit methodology included the following:

- Obtained an understanding of company’s evaluation of identification of cash generating units.
- Evaluated the underlying key assumptions in estimating projections including cash flows.
- Evaluated reasonableness of assumptions and methodologies used by the Company.
- Assessed the sensitivity of the outcome of impairment assessment to changes in key assumptions.

#### **Other Information**

The Company’s Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Corporate Governance and Directors’ Report, but does not include the standalone Ind AS Financial Statements and our auditor’s report thereon.

Our opinion on the standalone Ind AS Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone Ind AS Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Standalone Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS Financial Statements that give a true and fair view of the standalone financial position, standalone financial performance (including other comprehensive Income), standalone changes in equity and standalone cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS Financial Statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to standalone Ind AS financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone Ind AS Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS Financial Statements, including the disclosures, and whether the standalone Ind AS Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS Financial Statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A; a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.

## KIRLOSKAR PNEUMATIC COMPANY LIMITED

A Kirloskar Group Company

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- e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to standalone Ind AS financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure B” to this report.
- g) As required by section 197 (16) of the Act; in our opinion and according to information and explanation provided to us, the remuneration paid/ provided for by the company to its directors is in accordance with the provisions of section 197 of the Act and remuneration paid to directors is not in excess of the limit laid down under this section.
- h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
  - (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 42 to the financial statements.
  - (ii) The Company did not have any long-term contracts including derivative contracts as at March 31, 2021.
  - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **P G Bhagwat LLP**

Chartered Accountants

ICAI Firm Registration Number - 101118W/W100682

sd/-

Nachiket Deo

Partner

Membership Number: 117695

UDIN: 21117695AAAABQ1257

Pune

Date: April 29, 2021

## Annexure A to Independent Auditor's Report

Referred to in paragraph 1 of Report on Other Legal and Regulatory Requirements section of the Independent Auditor's Report of even date to the members of Kirloskar Pneumatic Company Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2021:

(i)	(a)	The company has maintained proper records showing full particulars including quantitative details and situation, of property, plant and equipment.
	(b)	The property, plant and equipment have been physically verified by the management according to the phased program of three years which is reasonable with regard to size of the company and nature of its assets.
	(c)	According to records of the company examined by us the title deeds of immovable properties are held in the name of the company.
(ii)	The physical verification of inventory have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.	
(iii)	According to information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.	
(iv)	According to the information and explanations provided to us, there are no loans, guarantees and security given by the Company, covered under the provisions of section 185 of the Companies Act, 2013. According to the information and explanations provided to us, provisions of section 186 of the Companies Act, 2013 have been complied with respect to investment.	
(v)	In our opinion and according to information and explanation given to us, the Company has not accepted public deposits, hence the directive issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, are not applicable to it. According to information and explanation given to us, no order has been passed against the company by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.	
(vi)	We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under sub-section (1) of section 148 of the Companies Act, 2013 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of records with a view to determine whether they are accurate and complete.	
(vii)	(a)	According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, employees' state insurance, sales tax, income tax, service tax, duty of customs, duty of excise, value added tax, Goods and Service Tax, cess and other material statutory dues, as applicable, with the appropriate authorities.
		According to the information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31st March, 2021, for a period more than six months from the date they became payable.

## KIRLOSKAR PNEUMATIC COMPANY LIMITED

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(b)	According to the information and explanations given to us, the particulars of dues of income tax, sales tax, wealth tax, service tax, custom duty, goods and service tax, excise duty and cess as at 31st March, 2021 which has not been deposited on account of disputes are as follows:				
	Name of the Statute	Nature of dispute due	*Amount under dispute not deposited (Rs in Million.)	Period to which amount is related	Forum where the dispute is pending
	Excise duty	Demand of penalty on reversal of Cenvat credit not made	0.20	FY 1997-98 to 2001-02 up to Feb - 2002	CESTAT, Delhi
	Excise duty	Wrong availment of CENVAT credit	0.01	FY 2013-14 to 2015-16 up to Aug-2016	Asst. Commissioner CGST, Division- VI (Koregaon Park) Pune-I Commissionerate
	Excise duty	Wrong availment of exemption for lower excise duty due to issue relating to classification of compressor, Gears, Gear Boxes and parts thereof (Demand of differential Excise Duty + Penalty +Interest)	66.48	FY 2016-17 to 2017-18 up to Jun- 2017	Appealable with CESTAT, Mumbai
	Customs duty	Non-compliance of conditions for availing concessional rate of customs duty	1.45	FY 1997-98	Asst. Commissioner (Customs) Mumbai
	Customs duty	Wrong payment of lower import duty (IGST) due to issue relating to classification of goods	0.52	FY 2017-18	Commissioner of Customs, Audit Commissionerate, JNCH, Raigad.
	Customs duty	Wrong payment of lower import duty (IGST) due to issue relating to classification of goods	0.03	FY 2018-19	Additional Commissioner of Customs, (Audit) NCH, Mumbai
	Sales Tax	Non-production of Concessional Form	0.10 0.92 0.24 3.96 13.88	FY 1992-93 FY 2012-13 FY 2013-14 FY 2015-16 FY 2016-17	Joint Commissioner Appeals, Sales Tax Tribunal
	Sales tax	Demand under Work Contract Tax	0.48	FY 1985-86 to 1987-88	Joint Commissioner Appeals, Sales Tax Tribunal
	Income tax	Provision for pension scheme	6.97	FY 1996-97	High Court, Mumbai
	Income tax	Disallowance of certain expenditure	6.13	FY 2015-16	CIT Appeal 7, Pune
	Income tax	Disallowance of certain expenditure	2.60	FY 2016-17	CIT Appeal 7, Pune
* Including amounts paid under protest.					



(viii)	According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government as at the balance sheet date.
(ix)	According to the information and explanation given to us, the company has not raised money by way of initial public offer or further public offer (including debt instrument). According to the information and explanation given to us, terms loans raised during the year were applied for the purposes for which those are raised.
(x)	During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
(xi)	According to the information and explanation given to us, the company has paid/provided managerial remuneration within the limit prescribed under section 197 of the Companies Act, 2013. Accordingly no requisite approval is required to be sought.
(xii)	In our opinion, the company is not a Nidhi company. Accordingly, the provisions specified in Paragraph 3(xii) of Companies (Auditor's Report) order, 2016 are not applicable to the company.
(xiii)	According to the information and explanation given to us and in our opinion, transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 and requisite details have been disclosed in the Financial statements as required by the applicable accounting standards.
(xiv)	According to the information and explanation given to us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures for raising funds during the year. Accordingly, the provisions of clause 3 (xiv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.
(xv)	According to the information and explanation given to us, the company has not entered into a non-cash transaction with any of the directors or persons connected with directors. Accordingly, the provisions of clause 3 (xv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.
(xvi)	In our opinion and according to the information and explanation given to us, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions in Paragraph 3(xvi) of Companies (Auditor's Report) order, 2016 are not applicable.

For **P G Bhagwat LLP**

Chartered Accountants

Firm Registration Number: 101118W/W100682

sd/-

Nachiket Deo

Partner

Membership Number: 117695

UDIN: 21117695AAAABQ1257

Pune

April 29, 2021

**Annexure B to the Independent Auditor's Report of even date on the Standalone Ind AS Financial Statements of Kirloskar Pneumatic Company Limited.****Report on the Internal Financial Controls with reference to Standalone Ind AS Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls with reference to Standalone Ind AS Financial Statements of **Kirloskar Pneumatic Company Limited** ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditors' Responsibility**

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

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

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

**Meaning of Internal Financial Controls over financial reporting with reference to standalone Ind AS financial statements**

A company's internal financial control over financial reporting with reference to standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to standalone Ind AS financial statements includes those policies and procedures that (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) Provide reasonable assurance that transactions are recorded

as necessary to permit preparation of standalone Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the standalone Ind AS financial statements.

**Inherent Limitations of Internal Financial Controls over financial reporting with reference to standalone Ind AS financial statements**

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

**Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, adequate internal financial controls with reference to standalone Ind AS financial statements and such internal financial controls were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **P G Bhagwat LLP**

Chartered Accountants

Firm Registration Number: 101118W/W100682

sd/-

Nachiket Deo

Partner

Membership Number: 117695

UDIN: 21117695AAAABQ1257

Pune

April 29, 2021

**KIRLOSKAR PNEUMATIC COMPANY LIMITED**

A Kirloskar Group Company

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2021**

		₹ in Million	
	Note No.	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2020
<b>ASSETS</b>			
<b>(1) NON-CURRENT ASSETS</b>			
(a) Property, Plant and Equipment	1	1,724.41	2,031.34
(b) Capital work-in-progress	1	41.88	71.81
(c) Other Intangible Assets	2	25.76	35.20
(d) Intangible Assets Under Development	2	37.33	20.34
(e) Financial Assets			
(i) Investments	3	619.28	313.37
(ii) Loans	5	28.57	28.63
(f) Other Non-Current Assets	8	2.02	15.23
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,479.25</b>	<b>2,515.92</b>
<b>(2) CURRENT ASSETS</b>			
(a) Inventories	9	1,072.37	1,592.02
(b) Financial Assets			
(i) Investments	3	1,613.43	1,063.87
(ii) Trade Receivables	4	3,080.99	1,891.00
(iii) Cash and Cash Equivalents	10	445.66	269.50
(iv) Bank Balance other than (iii) above	10	77.92	30.47
(v) Loans	5	11.97	13.38
(vi) Others	6	1.75	8.86
(c) Current Tax Assets (Net)	11	-	66.09
(d) Other Current Assets	8	460.52	300.70
<b>TOTAL CURRENT ASSETS</b>		<b>6,764.61</b>	<b>5,235.89</b>
<b>TOTAL ASSETS</b>		<b>9,243.86</b>	<b>7,751.81</b>
<b>EQUITY AND LIABILITIES</b>			
<b>(1) EQUITY</b>			
(a) Equity Share Capital	12	128.53	128.44
(b) Other Equity	13	5,757.91	4,817.77
<b>TOTAL EQUITY</b>		<b>5,886.44</b>	<b>4,946.21</b>
<b>(2) LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
(a) Financial Liabilities			
(i) Borrowings	14	375.00	-
(ii) Other Financial Liabilities	16	0.87	0.87
(b) Provisions	17	60.49	51.71
(c) Deferred Tax Liabilities (Net)	7	32.88	6.12
(d) Other Non-Current Liabilities	18	0.89	1.10
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>470.13</b>	<b>59.80</b>
<b>CURRENT LIABILITIES</b>			
(a) Financial Liabilities			
(i) Borrowings	14	-	277.78
(ii) Trade Payables	15		
Due to Micro, Small and Medium Enterprises		285.61	178.15
Other Trade Payables		1,171.02	1,194.14
(iii) Other Financial Liabilities	16	722.11	541.36
(b) Other Current Liabilities	18	626.53	486.05
(c) Provisions	17	39.72	68.32
(d) Current Tax Liabilities (Net)	11	42.30	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,887.29</b>	<b>2,745.80</b>
<b>TOTAL LIABILITIES</b>		<b>3,357.42</b>	<b>2,805.60</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,243.86</b>	<b>7,751.81</b>

Notes forming part of the Financial Statements

1 - 53

As per our attached report of even date.

For and on behalf of the Board of Directors

**For P G Bhagwat LLP**Firm Registration No. 101118W / W100682  
Chartered Accountants**Nachiket Deo**Partner  
Membership No. 117695  
Pune, April 29, 2021**K Srinivasan**Managing Director  
DIN - 00088424**Jitendra Shah**

Company Secretary

**Rahul C. Kirloskar**Executive Chairman  
DIN - 00007319**Suhas S. Kolhatkar**

Vice President &amp; Chief Financial Officer

Pune, April 29, 2021



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021**

		₹ in Million		
	Note No.	2020-21	2019-20	
<b>INCOME :</b>				
I	Revenue from Operations	19	8,232.64	8,290.81
II	Other Income	20	101.16	105.15
III	<b>TOTAL INCOME ( I + II )</b>		<b>8,333.80</b>	<b>8,395.96</b>
<b>IV EXPENSES :</b>				
	Cost of Materials Consumed	21	4,240.65	4,740.93
	Changes in Inventories of Finished Goods and Work-in-Progress	22	266.69	(296.74)
	Employee Benefits Expenses	23	1,132.00	1,160.29
	Finance Costs	24	16.93	16.59
	Depreciation and Amortization Expense	25	375.91	325.61
	Other Expenses	26	1,462.84	1,730.13
	<b>TOTAL EXPENSES</b>		<b>7,495.02</b>	<b>7,676.81</b>
V	Profit before Exceptional Items and Tax ( III - IV )		<b>838.78</b>	719.15
VI	Exceptional Items		-	-
VII	Profit Before Tax ( V-VI )		<b>838.78</b>	719.15
VIII	Tax Expense :	47		
	Current Tax (Net of Rs. 6.43 Million in respect of earlier years Previous Year - Rs. 6.68 Million)		<b>205.00</b>	162.08
	Deferred Tax		<b>(4.64)</b>	22.15
			<b>200.36</b>	184.23
IX	<b>Profit for the Year ( VII-VIII)</b>		<b>638.42</b>	<b>534.92</b>
X	<b>Other Comprehensive Income ( OCI )</b>			
	a) Items that will not be reclassified to profit or loss			
	i) Re-measurement of net Defined Benefit Obligation		<b>5.09</b>	(32.77)
	ii) Equity Instruments through Other Comprehensive Income		<b>305.80</b>	(188.89)
			<b>310.89</b>	(221.66)
	b) Income tax relating to items that will not be reclassified to profit or loss			
	i) Taxes on Re-measurement of net Defined Benefit Obligation		<b>(1.28)</b>	8.25
	ii) Taxes on Equity Instruments through Other Comprehensive Income		<b>(31.41)</b>	-
			<b>(32.69)</b>	8.25
	<b>Total Other Comprehensive Income</b>		<b>278.20</b>	(213.41)
	<b>Total Comprehensive Income for the period ( IX + X ) (Comprising Profit and Other Comprehensive Income for the period)</b>		<b>916.62</b>	<b>321.51</b>
	Earning per Share : (nominal value per share Rs.2/-)			
	(1) Basic Rs		<b>9.94</b>	8.33
	(2) Diluted Rs		<b>9.94</b>	8.33
	Notes forming part of the Financial Statements	1-53		

As per our attached report of even date.

**For P G Bhagwat LLP**  
Firm Registration No. 101118W / W100682  
Chartered Accountants

**Nachiket Deo**  
Partner  
Membership No. 117695  
Pune, April 29, 2021

For and on behalf of the Board of Directors

**K Srinivasan**  
Managing Director  
DIN - 00088424

**Jitendra Shah**  
Company Secretary

**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, April 29, 2021



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021**

	₹ in Million	
	2020-2021	2019-2020
<b>A) Cash Flow From Operating Activities</b>		
Profit Before Tax	838.78	719.15
<b>Adjustments for :</b>		
Depreciation and amortisation expense	375.91	325.61
Interest income	(7.66)	(0.10)
Unwinding of Interest on Security Deposits	(1.27)	(1.19)
Share Based Payment	18.14	11.57
Dividend income	(5.51)	(37.82)
MTM Gain on hedge transactions	-	(8.86)
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit or Loss	(68.44)	(52.23)
Loss/(gain) on Sale of Investments	(8.26)	7.14
Loss/(gain) on disposal of property, plant and equipment	(5.20)	(3.92)
Finance costs	16.93	16.59
Bad Debts	2.07	76.81
<b>Operating profit before working capital adjustments</b>	<b>1,155.49</b>	<b>1,052.75</b>
<b>Working capital adjustments</b>		
(Increase)/decrease in trade receivables	(1,192.06)	(132.57)
(Increase)/decrease in inventories	519.65	(628.65)
(Increase)/decrease in other financial assets	29.24	(11.95)
(Increase)/decrease in other non-financial assets	(160.10)	109.32
Increase/(decrease) in trade payables	84.34	41.00
Increase/(decrease) in financial liabilities	168.38	(5.70)
Increase/(decrease) in non-financial liabilities	140.27	(101.06)
Increase/(decrease) in provisions	(14.73)	(4.28)
<b>Cash generated from operations</b>	<b>730.48</b>	<b>318.86</b>
Income taxes paid	(164.00)	(221.89)
<b>Net cash inflow from operating activities</b>	<b>566.48</b>	<b>96.97</b>



	₹ in Million	
	2020-2021	2019-2020
<b>B) Cash flow from investing activities</b>		
Payments for property, plant and equipment, intangible assets	(36.48)	(544.89)
Proceeds from sale of property, plant and equipment, intangible assets	8.56	4.74
Sale / Redemption of Investments	457.13	875.49
Purchase of Investments	(930.10)	(437.53)
Interest income	6.92	0.10
Dividend income	5.51	37.82
<b>Net cash outflow from investing activities</b>	<b>(488.46)</b>	<b>(64.27)</b>
<b>C) Cash flow from financing activities</b>		
Proceeds from issuance of share capital	5.47	-
Repayment of borrowings	(283.09)	(1.57)
Proceeds from borrowings	400.00	277.78
Finance costs	(18.12)	(10.59)
Lease Payments	(2.40)	(2.40)
Dividends paid (including dividend distribution tax)	(3.72)	(320.15)
<b>Net cash outflow from financing activities</b>	<b>98.14</b>	<b>(56.93)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>176.16</b>	<b>(24.23)</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>269.50</b>	<b>293.73</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>445.66</b>	<b>269.50</b>

The above cash flow statement has been prepared under the indirect method as set out in Ind AS 7 - Statement of Cash Flows

As per our attached report of even date.

For and on behalf of the Board of Directors

**For P G Bhagwat LLP**  
Firm Registration No. 101118W / W100682  
Chartered Accountants

**K Srinivasan**  
Managing Director  
DIN - 00088424

**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**Nachiket Deo**  
Partner  
Membership No. 117695  
Pune, April 29, 2021

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, April 29, 2021

**KIRLOSKAR PNEUMATIC COMPANY LIMITED**

A Kirloskar Group Company

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021****A : EQUITY SHARE CAPITAL**

₹ in Million

Balance As at 1 <sup>st</sup> April, 2020	Changes in Equity Share Capital during the year (Net)	Balance As at 31 <sup>st</sup> March, 2021
128.44	0.09	128.53

**B : OTHER EQUITY**

₹ in Million

	Reserves and Surplus				Equity Instruments through Other Comprehensive Income	Total
	Securities Premium	General reserve	Retained Earnings	Share Based Payment		
<b>Balance as on 1 April 2019</b>	<b>51.82</b>	<b>3,500.00</b>	<b>793.45</b>	-	<b>464.59</b>	<b>4,809.86</b>
Profit for the year	-	-	534.92	-	-	534.92
Other Comprehensive Income for the year - Fair Valuation	-	-	-	-	(188.89)	(188.89)
Other Comprehensive Income for the year - Actuarial Gain/(Loss) - Net of Tax	-	-	(24.52)	-	-	(24.52)
Dividend Paid	-	-	(96.33)	-	-	(96.33)
Tax on Dividend	-	-	(19.80)	-	-	(19.80)
Interim Dividend	-	-	(173.40)	-	-	(173.40)
Tax on Interim Dividend	-	-	(35.64)	-	-	(35.64)
For the Year	-	-	-	11.57	-	11.57
Transfer from retained earnings	-	300.00	(300.00)	-	-	-
<b>Balance as on 31 March 2020</b>	<b>51.82</b>	<b>3,800.00</b>	<b>678.68</b>	<b>11.57</b>	<b>275.70</b>	<b>4,817.77</b>
<b>Balance as on 1 April 2020</b>	<b>51.82</b>	<b>3,800.00</b>	<b>678.68</b>	<b>11.57</b>	<b>275.70</b>	<b>4,817.77</b>
Profit for the year	-	-	638.42	-	-	638.42
Other Comprehensive Income for the year - Fair Valuation Net of Tax	-	-	-	-	274.39	274.39
Other Comprehensive Income for the year - Actuarial Gain/(Loss) - Net of Tax	-	-	3.81	-	-	3.81
Transfer from Share Based Payment	2.81	-	-	(2.81)	-	-
For the Year	5.38	-	-	18.14	-	23.52
Transfer from retained earnings	-	700.00	(700.00)	-	-	-
<b>Balance as on 31 March 2021</b>	<b>60.01</b>	<b>4,500.00</b>	<b>620.91</b>	<b>26.90</b>	<b>550.09</b>	<b>5,757.91</b>

As per our attached report of even date.

For and on behalf of the Board of Directors

**For P G Bhagwat LLP**Firm Registration No. 101118W / W100682  
Chartered Accountants**Nachiket Deo**Partner  
Membership No. 117695  
Pune, April 29, 2021**K Srinivasan**Managing Director  
DIN - 00088424**Jitendra Shah**

Company Secretary

**Rahul C. Kirloskar**Executive Chairman  
DIN - 00007319**Suhas S. Kolhatkar**

Vice President &amp; Chief Financial Officer

Pune, April 29, 2021

**NOTE 1 : PROPERTY, PLANT AND EQUIPMENT**

₹ in Million

PARTICULARS	PROPERTY, PLANT AND EQUIPMENT											TOTAL	CAPITAL WORK IN PROGRESS
	FREE HOLD LAND	BUILDINGS	PLANT & MACHINERY	ELECTRICAL INSTALLATION	OFFICE EQUIPMENTS	FURNITURE & FIXTURE	VEHICLE	ASSETS UNDER OPERATING LEASE		RIGHT OF USE ASSET			
								VEHICLES	COMPRESSION FACILITY				
Gross Carrying Amount As at 01/04/2019	2.16	294.69	562.71	39.44	18.64	23.41	685.71	73.76	-	-	-	1,700.52	594.28
Additions	-	206.94	389.49	12.72	3.83	9.24	37.77	-	463.09	9.31	-	1,132.39	609.92
Deductions and adjustments	-	-	1.31	-	-	-	6.39	-	-	-	-	7.70	1,132.39
Gross Carrying Amount As at 31/03/2020	2.16	501.63	950.89	52.16	22.47	32.65	717.09	73.76	463.09	9.31	-	2,825.21	71.81
Accumulated Depreciation As at 01/04/2019	-	51.12	255.18	12.21	10.77	10.86	103.48	60.65	-	-	-	504.27	-
Depreciation for the year	-	22.26	85.32	5.59	3.07	2.76	102.83	4.09	67.27	3.29	-	296.48	-
Impairment during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Deductions and Adjustments	-	-	1.29	-	-	-	5.59	-	-	-	-	6.88	-
Accumulated Depreciation up to 31/03/2020	-	73.38	339.21	17.80	13.84	13.62	200.72	64.74	67.27	3.29	-	793.87	-
Net Carrying Amount as at 31/03/2020	2.16	428.25	611.68	34.36	8.63	19.03	516.37	9.02	395.82	6.02	-	2,031.34	71.81
Gross Carrying Amount As at 01/04/2020	2.16	501.63	950.89	52.16	22.47	32.65	717.09	73.76	463.09	9.31	-	2,825.21	71.81
Additions	-	1.24	53.71	0.77	0.73	1.69	4.14	-	-	-	-	62.28	43.30
Deductions and adjustments	-	-	-	-	-	-	3.19	35.30	-	-	-	38.49	73.23
Gross Carrying Amount As at 31/03/2021	2.16	502.87	1,004.60	52.93	23.20	34.34	718.04	38.46	463.09	9.31	-	2,849.00	41.88
Accumulated Depreciation As at 01/04/2020	-	73.38	339.21	17.80	13.84	13.62	200.72	64.74	67.27	3.29	-	793.87	-
For the year	-	15.80	98.76	5.95	3.06	3.24	98.89	2.32	134.54	3.29	-	365.85	-
Impairment during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Deductions and Adjustments	-	-	-	-	-	-	2.92	32.21	-	-	-	35.13	-
Accumulated Depreciation up to 31/03/2021	-	89.18	437.97	23.75	16.90	16.86	296.69	34.85	201.81	6.58	-	1,124.59	-
Net Carrying Amount As at 31/03/2021	2.16	413.69	566.63	29.18	6.30	17.48	421.35	3.61	261.28	2.73	-	1,724.41	41.88
Net Carrying Amount as at 31/03/2020	2.16	428.25	611.68	34.36	8.63	19.03	516.37	9.02	395.82	6.02	-	2,031.34	71.81

For charge on Property, Plant and Equipment - see Note 50

**KIRLOSKAR PNEUMATIC COMPANY LIMITED**

A Kirloskar Group Company

**NOTE 2 : OTHER INTANGIBLE ASSETS**

₹ in Million

PARTICULARS	OTHER INTANGIBLE ASSETS			
	SOFTWARES	TECHNICAL KNOW HOW	TOTAL	INTANGIBLE ASSETS UNDER DEVELOPMENT
<b>Gross Carrying Amount As at 01/04/2019</b>	15.93	96.58	<b>112.51</b>	<b>46.90</b>
Additions	2.92	39.85	<b>42.77</b>	16.21
Deductions and adjustments	-	-	-	42.77
<b>Gross Carrying Amount As at 31/03/2020</b>	18.85	136.43	<b>155.28</b>	<b>20.34</b>
<b>Accumulated Depreciation As at 01/04/2019</b>	15.61	75.34	<b>90.95</b>	
For the year	1.25	27.88	<b>29.13</b>	
Deductions and Adjustments	-	-	-	
<b>Accumulated Depreciation up to 31/03/2020</b>	16.86	103.22	<b>120.08</b>	-
<b>Net Carrying Amount as at 31/03/2020</b>	1.99	33.21	<b>35.20</b>	<b>20.34</b>
<b>Gross Carrying Amount As at 01/04/2020</b>	18.85	136.43	<b>155.28</b>	<b>20.34</b>
Additions	0.62	-	<b>0.62</b>	17.61
Deductions and adjustments	-	-	-	0.62
<b>Gross Carrying Amount As at 31/03/2021</b>	19.47	136.43	<b>155.90</b>	<b>37.33</b>
<b>Accumulated Depreciation As at 01/04/2020</b>	16.86	103.22	<b>120.08</b>	-
For the year	2.09	7.97	<b>10.06</b>	-
Deductions and Adjustments	-	-	-	-
<b>Accumulated Depreciation up to 31/03/2021</b>	18.95	111.19	<b>130.14</b>	-
<b>Net Carrying Amount As at 31/03/2021</b>	<b>0.52</b>	<b>25.24</b>	<b>25.76</b>	<b>37.33</b>
Net Carrying Amount As at 31/03/2020	1.99	33.21	35.20	20.34

The remaining amortisation period for Technical Know How of Compressor Technology is 38 months.

**NOTE 3 : INVESTMENTS (NON CURRENT) :**

	Face Value Rs.	As at 31 <sup>st</sup> March, 2021		As at 31 <sup>st</sup> March, 2020	
		Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
<b>At Fair Value through Profit or Loss (FVTPL)</b>					
Quoted :					
Unit Trust of India :					
UTI Hybrid Equity Fund Regular Growth Plan	10	201.988	0.04	201.988	0.03
UTI Hybrid Equity Fund Regular Dividend Plan Reinvestment	10	9,359.315	0.27	8,954.480	0.17
UTI Mastershare Unit Scheme- Regular Dividend Payout	10	3,300	0.12	3,300	0.08
			<b>0.43</b>		<b>0.28</b>
In Debentures and Bonds :					
Quoted :					
12.5% Secured Redeemable Partly Convertible Debentures of Rs.100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs. 44/- per Debenture - matured on 01.06.1998 awaiting realisation	100	25,000	0.00*	25,000	0.00*
			<b>0.43</b>		<b>0.28</b>
<b>Total Fair Value through Profit or Loss ( FVTPL )</b>					
<b>At Fair Value through Other Comprehensive Income ( FVTOCI )</b>					
Equity Shares :					
Unquoted :					
Fully Paid Shares					
Kirloskar Proprietary Ltd.	100	1	0.08	1	0.08
S L Kirloskar CSR Foundation	10	9,800	0.10	9,800	0.10
Kirloskar Management Services Pvt. Ltd.	10	487,500	5.36	487,500	4.88
Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.	-	56,250	1.12	56,250	1.12
The Nasik Merchants' Co-operative Bank Ltd.	100	1	0.00*	1	0.00*
The Cosmos Co-operative Bank Ltd.	20	62,500	1.25	62,500	1.25
Kirloskar Chillers Pvt.Ltd.	10	225,000	125.10	225,000	120.38
			<b>133.01</b>		<b>127.81</b>
* Value less than Rs. Ten Thousand					
Carried Over Rs			<b>133.44</b>		<b>128.09</b>

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**NOTE 3 : INVESTMENTS (NON CURRENT) : (contd.)**

	Face Value Rs.	As at 31 <sup>st</sup> March, 2021		As at 31 <sup>st</sup> March, 2020	
		Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
Brought Over Rs.			133.44		128.09
Other, Quoted :					
The Mysore Kirloskar Ltd.	10	100,000	0.00*	100,000	0.00*
Kirloskar Industries Ltd.	10	200	0.25	200	0.09
Housing Development Finance Corporation Ltd.	2	46,990	117.37	46,990	76.74
Kirloskar Investment and Finance Ltd.	10	375,000	0.00*	375,000	0.00*
ICICI Bank Limited	2	55,324	32.20	55,324	17.91
Kirloskar Ferrous Industries Ltd.	5	2,000,000	328.30	2,000,000	86.00
HDFC Bank Ltd.	1	5,000	7.46	5,000	4.31
Punjab National Bank	2	7,000	0.26	7,000	0.23
			<u>485.84</u>		<u>185.28</u>
<b>Total Fair Value through Other Comprehensive Income (FVTOCI)</b>			<b>618.85</b>		<b>313.08</b>
	<b>Total</b>		<u><b>619.28</b></u>		<u><b>313.37</b></u>

\* Value less than Rs. Ten Thousand

Aggregate Cost of acquisition of Quoted Investments	27.98	27.98
Aggregate Market Value of Quoted Investments	486.27	185.56
Aggregate Cost of acquisition of Un-Quoted Investments	9.59	9.59
Aggregate Fair Value of Un-Quoted Investments	133.01	127.81
Aggregate Amount of Impairment in the Value of Investments	7.40	7.40



**NOTE 3 : INVESTMENTS (CURRENT) :**

	As at 31 <sup>st</sup> March, 2021		As at 31 <sup>st</sup> March, 2020	
	Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
At Fair Value through Profit or Loss (FVTPL)				
Quoted :				
UTI Ultra Short Term Fund - Direct Daily Div. Plan Reinvestment	-	-	69,464.042	74.85
Invesco India Corporate Bond Fund Direct Plan Growth (AI-D1)	-	-	26,078.873	62.79
HDFC Ultra Short Fund - Direct Daily Dividend Reinvest	-	-	5,082,775.293	51.13
HDFC Low Duration Fund Direct Plan Growth	-	-	1,139,512.835	50.38
Kotak Savings Fund Direct Plan Growth	-	-	1,839,165.019	60.42
ICICI Prudential Savings Fund Direct Plan Growth	-	-	205,492.084	80.22
SBI Magnum Low Duration Fund Regular Growth	-	-	17,771.905	46.26
ICICI Prudential Fixed Maturity Plan Series 82- Plan F Direct Cumulative	25,000,000.000	321.80	25,000,000.000	297.20
HDFC FMP Direct Growth Series 42	10,000,000.000	128.18	10,000,000.000	114.75
Axis Banking & PSU Debt Fund Growth	18,185.959	37.45	18,185.959	34.76
Franklin India Ultra Short Bond Fund Super Inst. Plan - Direct Growth	917,020.150	27.42	1,816,860.465	50.24
Axis Treasury Advantage Fund Direct Growth	25,979.555	64.50	25,979.555	60.41
IDFC Banking & PSU Debt Fund Direct Plan Growth	4,479,057.606	87.52	4,479,057.606	80.46
HDFC Liquid Fund Direct Plan Growth	65,546.018	265.17	-	-
SBI Liquid Fund Direct Plan Growth	88,471.347	285.02	-	-
UTI Liquid Cash Plan Direct Growth Plan	24,114.128	81.28	-	-
AXIS Liquid Fund Direct Growth	13,391.569	30.60	-	-
Aditya Birla Sun Life Liquid Fund Growth Direct Plan	304,034.312	100.80	-	-
ICICI Liquid Fund Direct Plan Growth	300,879.819	91.69	-	-
Kotak Liquid Fund Direct Plan Growth	22,121.058	92.00	-	-
<b>Total</b>		<b>1,613.43</b>		<b>1,063.87</b>
Aggregate Cost of acquisition of Quoted Investments		1,477.44		1,011.53
Aggregate Market Value of Quoted Investments		1,613.43		1,063.87
Aggregate Cost of acquisition of Un-Quoted Investments		-		-
Aggregate Amount of Impairment in the Value of Investments		-		-

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	<b>As at 31<sup>st</sup> March, 2021</b>	<b>₹ in Million As at 31<sup>st</sup> March, 2020</b>
<b>NOTE 4 : TRADE RECEIVABLES :</b>		
Unsecured Considered Good	<b>3,080.99</b>	1,891.00
Having significant increase in Credit Risk	-	-
<b>Total</b>	<b>3,080.99</b>	1,891.00
Non Current	-	-
Current	<b>3,080.99</b>	1,891.00
Debts due from Private Companies in which Director is a Director or a Member	-	0.33
For charge on Trade Receivables - see Note 50		

**NOTE 5 : LOANS :**

Unsecured Considered Good		
Security Deposits ( Non Current )	<b>28.49</b>	28.50
Loan To Employees ( Non Current )	<b>0.08</b>	0.13
Security Deposits ( Current )	<b>11.97</b>	13.38
Having significant increase in Credit Risk	-	-
<b>Total</b>	<b>40.54</b>	42.01
Non Current	<b>28.57</b>	28.63
Current	<b>11.97</b>	13.38
Includes amount due from Related party	<b>18.87</b>	17.60

**NOTE 6 : OTHER FINANCIAL ASSETS :**

Unsecured Considered Good		
Other Assets	<b>1.75</b>	8.86
<b>Total</b>	<b>1.75</b>	8.86
Current	<b>1.75</b>	8.86

	As at 31 <sup>st</sup> March, 2021	₹ in Million As at 31 <sup>st</sup> March, 2020
<b>NOTE 7 : DEFERRED TAX ASSETS / ( LIABILITY ) :</b>		
Deferred Tax Assets	28.77	37.87
Deferred Tax Liabilities ( Refer Note no. 47 )	61.65	43.99
<b>Total</b>	<b>(32.88)</b>	<b>(6.12)</b>

**NOTE 8 : OTHER ASSETS :**

Unsecured Considered Good

Advances to Supplier of Capital Goods ( Non Current )	-	13.48
Other Assets ( Non Current )	2.02	1.75
Contract Assets ( Current )	71.37	1.21
GST Balances ( Current )	104.38	152.11
Other Assets ( Current )	284.77	147.38
<b>Total</b>	<b>462.54</b>	<b>315.93</b>

Non Current	2.02	15.23
Current	460.52	300.70

Other Non Current Assets includes amount due from Related party	-	-
Other Current Assets includes amount due from Related party	-	-

**NOTE 9 : INVENTORIES :**

Raw Materials	726.73	972.24
[ Includes Rs. 0.85 Million ( 31st March 2020 Rs. 6.22 Million ) in transit ]		
Work-in-progress	272.18	510.62
Finished Goods, at cost or net realisable value whichever is lower	47.50	75.75
Stores & Spares	25.96	33.41
<b>Total</b>	<b>1,072.37</b>	<b>1,592.02</b>

For charge on Inventories - see Note 50

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	<b>As at 31<sup>st</sup> March, 2021</b>	<b>₹ in Million As at 31<sup>st</sup> March, 2020</b>
<b>NOTE 10 : CASH AND CASH EQUIVALENTS :</b>		
<b>a) CASH AND CASH EQUIVALENTS :</b>		
Cash on hand	0.05	0.08
Balances with Banks :		
In Current Accounts	445.50	269.31
In Fixed Deposits	0.11	0.11
	<u>445.66</u>	<u>269.50</u>
<b>b) OTHER BANK BALANCES :</b>		
Deposits with original maturity of more than three months but less than twelve months	51.18	-
Earmarked Balances with Banks		
For Unclaimed Dividend	24.41	28.13
For Fractional Entitlement	2.33	2.34
	<u>77.92</u>	<u>30.47</u>
<b>Total</b>	<u><u>523.58</u></u>	<u><u>299.96</u></u>

**NOTE 11 : CURRENT TAX ASSET / ( LIABILITY ) - NET :**

Advance Tax Paid	157.54	213.24
Less : Provision for Tax	199.84	147.15
<b>Total</b>	<u><u>(42.30)</u></u>	<u><u>66.09</u></u>

	As at 31 <sup>st</sup> March, 2021	₹ in Million As at 31 <sup>st</sup> March, 2020
<b>NOTE 12 : EQUITY SHARE CAPITAL :</b>		
<b>AUTHORISED :</b>		
Opening Balance :		
187.50 Million Equity Shares of Rs. 2/- each	375.00	375.00
Changes during the Year	-	-
<b>Closing Balance :</b>	<b>375.00</b>	<b>375.00</b>
<b>ISSUED AND SUBSCRIBED :</b>		
Opening Balance :		
64.22 Million Equity Shares of Rs. 2/- each	128.44	128.44
Issued during the year		
0.046 Million Equity Shares of Rs. 2/- each	0.09	-
<b>Closing Balance :</b>	<b>128.53</b>	<b>128.44</b>
<b>PAID UP :</b>		
Opening Balance :		
64.22 Million Equity Shares of Rs. 2/- each	128.44	128.44
Addition during the year		
0.046 Million Equity Shares of Rs. 2/- each	0.09	-
<b>Closing Balance :</b>	<b>128.53</b>	<b>128.44</b>

**Rights attached to Equity Shares :**

The Company has one class of equity shares having a par value of Rs. 2/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

Shareholder holding more than 5%	Nos. Face Value of Rs. 2/-	In Million Nos. Face Value of Rs. 2/-
	a) Mr. Rahul C. Kirloskar	7.49 11.66%
b) Mr. Atul C. Kirloskar	6.11 9.50%	7.48 11.65%
c) Kirloskar Industries Ltd.	6.42 9.99%	6.42 10.00%
d) HDFC Trustee Co. Ltd.	5.74 8.93%	5.78 9.00%
e) Ms. Jyotsna Gautam Kulkarni	4.66 7.26%	4.66 7.26%
f) Nippon Life India Trustee Limited (Formerly Reliance Capital Trustee Co. Limited)	4.16 6.47%	5.72 8.91%

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	As at 31 <sup>st</sup> March, 2021	₹ in Million As at 31 <sup>st</sup> March, 2020
<b>NOTE 13 : OTHER EQUITY :</b>		
<b>Securities Premium (Share Premium) Account:</b>		
As per last Account	51.82	51.82
Add : During the year	5.38	-
Add : Transferred from Share Based Payment Reserve	2.81	-
<b>Closing Balance</b>	<b>60.01</b>	<b>51.82</b>
<b>General Reserve :</b>		
Opening Balance / As per last Account	3,800.00	3,500.00
Add: Set aside this year	700.00	300.00
<b>Closing Balance</b>	<b>4,500.00</b>	<b>3,800.00</b>
<b>Share Based Payment Reserve :</b>		
Opening Balance / As per last Account	11.57	-
Add : During the year	18.14	11.57
Less : Transferred to Share Premium	2.81	-
<b>Closing Balance</b>	<b>26.90</b>	<b>11.57</b>
<b>Retained Earnings :</b>		
Opening Balance / As per last Account	678.68	793.45
Add : Transferred from Statement of Profit and Loss	638.42	534.92
Add : Transferred from Other Comprehensive Income - Net of Tax	3.81	(24.52)
	<b>1,320.91</b>	<b>1,303.85</b>
Less :		
Transfer to General Reserve	700.00	300.00
Dividend Paid	-	96.33
Tax on Dividend	-	19.80
Interim Dividend	-	173.40
Tax on Interim Dividend	-	35.64
	<b>700.00</b>	<b>625.17</b>
<b>Closing Balance</b>	<b>620.91</b>	<b>678.68</b>
<b>Equity Instruments Through Other Comprehensive Income</b>		
Opening Balance / As per last Account	275.70	464.59
Add / (Less) FVTOCI Equity Investments - Change in Fair Value	274.39	(188.89)
<b>Closing Balance</b>	<b>550.09</b>	<b>275.70</b>
<b>Total</b>	<b>5,757.91</b>	<b>4,817.77</b>

- Securities Premium is a premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013
- General Reserve is created by setting aside amount from the Retained Earnings and is freely available for distribution.
- FVTOCI Equity Investments - The Company has elected to recognise changes in the fair value of certain investments in equity in Other Comprehensive Income. These changes are accumulated in Equity Instruments Through Other Comprehensive Income Reserve within equity. The Company transfers amounts from this reserve to Retained Earnings when the relevant equity investments are derecognised.
- Share Based Payment Reserve is a result of recognition of cost included in Employee Related Expenses relating to Employee Stock Option Scheme 2019 introduced by the Company. Refer Note No. 28



	As at 31 <sup>st</sup> March, 2021	₹ in Million As at 31 <sup>st</sup> March, 2020
<b>NOTE 14 : BORROWINGS :</b>		
Borrowings - Other Secured	375.00	277.78
( Refer Note No. 37 for Net Debt position )		
<b>Total</b>	<b>375.00</b>	<b>277.78</b>

Non Current	375.00	-
Current	-	277.78

Non Current Borrowings availed during the year represents Term Loan from ICICI Bank Ltd at 3 months T-Bill rate + 3.52 % p.a. repayable in 16 equal quarterly instalments after a moratorium of one year.

Previous Year - Current Borrowings represents Buyers Credit availed at LIBOR + 0.65% p.a. which was repaid during the year.

For security Refer Note No.50

#### NOTE 15 : TRADE PAYABLES

Due to Micro, Small and Medium Enterprises	285.61	178.15
Other Trade Payables	1,171.02	1,194.14
<b>Total</b>	<b>1,456.63</b>	<b>1,372.29</b>

#### NOTE 16 : OTHER FINANCIAL LIABILITIES :

Deposit Received ( Non Current )	0.87	0.87
Unpaid Dividends ( Current )	24.41	28.13
Fractional Entitlement ( Current )	2.33	2.34
Current Maturities of Long-Term Debt	25.00	5.31
Interest Accrued ( Current )	5.29	6.48
Employee Related Liabilities ( Current )	117.87	84.14
Other Trade Liabilities ( Current )	256.80	141.02
Other Liabilities ( Current )	288.84	270.26
Lease Liability ( Current )	1.57	3.68
<b>Total</b>	<b>722.98</b>	<b>542.23</b>

Non Current	0.87	0.87
Current	722.11	541.36

#### NOTE 17 : PROVISIONS :

Provision for Employee Benefits		
Provision for Leave Encashment ( Non Current )	60.49	51.71
Provision for Leave Encashment ( Current )	31.19	36.54
Provision for Gratuity ( Current )	8.53	31.78
<b>Total</b>	<b>100.21</b>	<b>120.03</b>
Non Current	60.49	51.71
Current	39.72	68.32

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	As at 31 <sup>st</sup> March, 2021	₹ in Million As at 31 <sup>st</sup> March, 2020
<b>NOTE 18 : OTHER LIABILITIES :</b>		
Other Liabilities ( Non Current )	0.89	1.10
Contract Liabilities ( Current )	-	8.32
Advance from Customer ( Current )	395.00	456.65
Other Liabilities ( Current )	231.53	21.08
<b>Total</b>	<b>627.42</b>	<b>487.15</b>
Non Current	0.89	1.10
Current	626.53	486.05

**NOTE 19 : REVENUE FROM OPERATIONS :**

Sale of Products	6,006.85	6,451.16
Sale of Services	1,864.35	1,628.27
(includes WCT sale Rs. 1,674.99 Mn, Previous Year Rs. 1,440.75 Mn)		
Lease Income	276.55	131.85
	<b>8,147.75</b>	<b>8,211.28</b>

**Other Operating Revenue**

Insurance Claim Received	1.13	0.48
Miscellaneous Receipts	59.49	30.46
Bad Debts / Liquidated Damages Recovered	24.27	48.59
	<b>84.89</b>	<b>79.53</b>
<b>Total</b>	<b>8,232.64</b>	<b>8,290.81</b>

	₹ in Million	
	2020-21	2019-20
<b>NOTE 20 : OTHER INCOME :</b>		
Dividend Income from Equity Investments designated at Fair Value through Other Comprehensive Income	4.99	10.53
Dividend Income from Mutual Fund Investments designated at Fair Value through Profit and Loss	0.52	27.29
Interest Received	7.66	0.10
Unwinding of Interest on Security Deposits	1.27	1.19
Miscellaneous Receipts	4.82	0.91
MTM Gain on Hedge Transactions	-	8.86
Surplus on Sale of Assets	5.20	3.92
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit and Loss	68.44	52.23
Gain on Sale of Investments	8.26	0.12
<b>Total</b>	<b>101.16</b>	<b>105.15</b>

**NOTE 21 : COST OF MATERIALS CONSUMED :**

Raw Materials (including components) consumed :

Stocks at commencement	972.24	649.03
Add : Purchases	3,995.14	5,064.14
	<b>4,967.38</b>	<b>5,713.17</b>
Less : Stocks at close	726.73	972.24
<b>Total</b>	<b>4,240.65</b>	<b>4,740.93</b>

**NOTE 22 : CHANGES IN INVENTORIES :**

(Increase) / Decrease in Stocks :

Finished Goods		
Stocks at close	47.50	75.75
Stocks at commencement	75.75	33.90
	<b>28.25</b>	<b>(41.85)</b>
Work-in-Progress		
Stocks at close	272.18	510.62
Stocks at commencement	510.62	255.73
	<b>238.44</b>	<b>(254.89)</b>
<b>Total</b>	<b>266.69</b>	<b>(296.74)</b>

**KIRLOSKAR PNEUMATIC COMPANY LIMITED**

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	2020-21	₹ in Million 2019-20
<b>NOTE 23 : EMPLOYEE BENEFITS EXPENSES :</b>		
Salaries, Wages, Bonus, etc.	<b>949.03</b>	975.06
Incentive	<b>24.95</b>	15.67
Share Based Payment	<b>18.14</b>	11.57
Contribution to Provident and Other Funds, etc.	<b>72.08</b>	71.32
Welfare Expenses	<b>67.80</b>	86.67
<b>Total</b>	<b>1,132.00</b>	1,160.29

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**NOTE 24 : FINANCE COSTS :****Interest :**

On Borrowings	<b>16.64</b>	16.49
On Lease	<b>0.29</b>	0.10
<b>Total</b>	<b>16.93</b>	16.59

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**NOTE 25 : DEPRECIATION AND AMORTISATION EXPENSE :**

Depreciation	<b>365.85</b>	296.48
Amortisation of intangible assets	<b>10.06</b>	29.13
<b>Total</b>	<b>375.91</b>	325.61

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	2020-21	₹ in Million 2019-20
<b>NOTE 26 : OTHER EXPENSES :</b>		
Stores and Spares Consumed	98.49	117.25
Manufacturing Expenses ( includes Cost of Services )	687.53	674.70
Power, Fuel and Water	88.91	108.97
Building Repairs	34.04	34.43
Machinery Repairs	51.85	45.24
Sundry Repairs	12.15	21.84
Rent	10.58	10.90
Rates and Taxes	22.23	14.22
Insurance	23.70	15.81
Commission on Sales	17.67	38.32
Royalty	20.56	20.89
Travelling Expenses	32.18	111.42
Postage, Telephones, Telex Expenses	16.00	21.87
Bank Charges	21.18	16.94
Freight Outward	113.08	84.31
Vehicle Expenses	14.97	22.44
Printing and Stationery	3.33	6.81
Legal and Professional Charges	57.39	74.25
Advertisement and Publicity Expenses	1.78	22.09
Donations	3.50	2.50
Auditors' Remuneration	3.28	3.38
Directors' Fees and Travelling Expenses	11.07	11.07
Bad Debts	2.07	76.81
Loss on Sale of Investments	-	7.26
CSR Expenditure	14.23	14.16
Miscellaneous Expenses	101.07	152.25
<b>Total</b>	<b>1,462.84</b>	<b>1,730.13</b>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**
**27 : Employee benefits**
**i Defined Contribution Plans :**

Amount of Rs. 50.26 Million (Previous Year Rs. 53.09 Million) is recognised as an expense and included in "Employees benefits expense" in Note 23 in the statement of Profit and Loss.

**ii Defined Benefit Plans - Gratuity :**

The Company operates gratuity plan wherein every employee is entitled to the benefit as per the scheme of the Company, for each completed year of service. The gratuity is payable on termination of service or retirement, whichever is earlier at the rate of 15 days salary for every completed year of service where service is less than 15 years and at one month salary for every completed year of service when the service of an employee exceeds 15 years subject to maximum of 24 to 28 months salary depending upon category of the employee ensuring in any case that the benefit provided is not less than stipulated by The Payment of Gratuity Act, 1972. The benefit vests only after five years of continuous service.

**a) The amounts recognised in balance sheet are as follows:**

	₹ in Million	
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
A. Amount to be recognised in balance sheet Present value of defined benefit obligation	247.61	232.54
Less: Fair value of plan assets	239.09	200.76
Amount to be recognised as liability or (asset)	8.52	31.78
B. Amounts reflected in the balance sheet		
Liabilities	8.52	31.78
Assets	-	-
Net liability/(assets)	8.52	31.78

**b) The amounts recognised in the statement of profit and loss are as follows:**

	₹ in Million	
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
<b>Employee benefit expenses</b>		
Current service cost	21.10	18.38
Past service cost	-	-
<b>Finance cost</b>		
Net interest (income)/expenses	0.71	(0.15)
Net periodic benefit cost recognised in the statement of profit and loss-	21.81	18.23



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)

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

	₹ in Million	
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Opening amount recognised in OCI outside profit and loss account	41.59	8.82
2 Remeasurements for the year - obligation (gain) / loss	(4.47)	32.51
3 Remeasurements for the year - plan assets (gain) / loss	(0.62)	0.26
4 Total remeasurements cost / (credit) for the year recognised in OCI	(5.09)	32.77
5 Less: Accumulated balances transferred to retained earnings	(5.09)	32.77
Closing balances (remeasurements (gain) / loss recognised OCI)	36.50	41.59

d) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

	₹ in Million	
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Present value of obligation as at the beginning of the period	232.54	186.52
2 Acquisition adjustment	-	-
3 Transfer in / (out)	-	-
4 Interest expenses	13.71	13.48
5 Past service cost	-	-
6 Current service cost	21.10	18.38
7 Curtailment cost / (credit)	-	-
8 Settlement cost / (credit)	-	-
9 Benefits paid	(15.27)	(18.35)
10 Remeasurements on obligation - (gain) / loss	(4.47)	32.51
Present value of obligation as at the end of the period	247.61	232.54

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)****e) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:**

	₹ in Million	
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
	<b>Gratuity Plan</b>	<b>Gratuity Plan</b>
	<b>(Funded)</b>	<b>(Funded)</b>
1 Fair value of the plan assets as at beginning of the period	200.76	171.31
2 Acquisition adjustment	-	-
3 Transfer in/(out)	-	-
4 Interest income	13.00	13.63
5 Contributions	40.26	34.43
6 Mortality Charges and Taxes	(0.28)	-
7 Benefits paid	(15.27)	(18.35)
8 Amount paid on settlement	-	-
9 Return on plan assets, excluding amount recognized in Interest Income - gain / (loss)	0.62	(0.26)
10 Fair value of plan assets as at the end of the period	239.09	200.76
11 Actual return on plan assets	13.62	13.37

100% of total plan assets are managed by the insurer - Life Insurance Corporation of India.

**f) Net interest (income) / expenses**

	31 <sup>st</sup> March, 2021		31 <sup>st</sup> March, 2020	
	<b>Gratuity Plan</b>		<b>Gratuity Plan</b>	
	<b>(Funded)</b>		<b>(Funded)</b>	
1 Interest ( income) / expense – obligation	13.71		13.48	
2 Interest (income) / expense – plan assets	(13.00)		(13.63)	
3 Net interest (income) / expense for the year	0.71		(0.15)	

**Basis used to determine the overall expected return:**

The net interest approach effectively assumes an expected rate of return on plan assets equal to the beginning of the year discount rate. As such expected return of 6.10% has been used for the valuation purpose.

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

<b>Gratuity:</b>	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
Discount rate	6.30%	6.10%
Expected return on plan assets	6.10%	7.60%
Salary growth rate*	7.00%	6.00%
Attrition rate	6.00%	7.50%

\* The estimates of future salary increase considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

**h) General descriptions of defined benefit plans:**

- i) The Company expects to fund approximately Rs. 40 Million towards its gratuity plan in the year 2021-22.

**j) Sensitivity analysis**

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligation(PVO). Sensitivity analysis is done by varying (increasing/decreasing) one parameter by 100 basis points (1%)

Change in assumptions	₹ in Million	
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
	<b>PVO of Gratuity</b>	
<b>1 Discount rate</b>		
Increase by 1%	<b>235.08</b>	223.12
Decrease by 1%	<b>261.63</b>	242.96
<b>2 Salary increase rate</b>		
Increase by 1%	<b>259.27</b>	240.94
Decrease by 1%	<b>236.96</b>	224.81
<b>3 Withdrawal rate</b>		
Increase by 1%	<b>245.79</b>	231.36
Decrease by 1%	<b>249.60</b>	233.78

**k) Expected Future Benefit Payments**

Within the next 12 months	<b>59.97</b>	81.88
Between 2 & 5 years	<b>94.42</b>	94.65
Above 5 years	<b>119.77</b>	88.27

**l) Average Duration**

Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal rate and interest rate) is 13.32 years ( PY 12.40 years )

**m) Risk Exposure And Asset Liability Matching**

Provision of a defined benefit scheme poses certain risks, some of which are detailed hereunder, as companies take on uncertain long term obligations to make future benefit payments.

**1) Liability Risk**

a) 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. Hence companies are encouraged to adopt asset-liability management.

b) Discount Rate Risk-

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

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

## c) 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 uncertainties in estimating this increasing risk.

**2) Asset Risk**

All plan assets are maintained in a trust fund 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. A single account is maintained for both the investment and claim settlement and hence 100% liquidity is ensured and inflation risk are taken care of.

**iii Defined Benefit Plan - Compensated Absences:**

The company has valued the compensated absences, as specified in Ind AS 19 on actuarial basis. Under the scheme an employee is entitled to maximum of 30 days leave in a year depending upon number of days he works during that year. An employee can accumulate not exceeding 10 days of leave in a year subject to a maximum of 120 days during his tenure. The benefit is payable on termination of service, retirement or death whichever is earlier. The benefit equates to the salary in respect of balance of leave. There is no requirement for funding this liability and as such entire liability continues to remain unfunded.

**a) The amounts recognised in balance sheet are as follows:****₹ in Million**

	<u>31<sup>st</sup> March, 2021</u>	<u>31<sup>st</sup> March, 2020</u>
A. Amount to be recognised in balance sheet		
Present value of defined benefit obligation	<b>91.68</b>	88.25
Less: Fair value of plan assets	-	-
Amount to be recognised as liability or (asset)	<u><b>91.68</b></u>	<u>88.25</u>
B. Amounts reflected in the balance sheet		
Current Liabilities	<b>31.19</b>	36.54
Non Current Liabilities	<b>60.49</b>	51.71
Total Liability	<u><b>91.68</b></u>	<u>88.25</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)

b) The amounts recognised in the statement of profit and loss are as follows:

	31 <sup>st</sup> March, 2021	₹ in Million 31 <sup>st</sup> March, 2020
<b>Employee benefit expenses</b>		
Current service cost	11.62	10.01
<b>Finance cost</b>		
Net interest (income)/expenses	5.12	5.56
Remeasurements for the year - obligation (gain)/loss	(4.72)	2.60
Net cost recognised in the statement of profit and loss	12.02	18.17

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

	31 <sup>st</sup> March, 2021	₹ in Million 31 <sup>st</sup> March, 2020
1 Present value of obligation as at the beginning of the period	88.25	76.33
2 Acquisition adjustment	-	-
3 Transfer in / (out)	-	-
4 Interest expenses	5.12	5.56
5 Past service cost	-	-
6 Current service cost	11.62	10.01
7 Curtailment cost / (credit)	-	-
8 Settlement cost / (credit)	-	-
9 Benefits paid	(8.59)	(6.25)
10 Remeasurements on obligation - (gain) / loss	(4.72)	2.60
Present value of obligation as at the end of the period	91.68	88.25

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

<b>Defined Benefit Plan - Compensated Absences:</b>	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
Discount rate	6.30%	6.10%
Expected average remaining working lives	9.44%	8.64%
Salary growth rate*	7.00%	6.00%
Attrition rate	6.00%	7.50%

\* The estimates of future salary increase considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)****e) Sensitivity analysis :**

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligation(PVO). Sensitivity analysis is done by varying (increasing/ decreasing) one parameter by 100 basis points (1%)

Change in assumptions	₹ in Million	
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
	<b>PVO of Compensated Absences</b>	
<b>1 Discount rate</b>		
Increase by 1%	<b>88.69</b>	85.75
Decrease by 1%	<b>94.88</b>	90.91
<b>2 Salary increase rate</b>		
Increase by 1%	<b>94.01</b>	90.13
Decrease by 1%	<b>89.46</b>	86.45
<b>3 Withdrawal rate</b>		
Increase by 1%	<b>92.78</b>	89.38
Decrease by 1%	<b>90.49</b>	87.04
<b>f) Expected Future Benefit Payments</b>		
Within the next 12 months	<b>13.00</b>	18.97
Between 2 & 5 years	<b>20.27</b>	21.12
Above 5 years	<b>22.60</b>	15.26

**g) Average Duration**

Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal rate and availment rate) is 5.87 years ( PY 4.60 years )

**h) Risk Exposure And Asset Liability Matching**

Provision of a defined benefit scheme poses certain risks, some of which are detailed hereunder, as companies take on uncertain long term obligations to make future benefit payments.

**1) Liability Risk****a) 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. Hence companies are encouraged to adopt asset-liability management.

**b) Discount Rate Risk-**

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



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

c) 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 uncertainties in estimating this increasing risk.

**2) 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.

**28 : Employee Stock Options Scheme - Ind AS 102**

The Company, during the year 2019-20, granted Employee Stock Options ( ESOS ) to its employees. This Scheme is referred as the "KPCL Employee Stock Option Scheme" ("KPCL ESOS - 2019" or "Scheme").

The objective of the KPCL ESOS - 2019 is to reward the Employees of the Company for their performance and to motivate them to contribute to the growth and profitability of the Company. The Company also intends to use this Scheme to retain talent in the organisation. The Company views Employee Stock Options as instruments that would enable the Employees to share the value they create for the Company and align individual objectives of employees with objectives of the Company in the years to come.

The Shareholders by way of special resolution dated July 20, 2019 authorized the Nomination and Remuneration Committee of the Board of Directors ( NRC ) to grant ESOS to the employees of the Company. NRC in its meeting held on October 22, 2019 granted 6,84,000 (Six lacs eighty four thousand only) Options to the Employees under the KPCL ESOS - 2019 exercisable in one or more tranches, with each such Option conferring a right upon the employee to apply for one equity share of the Company of face value of Rs. 2 (Indian Rupees two) each fully paid-up, in accordance with the terms and conditions of the Scheme.

Based on the criteria for vesting, 196,500 options vested on 22nd October, 2020 being the 1st anniversary of the grant.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

Number and weighted average exercise prices of options granted, exercised and cancelled / expired during the financial year:

Particulars	FY - 2020 - 21		FY - 2019 - 20	
	No. of Shares	Weighted average exercise price	No. of Shares	Weighted average exercise price
Options outstanding at the beginning of the year	684,000	120.00	-	-
Granted during the year	-	-	684,000	120.00
Forfeited / lapsed / surrendered during the year	35,500	120.00	-	-
Options vested during the year	196,500	120.00		
Exercised during the year	45,600	120.00	-	-
Expired during the year	1,500	120.00	-	-
Options outstanding at the end of year	601,400	120.00	684,000	120.00
Options exercisable at the end of the year	149,400	120.00	-	-
Weighted average remaining contractual life	4.00 Years		4.86 Years	

\* Weighted average share price on the date of exercise is Rs. 260.03 ( Previous Year - Not Applicable as none of the options had vested )

**Fair value of the options granted:**

The company has recorded employee stock-based compensation expense relating to the options granted to the employees based on fair value of options.

The fair value of the options is determined using Black-Scholes-Merton model which takes into account the exercise price, the term of the option (time to maturity), the share price as at the grant date and expected price volatility (standard deviation) of the underlying share, the expected dividend yield and risk-free interest rate for the term of the option.

**Employee-benefit expenses to be recognised in the financial statements:**

The Company has recognised an amount of Rs.18.14 Million as employee compensation cost relating to share-based payment (Previous year Rs. 11.57 ) in the Statement of Profit and Loss.

**29 : Revenue from Operations**

The disaggregation of revenue such as sales of products, sale of services, revenue from works contracts & leasing is given in Note No.19 - Revenue from Operations. Further disaggregation of revenue is given in operating segment in Note No. 30. The amount stated therein are net off discount, rebates, price concessions and incentives aggregating to Rs.165.67 Million ( Previous Year Rs. 225.52 Million ). Most of the contracts are fixed price contracts and revenue is recognised at point in time. The terms of payment varies in relation to class of customer with advance payments, milestone payments, customary credit terms with retention payment getting released as agreed in the contract. The aggregate amount of remaining performance obligations and expected conversion of the same into revenue is Rs. 120.29 Million ( Previous year Nil )

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)

Note 30. Details of Operating Segment - Ind AS 108

₹ in Million

A.	Information about Operating Segment (See Note below)	2020-21			2019-20		
		COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL
	<b>Sr. Particulars No.</b>						
	<b>1 Segment Revenue</b>						
	Sales	7,853.48	313.15	8,166.63	7,752.05	477.93	8,229.98
	Other Non Reportable Segments	-	-	66.01	-	-	60.83
	Less: Inter Segment Revenue	-	-	-	-	-	-
	<b>Net Revenue from Operations</b>	<b>7,853.48</b>	<b>313.15</b>	<b>8,232.64</b>	<b>7,752.05</b>	<b>477.93</b>	<b>8,290.81</b>
	<b>2 Result</b>						
	Segment Result	1,403.71	(136.51)	1,267.20	1,301.16	(102.58)	1,198.58
	Less: Unallocable Corporate Expenses including Non Reportable Segments (Net of Income)			411.49			462.84
	Operating Profit before Interest			855.71			735.74
	Less: Finance Cost			16.93			16.59
	<b>Profit before Tax</b>			<b>838.78</b>			<b>719.15</b>
	<b>3 Other Information</b>						
	Segment Assets	5,335.46	423.18	5,758.64	4,813.85	386.22	5,200.07
	Add: Unallocable common assets including Non Reportable Segments			3,485.22			2,551.74
	<b>Total Assets</b>			<b>9,243.86</b>			<b>7,751.81</b>
	Segment Liabilities	3,048.18	143.20	3,191.38	2,519.58	215.09	2,734.67
	Add: Unallocable common liabilities including Non Reportable Segments			166.04			70.93
	<b>Total Liabilities</b>			<b>3,357.42</b>			<b>2,805.60</b>
	<b>4 Capital Expenditure During the year</b>	<b>52.76</b>	<b>4.49</b>	<b>57.25</b>	<b>953.48</b>	<b>99.18</b>	<b>1,052.66</b>
	<b>5 Depreciation and Impairment</b>	<b>239.86</b>	<b>24.00</b>	<b>263.86</b>	<b>180.13</b>	<b>23.55</b>	<b>203.68</b>
	Add: Unallocable Depreciation including Non Reportable Segments			112.05			121.93
				375.91			325.61
<b>B</b>	<b>Revenue by location</b>						
	1 In India			7,993.93			8,092.68
	2 Outside India			238.71			198.13
	Total			<b>8,232.64</b>			<b>8,290.81</b>
	All Assets of the Company are located within India						

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)****C Other Disclosures**

- 1 Operating segments are reported in a manner consistent with the internal reporting to Chief Operating Decision Maker ( CODM )

The Board of Directors of the Company assess the financial performance and position of the Company and make strategic decisions. The Board of Directors, has identified Executive Committee comprising of Executive Chairman and Managing Director as CODM.

- 2 Composition of Operating Segment

Name of the Segment : Comprises of :

a) Compression Systems Air & Gas Compressors, Airconditioning & Refrigeration Compressors and Systems etc.

b) Transmission Equipments Power Transmission Equipments ( Torque Converter ), Reverse Reduction Gears for Marine Gear Engines, Industrial & Mobile application etc.

- 3 The Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
- 4 During the year there is no single customer ( PY Rs. NIL ) who has contributed more than 10% of Revenue of the Company in any of the Segments whether in India or outside.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

**31 : Disclosure of Transactions with Related Parties as required by the Ind AS -24**

(A) Names of the related parties

1) Key Management Personnel	Mr. Rahul C. Kirloskar Mr. K. Srinivasan ( from 2nd January, 2021 ) Mr. Aditya Kowshik ( up to 1st January, 2021 )	Executive Chairman Managing Director  Managing Director
2) Relatives of Key Management Personnel	Mrs. Alpana Rahul Kirloskar Ms. Suman C. Kirloskar Mr. Atul C. Kirloskar Ms. Alika Rahul Kirloskar Mr. Aman Rahul Kirloskar  Mrs. Malathi Srinivasan ( from 2nd January, 2021 ) Ms. Janaki Krishnaswamy ( from 2nd January, 2021 )  Mrs. Kavita A. Kowshik ( up to 1st January, 2021 ) Mr. Karn A. Kowshik ( up to 1st January, 2021 ) Mrs. Meera Jamnagarwala ( up to 1st January, 2021 ) Ms. Laxmi Chalapati ( up to 1st January, 2021 )	Wife Mother Brother Daughter Son  Wife Mother  Wife Son Daughter Mother
3) Entity controlled by a person or his close relatives where that person is either i) key management personnel of the Company or ii) has a control or joint control over the Company or iii) has significant influence over the Company	Alpak Investment Pvt. Ltd.  Kirloskar Energen Pvt Ltd  Kirloskar Solar Technologies Pvt. Ltd. Navsai Investments Pvt. Ltd.	
4) Post employment benefit plan of the Company	Lakeland Universal Ltd. BVI Kiara Life Spaces Pvt. Ltd. Kirloskar Pneumatic Company Limited Employees Gratuity Fund Kirloskar Pneumatic Company Limited Officers Superannuation Fund	Trust  Trust

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

## (B) Related Party Transactions

₹ in Million

Nature of Transaction	Year	Key Management Personnel		Relatives of Key Management Personnel		Total
		Promoter Holding more than 10% ( Mr. Rahul C. Kirloskar )	Other	Promoter/ Entity Holding more than 10% ( Mr. Atul C. Kirloskar ) *	Other	
Services Received	<b>2020-21</b>	<b>31.65</b>	<b>41.95</b>	-	<b>2.43</b>	<b>76.03</b>
	2019-20	31.33	29.05	0.78	1.45	62.61
Short Term Employee Benefits	Refer Note No 33					
Post Employment Benefits	Refer Note No 33					
Rent Paid	<b>2020-21</b>	-	-	-	<b>2.40</b>	<b>2.40</b>
	2019-20	-	-	-	2.40	2.40
Dividend Paid	<b>2020-21</b>	-	-	-	-	-
	2019-20	31.44	-	31.40	8.61	71.45
Balance Outstanding						
Receivable	<b>2020-21</b>	-	-	-	-	-
	2019-20	-	-	-	-	-
Payable	<b>2020-21</b>	<b>24.00</b>	<b>13.20</b>	-	<b>0.50</b>	<b>37.70</b>
	2019-20	5.00	14.50	0.50	-	20.00
Deposit receivable	<b>2020-21</b>	-	-	-	<b>20.00</b>	<b>20.00</b>
	2019-20	-	-	-	20.00	20.00

Contribution to

Kirloskar Pneumatic Company Limited Employees Gratuity Fund - Rs. 40.26 Million ( Previous Year Rs. 34.43 Million )

Kirloskar Pneumatic Company Limited Officers Superannuation Fund - Rs. 20.16 Million ( Previous Year Rs. 17.69 Million )

Receiving of services includes Remuneration paid / payable to Key Managerial Personnel as per note no 33, and to Relatives of Key Managerial Personnel.

There are no loans and advances given in the nature of loans to above mentioned Related Parties.

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

Transactions entered into with Related Party's are made on terms equivalent to those that prevail in arms length transactions.

Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

**Note 32. Disclosure of Transactions with Promoters and Promoter group holding 10% or more in shareholding**

( Other than covered in Note 31 B above )

₹ in Million

Nature of Transaction	Year	Promotor Group
		Kirloskar Industries Limited #
Dividend Paid	2020-21	-
	2019-20	26.98

\* Mr Atul C Kirloskar ceases to be a promoter holding more than 10% in the shareholding on 16th March, 2021

# Kirloskar Industries Limited ceases to be promoter group company holding more than 10% in the shareholding on 26th March, 2021

**33 : Managerial Remuneration :**

a) Profit and Loss Account includes payments and provisions on account of Remuneration to the Executive Directors as under :

	2020-21			2019-20			
	Executive Chairman	Executive Director		Total	Executive Chairman	Managing Director	Total
		A. Kowshik	K. Srinivasan				
		As M. D. till 1st Jan. 2021	WEF 27th Oct. 2020 M. D. From 2nd Jan. 2021				
Salary *	1.50	8.33	4.44	14.27	15.89	9.06	24.95
House Rent Allowance *	-	0.86	-	0.86	-	0.91	0.91
Commission *	24.00	8.00	5.00	37.00	5.00	14.50	19.50
Contribution to Provident Fund, Superannuation and Gratuity : #	1.91	2.91	1.40	6.22	5.79	3.35	9.14
Other perquisites *	4.24	10.48	0.53	15.25	4.65	1.23	5.88
<b>Gross Remuneration</b>	<b>31.65</b>	<b>30.58</b>	<b>11.37</b>	<b>73.60</b>	<b>31.33</b>	<b>29.05</b>	<b>60.38</b>

\* Represents Short Term Employee Benefits and wherever applicable, share base payment

# Represents Post Employment Benefits

Note :

- As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included on the basis of entitlement in gross remuneration.
- As the employee wise breakup of liability of leave entitlement, based on actuarial valuation, is not ascertainable, the same has not been included in gross remuneration.
- Mr. K Srinivasan, in addition to remuneration referred above, is also entitled to receive Rs. 0.2 Million as commission for his tenure as non-executive independent director with the Company for the period upto 26th October, 2020.



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

b) Computation of net profit under Section 197 read with Section 198 of the Companies Act, 2013.

	<b>₹ in Million</b>	
	<b>2020-21</b>	2019-20
<b>1</b> Net Profit as per Profit & Loss Account	<b>838.78</b>	719.15
<b>2 ADD</b>		
Directors Remuneration	<b>81.60</b>	67.48
Loss on sale of Investments	-	7.26
	<b>920.38</b>	793.89
<b>3 LESS</b>		
Profit on sale of Investments	<b>8.26</b>	0.12
Net Gain on Financial Instruments Measured at FVTPL	<b>68.44</b>	52.23
Unrealised and Notional Gains on foreign exchange	<b>21.13</b>	9.85
	<b>97.83</b>	62.20
Net Profit U/S 197	<b>822.55</b>	731.69
Maximum permissible Remuneration payable to Executive Chairman & Managing Director	<b>82.26</b>	73.17
Restricted to		
Executive Chairman	<b>31.65</b>	31.33
Executive Directors	<b>41.95</b>	29.05
Maximum permissible Commission payable to Non Executive Directors	<b>8.23</b>	7.32
Restricted to	<b>8.00</b>	7.10

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)

34: Financial instruments - fair values

(a) Accounting classifications and fair values

The following table shows the carrying amounts of financial assets and financial liabilities which are stated at fair value/ amortised cost as applicable

	₹ in Million	
	Carrying value (stated at Fair value / Amortised cost)	
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
<b>A Financial assets</b>		
<b>a) Fair value through other comprehensive income (FVTOCI)</b>		
Equity investments	618.85	313.08
<b>b) Fair value through profit and loss (FVTPL)</b>		
Mutual Fund investments	1,613.86	1,064.14
<b>c) Amortised cost</b>		
Trade receivables	3,080.99	1,891.00
Loans- security deposits	40.46	41.88
Loans- employees	0.08	0.13
Other financial assets	1.75	8.86
Cash and cash equivalents	445.66	269.50
Other bank balances	77.92	30.47
	<b>5,879.56</b>	<b>3,619.06</b>
<b>B Financial liabilities</b>		
<b>Amortised cost</b>		
Borrowings	375.00	277.78
Trade payables	1,456.63	1,372.29
Other financial liabilities	722.98	542.23
	<b>2,554.61</b>	<b>2,192.30</b>

The following methods and assumptions were used to estimate the fair values / amortised cost as applicable:

The fair values of the investments in unquoted equity shares have been estimated using valuation technique unless they approximate to carrying value. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, discount rate, credit risk and volatility. The fair values of the remaining FVTOCI & FVTPL financial assets are derived from quoted market prices in active markets.

Carrying values of trade payables, trade receivables, employee loans, cash and cash equivalents, other bank balances, other financial assets & other financial liabilities which are stated at Amortised Cost reasonably approximate their fair value due to the short-term maturities of these instruments.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**
**34: Financial instruments - fair values**

Loans in the nature of security deposits wherever significant have been stated at amortised cost using market rate of interest.

Long-term fixed-rate and variable-rate receivables are evaluated by the company based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected credit losses of these receivables wherever applicable. As of reporting date, the fair value of such receivables, net of allowances, if any, are not materially different from their carrying values.

Borrowings are obtained at market rates of interest available for debt on similar terms, credit risk and remaining maturities. As of reporting date the fair value of borrowings measured at amortised cost does not vary significantly from its carrying value.

**(b) Fair value hierarchy and valuation techniques used**

The following table provides the fair value measurement hierarchy of company's assets and liabilities grouped into Level 1 to Level 3 as described in notes to accounts. Further table describes the valuation techniques used, key inputs to valuations and quantitative information about significant unobservable inputs for fair value measurements. There has been no change in the valuation technique from earlier years.

**As at 31<sup>st</sup> March 2021**
**a) Financial assets measured at fair value**

	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
<b>₹ in Million</b>					
<b>Financial assets</b>					
FVTOCI investments - Quoted	485.84	-	-	Quoted market price	
FVTOCI investments - Unquoted	-	-	133.01	Discounted cash flow / carrying value	EBIDTA, Free cash flow for 4 Years, growth rate, risk adjusted discount rate
FVTPL investments - Mutual Funds	1,613.86	-	-	Quoted market price	
	<b>2,099.70</b>	<b>-</b>	<b>133.01</b>		

Gain in fair value compared to previous year of the level 3 item amounting to Rs. 5.20 Million has been recognised in FVTOCI.

**b) Financial assets measured at amortised cost for which fair value is disclosed**

Loans- security deposits	-	40.46	-	Net Present Value	Maturity and prevailing interest rate
Loans- employees	-	0.08	-	Net Present Value	-
Other financial assets	-	1.75	-	Net Present Value	-
	<b>-</b>	<b>42.29</b>	<b>-</b>		

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)

	₹ in Million			
	Level 1	Level 2	Level 3	Valuation technique used Inputs used
<b>c) Financial liabilities measured at amortised cost</b>				
Borrowings	-	375.00	-	Net Present Value Prevailing market rate of interest, future pay-outs
Other financial liabilities	-	722.98	-	Net Present Value Maturity period
	-	<b>1,097.98</b>	-	

As at 31<sup>st</sup> March 2020

	₹ in Million			
	Level 1	Level 2	Level 3	Valuation technique used Inputs used
<b>a) Financial assets measured at fair value</b>				
<b>Financial assets</b>				
FVTOCI Investments - Quoted	185.28	-	-	Quoted market price
FVTOCI Investments - Unquoted	-	-	127.81	Discounted cash flow / carrying value EBIDTA, Free cash flow for 4 Years, growth rate, risk adjusted discount rate
FVTPL investments - Mutual Funds	1,064.14	-	-	Quoted market price
	1,249.41	-	127.81	

**b) Financial assets measured at amortised cost for which fair value is disclosed**

<b>Financial assets measured at amortised cost</b>				
Loans- security deposits	-	41.88	-	Net Present Value Maturity and prevailing interest rate
Loans- employees	-	0.13	-	Net Present Value
Other financial assets	-	8.86	-	Net Present Value
	-	50.87	-	

**c) Financial liabilities measured at amortised cost**

Borrowings	-	277.78	-	Net Present Value Prevailing market rate of interest, future pay-outs
Other financial liabilities	-	542.23	-	Net Present Value Maturity period
	-	820.01	-	

During the year ended 31st March 2021, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurement.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)****35 : Financial risk management****Financial risk management policy and objectives**

The Company's principal financial liabilities comprise of borrowings and trade & other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, Cash and Cash equivalents which are derived directly from its operations.

Company is exposed to market risk and credit risk.

**1) 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 namely foreign currency risk, interest rate risk, and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTOCI investments.

**a) Foreign currency risk**

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. Company transacts business in local currency INR and in different foreign currencies. Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated. Company's forex exposure is partly covered by natural hedge and partly by forward contracts. For unhedged exposure refer note 36 - foreign currency sensitivity analysis.

**b) 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 has an exposure of Rs. 400 Million in the form of borrowing as on 31st March 2021 linked to market rate of short term borrowing. A decrease/ increase of 0.5% in the market rate could have an impact of approximately Rs. 2.0 Million. Similarly Company also has an exposure of Rs. 1,613.43 Million in its current investments. To minimise the net exposure of interest on borrowings & the yield on the investments, the Company spreads its investment portfolio into short term and medium term maturities.

**c) Price risk****Equity price risk**

The Company's investment in quoted and unquoted equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to quoted equity securities at fair value is Rs.485.85 Million. A decrease/ increase of 5% in the active market could have an impact of approximately Rs. 24.29 Million on the OCI or equity attributable to the Company. These changes would not have an effect on profit and loss.

**2) 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 investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Company has a Large Customer base and thus has no concentration of credit risks on a single Customer.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)

35 : Financial risk management

2) Credit Risk

a) Trade receivables

The management has established a credit policy under which each new customer is analysed individually for creditworthiness, before offering the payment and delivery terms and conditions.

- Company has different types of credit terms depending upon the type and credit worthiness of the customer. They are either on open terms or backed by Letter of Credit / Bank Guarantees.
- Based on analysis of individual cases, the management considers the impairment of receivables, if any.

The table summarises aging for trade receivable:

₹ in Million						
	Non Current Receivables	Current Receivables			Total	Total Receivables
		Less than 90 days	90 to 180 days	above 180 days		
31 March 2021	-	2,814.87	128.57	137.55	3,080.99	3,080.99
31 March 2020	-	1,288.86	334.69	267.45	1,891.00	1,891.00

b) Cash and cash equivalents and bank and other deposits

The cash and cash equivalents are held with Banks with an external short term rating of "A1+". Thus, the Company considers that its cash and cash equivalents have low credit risks.

c) Liquidity risk

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

₹ in Million						
	31 <sup>st</sup> March, 2021					
	Carrying amount	On demand	Less than 6 months	6-12 Months	>1 year	Total
Interest bearing borrowings	375.00	-	-	-	375.00	375.00
Lease Liabilities	1.57	-	0.79	0.79	-	1.57
Other financial liabilities	721.41	26.74	537.75	156.04	0.87	721.41
Trade payables	1,456.63	-	1,456.63	-	-	1,456.63

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**
**35 : Financial risk management**

	31 <sup>st</sup> March, 2020					Total
	Carrying amount	On demand	Less than 6 months	6-12 Months	>1 year	
Interest bearing borrowings	277.78	-	174.80	102.98	-	277.78
Lease Liabilities	3.68	-	1.08	1.03	1.57	3.68
Other financial liabilities	538.55	30.47	428.15	79.06	0.87	538.55
Trade payables	1,372.29	-	1,372.29	-	-	1,372.29

**36 : Foreign currency sensitivity analysis :**

(A) Exposure Hedged - Foreign Exchange Derivatives

In Million

Nature of Instrument	Currency	Sale / Purchase	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
Forward Contracts	USD	Purchase	-	2.58

(B) Exposure Unhedged - Net

Currency	Net exposure in foreign currency in Million		Net exposure in Rs Million	
	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
USD	0.19	1.12	14.13	85.58
EUR	0.17	0.36	14.89	30.74
GBP	0.09	0.19	9.23	17.56
KRW	-	156.52	-	10.02

₹ in Million

Currency	Sensitivity %	Impact on profit (strengthen)*		Impact on profit (weakening)*	
		31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2020
USD	4.33%	(0.61)	(4.65)	0.61	4.65
EUR	2.40%	(0.36)	(2.01)	0.36	2.01
GBP	3.34%	(0.31)	(0.89)	0.31	0.89
KRW	3.75%	-	(0.22)	-	0.22
<b>Total INR</b>		<b>(1.28)</b>	<b>(7.77)</b>	<b>1.28</b>	<b>7.77</b>

(\* Strengthening / weakening of foreign currency)



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

**37 : Capital management**

The Company's capital includes issued equity capital, share premium and free reserves.

The Company's policy is to meet the financial covenants attached to the interest-bearing borrowings by maintaining a strong capital base. The company aims to sustain investor, creditor and market confidence so as to be able to leverage such confidence for future capital/debt requirements. Management monitors the return on capital, the capital/debt requirements for various business plans under consideration and determines the level of dividends to equity shareholders.

No changes were made in the objectives, policies or processes for managing capital during the financial years ended on 31st March, 2021 and 31st March, 2020.

<b>Net debt position</b>	<b>₹ in Million</b>	
	<b>31<sup>st</sup> March 2021</b>	<b>31<sup>st</sup> March 2020</b>
Borrowings (including current maturities)	<b>400.00</b>	283.09
Less: Cash and cash equivalents & current investments	<b>2,059.09</b>	1,333.37
<b>Net debt</b>	<b>(1,659.09)</b>	(1,050.27)
<b>Total Equity</b>	<b>5,886.44</b>	4,946.21

**Net debt to equity ratio** Not applicable as the net debt position is negative

<b>Particulars</b>	<b>₹ in Million</b>		
	<b>Cash and Cash Equivalents</b>	<b>Current Borrowings</b>	<b>TOTAL</b>
(Net Debt) /Surplus as on 1st April 2020	1,333.37	283.09	1,050.28
Cash Flows	657.28	116.91	540.37
Other non-cash movement	-	-	-
Fair Value Adjustment	68.44	-	68.44
<b>(Net Debt) /Surplus as on 31st March 2021</b>	<b>2,059.09</b>	<b>400.00</b>	<b>1,659.10</b>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)****38 : Leases - Ind AS 116****A The Company as a Lessee :**

has entered into agreements in the nature of Lease / Leave and License agreement with different Lessors / Licensors for the purpose of establishment of office premises / residential accommodations and assets. These are generally in nature of operating Lease / Leave and License and disclosure required as per Ind AS 116 with regard to the above is as under.

**i) Where the Lease arrangements are not recognised as 'Right-of-Use Asset' and covered under paragraph 6 of Ind AS 116**

- a. Payment under Lease / Leave and License for period :
  - 1) Not later than 1 year Rs. 5.22 Million (PY Rs. 9.71 Million)
  - 2) Later than 1 year but not later than 5 years Rs. 6.86 Million (PY Rs. 15.83 Million)
- b. There are no transaction in the nature of Sub Lease.
- c. Payments recognised as Rent in the Statement of Profit and Loss for the year ended 31st March, 2021 amounts to Rs. 10.58 Million (PY Rs. 10.90 Million)
- d. Period of Agreement is generally for Eleven Months, in some cases extending up to five years and renewable at the option of Lessee. The lease agreements do not have any variable lease payments nor there is any residual value guarantee. There are no leases to which the company has committed and are yet to commence.

**ii) Where the Lease arrangements are recognised as 'Right-of-Use Asset' under Ind AS 116**

- a. Depreciation charge for right-of-use assets amounts to Rs. 3.29 Million (PY Rs. 3.29 Million) Refer Note No.1 - Property, Plant & Equipment.
- b. Interest Expenses on Lease Liability Rs. 0.29 Million (PY Rs. 0.10 Million). Refer Note No.24 - Finance Cost
- c. The expense relating to leases accounted by applying paragraph 6 are given in Note 38 A above.
- d. The Company has not entered into any transaction in the nature of Sub Lease or sale & lease back.
- e. The aggregate amount of cash outflow on account of leases covered including that of Note 38 A is Rs. 12.98 Million (PY Rs. 13.30 Million)
- f. The carrying amount of right-of-use assets at the end of the reporting period amount to Rs.2.73 Million ( PY Rs. 6.02 Million ) Refer Note No.1 - Property, Plant & Equipment.
- g. For maturity profile of lease liability Refer Note No.35 (2) (C)

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

**B The Company as a Lessor :**

has entered into agreements with various customers for providing Vehicles and Compression Facility on Operating Lease basis. It recognises its income generally on a straight line basis unless differential payment terms are applicable. The Company has disclosed these details in Note No. 1 - Property, Plant & Equipment. The corresponding lease income has been disclosed in Note No. 19 - Revenue From Operations. The Company has not entered into any agreements on variable lease payments.

- a. The Company has not given any assets on Financial Lease basis.
- b. The Company has examined its expected future revenue from existing leasing contracts and does not foresee any requirement for impairment as per Ind AS 36 for the underlying leased assets.
- c. Maturity Analysis based on current firm contract period

₹ in Million

Asset under Lease	Undiscounted Lease Payments to be received in each of next 5 Years				
	Year 1	Year 2	Year 3	Year 4	Year 5
Vehicles	4.27	4.27	-	-	-
Compression Facility	194.17	-	-	-	-
Total	198.44	4.27	-	-	-

- d. The Company has not entered into any transaction in the nature of sale & lease back.

₹ in Million

2020-21

2019-20

**39 : Capital and other commitments :**

i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	<b>62.46</b>	128.70
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills & Second Charge on Fixed Assets. Amount outstanding as on 31st March 2021	<b>2,069.43</b>	1,895.64

**40 : Payment to Auditors :**

(a) As Auditors	<b>2.60</b>	2.60
(b) In Other Capacity		
For Tax Audit	<b>0.40</b>	0.40
For GST Audit	<b>0.22</b>	0.30
	<b>3.22</b>	3.30
(c) For Expenses	<b>0.06</b>	0.08
	<b>3.28</b>	3.38

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

	<b>2020-21</b>	<b>₹ in Million 2019-20</b>
<b>41 : Dividend</b>		
Interim Dividend paid per share - Rs.	-	2.70
Dividend %	-	135
Proposed Dividend per share - Rs.	<b>3.50</b>	-
Dividend %	<b>175</b>	-

**42 : A. Contingent Liabilities not provided for in respect of :**

Claims against the Company not acknowledged as Debts, estimated at	<b>393.15</b>	392.94
Income Tax Matters	<b>6.97</b>	6.97
Disputed Central Excise Matters	<b>66.69</b>	25.32
Disputed Customs Matters	<b>2.01</b>	32.28
Disputed Sales Tax Demands	<b>27.48</b>	26.42

- B.** Claim for US \$ 10 million has been filed against the Company in the International Court of Arbitration. The Arbitration proceedings have been stayed by the Honourable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honourable Supreme Court. Further the Honourable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable and therefore management does not anticipate any financial impact on this account.

	<b>2020-21</b>	<b>₹ in Million 2019-20</b>
<b>43 Expenditure in Foreign Currencies ( accrual basis ) :</b>		
<b>CIF Value of Imports</b>		
Raw Materials & Components	<b>720.59</b>	1,292.11
Capital Goods	-	282.73
<b>Other Expenses</b>	<b>30.97</b>	20.33
<b>Total</b>	<b>751.56</b>	1,595.17

**44 Earnings in Foreign Currencies ( accrual basis )**

F.O.B. Value of Exports	<b>238.71</b>	198.13
Other Income	<b>3.72</b>	1.76
<b>Total</b>	<b>242.43</b>	199.89

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

**45 Earnings per share**

The calculations of profit attributable to equity shareholders and weighted average number of equity shares outstanding for purpose of basic and diluted earnings per share calculation are as follows:

Profit attributable to equity shareholders (Rs. in Million)	<b>638.42</b>	534.92
Weighted average number of equity shares used as denominator	<b>64,222,597</b>	64,221,690
Basic and diluted earnings per share of nominal value of Rs. 2/- each	<b>9.94</b>	8.33

**46** The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Based on disclosure, total outstanding of Micro, Small and Medium Enterprises to whom the company owes money is as under :

Particulars	₹ in Million	
	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2020
Total outstanding to MSME suppliers	<b>285.64</b>	178.48
Principal Amount	<b>285.61</b>	178.15
Interest Amount on above	<b>0.03</b>	0.33
Payment made to suppliers along with interest beyond the appointed day, during the year	<b>526.16</b>	434.33
Interest due and payable to suppliers under MSMED Act, for the payments already made	<b>2.17</b>	2.46
Interest accrued and remaining unpaid for the year to suppliers under MSMED Act	<b>2.20</b>	2.79
Interest remaining due & payable to suppliers under MSMED Act	<b>5.25</b>	3.05

**47 : Taxation**

Company has provided Income Tax for the year ended on 31st March, 2021 and remeasured its Deferred Tax Asset / Liability on the basis of rates prescribed under section 115BAA of the Income Tax Act, 1961 exercising the option permitted under that section.

₹ in Million

Deferred Tax relates to following DTA / (DTL)	As At 31 <sup>st</sup> March 2021	As At 31 <sup>st</sup> March 2020
Property, Plant & Equipments and Intangible Assets	<b>(21.19)</b>	(23.12)
Disallowance U/S 43B	<b>26.96</b>	33.92
Fair Value of Current and Non Current Investment	<b>(40.47)</b>	(20.87)
Expenses of Business Combination	<b>1.82</b>	3.95
<b>Deferred Tax Asset / (Liability)</b>	<b>(32.88)</b>	(6.12)

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**
**47 : Taxation**

₹ in Million

Movement in Temporary Differences	1 <sup>st</sup> April 2020	Recognised in Profit & Loss & OCI in 2020-21	31 <sup>st</sup> March 2021
Property, Plant & Equipments and Intangible Assets	(23.12)	1.93	(21.19)
Disallowance U/S 43 B	33.92	(6.96)	26.96
Expenses of Business Combination recognised in General Reserve			
Expenses of Business Combination	3.95	(2.13)	1.82
<b>Total Expenses of Business Combination</b>	<b>3.95</b>	<b>(2.13)</b>	<b>1.82</b>
Fair Value of Current and Non Current Investment	(20.87)	(19.60)	(40.47)
<b>Net Deferred Tax Asset / (Liability)</b>	<b>(6.12)</b>	<b>(26.76)</b>	<b>(32.88)</b>

There are no items in OCI, movement of which will require recognition of Deferred Tax Asset/Liability on account of temporary differences.

**Reconciliation of tax expense and tax calculated at prevailing income tax rate on the accounting profit for the year ending March 2021 & March 2020 is as under**

₹ in Million

Particulars	As at 31 <sup>st</sup> March 2021	As at 31 <sup>st</sup> March 2020
<b>Accounting Profit Before Tax</b>	<b>838.78</b>	719.15
Tax on above at current rate of Income Tax	211.11	181.00
<b>Tax Expense</b>		
Current	205.00	162.08
Deferred	(4.64)	22.15
<b>Total Tax Expense</b>	<b>200.36</b>	184.23
<b>Difference</b>	<b>(10.75)</b>	3.24
<b>Tax Reconciliation :</b>		
<b>Amounts not deductible</b>		
Donations & CSR expenses	4.46	2.78
Sale of Investments	3.74	3.87
Others	1.49	1.45
<b>Amounts not Taxable</b>		
Dividend	-	(9.52)
Carried forward claims	(25.16)	-
Others	(1.71)	(2.02)
<b>Taxation in respect of earlier years</b>	<b>6.43</b>	6.68
<b>Total</b>	<b>(10.75)</b>	3.24

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

- 48 Gross amount required to be spent by the Company on Corporate Social Responsibility during the year was Rs. 14.20 Million ( PY Rs. 14.16 Million ).

Amount spent during the year

₹ in Million

	In Cash	Yet to be paid in cash	Total
Construction / acquisition of any asset	Nil	Nil	Nil
On purpose other than (1) above			
<b>Direct Expenditure</b>	<b>5.03</b>	<b>0.00</b>	<b>5.03</b>
(Previous Year)	7.66	0.00	7.66
<b>Contribution by way of Donation</b>	<b>9.20</b>	<b>0.00</b>	<b>9.20</b>
(Previous Year)	6.50	0.00	6.50
<b>Total</b>	<b>14.23</b>	<b>0.00</b>	<b>14.23</b>
(Previous Year)	14.16	0.00	14.16

**49 Impact of COVID-19 on Financial Reporting :**

The Accounting Standards Board ( ASB ) of The Institute of Chartered Accountants of India has issued advisory on reporting impact of COVID-19 on financial results of the Companies to whom Ind AS is applicable. The adverse impact of this global pandemic can vary from nation to nation, industry to industry and above all Company to Company. The effect depends upon the nature and extent of business connectivity of the individual Companies with the nations more seriously affected by this pandemic.

In response to the Nation wide lockdown imposed by the Central Government in order to contain spread of COVID-19, Company's operations were suspended w.e.f. 23rd March, 2020. While the impact of lockdown was substantial during the first quarter, during the subsequent quarters the operations improved gradually in different plants at different times with requisite precautions.

The Company has assessed the impact of pandemic on its financial position based on the internal and external information available up to the date of approval of these financial results and does not expect any impairment of the carrying value of its inventory. The Company has ensured that the allocation of fixed overheads to the products is not increased as a consequence of suspension of plant operations.

Considering the nature of business, the industrial sectors served by the Company, continued enquiry trends for the Company's products & services, present order board and expected future cash flows, the Company is confident of optimum utilisation of its non financial assets and therefore does not anticipate any impairment loss.

The Company has subjected its financial assets such as trade receivables including lease receivables, investments in debt mutual funds & other receivables to impairment testing and does not anticipate any realisation loss.

The Company has also reviewed its lease arrangements, both in the capacity of a lessee & a lessor. There was no significant impact due to outbreak of COVID-19.

The Company does not expect any significant liability on account of delay in unexecuted contracts due to COVID-19 and therefore no provision is considered necessary.



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

- 50** Property, Plant and Equipment to the extent of 1.25 times has been provided as security by way of a first charge for availing Term Borrowings from ICICI Bank Ltd.

Working capital facilities ( fund based & non fund based ) are secured by way of first charge on book debts and other tangible assets ( comprising of inventory etc. ) and second charge on Property, Plat and Equipment in favour of consortium of banks.

- 51** Previous Years figures have been regrouped, rearranged or reclassified wherever necessary to correspond to Current Year's figures.

- 52** These financial statements were authorised for issue by the Board of Directors on 29th April, 2021.

**Note 53 : NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021.****1. Corporate Information**

The Company 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 1, Hadapsar Industrial Estate, Pune 411 013. The equity shares of the Company are listed on Bombay Stock Exchange Limited (BSE Limited).

The Company is engaged in the business of Compression & Transmission segments, primarily serving sectors of oil & gas, engineering, steel, cement, food & beverage by offering engineered products and solutions. The Compression segment is engaged in design, manufacture, supply, and erection / commissioning of wide range of air, gas and refrigeration compressors, packages & systems. The Transmission segment is engaged in design, manufacture and supply of railway traction gears and customized gearboxes for windmill, industrial and marine applications. The Company has also started RoadRailer operations providing logistic services using rail network of Indian Railways with first and last mile operations carried on road.

**2. Basis of preparation of Financial Statements**

The Company's financial statements have been prepared in accordance with the provisions of the Companies Act, 2013 and the Indian Accounting Standards ("Ind AS") notified 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 of the Companies Act, 2013. In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied except where compliance with other statutory promulgations require a different treatment.

The financial statements have been prepared on a historical cost basis, except for the financial instruments wherever significant which are stated at amortised cost and investments which have been measured at fair value and stated as fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVTOCI).

Also, plan assets in a defined benefit plans are measured at fair value.

**3. Significant account 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

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**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

**3.1. Judgement**

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

**Operating lease where company is a lessor**

The Company, for its leases, has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the asset under a lease and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

**Lease Term where company is a lessee**

The company has applied provisions of Ind AS 116 effective 1st 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 period of time, either the input method or output method is used based on the type of contract and the performance obligation involved to determine the revenue to be recognised. These methods faithfully depict the company's performance towards complete satisfaction of performance obligation.

Practical expedient of "right to consideration" is also considered in respect of contracts where the satisfaction of performance is measured using the output method 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 date of bill of lading in case of export. In case of services, the revenue is recognized based on completion of distinct performance obligation.

**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 based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumption about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)****Defined benefit plans**

The cost of the defined benefit plans and other post employment benefits and the present value of the obligations 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 expected rate of return on plan assets.

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 parameter most subject to change is the discount rate. In determining the appropriate discount rate, actuary considers the interest rates of government bonds and extrapolates 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 based as per the policy of the Company.

Further details about defined benefit obligations are provided in Note 27

**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.

**3.3 Functional and presentation currency**

These financial statements are presented in Indian Rupees, which is the company's functional and presentation currency. All amounts disclosed in the financial statements and notes have been rounded off to nearest millions as per the requirements of Schedule III, unless otherwise stated.

**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 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 equivalent 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.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)

### 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

All other liabilities are treated as non – current.

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

### 4.2 Fair value measurement

The Company measures financial instruments such as Investments etc. at fair value at each Balance Sheet date.

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 assets 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 is available to measure fair value, maximising the use of relevant observable inputs and minimising 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.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing 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.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The Company's management determines the policies and procedure 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 unquoted financial assets and liabilities.

**4.3 Property, Plant and Equipment**

- a. The Company has elected to continue with the carrying value of all of its Property, plant and equipment measured as per the Indian GAAP as at 31st March, 2016 and use those values as deemed cost as at the date of transition to Ind AS being 1st April, 2016.

Property, plant and equipment; and capital work in progress are stated at cost of acquisition or construction net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment, borrowing costs for long term construction projects if the recognition criteria are met and net initial cost estimate of requirement of restoration of site where the asset is located. 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 if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.

- b. Capital work-in-progress comprises of cost of Property, plant and equipment that are not yet installed and ready for their intended use at the Balance Sheet date.
- c. Own manufactured assets are capitalised at cost including an appropriate directly allocable expense.

**Depreciation**

- With the commencement of the Companies Act, 2013, depreciation is being provided on straight line method according to the useful life prescribed on single shift working basis in Sch II of the Act on the carrying amount of the asset over the remaining useful life of the asset as per the said schedule, except as stated below. Where the asset is used any time during the year in double or triple shift, depreciation is being calculated on the basis of Note 6 of the said schedule.
- Depreciation on Vehicle other than leased vehicles is being provided over a period of five years, being the estimated useful life of the asset to the company.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)

- Depreciation on Additions to Property, plant and equipment is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as per Note 2 of Sch II to Companies Act, 2013 in a manner stated above.
- Depreciation on Leased Vehicles is being provided over a period of eight years, being the estimated useful life of the asset to the Company.
- Depreciation on Compression Facilities given on lease is being provided on the basis of estimated useful live of each of the components of the facility.
- Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the preceding month in which such Assets are sold, discarded or demolished.
- Technical assessment of assets is carried out annually to identify cost of part of asset which is significant to total cost of asset and where useful life of that part of asset is significantly different than useful life of remaining part of asset. Parts are depreciated as per useful life so determined.
- Foreign exchange fluctuation gain/loss on imported plant and equipment was capitalized in the cost of the respective plant & equipment up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

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 de-recognition 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.

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 Intangible Assets

The Company has elected to continue with the carrying value of all of its Intangible Assets measured as per the Indian GAAP as at 31st March, 2016 and use those values as deemed cost as at the date of transition to Ind AS being 1st April, 2016.

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.

Expenditure on acquiring Technical Know-how (intangible asset) is amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. Depreciation on additions to Software is provided on pro-rata basis from the month of installation, over a period of one year.

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

Gains or losses arising from de-recognition 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 are recorded at the consideration paid for acquisition.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)****4.5 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 the asset. Other borrowing costs are recognized as expenses in the period in which these are incurred.

**4.6 Impairment of Assets**

The Company assesses at each Balance Sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. Market related information and estimates such as long term growth rates, weighted average cost of capital and cash flow projections considering past experience are used to determine the recoverable amount. If such recoverable amount of the assets or the recoverable amount (economic value in use) of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised 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.

**4.7 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.

**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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

**(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 (FVTOCI)
- Financial assets at Fair value through profit and loss (FVTPL)
- Financial assets at amortised cost :

A financial asset is measured at amortised cost if:

- The financial assets is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

- 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 are subsequently measured by applying the effective interest rate (EIR) to the gross carrying amount of a financial asset if applicable. The EIR amortisation is included in finance 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 for 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 and loss unless it is measured at amortised cost or at fair value through 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 and 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) De-recognition 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

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

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.

(iv) **Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made from financial assets which are equity instruments and financial liabilities. For financial assets 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.

(v) **Impairment of financial assets**

The company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the assets carried at amortised cost.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**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 and loss
- Amortised Cost -
- Loans and Borrowings at amortised Cost

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)

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) De-recognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognised from 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 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 de-recognition 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.

## 4.8 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 to the Company. Derivative contracts are not used for trading or speculation purposes.

All derivatives are measured at fair value through the Profit and Loss . Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. Hedging activities are explicitly identified and documented by the Company.

## 4.9 Foreign Currency Transactions

### a. Initial Recognition

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

### b. Conversion

Current assets and current liabilities, secured loans, being monetary items, designated in foreign currencies are revalored at the rate prevailing on the date of Balance Sheet.

### c. Exchange Differences

Exchange difference 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 corresponding asset up to the date of transition to Ind AS. Further, exchange difference on foreign currency loans utilized for acquisition of assets, is adjusted in the cost of the asset up to transition date of Ind AS only.

## 4.10 Leases

The determination of whether a contract is (or contains) a lease is based on the substance of the contract at the inception of the lease. The contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

- Company as a Lessee

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability. A lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The Company uses the practical expedient to apply the requirements of Ind AS 116 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 of 12 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.

**Right of use asset**

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.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

- Company as Lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Amounts due from lessees under finance leases are recorded as receivables at the company's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

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. However, if there is no reasonable certainty that the company will obtain possession of the asset upon end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Effective 1st April, 2019, the company adopted Ind AS 116 "Leases" for the first time, using the modified retrospective transition method, applied to lease contracts that are ongoing as at 1st April, 2019. In accordance with such transition method, the company had 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 accrued lease payments

The following practical expedients have been used by the Company –

Only for leases previously classified as operating leases according to Ind AS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at 1st April 2019. The weighted average incremental borrowing rate was 8.95%. The respective right-of-use asset is recognized at the said discounted value of outstanding lease payments.

Regardless of their original lease term, leases for which the lease term ends within twelve months from the end of financial year 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.

In the context of the transition to Ind AS 116, right-of-use assets and lease liabilities were recognized at Rs. 5.99 Million each as at 1st April, 2019.

The difference between the opening lease commitments disclosed under Ind AS 17 as at 31 March, 2019 and the lease liability recognized in the balance sheet as at 1 April, 2019 is on account of discounting of the lease payments.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)****4.11 Inventories**

Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.

- I. The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.
- II. The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.
- III. Goods in Transit are stated at actual cost to the date of Balance Sheet.
- IV. Jigs & Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.
- V. Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.
- VI. Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.

**4.12 Cash and cash equivalents**

Cash comprises of 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.

**4.13 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.

**Deferred tax**

Deferred tax is provided using the Balance Sheet method on temporary difference 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:

- 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.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)

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:

- 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 profit 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 statement of profit and 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.

### 4.14 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) Employee Stock Options Scheme

The fair value of options granted on the date of grant to employees is recognised as employee benefit expense with corresponding increase in equity being the share based payment. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are required to be satisfied. At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the service and non-vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit and loss, with a corresponding adjustment to equity.



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

## c) 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 is Company's defined benefit plan. The present value of the obligation under such defined benefit plan 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 plan, to recognise the obligation on the 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 and 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.

## d) 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 regard to other long term employment benefits, the Company recognises the net total of service cost; net interest on the net defined benefit liability (asset); and re-measurements of the net defined benefit liability (asset) in the statement of profit and loss.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)

Termination Benefits :

Termination Benefits 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.

### 4.15 Provisions and Contingencies

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

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

### 4.16 Revenue Recognition

- a) Revenue from contracts with customers for sale of goods or services is recognised when a performance obligation is satisfied either over a time or at a point in time by transferring a promised good or service under the contract to a customer and the customer obtains control of the same, creating a right to payment for the performance completed, the associated costs can be estimated reliably and the amount of revenue can be measured reliably.

Revenue are stated net of discounts, rebates and returns.

- b) Contract is recognised when parties to the contract approve the contract committing respective performance obligations, identify each parties rights to goods and services to be transferred under the contract, payment terms, thus has a commercial substance and where the Company shall be entitled to collect the consideration in exchange of goods or services to the Customer.
- c) In contracts under which performance obligation is satisfied at a point in time, revenue is recognised at 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.
- d) In contracts under which performance obligation is satisfied over a period of time, covering multiple reporting dates, an input method is used to recognise the revenue as it corresponds to entity's efforts to the satisfaction of the performance obligation relative to total expected efforts.
- e) Such measurement may result in the Company recognising either contract asset or contract liability. The contract assets represents amount due from customer, primarily relate to the Company's rights to consideration for work executed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional, that is when invoice is raised on achievement of contractual milestone. This usually occurs when the Company issues an invoice to the customer. The contract liabilities represents amount due to customer, primarily relate invoice raised on customer on achievement of milestone for which revenue is recognised over the period of time and after the reporting date.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

- f) 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 standalone 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.
- g) Disaggregation of Revenue is depicted in Operating Segment.
- h) Government grant in the nature of 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.
- i) Income from dividend on investments is accrued in the year in which it is authorized, whereby right to receive is established
- j) Profit / Loss on sale of investments is recognized on the contract date.
- k) Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

**4.17 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 except in case of interim dividend which is approved by the Board. A corresponding amount is recognised directly in equity.

**4.18 Earnings Per Share**

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.

**4.19 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 and increase & decrease in current assets and current liabilities. The cash flows from regular operating, investing and financing activities of the Company are segregated.

**5 Standards issued but not yet effective**

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

1. Amendment to Ind AS 116, "Leases" – relating to Covid-19-Related Rent Concessions beyond 30 June 2021 and Interest Rate Benchmark Reform: Phase 2

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2021 (Contd.)**

2. Amendments to Ind AS 37, "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts
3. Amendments to Ind AS 16, "Property, Plant and Equipment" – Proceeds before Intended Use
4. Amendments to Ind AS 109, "Financial Instruments" and Ind AS 107, "Financial Instruments: Disclosures" -Interest Rate Benchmark Reform: Phase 2

However, such exposure drafts have not been notified by the Ministry of Corporate Affairs ('MCA') to be applicable from 1st April, 2021 as at the date of approval of these financial statements.

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of schedule III and are applicable from April 1, 2021. The amendments are extensive and the company will evaluate the same to give effect to them as required by law.

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As per our attached report of even date.

For and on behalf of the Board of Directors

**For P G Bhagwat LLP**

Firm Registration No. 101118W / W100682  
Chartered Accountants

**Nachiket Deo**

Partner  
Membership No. 117695  
Pune, April 29, 2021

**K Srinivasan**

Managing Director  
DIN - 00088424

**Jitendra Shah**

Company Secretary

**Rahul C. Kirloskar**

Executive Chairman  
DIN - 00007319

**Suhas S. Kolhatkar**

Vice President & Chief Financial Officer

Pune, April 29, 2021

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Enriching Lives

## **KIRLOSKAR PNEUMATIC COMPANY LIMITED**

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CIN : L29120PN1974PLC110307

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