

Ref.: SEC&LEG/375

June 28, 2022  
Through Online Portal

BSE Limited  
Corporate Relationship Department  
Phiroze Jeejeebhoy Towers  
Dalal Street, Fort,  
Mumbai 400 001  
Scrip Code - 505283

Kind Atten: Ms. Bharti Bhambwani, Relationship Manager

Sub: Annual Report and Notice of the 47<sup>th</sup> Annual General Meeting

Dear Madam,

Pursuant to the Regulation 34 and any other applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations, 2015”), we enclose herewith the Annual Report including Notice of the 47<sup>th</sup> Annual General Meeting (“AGM”) of the company for the financial year 2021-22.

In compliance with provisions of the Companies Act, 2013 (“the Act”) and rules thereof, as amended, read with General Circular No(s). 14/2020 dated April 8, 2020, 17/2020 dated April 13, 2020, 20/2020 dated May 5, 2020 and 2/2022 dated May 5, 2022 issued by the Ministry of Corporate Affairs (“MCA Circulars”) and the LODR Regulations, 2015 read with the SEBI Circular No. SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated May 13, 2022 (“SEBI Circular”), the Annual Report including the Notice of the AGM is being sent only to those members, whose email addresses are registered with the Company / Registrar and Share Transfer Agent (“RTA”) / their respective Depository Participants (“DP”).

The Annual Report containing the Notice of the 47<sup>th</sup> AGM has been uploaded on the website of the Company viz., [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)

Request you to take this on record.

For Kirloskar Pneumatic Company Limited

Jitendra R Shah  
Company Secretary  
Membership No. 17243

Encl: As above

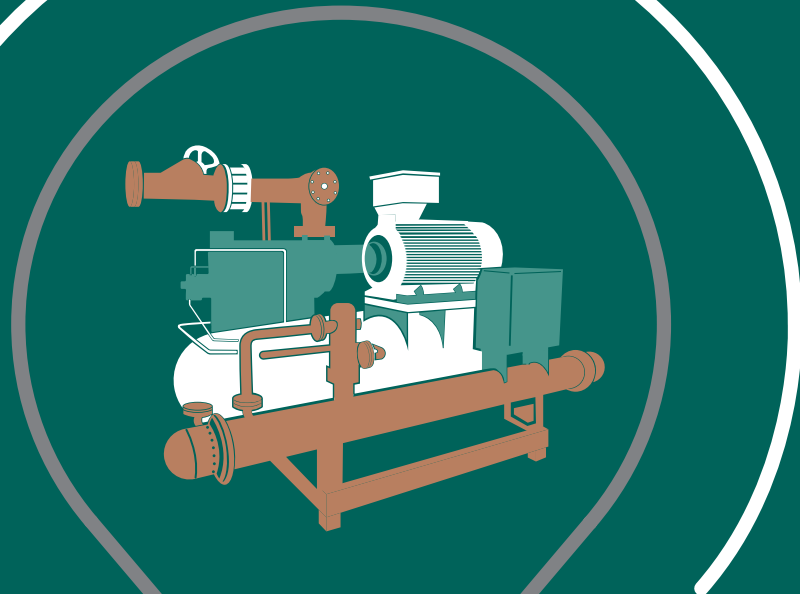
cc: National Securities Depository Limited (NSDL)  
Central Depository Services (India) Limited (CDSL)

**Kirloskar Pneumatic Company Limited**

A Kirloskar Group Company

Regd. Office: Plot No. 1, Hadapsar Industrial Estate, Hadapsar,  
Pune, Maharashtra 411013  
Tel: +91 (20) 26727000  
Fax: +91 (20) 26870297  
Email: [sec@kirloskar.com](mailto:sec@kirloskar.com) | Website: [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)  
CIN: L29120PN1974PLC110307

ANNUAL REPORT 2021-22



LIMITLESS

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## Financial Statements

For more information,  
please, visit our [website](#):



# Performance FY 2022\*

Revenue

₹ **10,212** Million

Total Income

₹ **10,335** Million

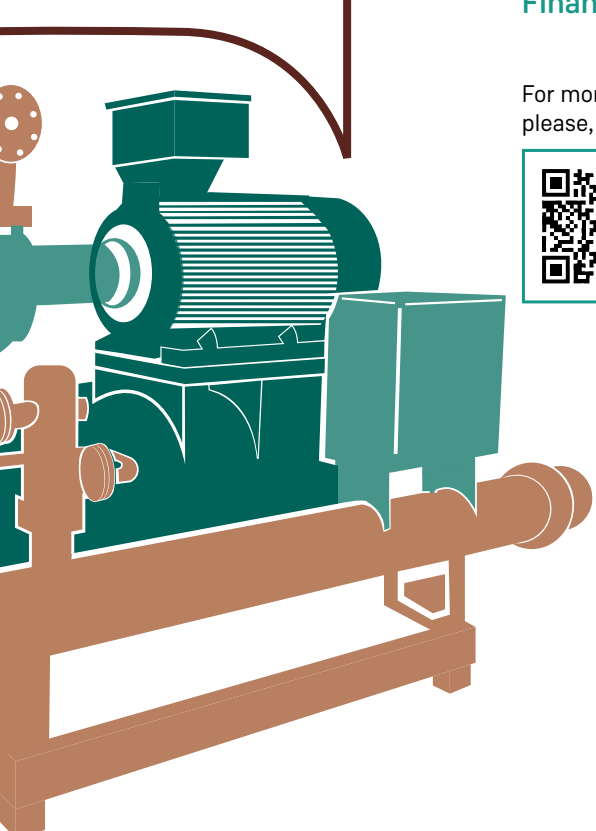
EBITDA

₹ **1,515** Million

PAT

₹ **849** Million

\*Rounded off to nearest decimal



# About the report

We are pleased to present our first integrated annual report which presents key quantitative and qualitative disclosures on our relationships with the stakeholders. In this report we have adopted the reporting framework developed and designed by International Integrated Reporting Council (IIRC). We remain committed to disclosing relevant information about material issue with the highest levels of transparency and integrity.

## Scope and boundary

This report covers information on business operations of Kirloskar Pneumatic Company Limited (KPCL), aptly disclosed through six capitals as defined by IIRC. This report describes our business model, overall performance and related outcome. The parameters for the financial capital covered in this report are in relation to KPCL on standalone basis.

## Reporting period

The major reporting period for the Annual Report is 1<sup>st</sup> April, 2021 to 31<sup>st</sup> March, 2022. However, certain portions of the report provide facts and numbers from prior years in order to give readers a complete picture.

## Reporting framework

This report follows the international framework developed by IIRC.

Along with the international framework, this report is in line with the following:

- The Companies Act, 2013
- Indian Accounting Standards
- The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## Assurance for financial statements

To ensure the integrity of facts and information, the financial statements are audited by Kirtane & Pandit LLP, Chartered Accountants and the 'Independent Auditor's Report' has been duly incorporated as part of this report.

## Stakeholder feedback

Stakeholders' constructive participation and feedback are welcomed and appreciated.

Email: [sec@kirloskar.com](mailto:sec@kirloskar.com)

Website: <https://www.kirloskarpneumatic.com>

## Our stakeholders

- Employees
- Shareholders and investors
- Customers
- Suppliers
- Communities
- Regulatory bodies and government

## Forward-looking statements

This report contains forward looking statements that describe our expectations, based on reasonable assumptions and past performance. These are subject to change in light of developments in the industry, geographical market conditions, government regulations, laws and other incidental factors. These statements must not be used as a guarantee of our future performance, as the underlying assumptions could change materially.

## Our Capitals



### Financial Capital



### Manufactured Capital



### Intellectual Capital



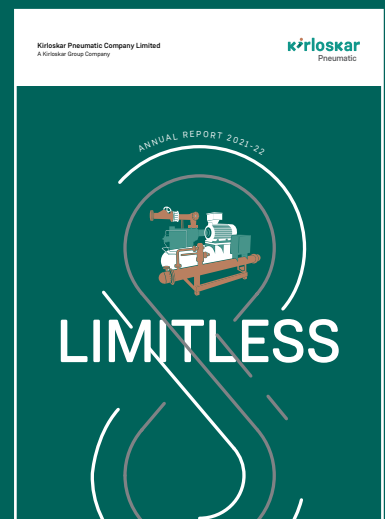
### Human Capital



### Social and Relationship Capital



### Natural Capital



# Corporate Information

## BOARD OF DIRECTORS

**Mr Rahul C Kirloskar**  
*Executive Chairman*

**Mr K Srinivasan**  
*Managing Director*

**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**

**Mr Mahesh Chhabria**

## CHIEF FINANCIAL OFFICER

**Mr Suhas S Kolhatkar**

## COMPANY SECRETARY

**Mr Jitendra R Shah**

## AUDITORS

Kirtane & Pandit 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 AND 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. 020-46014473

## REGISTERED OFFICE

Hadapsar Industrial Estate,

Pune 411 013

Ph. No. 020-26727000

Email: sec@kirloskar.com

www.kirloskarpneumatic.com

CIN L29120PN1974PLC110307

## Financials at a Glance

₹ in Million

Particulars	Ind AS					Indian GAAP				
	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Revenue from Operations	10,211.73	8,232.64	8,290.81	7,102.44	6064.40*	5,533.05*	5,088.78	4,409.59	5,099.27	5,488.09
Profit Before Tax	1,141.24	838.78	719.15	802.29	726.81	714.40	516.45	284.19	614.65	707.76
Profit After Tax	849.24	638.42	534.92	552.62	499.43	537.80	363.79	225.75	388.30	470.98
Dividend (%)#	200.00	175.00	135.00	125.00	120.00	100.00	70.00	50.00	100.00	120.00
Dividend Per Share (₹)	4.00	3.50	2.70	2.50	12.00	10.00	7.00	5.00	10.00	12.00
Earning Per Share (₹)#	13.19	9.94	8.33	8.60	38.88	41.87	28.32	17.58	30.23	36.67
Book Value Per Share (₹)#	102.17	91.59	77.02	76.90	359.38	331.48	250.34	230.43	220.03	201.50
Share Capital	128.89	128.53	128.44	128.44	128.44	128.44	128.44	128.44	128.44	128.44
Reserves and Surplus	6,455.73	5,757.91	4,817.77	4,809.86	4,487.48	4,129.07	3,086.89	2,831.24	2,697.66	2,459.63
Shareholders' Funds	6,584.62	5,886.44	4,946.21	4,938.30	4,615.92	4,257.51	3,215.33	2,959.68	2,826.10	2,588.07
Loan Funds	-	400.00	277.78	5.31	6.88	-	-	-	-	-
Total Capital Employed	6,584.62	6,286.44	5,223.99	4,943.61	4,622.80	4,257.51	3,215.33	2,959.68	2,826.10	2,588.07
Net Block	2,293.65	1,750.17	2,066.53	1,217.81	748.09	793.65	817.42	970.59	1,139.07	1,020.38

**Note:**

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



LIMIT

At Kirloskar Pneumatic Company Limited (KPCL), we are always engineered to think about our customers, about society and what's next. When we think about 'what's next' we inevitably unleash our intrinsic potential to excel. It is this potential that makes opportunities limitless.

We develop various sophisticated and high-tech products for various industrial sectors, nationally as well as internationally. We evolve continuously to keep pace with changing times and upgrade our products to maintain the highest standards of quality and reliability.

The overriding objective is to stay at the cutting edge of innovation to meet and exceed the aspirations of our customers. Our in-house resources provide the capability

# LESS

to engineer, design, manufacture, construct, commission and service products and systems for key sectors of the economy.

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

**We are fully equipped to capitalise on the opportunities, as they unfold and are working together to build a future for all that is Limitless.**



## About Kirloskar Group

# Innovators for tomorrow

For over 133 years, Kirloskar Group has nurtured a legacy of excellence and innovation. In 1888, when others looked to the past, one man looked to the future. From a bicycle shop to India's first iron plough, he set in motion the nation's industrial revolution. Today, we are known as the leader of castings, diesel engine manufacturing, backup power solutions, pneumatic packages and cooling solutions, forming the backbone of several industries. With many firsts to our name, we innovate solutions that challenge convention and create a limitless future.

The Group companies are actively present across diverse sectors of agriculture, manufacturing, food and beverage, oil and gas, infrastructure and real estate. The sustainability and profitability of these businesses can largely be attributed to a sense of values woven into their foundation.

Our Group has always worked towards the progress of society, and interestingly the entire story began with an iron plough. Shri Laxmanrao Kirloskar, our founder began his journey by setting up a small bicycle repair shop at Belgaum, Karnataka, India, a hundred years ago. He later developed it into a small-scale machine tool workshop to manufacture iron plough and chaff cutters - one of the many engineering innovations that the Group would pioneer, going forward.

Our founder is recognised today as one of the doyens of Indian industry, and a notable social reformer. At the core, he was an entrepreneur with a passion for innovation that made the lives of people better. His legacy today provides employment to thousands of people in India, and positively impacts the lives of millions of people in India and around the world.

**133+** Years  
Of engineering excellence

**05**  
Listed companies

**₹10,533** Cr  
Combined\* market cap



KIRLOSKAR  
PNEUMATIC CO LTD.

## Embracing transformation

As a Group, our transformation has been marked by the introduction of Industry 4.0 and extraordinary technological advances like the Internet of Things (IoT), artificial intelligence, 3D printing, robotics and nanotechnology, among others.

The Group, with a firm focus on the future, is evolving to deliver solutions that are driven by innovation and create new growth avenues. Being at the forefront of building products and solutions that bring engineering excellence to our customers, the Group is aware of its responsibility to conserve non-renewable resources and implement more sustainable business practices.

# row

₹7,158 cr  
Combined net worth of the Group\*

6,500+  
Employees across the group companies

\*Market cap based on closing market price of 31<sup>st</sup> March, 2022.

\*Listed companies include Kirloskar Ferrous Industries Ltd., Kirloskar Industries Ltd., Kirloskar Oil Engines Ltd., Kirloskar Pneumatic Company Ltd. and Indian Seamless Tubes Ltd. (ISMT).

\*ISMT effective acquisition date 10<sup>th</sup> March, 2022.

## About KPCL

# Engineering a future-ready tomorrow

A leading player in Air, Refrigeration and Gas Compression business in India, Kirloskar Pneumatic Company Limited (KPCL) has been serving diverse industries across the globe by deploying its design, R&D, manufacturing and innovation capabilities.

1<sup>st</sup> supplier of traction gears to Indian Railways

Founded in 1958\* by Shantanurao Kirloskar, KPCL is a core company of Kirloskar Group which has a rich legacy of over 133 years. We focus on providing sophisticated and high-tech products using our state-of-the-art manufacturing technologies. Through our diverse offering we serve numerous industries including Oil, Gas, Steel, Cement, Food processing, Railways, Air Separation, Automobile, Defence and Marine among others. Our assorted offerings include Air Conditioning and Refrigeration, Air Compressors, Process Gas Systems and Transmissions.

### Our Values



#### Excellence

In everything we do, Quality without compromise



#### Integrity

Say what we do, and do what we say



#### Collaboration

We grow with People and Partners



#### Empathy

We always Listen and Learn

Towards all Stakeholders



#### Values Creation

We are building for a shared prosperous future

Towards all Stakeholders



#### Innovative Thinking

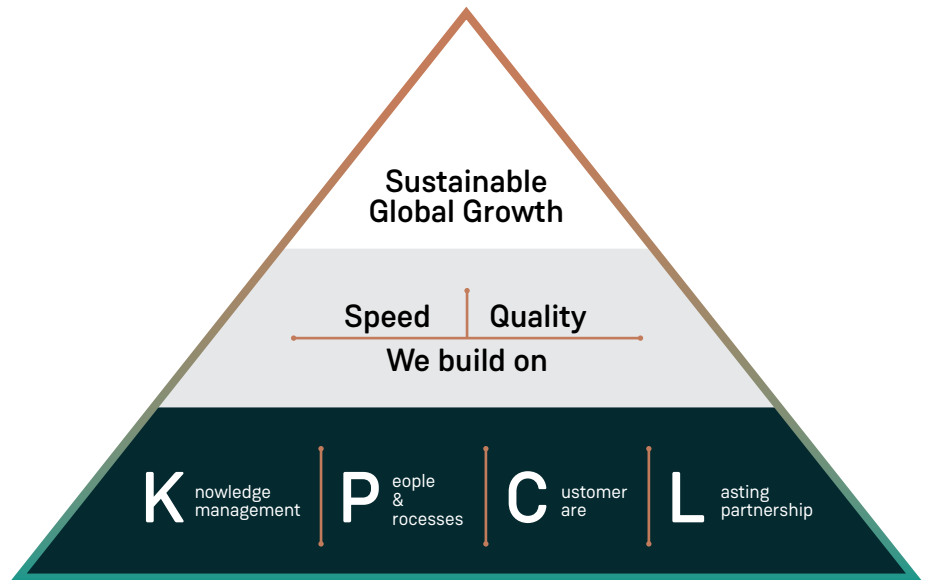
Be Bold & Brave and stay Relevant

\*Kirloskar Pneumatic Company Limited (Formerly KPCL founded in 1958)

## Vision and Mission

We will demonstrate an edge to all our stakeholders in offerings for converting/transmitting energy.

We strive to make our company an employer of choice.



### Key facts

**1<sup>st</sup>**

Indian company approved for hydrocarbon refrigeration system

**~50%**

CNG stations in India are powered by KPCL

**3**

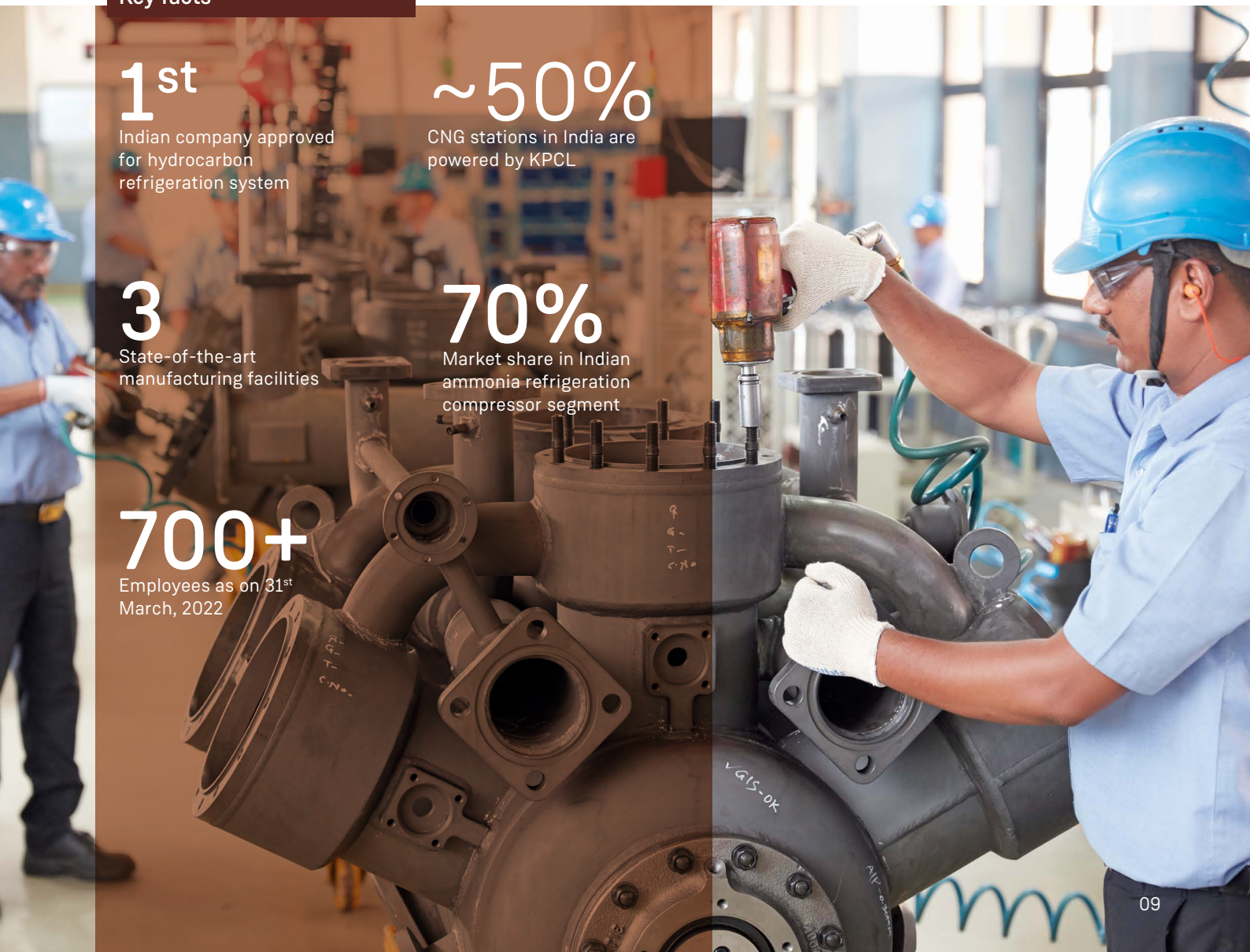
State-of-the-art manufacturing facilities

**70%**

Market share in Indian ammonia refrigeration compressor segment

**700+**

Employees as on 31<sup>st</sup> March, 2022



## Business at a Glance

# Offering smart engineering solutions

At KPCL, we utilise our manufacturing excellence, capabilities and expertise in developing products that find application across several downstream industries. We also cater to a niche market segment that require specialised engineered products, designed according to their requirements.

Our diverse offerings in the compression segment include Air Conditioning and Refrigeration, Air Compressors, and Process Gas Systems. At KPCL, we have been making compressors for many years and for many applications. Right from basic air compressors to compressors for various refrigerants, compressors to handle natural gas, and compressors to handle other gases and hydrocarbons. Not just compressors, we provide complete package solutions for various requirements. Be it for LPG bottling or for climate control in submarines. Not to forget the compressors that we deliver to the oxygen plants. With about 94% of the revenue coming from the compression segment, it remains the only reportable segment.

### Air Compressors

One of the oldest business divisions, air compressors comprise a wide range of products across screw compressors, centrifugal compressors and reciprocating compressors for air and gas duties. Our product portfolio has capacity ranging from 30 CFM to 10,000 CFM and pressure from 1 bar to 250 bar. The technological partnership with City University, London has enhanced our knowledge capital, strengthening our 'know-how' and 'know-why' capabilities to serve a discerning customer base for screw compressors.



**Engineering excellence  
across industries**

To drive further growth and expand our business, our air compressors portfolio is compatible not only for air but also other gases such as nitrogen, carbon dioxide (CO<sub>2</sub>), methyl chloride, carbon monoxide, biogas, hydrogen and natural gas. These compressors serve clients present across chemical & refineries, power, steel, automobile, pharmaceutical, food & beverages, textile, railways and general engineering among other sectors.

We are a major player in the air separation business.

Manufacturer Of  
Air-Cooled Ammonia  
Refrigeration  
Compressors

**Only**

End-to-end  
manufacturer of  
Centrifugal Air  
Compressors  
in India

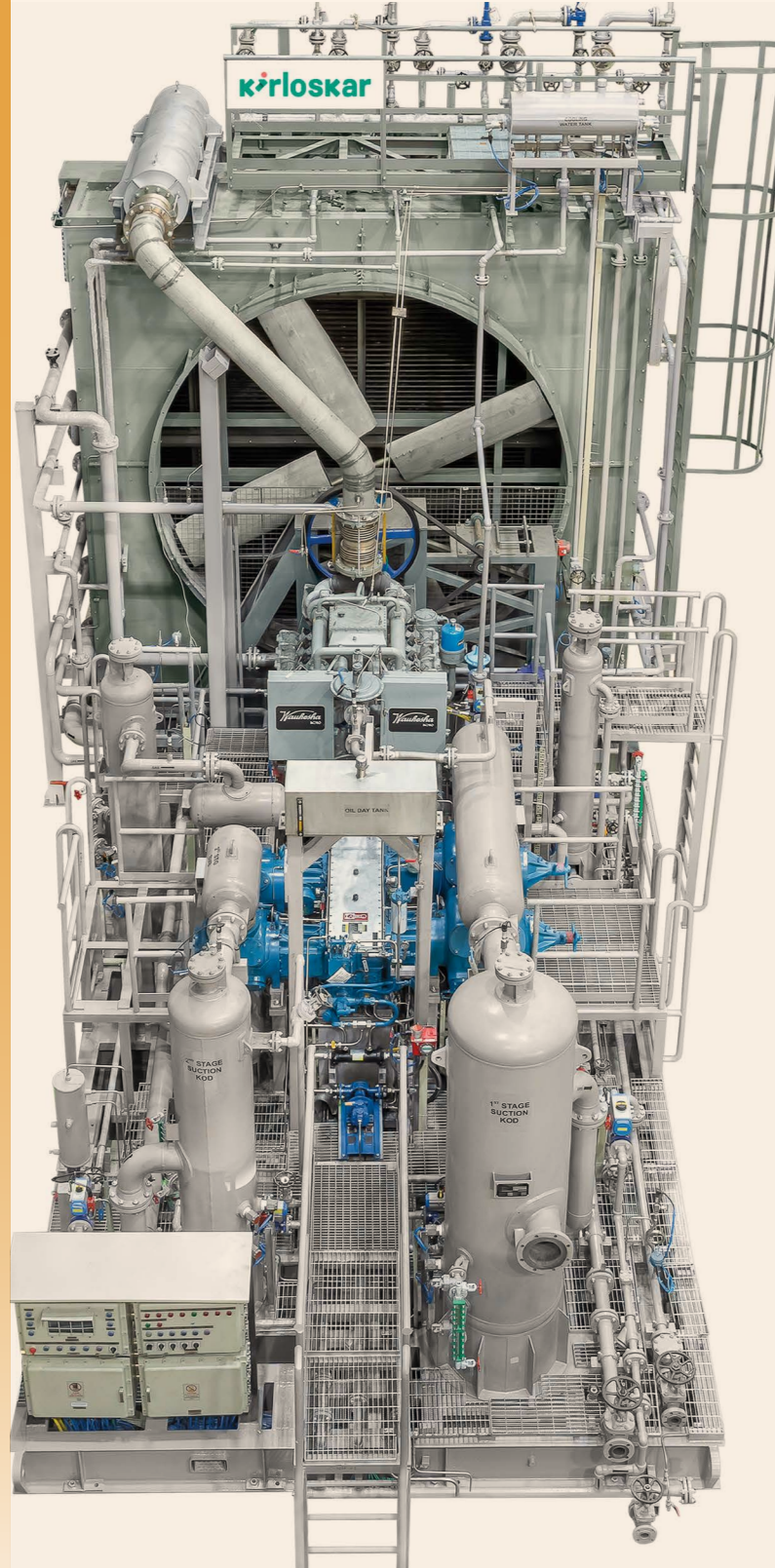
**Air Conditioning &  
Refrigeration Systems**

ACR started with the manufacturing of Air Conditioning & Refrigeration compressors (equipment group) and expanded into refrigeration projects. The projects division works on turnkey solutions that encompass planning, design, manufacturing, installation and commissioning of refrigerators systems. Our offerings include reciprocating open-type compressors, process refrigeration systems and vapour absorption chillers. These compressors are extensively used in the cold chain for food processing and preservation. The offerings cater to requirements of industries like refinery and petrochemicals, fertilisers, chemicals, marine, these technical and complex cooling systems are customised to form an integral part of processes for these industries.



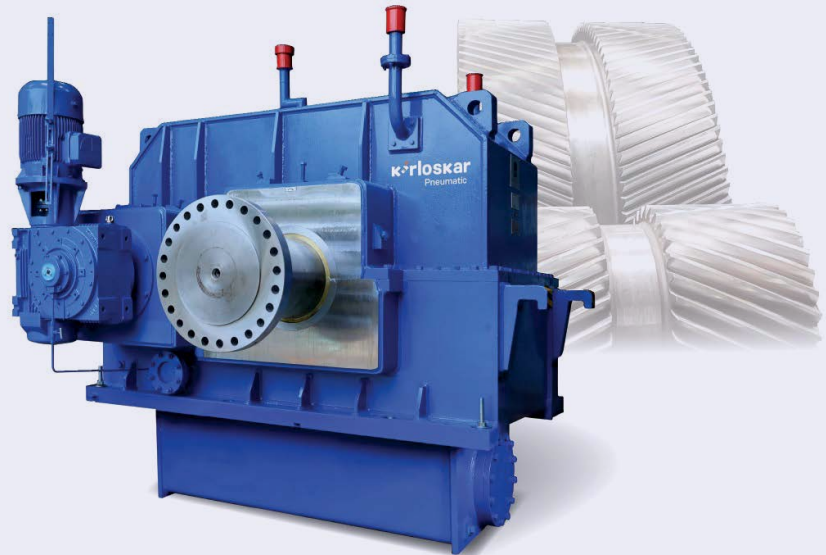
## Process Gas Systems

At PGS, we serve the highly specialised oil & gas sector, offering gas compression systems for Upstream, Midstream, Downstream & Distribution requirements of the industry. We offer gas compressor packages for a wide range of applications designed to work for various pressure ranges and different gas types. Our scale and resources mean we can provide a one-stop solution for our customers, right from concept to commissioning, followed by the operation and maintenance services. With more than 1,000+ installations across Indian and foreign markets, we have become a synonym for performance, reliability, efficiency, custom-engineered and cost-effective solutions.



## Transmission

We are the pioneers in the field of railway transmission products in India, manufacturing gears, gear boxes and pinions. Over the years, we have expanded our offerings to manufacture high-speed gear boxes for power generation for leading multinationals. Today the division is equipped with state-of-the-art gear manufacturing facilities, in-house heat treatment furnaces and special purpose machines that enhance the performance of gear. Currently, our offerings include a range of gear and gear boxes for diverse industries like railways, power & steel, cement & minerals, rubber, plastic, marine, sugar and refurbishment among others.



## RoadRailer

We have developed and introduced India's first Bi-modal rolling stock 'RoadRailer'. RoadRailer operates as a semi trailer on road and as a wagon over rail. It is used for seamless door to door transport of goods combining road and rail modes of transport. Bi-modal RoadRailer service operating as a pilot operation on Delhi Chennai route (distance of 2,150 kms) has successfully transported about 4,500 loads over 166 trips. It is expected to expand in the near future with the opening up of additional routes by Indian Railways.





## Chairman's Perspective



We believe that we are in the right markets, with the right products and the right skillsets to create value that endures, not just for today, but for generations to come. I want to take this opportunity to thank all our teams, partners, investors, community members and the larger stakeholder community for their contribution in our exciting journey forward.



## Dear Shareholders,

I am pleased to share with you our Annual Report for the fiscal year 2022. A year which began with the second COVID wave, and ended with rising geopolitical tensions in Europe unleashing more operating challenges for businesses worldwide.

The year which tested our resilience, and yet we collectively withstood the challenges, enhanced our performance on all fronts and embraced opportunities for a future full of possibilities. In this context, I must mention that FY 2022 also saw our brand Kirloskar being refreshed with a new logo and a new business vision.

Our legacy inspires us to innovate solutions that challenge conventions and helps to create an inclusive future for customers, partners, employees, investors and communities. We are limitless in terms of our aspirations, capacity and capabilities, access to national and international markets, and the value that we can generate for our stakeholders and the society.

### Encouraging Performance

Our overall performance during the year reflected our resilience and the power of our vision. Notwithstanding high commodity prices, consequent rise in input costs, and supply chain constraints, the Company achieved volume growth in its products, especially air compressors and CNG compressors. This was achieved by managing strategic improvements in the product mix as well as revision in pricing.

Our CNG business continued to drive growth during the year, as we capitalised on rising demand by increasing our capacity to cater to the market. The CNG business is well poised to grow significantly going forward. In fact, almost 50% of the CNG stations in India are powered by Kirloskar.

Coming to our financial performance, our revenue during the year grew by 24% YOY from ₹833 crores to ₹1,033 crores, and profit before tax grew by 36% from ₹84 crores in FY 2021 to ₹114 crores in FY 2022. EBITDA, on the other hand, increased by 23% over the previous year, from ₹123 crores to ₹152 crores. Despite rise in operating cost, we were able to retain our EBITDA margin to over 14% in FY 2022 by simplifying our operations, optimising costs across the board and taking appropriate strategies to lower our cost of capital.

These measures enabled us to maintain healthy cash flows throughout the year. Going forward, significant capital expenditure is being committed to meet the growing market demand for our products and to fast-track our growth aspirations. For the first time, we have received over ₹100 crores worth of export orders, and cumulatively we have over ₹1,250 crores of orders in hand. This shows the demand of our products across national and international markets, and our growing brand recall.

We will continue to build further capabilities and capacities for future growth. The year also saw a major boost in our R&D initiatives. Our newly developed screw compressors for oxygen generation have been very well received in the market. There are more innovative products in the pipeline. Going forward, we will continue to file for more patents to safeguard our intellectual property.

### Beyond Business Priorities

As a responsible business, our impact goes beyond immediate business priorities. Challenges call for champions to rise to the occasion. Our Company was one of the few that answered the call for action during the second COVID-19 wave. We delivered high-capacity compressors capable of

delivering critical oxygen across the country and helped save precious lives.

We also ramped up the production of defence-related equipment to help the nation in times of need. Our teams have been at the forefront of contributing to the initiatives taken across the country to decarbonise the economy through the use of biogas, and other alternative biofuels such as methanol, which have a lighter impact on the environment.

### Limitless Optimism

We believe that we are in the right markets, with the right products and the right skillsets to create value that endures, not just for today, but for generations to come. I want to take this opportunity to thank all our teams, partners, investors, community members and the larger stakeholder community for their contribution in our exciting journey forward.

I am happy to announce that the Board, with the approval of all our esteemed shareholders, has declared a final dividend of ₹2.40 (120%) per equity share of ₹2 fully paid, subject to shareholder's approval, taking the total dividend for the year to 200%.

We look forward to your continuing support in helping us reach many more milestones in a limitless future together.

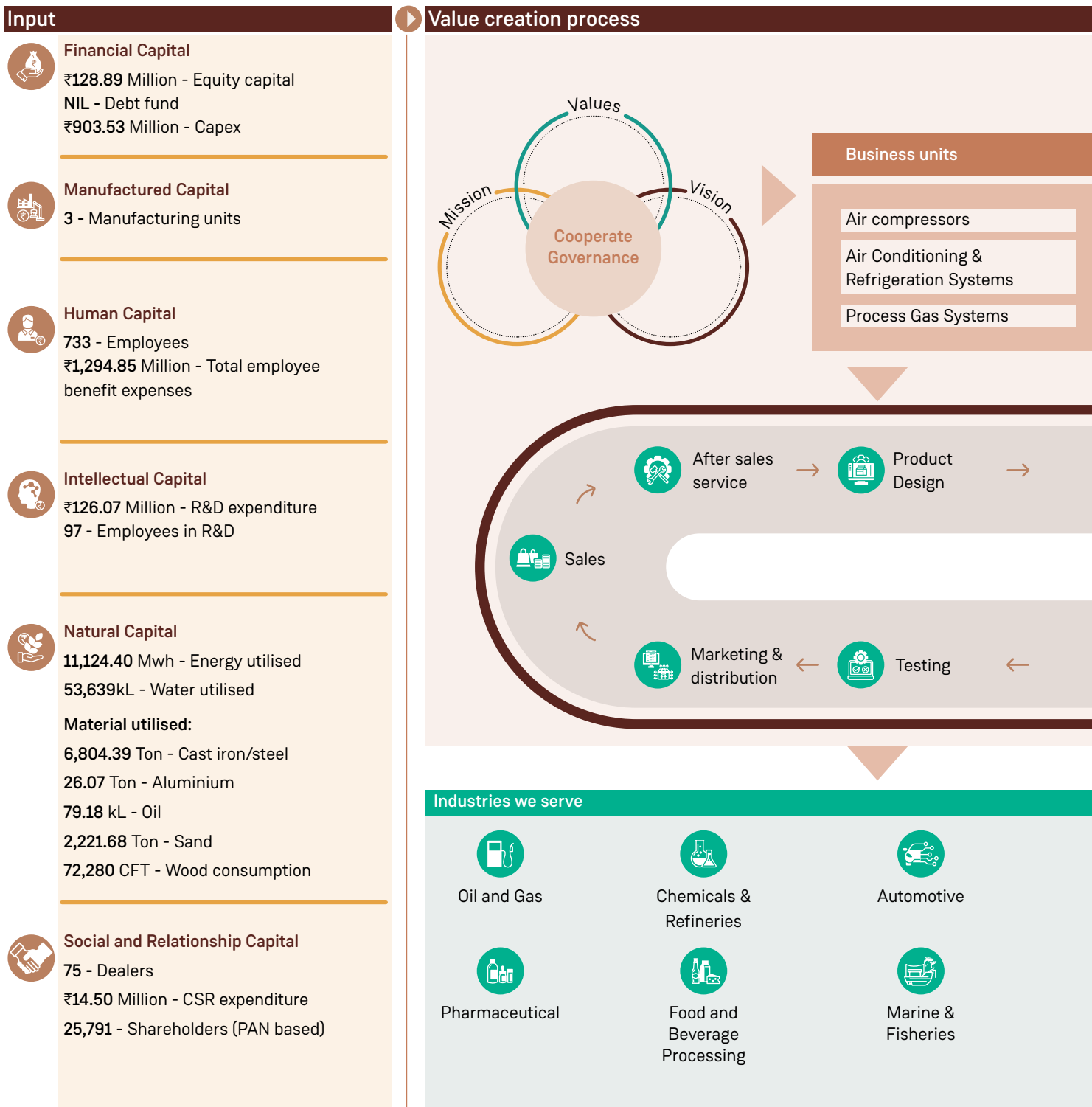
Regards

**Rahul C Kirloskar**

*Executive Chairman*

# Value Creation Model

The business model is designed to support sustainable value creation by facilitating improvement of the Company's underlying operational performance. This is built on the foundation of decades of engineering excellence and driving implementation of our long-term strategies.



Transmission

RoadRailer

Manufacturing  
(with captive foundry)



Steel



Power



Defence



Process Industries

### Output



**Financial Capital**  
₹10,334.97 Million - Total Income  
₹849.24 Million - PAT  
₹26,300 Million - Market Cap  
14.7% - EBITDA margin



**Manufactured Capital**  
**Segment revenue:** ₹602.27 Million - Others  
₹9,609.46 Million - Compression systems



**Human Capital**  
8,725 hours - Learning and development  
708 hours - health and safety training



**Intellectual Capital**  
3 - Patents filed  
1 - Patent granted  
3 - Research publications  
1 - Trade mark filed  
2 - Design patents filed



**Natural Capital**  
445.18 Mwh - Energy conserved  
14,814 kL - Water recycled  
**Material recycled:**  
223.9 Ton - Cast iron/steel  
4.3 Ton - Aluminium  
28.89 kL - Oil  
3,747 Ton - Sand  
4,992 CFT - Wood reused



**Social and Relationship Capital**  
95.4 - CSR satisfaction index (as on 2020)  
200% - Dividend for FY 2022

### Value created

Leveraging our strong and stable balance sheet to enhance our business

Our best-in-class manufacturing units help us to operate in flexible and optimised manner so that we can deliver industry-leading quality products to customers.

Our employees help us to drive business growth, being an integral part to drive performance on innovation.

Continuous innovation, helps to deliver best in class products to customers.

We aim to optimise the use of the resources. Utilisation of resources in most sustainable manner is our priority.

Maintaining healthy and mutually beneficial relationship with stakeholders empowers us to sustain our operations and create long-term value.

# Stakeholder Engagement

## Collaborating to create value

We remain committed to maintaining healthy and long-standing relationship with our stakeholders. We believe that developing and nurturing dialogue with our key stakeholders, and actively listening and responding to their feedback, is the key to business sustainability.

### Employees



#### Expectations

- Training and skill development
- Capacity building
- Safe work environment
- Diversity
- Employee friendly practices

#### Mode of Engagement

Regular interactions through weekly team meetings, training and development programmes and other cultural events.

### Shareholders & investors



#### Expectations

- Financial returns
- Ethical business practices
- Regulatory and governance practices
- Future strategy and growth

#### Mode of Engagement

Engagement on timely basis on the Company's progress and future plans through AGM, conferences, website, quarterly earning calls, investor presentations, media communications and e-mails.

**Customers**



**Expectations**

- Quality of products
- Value for money
- Timely and prompt after-sales services
- Fair business practices

**Mode of Engagement**

Engagement with customers is carried out throughout the year via various channels like website, press releases, customer survey and one-on-one meeting.

**Dealers, suppliers and business partners**



**Expectations**

- Mutually beneficial and long-term relationship
- Ethical practices
- Timely payments
- Competitive pricing

**Mode of Engagement**

Engagement is undertaken on need basis to maintain transparent relationships through workshops, dealers conferences, exhibitions and website.

**Communities**



**Expectations**

- Job creation
- Skill development
- Community upliftment
- Health care benefits
- Women empowerment
- Rural Infrastructure

**Mode of Engagement**

Engagement is undertaken on need basis through CSR activities, NGO collaboration and other volunteering activities.

**Regulatory bodies and government**



**Expectations**

- Compliance with applicable laws
- Good governance
- Ethical practices
- Transparent reporting

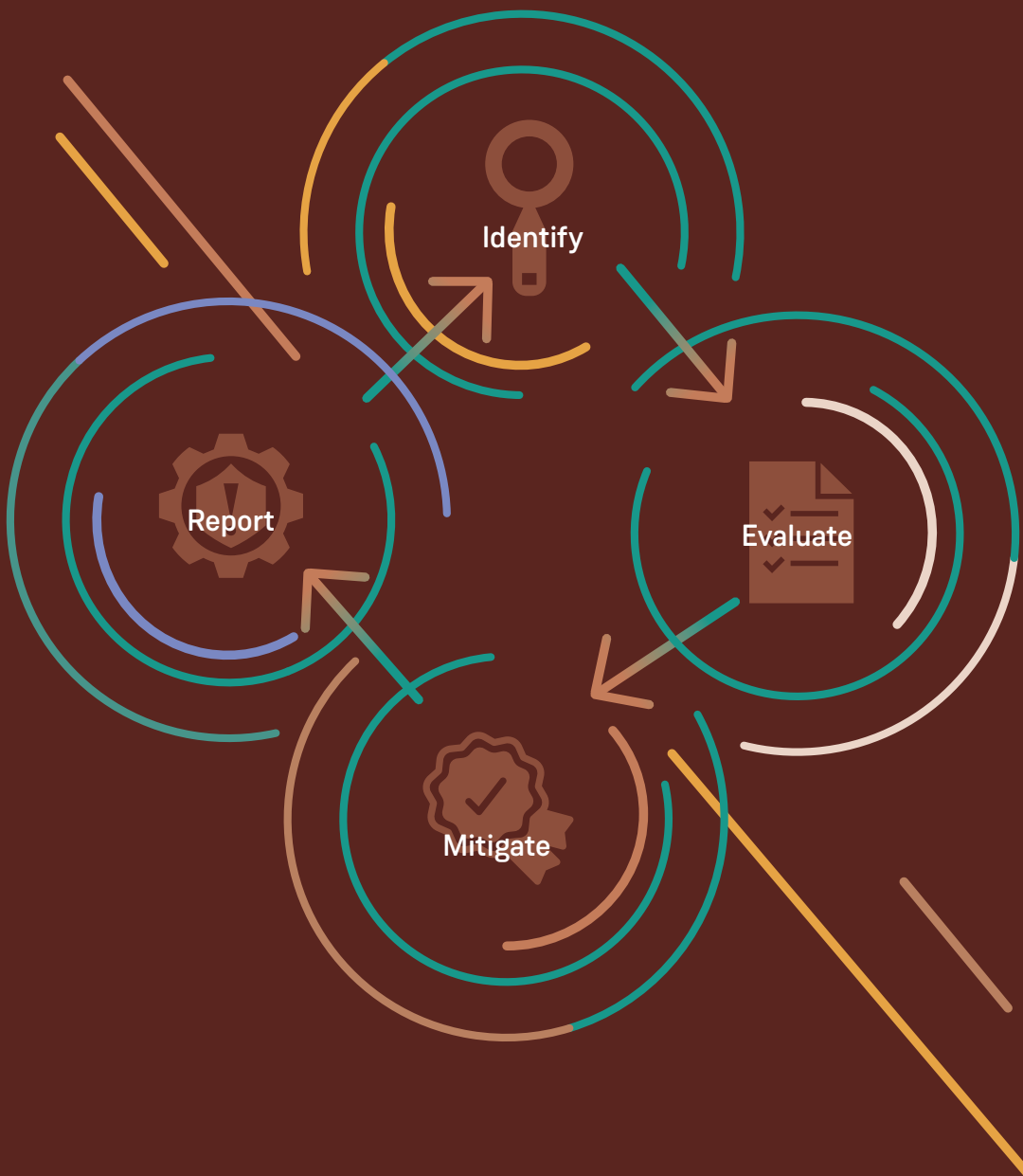
**Mode of Engagement**

Engagement is carried out on continuous basis to comply with various rules and regulations by regular compliance filings & meetings and participation at industry forums.

# Risk Management Approach

## Managing uncertainties prudently

Risk management framework establishes guidelines for ensuring the long-term viability of our business model. Under our risk management framework we identify, evaluate, mitigate and report material risks for sustainable business.



### Objective

Our risk management policy is focused on sustainable business growth with stability. The policy is also framed to promote a proactive approach to identifying, evaluating, mitigating and reporting risks associated with the Company's business.

### Framework

To achieve the key objective, the policy establishes a structured and disciplined approach to risk management, to guide decisions on risk-related issues. The current and future material risk exposures of the Company are identified, assessed, planned for mitigation, minimised and managed to ensure adequate systems for risk management.

The framework identifies internal and external risks faced by the Company under different categories like financial,

operational, sectoral, sustainability (ESG-related risks), information and cyber security and so on.

The risk matrix is assessed in terms of the probability and severity of the occurrence. Accordingly, a detailed mitigation plan is put in place which forms a part of the business continuity plan. This whole process enables our Company to protect from business uncertainties.

### Risk Register

The Company has identified risks under the following broad categories:

- Financial Risk
- Operational Risk
- Sectoral Risk
- Sustainability Risk
- Information and Cyber Security Risk

Identification of risks is a continuous process and is carried out by employees. Common sources for identification of risks examples include the following:

- Operating and financial results, reports and analysis of the company;
- Concern areas highlighted during operational meetings;
- Triggers for identification/ modification in risk portfolio;
- Other relevant information from public domain.

Each identified risk is assessed / evaluated on a five-point scale with respect to the following criteria for determining inherent and residual risk exposure:

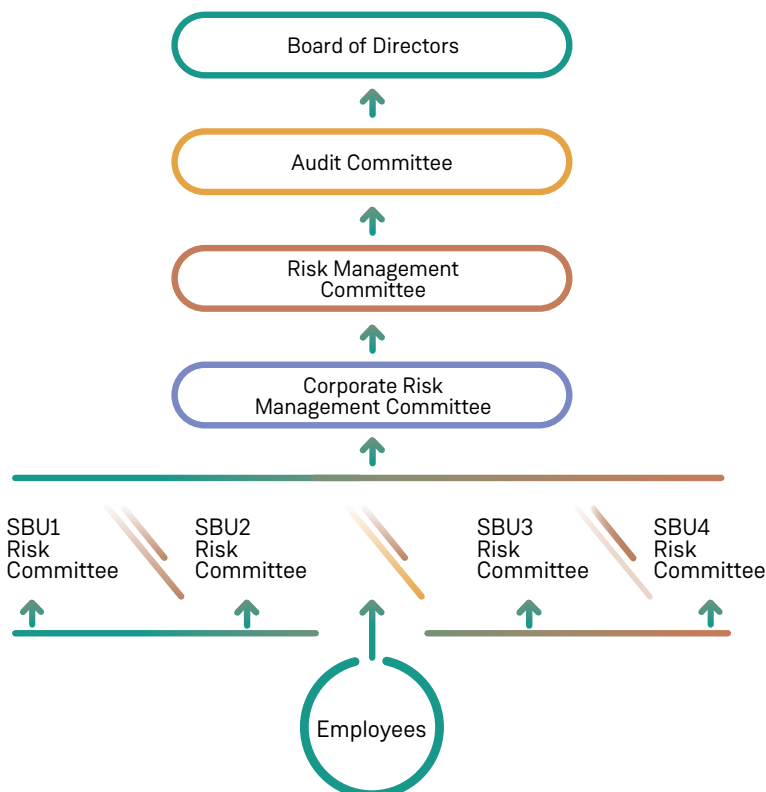
- a) Likelihood (i.e. Probability) of event occurrence
- b) Impact (i.e. Severity) when the event occurs

Both inherent and residual risks are to be considered in the process of risk assessment. Inherent risk is defined as the risk faced by the organisation in the absence of any control measures on part of the management. The resultant inherent risk exposure is a combination of likelihood of the event occurring and its impact.

Based on the assessment process, the management then adopts any of the following approaches to manage risks:

- Risk Acceptance - risks that cannot be avoided, reduced or transferred are to be accepted by the company.
- Risk Avoidance - risks whose likelihood, consequences or organisational impact is insignificant hence management may choose to avoid them altogether.
- Risk Mitigation - it is an approach to reduce either the likelihood or the consequences of the risk event.
- Risk Transfer - transferring means soliciting the involvement of a third party to take on the impact should a risk event occur.

### Organisation Structure of Risk Management





# Financial Capital

We allocate our financial capital with prudence, guided by our leadership team and the esteemed Board, and strive to maintain a robust balance sheet, while generating strong free cashflows to fund our growth ambitions. We also review our investments from time to time to safeguard the interests of all stakeholders.



## Key highlights

Revenue\*

₹ **10,212** Million

EBITDA\*

₹ **1,515** Million

PAT\*

₹ **849** Million

\*Rounded off to the nearest decimal

## Contribution to Sustainable Development Goals

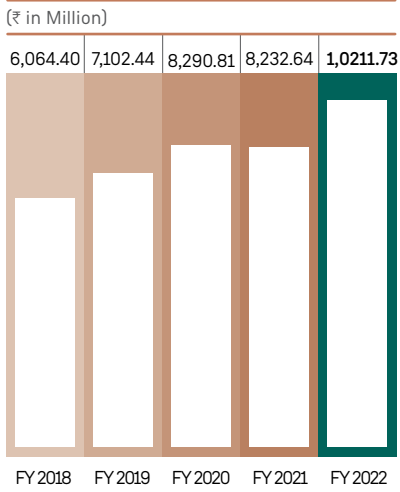
8 DECENT WORK AND ECONOMIC GROWTH



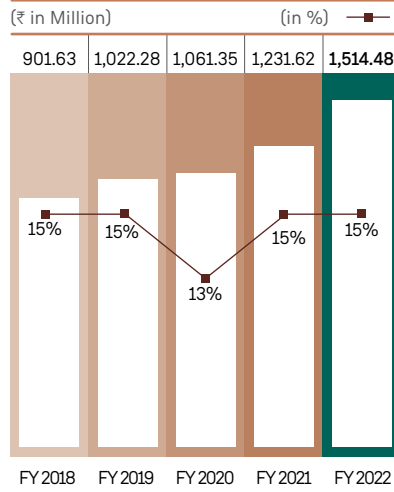
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



### Income from operations

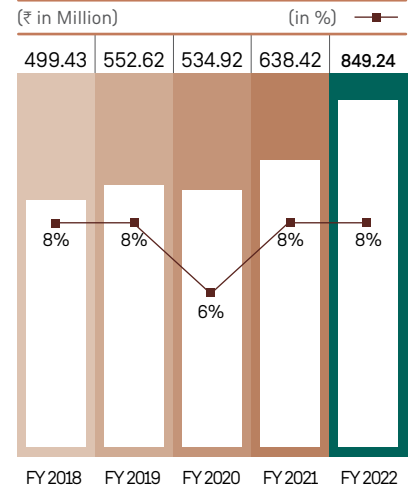


### EBITDA



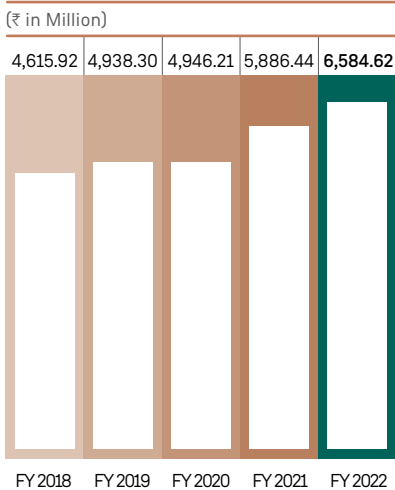
### Margin

### PAT

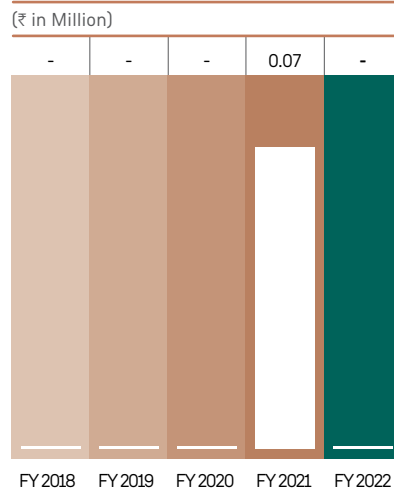


### Margin

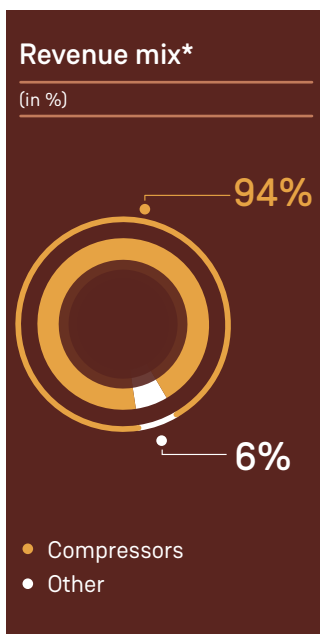
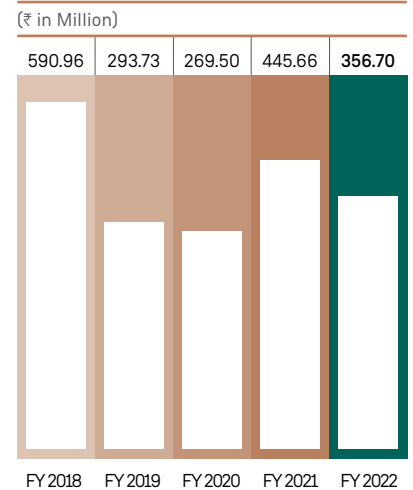
### Net worth



### Debt/Equity (Times)



### Cash and cash equivalents



### Way forward



#### Product Leadership

- Delivering value through offering leading edge products and services



#### Industry Innovation

- Add new industries and application for current product portfolio
- Stay ahead of the curve and future ready



#### Customer Engagement

- Providing best-in-class services and support
- Pre-empting customer needs for product innovation



#### Stakeholder Value Creation

- Collaborate to maximise opportunities for growth
- Focus on sustainable value creation for internal and external stakeholders

\*Rounded off to the nearest decimal

# Manufactured Capital

Our constant endeavour is to adopt best-in-class technologies to maintain and upgrade our manufacturing facilities for improving efficiency, safety, sustainability and reliability of our products and processes.



Contribution to Sustainable Development Goals



## Manufacturing facilities

Our state-of-the-art manufacturing facilities are flexible and consistently delivers orders promptly and reliably. We have consistently modernised by regularly investing in manufacturing processes. Our investments in our facilities are geared towards reducing delivery time, improving processes and delivering quality and consistency.

Our manufacturing set-up is tooled for in-house machining of critical parts like Crankcase, Connecting rod and dynamic balancing of Crankshaft and Motor pulleys etc. Flexible and optimised manufacturing set-ups are proven for quick set-up changes to prioritise any model based on customer requirement, in product range of 1 cylinder to 12 cylinder compressors. Our pre-treatment shop covers 100% stress relieving & phosphating of each Crankcase while our machine shop is equipped with the latest CNC machines like HMC & VMC, Balancing machines, VTL and in-line quality gates to generate records. Our assembly line is equipped with torque tools to deliver a precise range of torques and quality gates at various locations generate real time quality data.

KPCL has developed manufacturing infrastructure for CNG and Gas Compression facilities. This large set up has in-house Radiography Room / Shot Blasting and Specialised Painting

Room. This ensures that products can be tested and manufactured upto world class standards.

KPCL has one of the most modern screw cutting plant in the world today. We manufacture state of the art air ends designed with the help of leaders in screw profile design. Highly sophisticated fully automatic screw milling and grinding machines produce screw rotors in temperature controlled conditions to extremely close tolerances. These rotors are checked with the latest rotor profile CMM machines to ensure our screw compressors exceed our customer's quality expectations.

We have one of the most modern machine shop in the country. Our shop is equipped with numerous horizontal and vertical CNC machining centers, SPM, VTL, boring, grinding and general purpose machines to produce the high quality components required in the manufacture of piston, screw and centrifugal air ends. Our in-house capability includes machining high speed gear boxes for the centrifugal compressor.

We have our own foundry dedicated to the manufacture of highly intricate castings used for in-house consumption. This facility along with our NABL approved laboratory and heat treatment facility gives us the flexibility

to meet customised requirements specially for Oil and Gas, Nuclear and Defence customers.

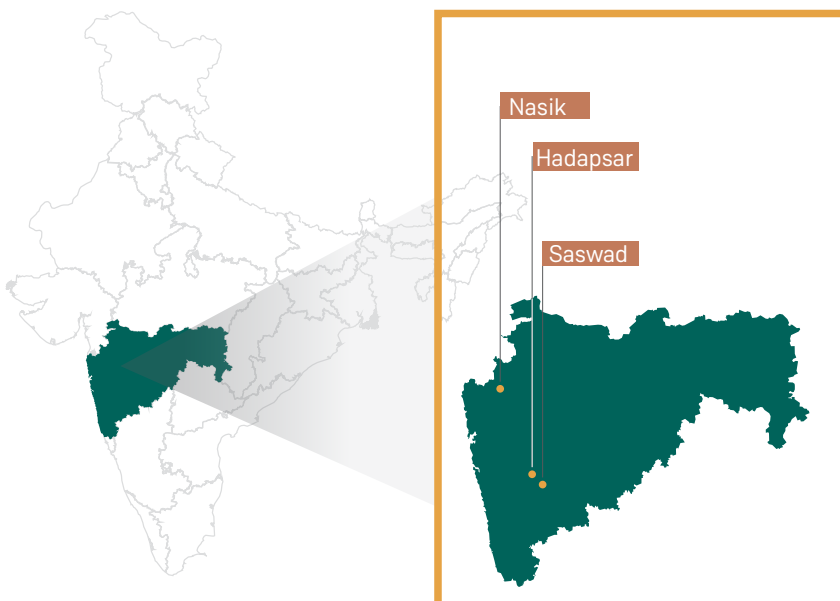
The highest quality standard products are assembled under supervision of expert team in our lean assembly shop.

## Technology

In the last few years, significant investment has been made in modernising the plant at both Hadapsar and Saswad. The latest 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.

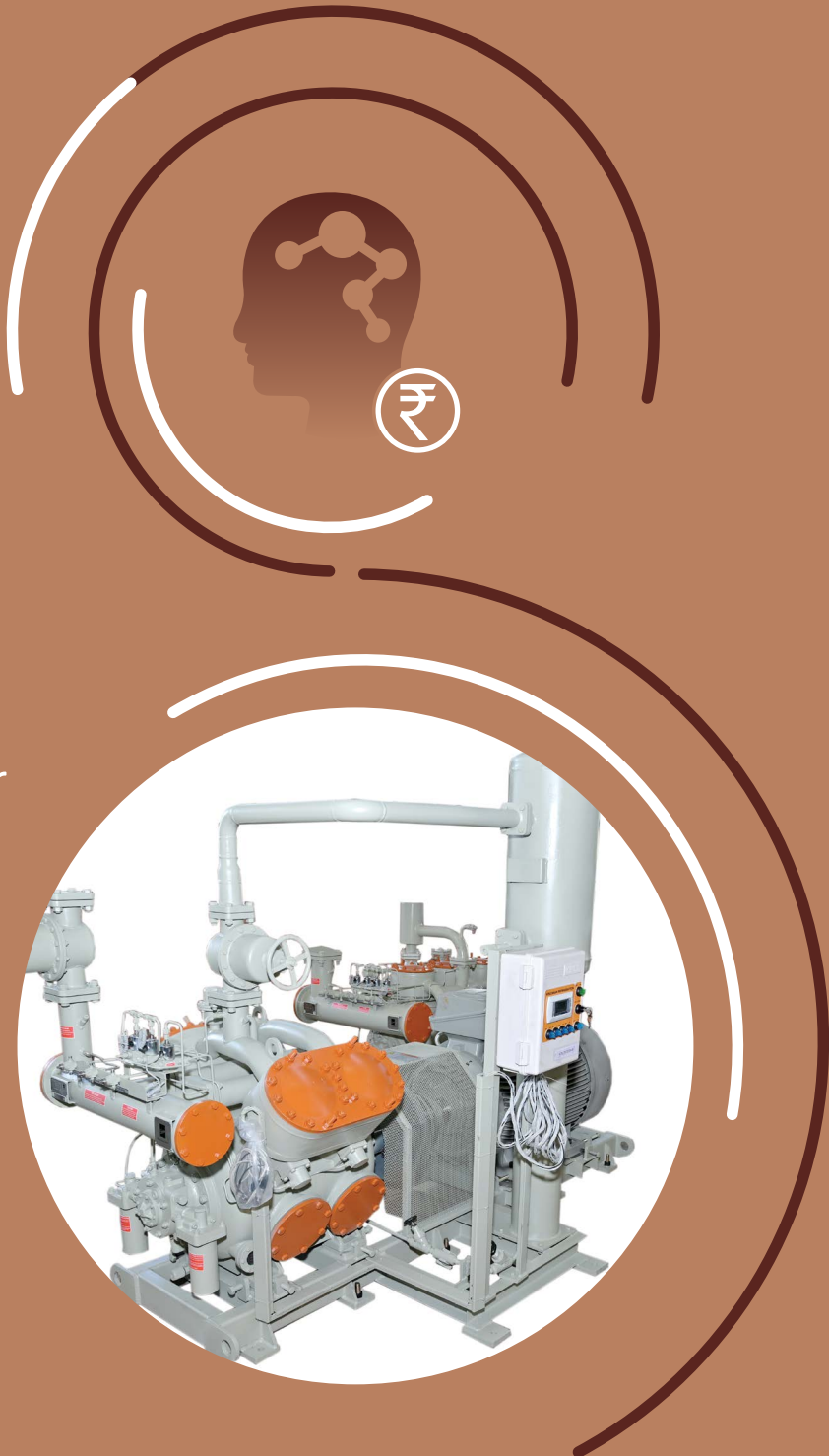


## Did you know ?

In the nation's fight against COVID-19 second wave, KPCL's air compressor, an integral part of oxygen units, ensured availability of oxygen to thousands of patients. This was achieved despite challenges on account of rising input costs, reduced workforce, supply chain constraints and distribution problems.

# Intellectual Capital

Our core knowledge, experience of over five decades, and expertise represent our intellectual capital. This helps in expanding our portfolio to address diverse industry requirements. We evolve and innovate continuously to stay ahead of the curve. We also empower our talent pool to drive various operational improvements in our state-of-the-art plants.



## Key highlights

₹ **126\*** Million  
R&D expenditure

**97**  
Total members in R&D team

\*rounded off to nearest decimal

Contribution to Sustainable  
Development Goals



# LIMITLESS

— New brand identity

**kirloskar**

As a Group, brand 'Kirloskar' was revamped with a new vision — 'Limitless'. The new brand identity was launched to align the group companies vision to be aligned to changing needs of customers and reorient offerings from manufacturing to solutions. The revamped brand reflects the conglomerate's quest to transform from an engineering-driven to a future-ready organisation, geared for enhanced customer experience.

As part of this exercise, new brand identity and colours were implemented. The colours relate to the legacy that the 133-year-old name holds, and the years put in to fill the ambitions of individuals it has touched. Values like innovative thinking, empathy, collaboration, integrity, excellence and value creation will now be part of operations.



A Kirloskar Group Company

### Experienced leadership

Our value creation concept is built on our experience and diversity of our people. This value is backed by decades of experience of our management team and a strong legacy of the organisation that helps us to drive innovation and sustain business growth.

### R&D capabilities

Our R&D capabilities allow us to develop and offer new and unique products. Over the years, we have developed in-house design, manufacturing and testing capabilities that enable us to offer innovative products to our customers. During the reporting year, Recognition & Registration Certificate for recognition of in-house R&D unit was received from Department of Scientific and Industrial Research (DSIR), Government of India, Ministry of Science and Technology. This certificate is valid upto 31<sup>st</sup> March, 2024.

With 97 engineers engaged in design and development activity, we would be bringing out a slew of newer products going forward.

#### Focus areas are:

- Development of efficient Screw Compressor
- Development of two stage Centrifugal Compressor
- Creating more opportunities for Intellectual Property (IP) and research papers
- Development of Ammonia Screw Compressor
- Exploring opportunity for H<sub>2</sub> Compressor
- Exploring K Screw rotor profile
- High-end research and simulation for various analytical studies i.e. pulsation analysis, torsional vibrations analysis, rotor dynamic analysis, aero design, CFT, structural analysis and so on

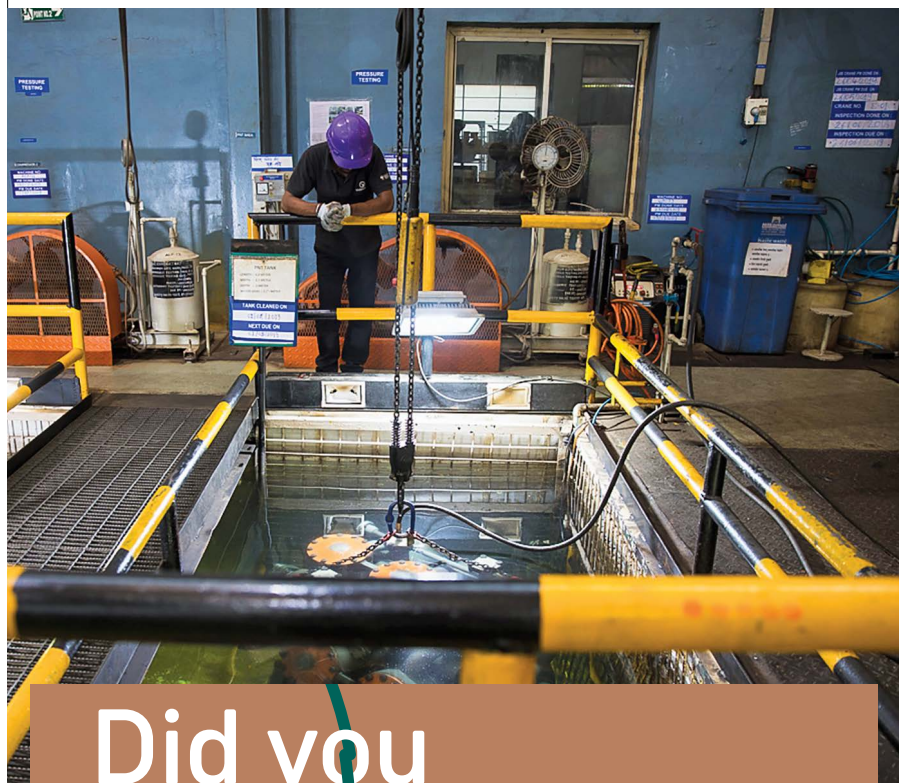
### R&D expenditure

(₹ in Million)		
91.82	110.68	126.07
FY 2020	FY 2021	FY 2022

**3**  
Patents filed

### Metallurgy labs

We have in-house NABL accredited metallurgy lab that employs industrial engineers and scientists. A detailed understanding of the materials from its composition to make-up is tested to check how effective it is. With various testing procedures, our in-house metallurgy team conducts several chemical analysis and mechanical tests on the material to provide valuable information about material quality, macroscopic and microscopic examinations, flow pattern and casting defects, among others.



Did you know?

KPCL is already working on various projects on turnkey basis, providing solutions and products together. This responsibility of design, manufacturing of product and its commissioning at site separates us from other players who only manufacture products.

## New product development

Our in-house design capabilities have played an important role in our journey of excellence over the years. Our capabilities in industrial design to structural analysis to flow dynamics have cemented our reputation as industry leaders. All the new products developed are timely protected and registered with IP Rights. The team extends its reach to help customers with product upgradation, as and when required.

### New products



#### Twin-screw Compressor Blocks:

We have developed new oil-flooded, bare screw compressors for air compression application. We are also in the development of bare screw compressors for ammonia compression and oil-free, air compression application. As a part of continual development, the existing products are improved for energy efficiency and with the development of digital tools the design process is quickened.



#### Premium Electric Screw & Diesel Screw Packages:

We have also developed a new range of premium electric screw packages which includes KESe 55, KESe 75. These come in fixed and variable speed drive packages to deliver best in class performance with less cooling fan power and more effective performance. We have also developed range of electric screw which includes KESb 22 Belt drive packages and KESb 11 Belt drive packages, providing features like more safety sensors, integrated valves and compact packages among others. The new diesel screw packages provide digital control panels, more fuel efficient engine, less maintenance and integrated performance.



**Single Effect Steam Driven Vapour Absorption Chiller:** We have developed single effect steam fired chiller with balance of plant items through Vertive of 1 X 200 TR capacity (703 kW) through improved process reliability, lower operational cost, better part load performance and reduced carbon emission etc. This chiller is using waste steam available with IOCL as a heat source to chiller customers.



**Biogas:** As a proven source of energy, biogas is expected to comprise a growing part of energy consumption in the coming years. We have indigenously developed biogas compressors that would form an integral part of biogas systems and drive renewable energy goals set by the Government of India.

**Hydrogen:** Decarbonisation is the future of building a strong renewable energy infrastructure and tapping hydrogen remains an integral part of building a sustainable energy future. We are working on building compressors that will enable large scale integration of renewable energy around hydrogen, with solutions that will enable seasonal storage and efficient transportation of clean energy.

# 06

New products launched in FY 2022

## A new chapter of growth

The MENA region continues to bring in definite avenues for growth in Oil and Gas segment for our Gas, CNG & Refrigeration Packages.

Projects from Oman, Iraq and UAE have been secured and are in the process of execution. An order booking board of over ₹100 Crore in the last financial year reflects that we are being recognised and accepted in the international market as an elite packager and reliable equipment supplier.

### Energy efficient

Our air compressors are certified and rated with Bureau of Energy Efficiency (BEE), demonstrating our performance and electricity usage. As leaders in the industry, we are working closely with BEE to create benchmarks of energy performance for our products.

### Quality first

Since 2012, we have installed Kaizen culture across our operations, where regular monitoring of performances and adequate trainings are imparted to employees. Over the years, we have received and executed many Kaizen projects that have resulted visible yields in operations and financial performance.



# Human Capital

The legacy of KPCL is owned and nurtured by its human assets. We have always pursued a people-centric culture and our teams deliver on the expectations of our customers with dedication and perseverance. Our teams push the levers of progress for us and they outperform under pressure. We focus on attracting, nurturing and retaining talent, while promoting inclusivity, diversity and transparency across hierarchies.



### Key highlights

**733**

Total employees

**5S**

Work place management

**₹1,295** Million

Employee benefit expenses\*

**39%**

Employees associated for more than 10 years

\*Rounded off to the nearest decimal

### Contribution to Sustainable Development Goals



### Health and safety

Ensuring health, safety and well-being of our employees forms an important part of our business model. We have developed a safe and healthy work environment for our employees backed by regular training programmes. A divisional sub-committee is formed to monitor safety aspects of employees across multiple departments. The committee monitors all viewpoints on safety on a monthly basis, carrying out safety audits and incident recordings.



**73%**  
Employee participation  
in H&S trainings

**708**  
Hours of H&S training  
conducted in FY 2022

### Learning and development

We conduct several behavioural, knowledge and skill-based learning programmes to enhance the overall skills of our employees. Our learning and development programmes are aimed at upgrading the skills of our existing employees in line with changing industry landscape. We also provide induction training to new employees in order to make them familiar with their role and contribution towards the growth of the organisation. The training needs for the new and existing employees are identified through 70-20-10 model. We believe, this has enabled us to maximise our employees learning and development, while boosting employee performance and productivity.



**8,725**  
Hours of learning and development  
provided in FY 2022

**28**  
Programmes conducted

### Well-being

Employee health is critical for the Company's sustainable growth and we are committed to strengthen our commitment to ensuring well-being of our employees. A medical surveillance that includes pre-employment, periodic medical examinations and occupational rehabilitation is ensured at all times.

We have a well-equipped occupational health centre that delivers qualitative preventive health services. In addition, first-Aid preparedness and equipped ambulance are available at all times in the factory premises.

KPCL got approval as a 'Workplace Vaccination Centre' and ensured that all employees including trainees, contractual labour were fully vaccinated in-house against COVID- 19 through its #ProjectJABit.



### Career planning

At KPCL we understand that career planning helps to provide a roadmap to our aspiring managers. As part of the succession process, we identify critical role holders. These critical role holders are groomed and trained under the programmes on Data Analytics and Presentation, Developing Analytical Skills, Managing My Career, Personal Effectiveness for Managers, Personal Leadership, and Team Development.

### Testimonial

#### Piyush Oswal

National Sales Head  
ACR Vapour Absorption Chillers Division



I joined KPCL in 2011, during this tenure KPCL has given me ample opportunities to work which helped me grow as a professional as well as an individual. Within the organisation, I have always witnessed a collaborative culture and a management which is focused on growth of its people and the organisation. Working with KPCL has been a great experience, a complete package in itself!!

I look forward to working for many more years and contributing to the development of the organisation and continue the proud association with "Kirloskar" Legacy.

#### Revati Deshpande

Senior Officer  
Secretarial & Legal Department



I am proud to work for a Company which gave me a chance to become a part of a legacy called Kirloskar's. I started working with the Secretarial and Legal team a few years back. Although working in this field having compliance deadlines can always be tough and stressful, every day teaches you to learn newer aspects of planning and self-discipline. The support and encouragement which I receive from the seniors and the team as a whole helps me to evolve from being an introverted person to an outgoing personality. I feel really motivated when a new assignment is announced.

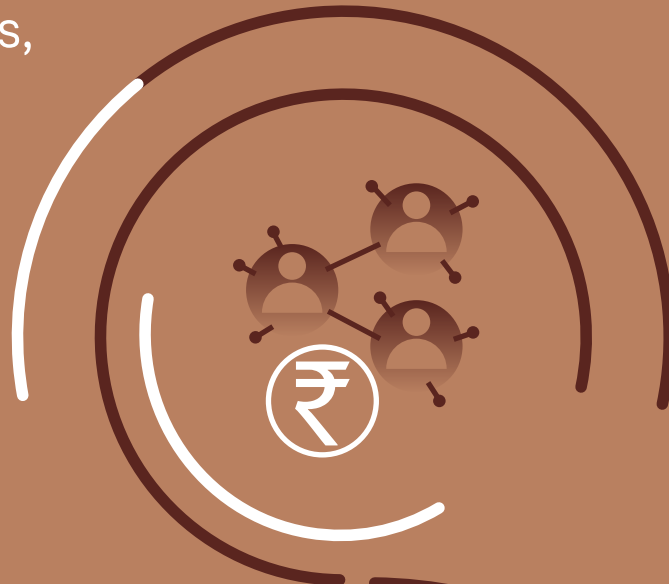
## Rewards and recognition

We urge our employees to participate in workplace improvement programmes. Employees are recognised and rewarded for their efforts. Senior Management recognises excellent efforts in the form of categories such as 'Star of the Month', 'Spontaneous' and 'Team Rewards' every quarter.



# Social and Relationship Capital

Our valued customers, communities, technology partners and suppliers are critical for our business growth and sustainability. We nurture long-term, transparent relationships with them through continuous stakeholder engagements.



## Key highlights

₹ **14.50** Million  
Total amount spent on CSR initiatives

**6**

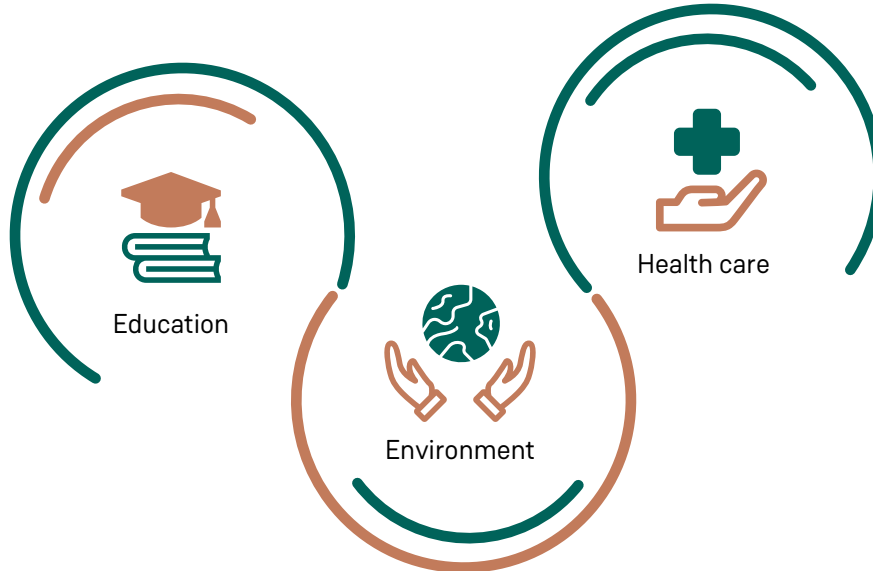
No of programmes covered

## Contribution to Sustainable Development Goals



**Community**

Through our corporate social responsibility activities, we focus on three broad areas, which include:



**Education**

**Bharari**

- Girl education programme in collaboration with Madhavi Kapur Foundation, in Saswad.
- E-learning facilities provided such as eTablets / ePads and virtual classroom sessions.

**100**

Virtual classroom sessions conducted for 5th-10th standard students

**200**

Girls benefitted in FY 2022

**KaShi( Kanya Shiksha)**

- This initiative is aimed at supporting the daughters of workmen of cold storage units in UP, Gujarat, Rajasthan and MP.
- Its a volunteering activity taken up by our North and West regional offices in collaboration with respective state cold storage associations.

**30**

Girls benefitted in FY 2022



A Kirloskar Group Company

### Environment

#### Vasundhara initiative

- Awareness created through schools for Ramnadi Restoration Mission.

# 20+

Schools covered in FY 2022



### Health care

We continue our efforts to work towards spreading awareness on health and hygiene in collaborating with many different social help groups and NGOs.

#### DISHA

We support the Deep Griha Society programme, DISHA. This initiative conducts HIV AIDS awareness workshops for general community members and school / college students. During the pandemic we helped socio-economically challenged people with basic amenities.



#### Mission Vayu

We supported Maharashtra Chamber of Commerce, Industries and Agriculture (MCCIA) Pune platform with oxygen concentrators for hospital during second wave of COVID-19.

# ₹5 Million Contribution



### Customers

We focus on building a lasting relationship with our customer. We provide superior quality products and excellent after-sales services to our customers that addresses their diverse needs. We are committed to provide best experience to our customer at every interaction area in our business value chain.



### Supplier and business partners

We are committed towards strengthening our relationship with all our business partners across our supply chain. Building a robust and sustainable supply chain is one of our focus areas. A critical and stringent selection procedure is followed in selecting suppliers, to ensure uncompromised quality level of the input materials. Majority of our suppliers are in close vicinity of our plants, promoting local MSMEs. This also enables our supply chain team to inspect their site at regular intervals and maintain optimum quality levels of all materials.

Processes like ERP (enterprise resource planning) and bar coding have given lot of visibility to our sourcing requirements. This has helped manage inputs with greater visibility and enhance operational efficiency levels. In addition, we keep on encouraging our suppliers and business partners to implement quality management system with our goals of meeting environmental and social targets.

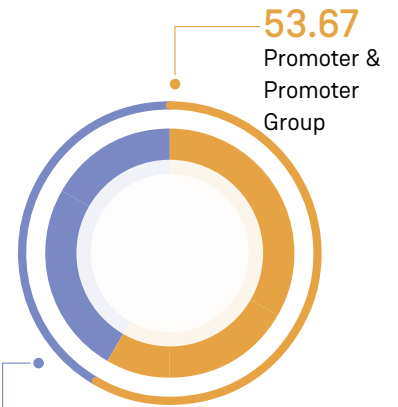
### Shareholders and investors

We strive towards enhancing value for our shareholder and investors by ensuring stable business growth, strong liquidity, healthy balance sheet and constant year-on-year growth on returns and profitability.

**₹26,300** Million

Market capitalisation as on 31<sup>st</sup> March, 2022

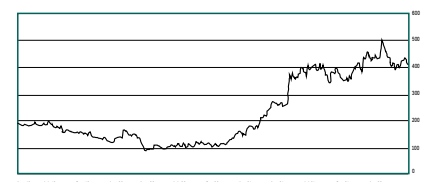
Shareholder mix (%)



46.33

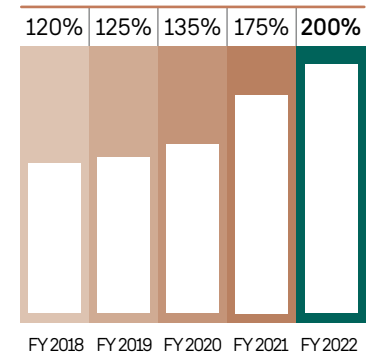
Public and Institutions

Share price data for last three years (vis-à-vis BSE index)



### Creating shareholder wealth – Dividend payout

(%)





# Natural Capital

We rely on various natural resources for the continuity of our operations and utilise these resources judiciously. We believe in doing business responsibly in line with our overarching sustainability strategy. Our emphasis is always on environmental stewardship, climate change mitigation and resource efficiency to chart a sustainable growth trajectory.



## Key highlights

# 22

Projects undertaken related to energy conservation

## Contribution to Sustainable Development Goals



### Waste management

We have implemented the practice of recycling and reusing the waste produced by our operations. We have taken several initiatives to reduce the waste generated at various sources like recycle of oil, steel, aluminium, sand and reuse of wood. We continuously monitor the waste generated from our operations and its impact with the help of Integrated management System (IMS). Waste management activities, enable us to reduce our CO<sub>2</sub> emission and reduce the consumption of scarce resources.

**47.61**Ton  
Metal scrap reused

**28.89**kL  
Oil recovered

**4.3**Ton  
Aluminium burr reused



### Water conservation

We make continuous efforts to recycle water at our Effluent Treatment Plant (ETP) that further helps to reduce water consumption. We also use timer-based water pump at Hadapsar plant to avoid wastage of water. We treat the waste water that we generate and reuse it for gardening purpose. We maintain the required quality standards of ETP as per MPCB (Maharashtra Pollution Control Board).

**12,489**kL  
Water recycled at our Hadapsar plant

**2,325**kL  
Water recycled at our Saswad plant



### Energy conservation

We make constant efforts to undertake process improvement projects for conserving energy and improve the process that resulted into energy conservation. To improve energy efficiency, total 22 energy conservation projects were implemented, that helped us to save around 4,45,182 Kwh of energy. Energy consumption at foundry unit is also monitored, and corrective action were taken wherever energy consumption exceeded set targets. New machineries and equipment are also purchased for which compliance to energy and environment norms is kept in check.



A Kirloskar Group Company

### GHG emissions

Climate change today has a visible impact on the ecological system. Greenhouse gas emission like CO<sub>2</sub> and methane are causing long-term shifts in temperature and weather patterns. At KPCL, we strive to reduce our emissions and are committed to reduce Scope 2 greenhouse gas.



### Biodiversity

KPCL is rich in biodiversity having 40 species of birds and 85 species of trees. Each year tree plantation drive is undertaken and saplings are given to all employees for plantation. In last five years more than 1,500 trees are planted in the campus – covering more than 33% of the total area. KPCL has a largest green wall in Asia.



### Carbon sequestration

Carbon sequestration through trees is one of the broader portfolio of carbon offset mechanisms in addition to the initiatives already taken to reduce the carbon footprint.

As per the report of Carbon sequestration assessment of trees at KPCL, the trees at KPCL Hadapsar store 45.70 Ton of carbon with a potential sequestering 0.91 Ton per year.

As per the report of Carbon sequestration assessment of trees at KPCL, the trees at KPCL Saswad store 108.92 Ton of carbon with a potential sequestering 1.09 Ton per year.

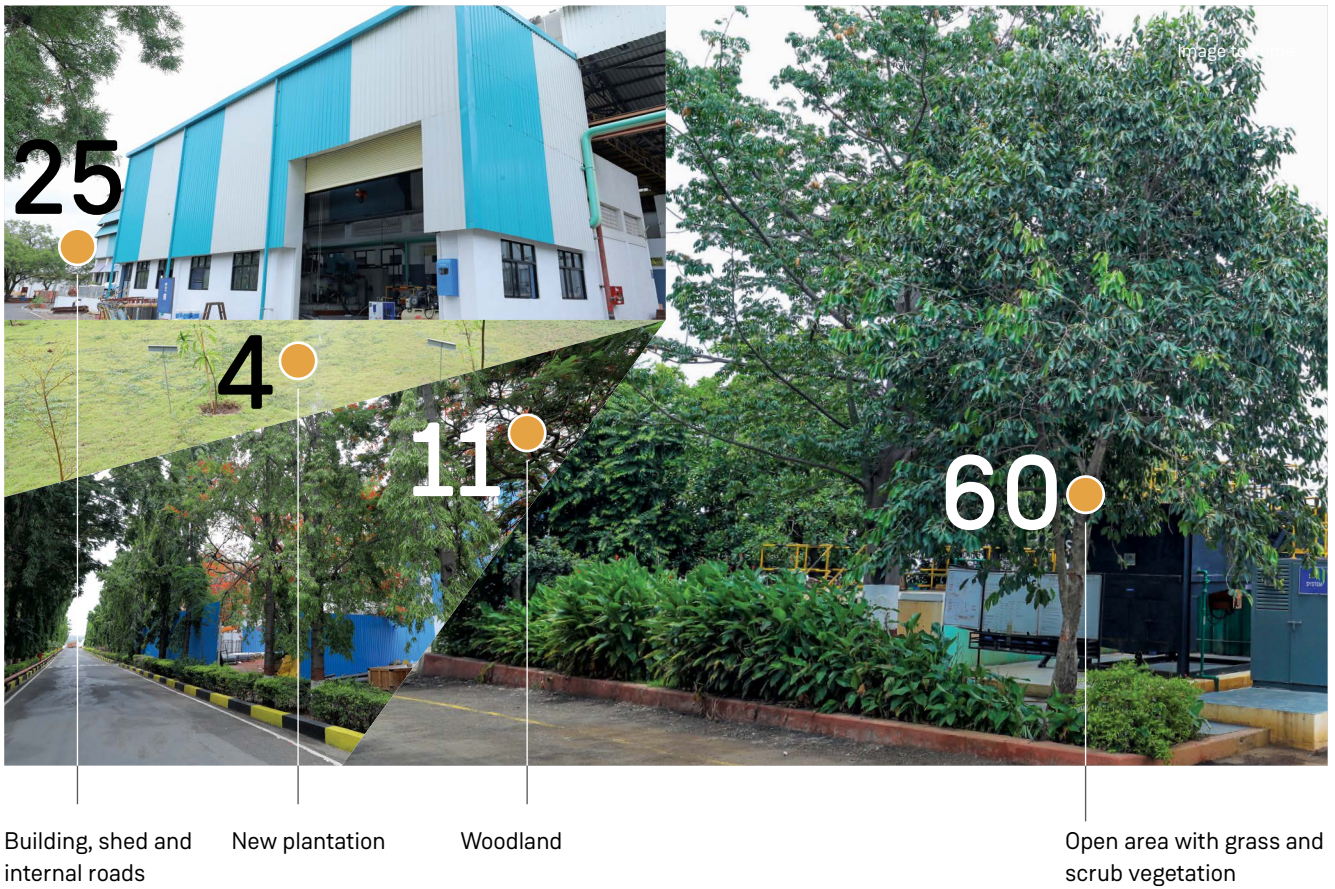
The emissions / wastes generated are well within limits prescribed under consents of MPCB. These are also reported to MPCB as per the process prescribed by them every year.

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

### Renewable energy

We are planning to install solar energy at Saswad plant with 840 kwp. This would comprise 59% of our current energy requirements at Saswad unit.

Saswad Campus, land cover categories (%)



Hadapsar Campus, land cover categories (%)



# 'GREEN WALL'

At KPCL, we are not only reducing our environmental footprints through improving our operations and product portfolio but also through maintaining green offices and facilities. Our Hadapsar unit on Pune-Solapur road has huge green carpet which is made of creeping fig plant (*Ficus repens*) known as Waghnaakhi (Tiger Claw) in Marathi.

This is not just a green carpet adding aesthetics beauty to our facility but also has numerous advantages such as providing protection from dust entering into our premises. It offers perfect habitat for a number of insects, especially moths and butterflies where they can breed, rest and roost. The weep holes nicely camouflaged by the creeper in the huge wall provide nesting sites for birds like the Jungle Myna, Common Myna and Brahminy Starling to name a few. It also absorbs direct solar radiation and reduces the heat during the hot summer days, thereby maintains conducive atmosphere. As the creeper is maintained and watered regularly, it would eventually attract smaller birds like the House Sparrows and the Bulbuls (both the commonly found species) for nesting.

Green wall  
-KPCL's Vertical Green Wall Asia's largest -Among top 3 in the World

**21,283** Sq Ft

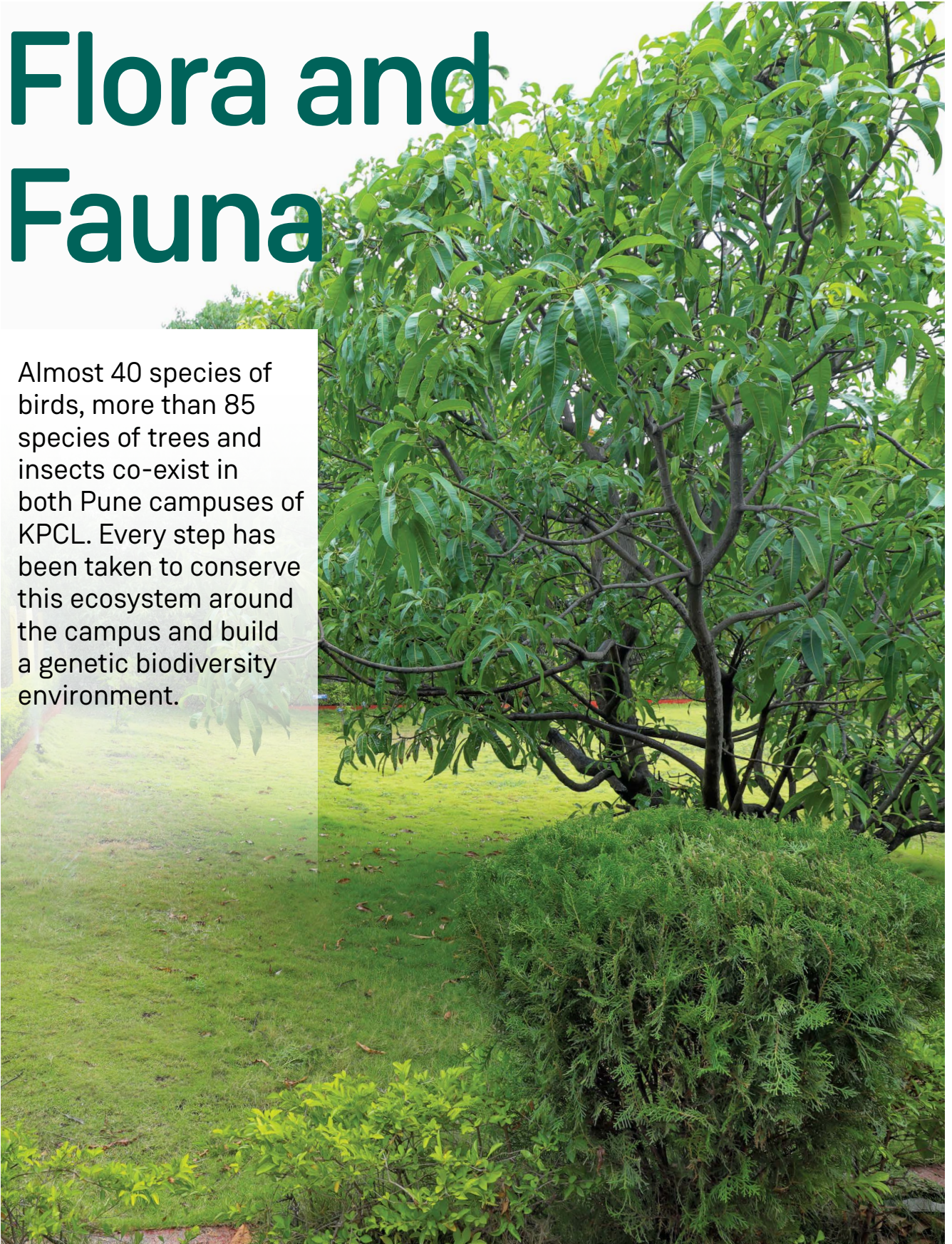
Home to

**~ 3,000** Birds



# KPCL Flora and Fauna

Almost 40 species of birds, more than 85 species of trees and insects co-exist in both Pune campuses of KPCL. Every step has been taken to conserve this ecosystem around the campus and build a genetic biodiversity environment.



# Board of Directors

## Kirloskar Group Board of Directors



**Ajay Dua**  
Independent  
Director

**K Venkataramanan**  
Independent Director

**Atul C Kirloskar**  
Non-Executive  
Non-Independent  
Director

**G Krishna Rao**  
Independent  
Director

**Rahul C Kirloskar**  
Executive  
Chairman

**Nalini Venkatesh**  
Independent  
Director

## Operational Leaders



**K Srinivasan**  
Managing Director



**Deepak Lokras**  
VP & SBU  
Head PGS



**Suhas Kolhatkar**  
CFO & VP  
Finance



**Dr. Sadashib Padhee**  
VP HR, CSR & IEHS



**Mrugendra Behere**  
VP & SBU Head ACR



**D R Swar**  
Non-Executive  
Non-Independent  
Director

**Sunil Shah Singh**  
Independent  
Director

**Tejas Deshpande**  
Independent  
Director

**Mahesh Chhabria**  
Non-Executive  
Non-Independent  
Director

**K Srinivasan**  
Managing  
Director

**Vikram S Kirloskar**  
Non-Executive  
Non-Independent  
Director



**Aman Kirloskar**  
GM Operations  
ACD & TRM



**Neeraj Bhargava**  
VP & SBU Head  
ACD & TRM



**Sanjay Grover**  
VP IBD



**N. Vijaykumar**  
General Manager  
Defence & Digitalisation



# Notice of 47<sup>th</sup> Annual General Meeting

Notice is hereby given that the 47<sup>th</sup> Annual General Meeting ("AGM") of the Members of Kirloskar Pneumatic Company Limited ('the Company') will be held on Wednesday, the 20<sup>th</sup> day of July, 2022 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. 2/2022 dated 5<sup>th</sup> May, 2022 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. SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated 13<sup>th</sup> May, 2022 (hereinafter referred as "SEBI Circular") 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, 2022 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, 2022.
3. To appoint a Director in place of Mr Atul C. Kirloskar (holding DIN 00007387), who retires by rotation and being eligible, offers himself for re-appointment.

## SPECIAL BUSINESS

4. 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 of the Companies Act, 2013 and relevant rules framed thereunder, including any modification(s) thereto or re-enactment(s) thereof, for the time being in force, not to fill for the time being the vacancy caused by the retirement of Mr D. R. Swar (DIN 00007495), a Director, who retires by rotation at the ensuing 47<sup>th</sup> Annual General Meeting and does not seek re-appointment."

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 ₹ 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, 2023."

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 Section 188 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') read with the Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), other applicable laws and in accordance with the recommendation of the Nomination & Remuneration Committee, the Audit Committee and the Board of Directors, consent of the Members of the Company be and are hereby accorded to Mr Aman Kirloskar, General Manager – Operations, who is relative of Mr Rahul C. Kirloskar (DIN 00007319), Executive Chairman of the Company to hold office or place of profit in the Company, on such terms and conditions upto a maximum remuneration of ₹ 60,00,000/- (Rupees Sixty Lakhs Only) per annum as set out in the explanatory statement attached hereto which shall be deemed to form part hereof, subject to alteration and variation in the terms and conditions of the said appointment and remuneration, from time to time, in line with the policy of the Company and within the limits approved by the Members and subject to such approvals, as may be necessary.

RESOLVED FURTHER that the consent and approval of the Members of the Company be and is hereby accorded to vest power with the Board (which term shall be deemed to include any Committee thereof) to revise the aforesaid terms of appointment and remuneration of Mr Aman Kirloskar, General Manager – Operations by way of an annual / periodical increment within the aforesaid maximum permissible limits as per the policy of the Company and to do all such acts, deeds, matters and things including delegation of authority as may be deemed necessary, desirable, expedient or incidental for the purpose of giving effect to this resolution."

7. 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 Regulation 17(6)(e)(i) of SEBI (Listing Obligations and Disclosure

Requirements) (Amendment) Regulations, 2018 (SEBI LODR Regulations) and other applicable provisions, if any, and as per the recommendation of the Nomination & Remuneration Committee and approval of the Board of Directors, the consent of the Members of the Company be and are hereby accorded for the continuation of payment of remuneration, which is / may be in excess of threshold limits, as prescribed under SEBI LODR Regulations, to Mr Rahul C. Kirloskar, Executive Chairman and Promoter as per the terms and conditions approved by the Members in their 46<sup>th</sup> Annual General Meeting held on 20<sup>th</sup> July, 2021 until the expiry of his current term.

RESOLVED FURTHER that the extent and scope of salary and perquisites of Mr Rahul C. Kirloskar, Executive Chairman be altered, enhanced, widened or varied by the Board of Directors (which term shall be deemed to include any Committee thereof) in accordance with the provisions of Companies Act, 2013 and / or SEBI LODR Regulations and other applicable provisions and the Board be is hereby authorised to do all such acts, deeds, matters and things including delegation of authority as may be deemed necessary, desirable, expedient or incidental for the purpose of giving effect to this resolution.”

## 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 Circular, the Notice of the 47<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 email address with the Company / RTA / Depository Participants, they may request latest by Tuesday, 12<sup>th</sup> July, 2022 by following the procedure as given below:
  - a) **Registration of Email Id for shareholders holding physical shares:**

As per SEBI Circular No. SEBI/HO/MIRSD/MIRSD\_RTAMB/P/CIR/2021/655 dated 3<sup>rd</sup> November, 2021 read with SEBI Circular No. SEBI/HO/MIRSD/MIRSD\_RTAMB/P/CIR/2021/687 dated 14<sup>th</sup> December, 2021, it mandates all the listed Companies to record the PAN, Nomination, KYC details of all the shareholders and Bank Account details of first holder. The KYC letters alongwith requisite forms were dispatched to all such shareholders holding shares in physical form by speed post on 25<sup>th</sup> January, 2022.

The salient features and requirements of the circular are as follows:

    - A. Non-updation of KYC: Folios wherein any ONE of the cited details / documents (i.e. PAN, Contact details, Bank Details, Nomination) are not available on or after 1<sup>st</sup> April, 2023, shall be frozen.
    - B. The securities in the frozen folios shall be:
      - a. Eligible to lodge any grievance or avail service request from the RTA only after furnishing the complete documents / details as aforesaid.
      - b. Eligible for any payment including dividend, interest or redemption only through electronic mode upon complying with the above stated requirements.
  - C. **Mandatory Linkage of PAN with Aadhar** – As per the Central Board of Direct Taxes (CBDT) it is mandatory to link PAN with Aadhar number by 31<sup>st</sup> March, 2023. Security holders who are yet to link the PAN with Aadhar number are requested to get the same done before 31<sup>st</sup> March, 2023. Post 31<sup>st</sup> March, 2023 or any other date as may be specified by the CBDT, RTAs shall accept only valid PANs and the ones which are linked to the Aadhar number. The folios in which PAN is / are not valid as on the notified cut-off date of 31<sup>st</sup> March, 2023 or any other date as may be specified by the CBDT, shall also be frozen.
 

**Note:** - Security holders from Sikkim can provide self-attested copy of Aadhar Card / Voter's Card / Driving License / Passport or any other identity proof as issued by the Government.

**In view of aforesaid, we request you to submit the requisite Investor Service Request Form(s) along with the required supporting documents as stated therein at the earliest.**

The relevant formats for Nomination and Updation of KYC details viz; Forms ISR-1, ISR-2, ISR-3 or SH-13, SH-14 and SEBI circular are available on the RTA website <https://www.linkintime.co.in> > Resources > Downloads > General > Formats for KYC.

**You may use any ONE** of the following modes for submission of the Forms:

    - 1) **In Person Verification (IPV):** by producing the originals to the Authorised Person of the RTA, who will retain copy(ies) of the document(s).
    - 2) **In hard copy:** by furnishing self-attested photocopy(ies) of the relevant documents, with date.

A Kirloskar Group Company

3) With e-sign:

- (a) In case your email is already registered with RTA, you may send the scanned copies of your KYC documents with e-sign at RTA's dedicated email-id: [kyc@linkintime.co.in](mailto:kyc@linkintime.co.in) Kindly mention the email subject line as "KYC Updation (Company Name) - Folio No :-----" (For example: A00000).
- (b) Investors can also upload KYC documents with e-sign on RTA's website <https://www.linkintime.co.in> > Investor Services > KYC Compliance.

E-Sign is an integrated service which facilitates issuing a Digital Signature Certificate and performing signing of requested data by e-sign user.

You may approach any of the empaneled e-sign service providers available on <https://cca.gov.in/> for the purpose of obtaining e-sign.

- b) Registration for Demat shareholders:** Members are requested to register their email address, in respect of demat holdings with their respective Depository Participant (DP) by following the procedure prescribed by them.
2. Pursuant to the MCA Circulars and SEBI Circular, 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 Wednesday, 13<sup>th</sup> July, 2022 to Wednesday, 20<sup>th</sup> July, 2022 (both days inclusive) for the purpose of declaration of dividend and AGM. The dividend, if declared, at the AGM will be paid to Members:
- a. whose names appear as Beneficial Owners as at the end of the business hours on Tuesday, 12<sup>th</sup> July, 2022 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 Tuesday, 12<sup>th</sup> July, 2022.
5. Members holding shares in physical form are requested to promptly notify in writing any changes in their address and / or Bank Account Details and / or any other details

to the Company or its Registrar and Share Transfer Agent namely M/s Link Intime India Pvt Ltd (LIPL) in the prescribed format for KYC documents as stated in aforesaid Point No. 1.

Shareholders holding shares in electronic form are requested to inform their address and Bank Account details to their respective Depository Participants.

6. All documents 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 email. A member is requested to send an email to [sec@kirloskar.com](mailto:sec@kirloskar.com) for the same.
7. Electronic copies of necessary statutory registers, certificate(s) 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 email 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 email ID to [sec@kirloskar.com](mailto:sec@kirloskar.com) at least 4 days in advance before the meeting i.e. on or before Friday, 15<sup>th</sup> July, 2022.
- 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 2014-15 is due for transfer to the said Fund on 3<sup>rd</sup> September, 2022.
11. Members who have neither received nor encashed their dividend warrant(s) for the financial years 2014-15 to 2020-21, are requested to write to LIPL or the Company, mentioning the relevant Folio number or DP ID and Client ID along with KYC details including bank account details and original cancelled cheque for getting the credit of unpaid dividend amount, before the amount becomes due for transfer to IEPF.
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, 2022 as the Book Closure is from 13<sup>th</sup> July, 2022 to 20<sup>th</sup> July, 2022 (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 2022-2023 does not exceed ₹ 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 Permanent Account Number (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://web.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 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 2022–2023.
- 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 2022-23 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 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.

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

As per the provisions of section 206AB of the Income Tax Act, 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 return of income for the assessment year relevant to the previous year immediately preceding the financial 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; and
- aggregate of tax deducted at source and tax collected at source in his / her case is ₹ 50,000 or more in the said previous year.

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.
10. A declaration must be filed with the Company where the whole or any part of the dividend income is assessable, under the provisions of the Act, in the hands of a person other than the shareholder in accordance with Rule 37BA(2) of the Income-tax Rules, 1962. The declaration must consist of Name, address, PAN of the person to whom credit is to be given and payment or credit in relation to which credit has to be given and reasons for giving credit to such person. In case Company does not receive such declaration before the due date of filing TDS return for the second quarter of FY 2022-23 i.e. 31<sup>st</sup> August 2022, the Company reserves the right to reject such declaration.
11. All prescribed forms / declarations with regard to TDS / withholding tax rate can be downloaded from the website of the Company namely <https://www.kirloskarpneumatic.com>

To enable us to determine the appropriate TDS / withholding tax rate applicable, you should upload necessary documents at <https://web.linkintime.co.in/formsreg/submission-of-form-15g-15h.html> on or before Tuesday, 12<sup>th</sup> July, 2022 :

**No communication on tax determination / deduction shall be considered after Tuesday, 12<sup>th</sup> July, 2022.**

#### 14. Instructions for E-Voting and procedure for attending the AGM through VC / OAVM facility

- I. In view of the massive outbreak of the COVID-19 pandemic, social distancing is a norm to be followed and pursuant to the 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 read with MCA Circulars, Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder read with SEBI Circular and Secretarial Standard on General Meetings (SS2) issued by the Institute of the Company Secretaries of India, including amendments thereunder and all other relevant circulars issued from time to time, physical attendance of the Members to the AGM venue is not required and general meeting be held through VC or OAVM. Hence, Members can attend and participate in the ensuing AGM through VC / OAVM.

- II. Pursuant to the MCA Circulars read with SEBI Circular, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, the Body Corporates are entitled to appoint authorised representatives to attend the AGM through VC / OAVM and participate thereat and cast their votes through e-Voting.
- III. The Members can join the AGM in the VC / OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC / OAVM will be made available for 1,000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders' Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
- IV. The attendance of the Members attending the AGM through VC / OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
- V. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (as amended), and the Circulars issued by the Ministry of Corporate Affairs dated 8<sup>th</sup> April, 2020, 13<sup>th</sup> April, 2020 and 5<sup>th</sup> May, 2020 the Company is providing facility of remote e-Voting to its Members in respect of the business to be transacted at the AGM. 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 venue voting on the date of the AGM will be provided by NSDL.
- VI. In line with the MCA Circulars read with SEBI Circular, the Notice calling the AGM has been uploaded on the

website of the Company at [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com) The Notice can also be accessed from the website of the Stock Exchange i.e. BSE Limited at [www.bseindia.com](http://www.bseindia.com) and the AGM Notice is also available on the website of NSDL (agency for providing the Remote e-Voting facility) i.e. [www.evoting.nsdl.com](http://www.evoting.nsdl.com)

VII. AGM has been convened through VC / OAVM in compliance with MCA Circulars read with SEBI Circular.

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

The remote e-Voting period begins on Sunday, 17<sup>th</sup> July, 2022 at 09:00 A.M. (IST) and ends on Tuesday, 19<sup>th</sup> July, 2022 at 05:00 P.M. (IST). The remote e-Voting module shall be disabled by NSDL for voting thereafter. The Members, whose names appear in the Register of Members / Beneficial Owners as on the record date (cut-off date) i.e. Tuesday, 12<sup>th</sup> July, 2022, may cast their vote electronically. The voting rights of shareholders shall be in proportion to their share in

the paid-up equity share capital of the Company as on the cut-off date, being Tuesday, 12<sup>th</sup> July, 2022.

### How do I vote electronically using NSDL e-Voting system?

*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:

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	<ol style="list-style-type: none"> <li>Existing <b>IDeAS</b> user can visit the e-Services website of NSDL viz. <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a> either on a Personal Computer or on a mobile. On the e-Services home page click on the "<b>Beneficial Owner</b>" icon under "<b>Login</b>" which is available under '<b>IDeAS</b>' section, this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on "<b>Access to e-Voting</b>" under e-Voting services and you will be able to see e-Voting page. Click on company name or <b>e-Voting service provider</b> i.e. <b>NSDL</b> and you will be re-directed 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> <li>If you are not registered for IDeAS e-Services, option to register is available at <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a> Select "<b>Register Online for IDeAS Portal</b>" or click at <a href="https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</a></li> <li>Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <a href="https://www.evoting.nsdl.com/">https://www.evoting.nsdl.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 "<b>Login</b>" 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 company name or <b>e-Voting service provider</b> i.e. <b>NSDL</b> 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> <li>Shareholders / Members can also download NSDL Mobile App "<b>NSDL Speede</b>" facility by scanning the QR code mentioned below for seamless voting experience.</li> </ol>

#### NSDL Mobile App is available on



Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with Central Depository Services (India) Limited (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 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. Upon logging in, you will be able to see e-Voting option. 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 company name or e-Voting service provider i.e. 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.

**Important 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
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 <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> 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?**

- 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.
- 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, 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.nsdl.com](http://www.evoting.nsdl.com)

b. "**Physical User Reset Password?**" (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.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 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.

#### 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 email to [cssvdassociates@gmail.com](mailto:cssvdassociates@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) can also upload their Board Resolution / Power of Attorney / Authority Letter etc. by clicking on “Upload Board Resolution / Authority Letter” displayed under “e-Voting” tab in their login.
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](http://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](http://www.evoting.nsdl.com) or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request to Ms Soni Singh, Assistant Manager at [sonis@nsdl.co.in](mailto:sonis@nsdl.co.in) / [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

**Process for those shareholders whose email ids are not registered with the Registrar and Transfer Agent / Company / Depositories 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](mailto: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](mailto: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, shareholder / members may send a request to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) for procuring user id and password for e-Voting by providing above mentioned documents.
4. 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.

#### 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.

#### 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” placed under “Join Meeting” menu against Company name. You are requested to click on VC / OAVM link placed under Join 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.
  5. Shareholders who would like to express their views / have questions may send their questions in advance mentioning their name, demat account number / folio number, email id, mobile number at [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.
  6. Any person holding shares in physical form and non-individual shareholders, who acquire shares of the Company and become member of the Company after the notice is send through email and holding shares as of the cut-off date i.e. Tuesday, 12<sup>th</sup> July, 2022, 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 22 44 30. In case of Individual Shareholders holding securities in demat mode who acquire shares of the Company and become a Member of the Company after sending of the Notice and holding shares as of the cut-off date i.e. Tuesday, 12<sup>th</sup> July, 2022 may follow steps mentioned in the Notice of the AGM under “Access to NSDL e-Voting system”.
  7. 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.
  8. The Scrutinizer shall after the conclusion of e-Voting at the AGM, 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.
- VIII 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 Exchange viz. BSE Limited.
- IX 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 Tuesday, 12<sup>th</sup> July, 2022.
- X 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.
9. Mr Sridhar Mudaliar, Partner (CP No. 2664) 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.
  10. 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.
  11. 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.
  12. Re-appointment of Director at the Annual General Meeting:
 

Mr Atul C. Kirloskar (DIN 00007387) aged 66 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 Atul C. Kirloskar was appointed as a Director on the Board w.e.f. 25<sup>th</sup> April, 2009. Mr Atul C. Kirloskar has varied expertise / experience in Strategy, Business Management and Marketing.

Mr Atul C. Kirloskar began his career with the Kirloskar Group with the erstwhile Kirloskar Cummins Limited (now Cummins India Limited) in the year 1978. In 1984, he moved to Kirloskar Oil Engines Limited (KOEL) and worked in various leadership positions and is currently the Executive Chairman of the Company.

He was a former member of World Economic Forum and was the President of the Maharashtra Chamber of Commerce, Industries and Agriculture (MCCIA), Pune. He served as the Chairman of CII National Committee of Defence.

He is a member of Risk Management Committee of the Company.

The Directorship / Committee Membership in other companies are as follows :

Name of the Company	Category (Director / Independent Director / Whole Time Director)	Committee position held
Kirloskar Ferrous Industries Ltd	Director	Stakeholders Relationship Committee – Chairman Nomination & Remuneration Committee – Member
Kirloskar Oil Engines Ltd	Whole Time Director	NIL
Kirloskar Industries Ltd	Director	NIL
Kirloskar Proprietary Ltd	Director	Nomination & Remuneration Committee - Chairman Corporate Social Responsibility Committee - Member
Green Tek Systems (India) Pvt Ltd	Director	-
Asara Sales & Investments Pvt Ltd	Director	-
Navsai Investments Pvt Ltd	Director	-
Kirloskar Energen Pvt Ltd	Director	-
Kirloskar Solar Technologies Pvt Ltd	Director	-
Samarth Udyog Technology Forum	Director	-
S. L. Kirloskar CSR Foundation	Director	-

The last drawn remuneration of Mr Atul C. Kirloskar, Director is given in the Report on Corporate Governance.

In terms of Circular No. LIST/COMP/14/2018-19 dated 28<sup>th</sup> June, 2018 issued by BSE Limited Mr Atul C. Kirloskar is not debarred from holding the office of a Director by virtue of any order by SEBI or any other authority.

Mr Atul C. Kirloskar holds 61,05,023 shares in the Company, the said shareholding is considered in the name of the first holder (PAN based) only. Mr Rahul C. Kirloskar, Executive Chairman of the Company, being his brother, is related to each other.

**Registered Office :**  
Hadapsar Industrial Estate,  
Pune 411 013

By Order of the Board of Directors

sd/-

**Jitendra R Shah**

Company Secretary

Date : 17<sup>th</sup> May, 2022

# ANNEXURE TO THE NOTICE

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

## ITEM NO. 4 OF THE NOTICE

Mr D. R. Swar has been serving on the Board since 25<sup>th</sup> April, 2009. During his tenure of office, he has made distinct and immense contribution to the deliberations of the meetings of the Board in general and for the growth of the Company in particular.

At the ensuing 47<sup>th</sup> AGM, Mr D. R. Swar Director is liable to retire by rotation as per provisions of Section 152 (6) of the Companies Act, 2013. He does not seek re-appointment of his directorship in the Company.

Further, as per section 152(7) of the Companies Act, 2013, the members of the Company shall expressly resolve not to fill the vacancy i.e. pass a specific resolution to not fill up the vacancy.

He has expressed his desire not to offer himself for re-appointment in the AGM, owing to his personal priorities.

The Board of Directors placed on record the valuable guidance, support and advice extended by him during his tenure. The Board of Directors has decided not to fill, for the time being, the vacancy caused due to his retirement.

None of the other Directors of the Company and 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. 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 28<sup>th</sup> April, 2022, 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

In terms of the provisions of the Section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 every related party transaction and any material modification thereof shall be reviewed by the Audit Committee and approved by the Board of Directors. However, pursuant to the first proviso to Section 188(1) of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, an appointment of the related party to the office or place of profit in the Company on a monthly remuneration exceeding ₹ 2,50,000/- shall require prior approval of the Members by way of Ordinary Resolution.

As such, the continuation of employment and revision of remuneration exceeding ₹ 2,50,000/- per month is covered by the above-mentioned Section and Rules.

Mr Aman Kirloskar is son of Mr Rahul C. Kirloskar, Executive Chairman of the Company.

Mr Aman Kirloskar (27 years), graduated in Business Administration from Bryant University, Smithfield, RI, with a majors in Global Supply Chain Management and Minors in Political Science in 2017. During graduation, he also worked with a Pharmaceutical Company, for its Supply Chain Capstone Project from January-May 2017 which included a Supply Chain Rationalization exercise. He was also the proud recipient of University Wide Jeremiah Clark Barber Commencement Award.

He was also a Global Intern during September 2017 - February 2018 with an Automotive Company situated in North America, wherein he focussed on International Logistics and Co-ordination of supplies globally from North and South America to its plants in Japan, Russia, UK etc.

Since moving back to India, he started his career with Kirloskar Group as a Supply Chain Manager with Kirloskar Chillers Private Limited in May 2018. He later on joined Kirloskar Pneumatic Company Limited as a Senior Manager in August 2019 and was instrumental in developing business, playing vital role in formulating business strategies and effective implementation of the same. Driven by a passion to succeed and possessing the requisite talent, in 2020, he was elevated to General Manager (Operations) and since then is actively involved in manufacturing, Supply chain, Foundry, Plant engineering and quality of Air Compressor and Transmission Division(s). He also pioneered scaling up of production of air compressors, new machines with screw and centrifugal technology along with manufacturing and assembly of piston compressor range. Under his leadership, KPCL overcame multiple challenges in tough covid times and emerged stronger with a sharper focus on production of over 600+ screw compressors for crucial oxygen

generation plants. His vision is to infuse a global perspective to KPCL's operations that align with 'limitless business vision' of the Company.

Moreover, during the year, a refreshed brand identity was adopted by the Company in line with our founder's vision of ensuring that all products are a step ahead of time with a constant innovation with an eye on the future. In order to convert it into a reality, young and dynamic leadership is the need of the Company for carrying out aggressive growth plans of the Company. Considering it, Mr Aman Kirloskar will be entrusted with additional responsibilities from time to time. Hence, it is proposed to continue Mr Aman Kirloskar as General Manager (Operations) to hold the office or place of profit on

a remuneration payable upto maximum limit of ₹ 60,00,000/- (Rupees Sixty Lakhs Only) per annum, with effect from 1<sup>st</sup> April, 2022 and other benefits of employment as applicable as per policy of the Company.

In view of the above and pursuant to the recommendation of the Nomination and Remuneration Committee and Audit Committee, the Board of Directors have accorded their approval to hold office or place of profit w.e.f. 1<sup>st</sup> April, 2022 in its meeting held on 28<sup>th</sup> April, 2022, subject to the approval of members. The relevant details of the transaction as required under SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated 22<sup>nd</sup> November, 2021 are produced below:

Sr.No	Points	Remarks
(a)	A summary of the information provided by the Management of the listed entity to the Audit Committee as specified in the Circular.	: Nature, material terms, monetary value and particulars of the contract or arrangement: <ul style="list-style-type: none"> <li>• Mr Aman Kirloskar to hold office or place of profit as General Manager (Operations) on a remuneration payable upto maximum limit of ₹ 60,00,000/- (Rupees Sixty Lakhs Only) per annum, as may be approved by the Board or any Committee thereof.</li> <li>• Other benefits, perquisites, allowances, amenities and facilities, as applicable / payable, as per the applicable policy of the Company.</li> <li>• Increment and performance incentives in line with the Policy of the Company.</li> <li>• Promotion, change in grade, designation, role and responsibilities in line with the Policy of the Company.</li> </ul>
(b)	Justification for why the proposed transaction is in the interest of the listed entity.	: The Nomination and Remuneration Committee, Audit Committee and the Board is of the view that with the changing times, a young and dynamic leader is need of the organisation for carrying out aggressive growth plans.
(c)	Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point 4(f) of the above mentioned Circular.	: Not Applicable to the proposed transaction.
(d)	A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders.	: Not Applicable to the proposed transaction.
(e)	The value of transaction in terms of the percentage of the annual turnover in immediately preceding financial year i.e. FY 2020-21.	: FY 2020-21 - 0.073%

None of the Directors, Key Managerial Personnel or their relatives are, in any way concerned or interested, financially or otherwise, in the resolutions set out at Item No. 6, except Mr Aman Kirloskar, the appointee and Mr Rahul C. Kirloskar being father of appointee and Executive Chairman of the Company and their relatives respectively.

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 Members of the Company re-appointed Mr Rahul C. Kirloskar as the Executive Director designated as the Executive Chairman for the period of 5 years w.e.f. 23<sup>rd</sup> January, 2022 and also approved his remuneration for the said period and as per the said terms his remuneration should not exceed 5% of the net profit computed as per the Section 198 of the Companies Act, 2013.

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In terms of Regulation 17(6)(e)(i) of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 (SEBI LODR Regulations) the fees or compensation payable to Executive Director who is promoter or member of the promoter group and if his remuneration for any year exceeds ₹ 5 Crore or 2.5% of the net profits of the Company, whichever is higher, shall require approval of the shareholders by way of special resolution in general meeting.

Currently, Mr Rahul C. Kirloskar, Executive Chairman is also a Promoter of the Company. The remuneration of Mr Rahul C. Kirloskar, Executive Chairman though not exceeding 5% of the net profits of the Company is / may be in excess of ₹ 5 Crore.

**Registered Office :**

Hadapsar Industrial Estate,  
Pune 411 013

Date : 17<sup>th</sup> May, 2022

This necessitates seeking fresh approval of the shareholders by way of special resolution in terms of SEBI LODR Regulations. Such approval shall remain valid until the expiry of the current term of his appointment and all other terms and conditions of his appointment remain unchanged.

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, financially or otherwise in the resolution set out at an Item No. 7.

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

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, 2022.

## 1. COMPANY SPECIFIC INFORMATION

### 1.1. Financial Summary & Highlights

The financial results for the year ended 31<sup>st</sup> March, 2022 are summarized below:

	2021-22	2020-21
Total Income	10,334.97	8,333.80
Profit before tax	1,141.24	838.78
Tax Expense (Current & Deferred tax)	292.00	200.36
Profit after tax	849.24	638.42
Other Comprehensive Income / (Loss), net of tax	141.79	278.20
Total Comprehensive Income for the year	991.03	916.62
Transferred to General Reserve	500.00	700.00

₹ in Million

Your Company earned a total income of ₹ 10,334.97 Million for the financial year 2021-22, against ₹ 8,333.80 Million of the previous year. Your Company earned a net profit of ₹ 849.24 Million compared to ₹ 638.42 Million earned in last year representing an increase over 33%.

### 1.2. Reserves

During the reporting year, ₹ 500 Million has been transferred to the General Reserves of the Company.

### 1.3. Dividend

During the reporting year, the Board of Directors declared an interim dividend of ₹ 1.60 (80%) per equity share of ₹ 2/- each.

The Board of Directors has recommended a final dividend of ₹ 2.40 (120%) per equity share of ₹ 2/- each for the year 2021-22 which will be paid subject to the approval of shareholders in the ensuing Annual General Meeting.

The Company has paid / recommended total dividend of ₹ 4.00 (200%) per equity share of ₹ 2/- each for the year 2021-22.

The dividend distribution policy is available on the following Weblink:

<https://www.kirloskarpneumatic.com/investors/share-holders/company-policies>

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

#### Refreshed Brand:

The Company has undertaken a refreshed 'Limitless' vision which involves a refresh brand identity and colours considering the long legacy. The legacy has been an integral part of India's industrial revolution and through the 'Limitless' mission, it will define the future. As a part

of the same, the values of Innovative thinking, Empathy, Collaboration, Integrity, Excellence and Value - creation will be deeply entrenched in the operations going forward.

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

In terms of provisions of Indian Accounting Standards ("IND AS") 108 - Operating Segments, during the reporting year, the Chief Operating Decision Maker evaluates the Company's performance comprising various segments. Accordingly, segmental information has been reported under Compression Systems and other Non-Reportable Segments which include remaining non-qualifying segments.

Compression Systems registered a robust growth over the previous year by earning revenue of ₹ 9,609 Million as compared to ₹ 7,853 Million in the previous year.

During the reporting year, despite COVID impact on operations, your company continued to deliver compressors and compression systems for all critical areas - Oxygen plants, CNG stations, Petro-chemical plants, Pharma companies, Cold storage, etc. As India battles the second wave of COVID-19, a critical shortage of oxygen for treating patients with respiratory diseases has posed a major challenge. In an accelerated effort to expand access to oxygen care, we are pleased to inform you that the Company produced and supplied over 600+ Screw Compressors for crucial Oxygen Generation Plants in India.

## 2. CAPITAL STRUCTURE

### Increase in Share Capital

During the year, the Company allotted 178,000 equity shares of ₹ 2/- each upon the exercise of the options granted to employees of the Company pursuant to KPCL Employee Stock Option Scheme 2019 ('KPCL



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ESOS 2019' or 'the Scheme'). Issued Capital, Subscribed Capital and Paid-up Capital of the Company therefore increased by ₹ 356,000 and was ₹ 128,890,580/- consisting of 64,445,290 equity shares of ₹ 2/- each as on 31<sup>st</sup> March, 2022.

### 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 and 29<sup>th</sup> April, 2021 respectively approved the grant of 684,000 and 104,000 stock options exercisable into 684,000 and 104,000 Equity Shares of ₹ 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") upto 12<sup>th</sup> August, 2021, the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 w.e.f. 13<sup>th</sup> August, 2021 and other applicable regulations, if any.

The disclosures as required under the Companies (Share Capital and Debentures) Rules, 2014 for the year 2021-22 is as under:

Options granted during the year	104,000
Options vested during the year	148,000
Options exercised during the year	178,000
The total number of shares arising as a result of exercise of option during the year	178,000
Options forfeited / lapsed / cancelled / expired during the year	49,500
The exercise price (in ₹) – For options granted during FY 2019-20	120/-
For options granted during FY 2021-22	190/-
Variation of terms of options during the year	No variation
Money realized by exercise of options during the year (In ₹)	21,360,000
Total number of options in force	477,900
During the year 2021-22, Employee wise details of options granted to :	
1. Key Managerial Personnel: Mr K. Srinivasan, Managing Director	80,000
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 2021-22.	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 2021-22.	Nil

The certificate from M/s. SVD & Associates, Company Secretaries, Secretarial 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://www.kirloskarpneumatic.com/investors/for-share-holders/agm-results>

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 Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and can be accessed on the following weblink :

<https://www.kirloskarpneumatic.com/investors/employee-stock-option-plan>

In line with the 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 - 2021" in 12<sup>th</sup> CII HR Excellence Assessment 2021.

Awards in the 35<sup>th</sup> National Convention on Quality Concepts NCQC - 2021 organized by QCFI:

- 2 "Par Excellence Award Trophy"
- 1 "Distinguish Award Trophy"

Awards in the 36<sup>th</sup> Annual Chapter Convention on Quality Concepts CCQC – 2021 organized by QCFI:

- 3 “Gold Trophy”
- 2 “Silver Trophy”

Award in Special Program of Experience sharing on “Quality / Productivity Improvement Success Story” organised by QCFI-Pune:

- 1 “Gold 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. However, a

Letter of Comfort provided to State Bank of Mauritius (SBM) with respect to Kirloskar Management Services Private Limited to the tune of ₹ 100 Million.

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 2013-14	2,148,690
No. of shares of ₹ 2/- each	77,255

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	Unpaid / Unclaimed Dividend as on 31-03-2022	Corresponding Number of Equity Shares of the Company	Due Date of Transfer
1	Final Dividend 2014-15	1,223,100.00	244,620*	3 <sup>rd</sup> September, 2022
2	Dividend 2015-16 (Interim)	1,635,291.00	233,613*	19 <sup>th</sup> April, 2023
3	Dividend 2015-16 (Interim - PHL)	1,400,931.00	155,659#	6 <sup>th</sup> May, 2023
4	Dividend 2016-17 (Interim - PHL)	1,207,380.00	160,984#	3 <sup>rd</sup> May, 2024
5	Final Dividend 2016-17	4,241,490.00	424,149*	1 <sup>st</sup> September, 2024
6	Final Dividend 2017-18	3,824,748.00	318,729*	29 <sup>th</sup> August, 2025
7	Dividend 2018-19 (Interim)	1,596,941.00	1,596,941**	28 <sup>th</sup> February, 2026
8	Final Dividend 2018-19	2,352,283.50	1,568,189**	25 <sup>th</sup> August, 2026
9	Dividend 2019-20 (Interim)	1,639,340.00	1,639,340**	28 <sup>th</sup> February, 2027
10	Dividend 2019-20 (Second Interim)	2,982,886.30	1,754,639**	9 <sup>th</sup> April, 2027
11	Final Dividend 2020-21	4,836,428.00	1,381,837**	25 <sup>th</sup> August, 2028
12	Dividend 2021-22 (Interim)	2,038,349.40	1,273,968**	5 <sup>th</sup> March, 2029

Note : #The Sr No. 3 & 4 states the amount of dividend declared & paid and corresponding no of shares thereto of 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.

\* Before sub-division, Equity Share having face value of ₹ 10/- each

\*\* After sub-division, Equity Share having face value of ₹ 2/- each

#### 6. DIRECTORS

##### i. Directors and Key Managerial Personnel

During the year, your Company appointed Mr K. Srinivasan as a Whole-time Director designated as Executive Director for the period from 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.

Mr Rahul C. Kirloskar was re-appointed as Whole-time Director designated as Executive Chairman for a further period of 5 (Five) years w.e.f. 23<sup>rd</sup> January, 2022.

Mr Mahesh Chhabria was appointed as a non-executive Director w.e.f. 3<sup>rd</sup> March, 2021.

Your Company also appointed Mr Tejas Deshpande as an Independent Director 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. Further, Dr Ajay Dua was re-appointed, by way of special resolution, as an Independent Director with effect from 22<sup>nd</sup> July, 2021 to hold office for a term of 5 (Five) consecutive years upto 21<sup>st</sup> July, 2026.

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

Mr D. R. Swar, Director liable to retire by rotation at the ensuing Annual General Meeting does not offer himself for re-appointment.

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Mr Atul C. 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 Atul 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 Company's website on the following weblink :

<https://www.kirloskarpneumatic.com/investors/for-share-holders/company-policies>

#### 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, seven 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 and Risk Management Committee constituted by the Board under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 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, 2022 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 amended policy on Related Party Transactions as approved by the Board is uploaded on the Company's website.

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

## 8. RISK MANAGEMENT

During the reporting year, the provisions related to the Risk Management Committee of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 were made applicable to the Company. The Company has in place a Risk Management Committee of the Board, details of which form part of the Corporate Governance Report.

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.

During the reporting year, the Board of Directors has amended the Risk Management Policy in line with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

## 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 control systems 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 Auditors for a period of five years from 41<sup>st</sup> Annual General Meeting. Accordingly, the term of P G Bhagwat LLP as Statutory Auditors completed at the conclusion of 46<sup>th</sup> 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.

The Members of the Company appointed 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.

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, 2022.

**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 2022-23 on a remuneration of ₹ 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, 2023 is proposed for approval in the forthcoming Annual General Meeting.

**c) Secretarial Auditors**

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, 2022.

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 2021-22.

**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 Auditors 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://www.kirloskarpneumatic.com/investors/for-share-holders/aggm-results>

**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), your Company has undertaken projects in the areas of Promoting Education, Education of Girls, Environment and Health. 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 challenges related to the second and third waves and restrictions imposed during those periods for everyone including our CSR beneficiaries. Your Company was a major contributor to 'Mission Vayu' project of MCCA's Pune Platform for Covid Response in which Oxygen Concentrators and BiPAP Ventilators were supplied to hospitals during the second wave of COVID-19 pandemic. COVID-19 related supports like grocery kits, health checkups, masks, sanitizers, etc. were continued to be provided to people living with HIV and their families through DISHA Initiative.

The education related CSR initiatives (Bharari and KaShi) were focused on supporting girl education by facilitating eLearning by way of distributing tablets, enhancing 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 and Analysis Report.

The 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, 2022 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 :

A Kirloskar Group Company

- Continued with a PoSH Awareness Module in its employee induction program.
- Conducted eleven workshops (in induction programs) for 133 new employees.

In addition to the above, as a social responsibility, your Company has also extended awareness sessions for 227 employees and 47 students of the other entities through 11 workshops.

## 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 rewarded 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. In the FY-22 your Company conducted an internal survey and the engagement levels were unmoved and your Company have benchmark score of 84 within Kirloskar Group. CII conferred us with the "Prize for Leadership in HR Excellence-2021". Your

Company has won this for the 3<sup>rd</sup> consecutive year. Your Company is also one out of the two organizations who have achieved this consistency in the Country.

Your Company has 733 permanent employees on its rolls as on 31<sup>st</sup> March, 2022.

## 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 : 28<sup>th</sup> April, 2022

# Annexure "1" to the Board's Report

FORM NO. MR-3

## SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2022

[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 Obligations 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, CIN L29120PN1974PLC110307 (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, 2022 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, 2022 according to the provisions of:

- i. The Companies Act, 2013, (the Act) and the rules made thereunder as amended from time to time respectively;
- 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) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), Regulations, 2018 (**not applicable to the Company during the audit period**);
  - d) The Securities and Exchange Board of India (Share Based employee Benefits) Regulations, 2014 upto August 12, 2021. The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 with effect from August 13, 2021;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 upto August 15, 2021. The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 with effect from August 16, 2021 (**not applicable to the Company during the review 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;



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- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 upto June 10, 2021. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021, with effect from June 11, 2021 **(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. 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.

**For SVD & Associates**  
Company Secretaries

sd/-

**Sridhar Mudaliar**

Partner

FCS No. 6156

CP No. 2664

Place: Pune

Date: April 28, 2022

Peer Review number: P2013MH075200

UDIN: F006156D000222671

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.

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. Further meetings which were convened at a shorter notice, at least one independent director was present in such 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. However, certain decisions taken by way of circular resolution for Board and Committees are with the requisite majority as recorded in the minutes of the meetings of Board of Director and Committees of the Board.

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:

The Company has adopted a new vision "Limitless" and a refreshed brand identity which alludes to the legacy that the 130 year old name carries. The same was intimated to the stock exchange vide a press release dated July 16, 2021.

# '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.

For SVD & Associates  
Company Secretaries

sd/-  
Sridhar Mudaliar  
Partner  
FCS No. 6156  
CP No. 2664

Place: Pune  
Date: April 28, 2022

Peer Review number: P2013MH075200  
UDIN: F006156D000222671

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.

# Annexure "2" to the Board's Report

## Annual Report on CSR Activities for the Financial Year 2021-22

### 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)	1	1
2.	Mr K Srinivasan	Managing Director (Member of CSR Committee)	1	1
3.	Mr Sunil Shah Singh	Independent, Non-Executive Director (Member of CSR Committee)	1	1
4.	Mrs Nalini Venkatesh	Independent, Non-Executive Director (Member of CSR Committee)	1	1

- 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://www.kirloskarpneumatic.com/about/board-of-directors>  
CSR Policy approved by the Board  
<https://www.kirloskarpneumatic.com/investors/for-share-holders/company-policies>  
CSR Programmes approved by the Board  
<https://www.kirloskarpneumatic.com/csr/csr-programs-approved-by-the-board>
- 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
- 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
- Average net profit of the Company as per Section 135(5) : ₹ 723.63 Million
- Prescribed CSR Expenditure (two per cent of the amount as in item 6 above): The Company is required to spend ₹ 14.47 Million towards CSR.
  - Two percent of average net profit of the Company as per section 135 (5) : ₹ 14.47 Million
  - Surplus arising out of the CSR projects or programmes or activities of the previous financial years: ₹ NIL
  - Amount required to be set off for the financial year, if any: ₹ NIL
  - Total CSR obligation for the financial year (7a+7b- 7c) : ₹ 14.47 Million

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

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	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
₹ 14.50 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 Sr No	2 Name of the Project	3 Item from the list of activities in Schedule VII to the Act	4 Local area (Yes/No)	5 Location of the project (State, District)	6 Amount spent in the current financial Year (₹ in Million)	7 Mode of Implementation - Direct (Yes / No)	8 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)	7.50	No	Kirloskar Institute of Advanced Management & Studies CSR Registration No. CSR00004586
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	1.40	  Yes  Yes  No	    Kirloskar Vasundhara through Vasundhara Green Foundation CSR Registration No. CSR00012417
3	CSR activities under Health & Hygiene • DISHA-HIV AIDS Initiative • Mission Vayu	(i) promoting health care including preventive health care	Yes	Pune (Maharashtra)	 0.60  5.0	  No	  DISHA through Deep Griha Society CSR Registration No. CSR00000970  Maharatta Chamber of Commerce, Industries and Agriculture CSR Registration No. CSR00005065
<b>TOTAL</b>					<b>14.50</b>		

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- (d) Amount spent in Administrative Overheads : NIL
- (e) Amount spent on Impact Assessment, if applicable : Not Applicable
- (f) Total amount spent for the Financial Year (8b+8c+8d+8e) : ₹ 14.50 Million
- (g) Excess amount for set off, if any : Not Applicable
- 9 (a) Details of Unspent CSR amount for the preceding three financial years: Nil
- (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

Place : Pune  
Date : 28<sup>th</sup> April, 2022

sd/-  
**Suhas S Kolhatkar**  
Vice President &  
Chief Financial Officer

sd/-  
**K Srinivasan**  
Managing Director  
DIN 00088424

sd/-  
**Rahul C Kirloskar**  
Executive Chairman &  
Chairman of CSR Committee  
DIN 00007319

# 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 22 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

- Switching off machines in lunch & tea time.
- Isolation of 1500 kVA transformer from HT and LT side.
- Timer controlled switching ON/OFF of street light.
- 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.

##### b. Process improvement projects

- Pneumatic circuit modification for Multi gauging Unit.
- 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 and improve heat transfer efficiency.

- 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.
- 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 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

- Installation of energy efficient direct drive compressor KCRX-4 at 75TR AC plant instead of belt drive low speed KCX-4 compressor.
- Finish boring machine fluorescent lamp replacement by LED Flood light.
- Energy Saving by reduction in voltage level of Lighting stabilizer in foundry.
- 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.
- 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.

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- 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

- Elimination of 500 kVA (T2) transformer by optimising the load on T4 transformer hence saving in transformer losses.
- F-10 and F-12 furnace brick lining to reduce heat loss and to improve specific energy consumption at heat treatment shop for case carburising and hardening process.
- PLC based Automatic cycle instead of manual contactor logic for sand conveying system to avoid idle running of electrical equipment at HL6 and PV6 units.
- 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 and reuse of compressor testing oil after filtration - 28.89 KL of oil recovered and reused in FY 22.
- 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 47.61 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 4.3 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 365.05 Tons of CO<sub>2</sub> emissions & reduced natural resources consumption like water, oil, aluminium and casting significantly. Use of inverter based energy efficient air conditioners, High Bay LED based lighting

systems 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 46% 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 ₹ 1.62 Million on energy conservation equipments and technologies adoption for the energy efficiency improvement projects.

## B. TECHNOLOGY ABSORPTION

### i. Efforts made towards technology absorption:

- In-house, new development of screw compressor block for ammonia compression. Import substitution with advance technology for screw rotor profile.
- New ‘Kirloskar’ screw rotor profile is designed and experimentally tested. This is designed for increased flow area and reduced drag loss to deliver energy efficient performance. Experimental results analysis and conclusion is in progress.
- A patent application is filed for new method of screw rotor profile generation techniques that can deliver energy efficient screw rotor profiles.
- New design of compressor blocks with ‘best-in-efficiency’ for 55 kW and 160 kW frame sizes with direct drive and optimised oil injection system. Prototype development is in progress.
- Testing validation of LP stage of the first ‘oil-free’ screw compressor block suitable for 2-stage 160 kW unit is in progress.
- A test rig is developed to measure the experimental performance of the screw compressor blocks. This test rig is suitable for shaft power up to 200 kW and rotating speed up to 18,000 rpm. Both, oil-flooded and oil-free, screw compressor blocks can be tested.
- “Best in class” 55 kW and 75 kW screw compressor package development for oxygen application. With best performance, silent in operation, less inventory, more standardized parts.
- Developed cost efficient electric screw package with belt driven aircend for 15 to 22 kW range.
- New screw compressor package from 30 kW to 55 kW with fixed and variable speed in same foot print, compact package, silent in operation and reduced downstream pressure drop.

- NextGen diesel screw portable compressor with flow capacity ranging from 300 cfm to 650 cfm, pressure ranging from 100 to 200 psig. Suitable for construction and mining applications.
- Standardized water cooled reciprocating compressors with canopy, with optimized compressor layout and common base frame for 26 models, flow range 191 cfm to 617 cfm.
- Developed Reciprocating compressor sizing tool for automatic selection of model and performance estimation. 'Reciprocating Performance Assessment Tool (R-PAT)'
- Development of KER compressor package 2HP, 5HP and 10HP flame proof and safe area models. Flow from 5 to 30 cfm and pressure 7 to 12.7 Kg/cm<sup>2</sup>.
- Development of removable attachment for impeller & shaft joint of Centrifugal compressor.
- Development of master set up to ensure field and shop inter changeability of gears of Centrifugal compressors.
- 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:**

- In-house developed screw compressor block for ammonia compression used for refrigeration application is an import substitution.
- Performance improvement in screw compressor blocks were achieved using design of direct-drive compressors which eliminates the mechanical losses arising in drive system.

- Newly designed Screw compressor blocks will eliminate import of respective ranges for different power ranges.
- The new 'Kirloskar' screw rotor profile will have lower energy consumption thereby helping to reduce the carbon footprint.
- Upgraded design in diesel screw compressor for Indian market will increase the product performance and organisation's market share in construction and mining sector.
- Ease assembly, manufacturing, servicing and field interchangeability for airends of Centrifugal compressors.
- Reliability improvement of Centrifugal compressors.
- Development of planetary gearboxes for sugar mill applications.
- Development of specialized gearboxes for Steel mill, Hydro turbine, Conveyors & coal pulveriser applications.
- Improvements in design of journal bearings for high speed gearbox.

**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 : ₹ 126.07 Million.**

**C. Foreign Exchange Earnings and Outgo**

Foreign Exchange Earning earned during the year : ₹ 258.90 Million.

Foreign Exchange Outgo during the year : ₹ 1262.80 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 :

Sr. No.	Name of the Director / KMP and Designation	% Increase in Remuneration in the FY 2021-22	Ratio of remuneration of each Director / to median remuneration of employees
1	Mr Rahul C Kirloskar Executive Chairman	78.66	74.21
2	Mr Atul C Kirloskar Non-Executive Director	37.68	1.31
3	Mr Vikram S Kirloskar Non-Executive Director	85.19	1.03
4	Mr G Krishna Rao Independent Director	25.18	3.07
5	Mr D R Swar Non-Executive Director	29.13	2.96
6	Mr Sunil Shah Singh Independent Director	26.63	3.10
7	Dr Ajay Dua Independent Director	34.91	2.76
8	Mr K Venkataramanan Independent Director	19.63	2.69
9	Mrs Nalini Venkatesh Independent Director	46.76	1.48
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 Suhas S Kolhatkar Vice President and Chief Financial Officer	38	NA
14	Mr Jitendra R Shah Company Secretary & Head Legal	21	NA

#### Notes :

- 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.
  - \*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 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
  - \*\*Details are 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.
- ii) In the financial year, there was an increase of - 0.96% in the median remuneration of employees.
- iii) There were 733 permanent employees on the rolls of Company as on 31<sup>st</sup> March, 2022.
- iv) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2021-22 was 17% whereas average percentage increase in the managerial remuneration is not provided due to aforesaid note no. 2.
- v) The Board affirms that the remuneration is as per the remuneration policy of the Company.

# Management Discussion and Analysis



Handling  
pressure is  
our business !

Theme

## Limitless

Kirloskar Pneumatic Company Limited (“KPCL” or “Company”) has refreshed its business vision. The refreshed vision is aligned with the need to be future-ready in a constantly evolving world and stems from the desire to enhance the experience throughout the customer journey.

The exercise involves not just a revitalisation of the business from robust engineering-led Company to solution provider Company that lead today’s transformed industrial landscape, but also being more customer centric than ever before.

KPCL constantly innovate new products with an eye on the future. The expanded vision implies a promise to all customers that their dreams can now be truly limitless and will be fulfilled.

The ‘Limitless’ vision of the Company is laying a foundation for aggressive growth plans. This will include investments and infusion of new technology over the two to three years.

### Economy & Economic Prospects

#### Global economy

Economic damage from the conflict between Ukraine & Russia will contribute to a significant slowdown in global growth in 2022 & 2023. Global growth is projected to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023.

It will also add to inflation. Fuel and food prices have increased rapidly. Elevated inflation will complicate the trade-offs central banks face between containing price pressures and safeguarding growth. Interest rates are expected to rise as

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central banks tighten policy, exerting pressure on emerging market and developing economies. Moreover, recent lockdowns in key manufacturing and trade hubs in China will likely compound supply disruptions elsewhere. Inflation is expected to remain elevated for longer than in the previous forecast. If signs emerge that inflation will be high over the medium term, central banks will be forced to react faster than currently anticipated raising interest rates and exposing debt vulnerabilities, particularly in emerging markets.

### Indian Economy

The last two years have been difficult for the world economy on account of the COVID-19 pandemic. Repeated waves of infection, supply-chain disruptions and, more recently, inflation have created particularly challenging times for the India as well as rest of the world.

The Government of India's pushed through a significant increase in capital expenditure on infrastructure to build back medium-term demand as well as aggressively implemented supply-side measures to prepare the economy for a sustained long-term expansion.

Overall, macro-economic stability indicators suggest that the Indian economy is well placed to take on the challenges of 2022-23. One of the reasons that the Indian economy is in a good position is its unique response strategy. Rather than pre-commit to a rigid response, Government of India opted to use safety-nets for vulnerable sections on one hand while responding iteratively based on Bayesian-updating of information.

In the beginning, it was suggested that the Indian economy is expected to witness real GDP expansion of 9.2 per cent in FY 2021-22. However as per current outlook of IMF India's GDP growth for the year 2022-23 is expected to be 8.2% as compared to 8.9% for the year 2021-22.

The IMF in its latest World Economic Outlook estimated India's GDP growth at 8.2% in 2022-23, down 0.8 percentage points from its January forecast, given geopolitical turmoil and a slowdown in China due to a fresh surge in COVID-19 infections and ensuing lockdowns in some major cities of the world.



Notable downgrades to the 2022 forecast include Japan (0.9 percentage point) and India (0.8 percentage point), reflecting in part weaker domestic demand—as higher oil prices are expected to weigh on private consumption and investment—and a drag from lower net exports.

### 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 market leader in some of the areas of its business and is now looking to expand geographical presence. Thus the Company looking at export to the Middle East, South East Asia, Indo China, South and West Africa. This growth in export revenue will be achieved with a combination of Products & Projects.

Your Company has two segments – Compression Products and other non-reportable segment.

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

#### 1. Compression Products

We are essentially in the business of Compressors and Compression Systems for Air, Refrigeration and Gas. All these businesses are generally expected to do well based on strong demand. There are no technical disruptions visible in the user industry in the near term. Further the growth is also supported by a general shift in the energy basket driven by environmental initiative as well as political compulsions. The new growth areas like Hydrogen economy, Bio-gas, Methanol, CO<sub>2</sub> sequestration etc. all significantly use Compressors and Compression systems.

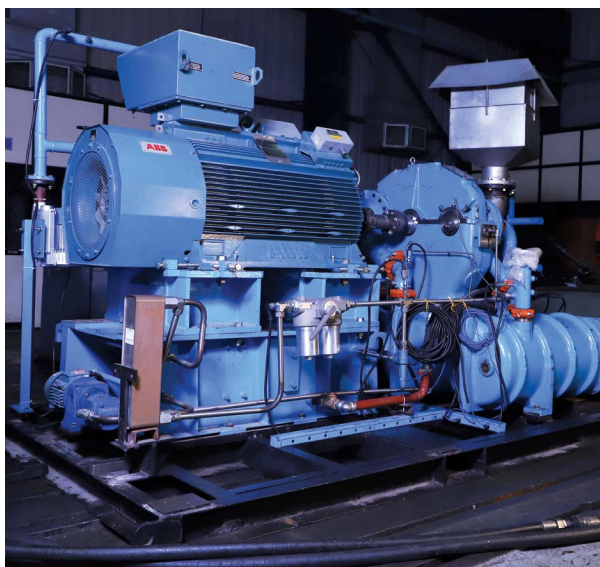
**Air Compressor business:** The Air Compressor market globally is over US \$ 25 Billion and growing at about 3% to 4 % annually. This industry is ubiquitous with economic activity. There has been a significant consolidation of players in this industry over the years leaving a few global giants and local players. The nature of this industry is 'Local' – even global players need to have a local presence to address local markets. The Indian market is over ₹ 20,000 Million. The three broad product groups are: Reciprocating Compressors, Screw Compressors and Centrifugal Compressors. KPCL has been a leading player

in the Recip. Compressor segment. Though a relatively new entrant in the Screw Compressor business, KPCL has a sustainable competitive advantage in this as it owns the entire value chain: ability to design, manufacture, sell and service these machines in India. The investment in High Speed Gear Box manufacture again gives KPCL the advantage to deliver superior and cost effective Centrifugal compressors. During the last year we produced and sold over 1,400 compressors and compression systems in this space to industries from Defence, Oxygen plants, LPG plants, Water-well / Mining, Metal manufacture, Chemical industry, Food and beverages and general engineering industry. This business will continue to grow with growth in the economy.

**Refrigeration Business:** The Industrial and process refrigeration business is globally over US \$ 9 Billion and growing at over 3% annually. This industry is seen as a 'global' business - we can make these plants / packages anywhere and sell / install it anywhere - globally. This industry is strongly driven by 'proven track record' - PTR.

KPCL is an established player in this industry in India. During the last year, we actively started bidding for projects in the Middle East - particularly in the Oil and Gas space. We have won several orders and are in the race for many more. With increased activity in the Oil and Gas sector as well as in the downstream, petrochemical sector we expect to grow significantly in this space.

KPCL is also a leading player in the Reciprocating Compressors for the Cold storage, Ice plants, Dairies, etc. We are enhancing our offering to this segment and to expand further into Food processing and Pharma sectors with our new Khione range of Screw Compressors. A unique feature of our Recip. compressors that has made it an unbeatable 'star' in this space is the fact that it is Air Cooled as well as it runs with Ammonia as the refrigerant - makes it the most environment friendly compressor in the market.



The refrigeration compressor and compression system business will continue to grow with increased activity in food processing, pharma and dairy industry.

**Process Gas Business:**

Gas compression business is probably the fastest growing business in this space. The market size of this industry is over US \$ 6 Billion and growing at over 10% on account of emerging opportunities in Hydrogen and CO<sub>2</sub> sequestration. KPCL has been historically offering compressors and compression packages for the Oil and Gas sector - Upstream, Midstream and Downstream as well as for the distribution - CNG stations. The newer requirements are coming up with Bio-gas compression and Hydrogen compression systems. This is a 'global' industry.

During the last year, KPCL delivered record number of CNG compressor packages across India. We continue to be a leading player in this space. In order to further enhance our offering, we have developed and are launching our Hydraulic Booster Compressors that will address the off-network CNG gas stations. This product will be in the market from Q1 this year.

During the last year, we have started offering standardised Compression packages for Bio-gas as well as Methanol manufacturers. These are expected to scale up with increasing interest and ESG funding.

During the last year, we started bidding for Projects in this space in the ME and have won several orders. We expect to grow in this market offering 'ready-to-commission' skid based packages that will reduce the work at site to a minimum.

**2. Other businesses**

During the year, the Company stabilised the RoadRailer operations. As you are aware this is the only Inter-Modal, Road - Rail logistic operation that runs seamlessly from

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factory to warehouse between Chennai and Delhi. The Railways have permitted Container operators to attach the RoadRailer to their trains and this will open up newer routes for this business going forward. With the efficacy of this system, well established and with the renewed interest in this – arising from the galloping cost diesel, we expect to grow this business with suitable logistic partners.

### Outlook

KPCL has a strong market share in compressor business, well-positioned to capitalise upcoming opportunities in the infrastructure space. Make in India, China+1 and PLI schemes in various sectors are expected to attract global manufacturers to set up facilities in India. It is also expected to generate significant growth opportunities for KPCL.

KPCL is expected to deliver a robust growth across key metrics in the coming years.

With a lineage of over 133 years; with a blemish-less corporate existence since 1958 and with the Limitless opportunities and ambition, your Company expect to grow to ₹ 2,000 Crore Company in the next 2 to 3 years.

### 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.

During the reporting year, Recognition & Registration Certificate for Recognition of in-house R&D Unit received from Department of Scientific & Industrial Research (DSIR), Government of India, Ministry of Science & Technology. This certificate is valid upto 31<sup>st</sup> March, 2024.

During the year, the position of Intellectual Property (Intellectual Property means Patents, Trademarks, Design and Research Publications) rights of the Company are as follows:

Particulars	Filed in FY 2021-22	Granted in FY 2021-22
Patents	3	1
Trademark	1	-
Design	2	-
Research Publications in International Forum (Out of this two Research Papers recognised and appreciated)	3	NA



In the last few years, significant investment has been made in modernising the plant at both Hadapsar and 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

The Company has an Internal Control System, proportionate to the size, scale and complexity of its operations. The Audit Committee and the Board decide the scope of the internal audit. To maintain its objectivity and independence, the Board has appointed an external auditor, who reports to the Audit Committee of the Board at regular intervals.

The auditor monitors and evaluates the efficiency and adequacy of internal control systems in the Company, and ensures its compliance with operating systems, accounting procedures and policies for various functions of the Company. Based on this report, process owners undertake corrective actions in their respective areas and thus, strengthen the controls further. The observations, along with the corrective measures are then periodically presented to the Audit Committee of the Board.

In FY2022, Internal Financial Controls laid down by the Board were tested for adequacy and effectiveness and no reportable

weakness was observed. The Company has effectively implemented policies and procedures, which ensure proper and efficient conduct of its business.

These further certify the safeguarding of assets, prevention and detection of frauds and errors, accuracy and completion of accounting records and prompt preparation of reliable financial information. Statutory auditors have also attested to the adequacy of internal financial control systems with reference to financial statements.

### Operating Performance

During the year under review, your Company achieved highest sales ever of ₹ 10,211.73 Million as compared to ₹ 8,232.64 Million in the previous year, a growth of 24%. This was largely driven by volume growth in air compressors and CNG compressors. Therefore a product mix was a big driver. The profit before tax grew from ₹ 838.78 Million to ₹ 1,141.24 Million, a growth of 36%. All businesses, air, refrigeration & gas compressors and compression systems did very well thereby your Company had all round growth during the year.

For the first time your Company has over ₹ 1,000 Million of orders in exports. Your Company have executed only a small part of it in FY 2022, so a significant part of it will be exported during the next year.

In terms of working capital management, the receivables remain at about the last year's level in spite of the higher sales, but your Company does have a larger percentage of inventories and this should help the Company to execute export orders in particular, in the next year. The overall cash generation from operation was close to ₹ 1,100 Million.

During the year, there were no significant variations in the key financial ratios such as Debtors Turnover, Inventory Turnover, Current Ratio, Interest coverage ratio, Operating Profit Margin and Net Profit Margin as compared to previous financial year. As on the Balance Sheet date your Company does not have any debt. As such Debt Equity Ratio is zero and variance to previous period is not applicable.

As on 31<sup>st</sup> March, 2022, your Company's return on net worth improved to 15.10% as compared to 12.80% in the previous financial year resulting from increase in profit for the year.

### Risks and Concerns

Risk management is an inherent part of the Company's business and Management is proactive in terms of managing risks in an organised manner. By virtue of the nature of its business, the Company is susceptible to various risks that might arise due to economic, legal, sectoral, ESG, people and operational factors. 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. A dedicated Risk Management Committee oversees the possible risks and derive a framework to mitigate the same. The risk management approach is mentioned on page 20 and 21 of the annual report.

More details are given in Director's Report.

### 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 Re-certification Audit, 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, 2024. 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



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preventive health checks, risk assessment and counselling. COVID-19 related safety protocols were implemented diligently across all locations of the Company. Your Company provided employee supports including awareness, treatment, contact tracing and testing, post covid care and workplace vaccination camps during the reporting year.

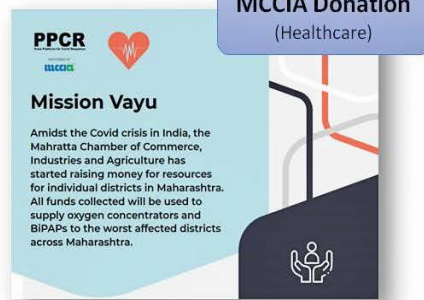
### Corporate Social Responsibility ( CSR )

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 to actively contribute for a social cause.

Your Company has contributed an amount of ₹ 7.5 Million by way of donation to Kirloskar Institute of Advanced Management and Studies for promoting education.

‘Mission Vayu’ project under MCCIA’s Pune Platform for Covid Response, leading to increased capability of hospitals to deliver oxygen to COVID-19 patients, was supported by way of donation of ₹ 5.0 Million.



#### CSR: Ramnadi Restoration Mission – RRM School Project

KPCL is supporting 20+ schools for various awareness programs under Kirloskar Vasundhara Initiative's RRM (Ramnadi Restoration Mission)



**DISHA (Health Promotion)**  
 • Supporting DISHA field workers, Deep Griha Society staff and PLHIV (people living with HIV) from Tadiwala, Ramtekdi slums during COVID-19 pandemic.

**CSR Bharari (Education Promotion)**  
**Girls education (200)**  
 • Kanya Prashala, Saswad  
**eLearning Supports**  
 • Virtual learning facility  
 • Tablets-10<sup>th</sup> Std. girls (45)  
**Bharari Online learning**  
 100 Sessions for 5<sup>th</sup>-10<sup>th</sup> Std.



**KaShi (Education Promotion)**  
**Girls education (30)**  
 • Collaboration with Cold Storage Association



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, health checkups, face masks, hand sanitizers etc. to PLHIV (People Living with HIV) in the vicinity of the Company particularly from Tadiwala and Ramtekdi slums of Pune during the second and third wave of COVID-19 pandemic.

Rajasthan and MP. This unique CSR Initiative, named KaShi (Kanya Shiksha), is implemented by employee Volunteers from Regional Offices of the Company in North and West in collaboration with respective State Cold Storage Associations.

Your Company is 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 continued to be propagated for children by painting walls in these schools associated with the project.

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. Bharari Online learning was facilitated through Madhavi Kapur Foundation (100 Day Planner) to enable eLearning in COVID-19 Pandemic situation. Bharari Classroom with virtual learning / audio visual facility was enhanced in this school and tablets were provided to 10<sup>th</sup> Std. girls.

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

Your Company is supporting Education of girls, by supporting daughters of workmen of Cold Storage Units from UP, Gujarat,

KPCL once again (3<sup>rd</sup> consecutive year) won the CII National HR excellence award with a score of over 600+. 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 420+ CNG stations across 15 States in India were run by KPCL team right through the pandemic. We delivered over 620 oxygen compressors for Oxygen plants on an emergency basis. 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 20% plus of the KPCL team were infected by the COVID 2<sup>nd</sup> and 3<sup>rd</sup> wave and recovered over the last 14 months. 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 Theme based virtual Round Table sessions, Virtual Family Carnivals, 5S, Kaizen & CFTs etc. 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:

#### Our Values

	<b>Excellence</b> In everything we do, Quality without compromise
	<b>Integrity</b> Say what we do, and do what we say
	<b>Collaboration</b> We grow with People and Partners
	<b>Empathy</b> We always Listen and Learn <small>Towards all Stakeholders</small>
	<b>Values Creation</b> We are building for a shared prosperous future <small>Towards all Stakeholders</small>
	<b>Innovative Thinking</b> Be Bold & Brave and stay Relevant

### 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 is getting trained to manage higher level of manufacturing efficiencies.

The annualized attrition rate for FY-22 stands at 12.6%, which is significantly low as compared to Industrial Average of around 14% considering the global great resignation. 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 we rolled out our initiatives in Phygital mode. 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 2022, the total training provided for employees was over 1.6 days per employee. 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 introduced Online Learning Management system in 2021, thereby enabling and promoting a culture of self-learning and development in the Organization. Last year 40% of our employees explored various programs through the KORE – Online Learning Management system. The Company is investing in our people in a big way as we make this journey together.

The Company undertook the Senior Management Development programme to develop and groom leaders who are truly “Limitless” who will lead from the front and take the organization to new heights, as a part of succession planning.

**Rewards & Recognition:** It is understood that employee-motivation is key to many success stories. Acknowledging



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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.

Place : Pune

Date : 28<sup>th</sup> April, 2022

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

# 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 2021-22.

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

The Company's philosophy on Corporate Governance is based upon a rich legacy of fair, ethical and transparent governance practices.

During the year, Kirloskar's 'Limitless' mission transforms the Company along with other group companies. Company has refreshed its business vision which is aligned with the need to be future-ready in a constantly evolving world. The Company has also refreshed its Values. The new Values are :

- Excellence – In everything we do, quality without compromise
- Integrity – Say what we do, and do what we say
- Collaboration – We grow with People and Partners
- Empathy – We always listen and learn
- Value Creation – We are building for a shared prosperous future
- Innovative Thinking – be bold and brave & stay relevant

The expanded vision implies a promise to all stakeholders that their dreams can now be truly limitless and will be fulfilled.

The Change is reflective of our new philosophy to create better lives, better opportunities and a better tomorrow.

Corporate governance refers to the manner in which a company is governed, directed and managed. Corporate governance essentially involves balancing the interests of all stakeholders, such as shareholders, Board of Directors, management team, employees, customers, suppliers, bankers, government and the society.

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. GOVERNANCE STRUCTURE AND DEFINED ROLE AND RESPONSIBILITIES:

Company's governance structure comprises of Board of Directors, Committees of the Board and the Management.

## 3. BOARD OF DIRECTORS:

The Board of Directors have the responsibility of ensuring effective management, long term business strategy, general affairs, performance and monitoring the effectiveness of the Company's corporate governance practices. The Managing Director reports to the Board and is in charge of the management of the affairs of the Company, executing business strategy in consultation with the Board and achieving annual and long term business goals.

### i. Composition and Category of Directors:

The composition of the Board of your Company is in conformity with Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'LODR Regulations, 2015'). The Executive Chairman of your Company, though a Professional Director in his individual capacity, is a Promoter and the number of Non-Executive and Independent Directors is one-half of the total number 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, 2022 consisting of Six (50%) Non-Executive & Independent Directors including a Woman Director in terms of LODR Regulations, 2015, Four (33%) Non-Executive Directors and Two (17%) Executive Directors.

### During the reporting year:

In compliance with the Companies Act, 2013 and LODR Regulations, 2015, in the last Annual General Meeting:

- i. Mr Tejas Deshpande has been appointed as Independent Director for a term of five (5) consecutive years upto 26<sup>th</sup> October, 2025.
- ii. Dr Ajay Dua has been re-appointed as an Independent Director for a second term by way of a special resolution, for a period of five (5) consecutive years from 22<sup>nd</sup> July, 2021 to 21<sup>st</sup> July, 2026. Further, approval was also granted to Dr Ajay Dua who will attain the age of 75 years on 15<sup>th</sup> July, 2022, to continue to hold the directorship as Non-Executive Independent Director of the Company even after he attains the age of 75 years, for his current term.
- iii. Mr Mahesh Chhabria has been appointed as a Non-Executive Director w.e.f. 3<sup>rd</sup> March, 2021.
- iv. Mr K Srinivasan has been appointed as a Whole-time Director designated as Managing Director w.e.f. 2<sup>nd</sup> January, 2021 to 26<sup>th</sup> October, 2023.

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- v. Mr Rahul C Kirloskar has been re-appointed as Whole-time Director designated as Executive Chairman for a further period of five (5) years w.e.f. 23<sup>rd</sup> January, 2022.

No Director of the Company has been appointed as Director in more than seven listed companies.

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

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)

#### ii. Familiarization Programmes:

The Company arranges familiarization programs for all the Directors. 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.

In Board meetings, discussions on business strategy, operational and functional matters provide good insights on the businesses carried on by the Company to the Independent Directors. These sessions also involve interactions with Senior Management. To make these

sessions more productive, all the documents required and / or sought by them to have a good understanding of Company's operations, businesses and the industry as a whole are provided in advance. Further, they are periodically updated on material changes in regulatory framework and its impact on the Company.

The Company also arranged visit to the Company's Plants on 8<sup>th</sup> March, 2022 to enable them to get first hand understanding of the processes.

The details of familiarization and training programs have been posted on Company's website at following weblink: <https://www.kirloskarpneumatic.com/investors/for-share-holders/company-policies>

#### 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, 2022, seven Board Meetings were held on 29<sup>th</sup> April, 2021, 10<sup>th</sup> August, 2021, 21<sup>st</sup> October, 2021, 8<sup>th</sup> December, 2021, 28<sup>th</sup> January, 2022, 9<sup>th</sup> February, 2022 and 8<sup>th</sup> March, 2022.

The Annual General Meeting of the Company was held on 20<sup>th</sup> July, 2021.

#### iv. 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, 2022		Committee Position#* (including KPCL) as on 31 <sup>st</sup> March, 2022	
			Name of the Company	Category of Directorship	Member	Chairman
<b>Non - Executive Directors</b>						
\$@Mr Atul C Kirloskar (DIN 00007387)	6	5	Kirloskar Oil Engines Ltd	Executive Director - Executive Chairman	1	1
			Kirloskar Ferrous Industries Ltd	Non-Executive Non-Independent		
			Kirloskar Industries Ltd	Director - Chairman		
\$Mr Vikram S Kirloskar (DIN 00007907)	5	3	-	-	-	-
Mr D R Swar (DIN 00007495)	7	1	-	-	1	-
Mr Mahesh Chhabria (DIN 00166049)	7	7	Kirloskar Industries Ltd	Managing Director	3	2
			Kirloskar Oil Engines Ltd	Non-Executive		
			Kirloskar Ferrous Industries Ltd	Non-Independent Director		
			ZF Commercial Vehicle Control Systems India Limited (Formerly known as WABCO India Ltd)	Non-Executive Independent Director		

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, 2022		Committee Position#* (including KPCL) as on 31 <sup>st</sup> March, 2022	
			Name of the Company	Category of Directorship	Member	Chairman
<b>Non - Executive - Independent Directors</b>						
Mr G Krishna Rao (DIN 00058985)	7	1	-	-	2	1
Mr Sunil Shah Singh (DIN 00233918)	7	3	ITD Cementation India Ltd Kirloskar Oil Engines Ltd	Non-Executive Independent Director	5	3
Dr Ajay Dua (DIN 02318948)	6	2	Dabur India Ltd	Non-Executive Independent Director	2	-
Mr K Venkataramanan (DIN 00001647)	6	3	Nilkamal Ltd	Non-Executive Independent Director	2	-
Mrs Nalini Venkatesh (DIN 06891397)	7	2	Kirloskar Ferrous Industries Ltd	Non-Executive Independent Director	1	-
Mr Tejas Deshpande (DIN 01942507)	7	4	Kirloskar Industries Ltd Valecha Engineering Ltd	Non-Executive Independent Director	4	2
<b>Executive Directors</b>						
§ @Mr Rahul C Kirloskar (DIN 00007319) Chairman	7	6	Kirloskar Oil Engines Ltd Kirloskar Ferrous Industries Ltd ISMT Ltd	Non-Executive Non-Independent Director Non-Executive Non-Independent Director – Additional Director	3	-
Mr K Srinivasan (DIN 00088424) Managing Director w.e.f. 2 <sup>nd</sup> January, 2021	7	2	Aspinwall and Company Ltd	Non-Executive Independent Director	-	-

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.

All Directors except Mr Vikram S Kirloskar attended the Annual General Meeting held on 20<sup>th</sup> July, 2021.

**v. Meeting of Independent Directors:**

Pursuant to Schedule IV of the Companies Act, 2013, LODR Regulations, 2015 and Secretarial Standard - 1 on Meetings of the Board of Directors mandates that the Independent Directors of the Company hold at least one meeting in a year, without the attendance of Non-Independent Directors.

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

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#### 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	Environment	
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	✓	✓	✓	✓	✓	✓		✓		✓

#### 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, 2022. A declaration to this effect signed by the Managing Director has been incorporated in the Annual Report.

## 4. 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:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommendation for appointment, remuneration, terms of appointment of auditors of the Company;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing with management the quarterly / half yearly / annual financial statements and auditor's report thereon before submission to the Board for approval;
- Review and monitor the auditor's independence and performance and effectiveness of audit process;

- f. Approval or any subsequent modification of transactions of the Company with related parties;
- g. Scrutiny of inter-corporate loans and investments;
- h. Valuation of undertakings or assets of the Company, wherever it is necessary;
- i. Evaluation of internal financial controls and risk management systems;
- j. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- k. Discussion with internal auditors of any significant findings and follow up thereon;
- l. 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;
- m. 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;
- n. 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;
- o. To review the functioning of the Whistle Blower mechanism;
- p. Reviewing the utilization of loans and / or advances from / investment by the holding company in the subsidiary exceeding ₹ 100 Crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments; and
- q. 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. 29<sup>th</sup> April, 2021, 10<sup>th</sup> August, 2021, 21<sup>st</sup> October, 2021, 27<sup>th</sup> January, 2022 and continued on 28<sup>th</sup> January, 2022, and 8<sup>th</sup> March, 2022. 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	5
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.

**5. NOMINATION AND REMUNERATION COMMITTEE:**

**i. Composition:**

The Nomination & Remuneration Committee comprises of 4 Directors. Out of that 3 are Independent Directors namely Dr Ajay Dua, Mr G Krishna Rao and Mr Sunil Shah Singh and one Non-Executive Director namely Mr Mahesh Chhabria. 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:

- a. Formulation of the criteria for determining the qualifications, positive attributes and Independence of Director;
- b. Devising a policy on Board diversity;
- c. Formulation of Remuneration policy;
- d. Review the structure, size and composition of the Board;
- e. Identifying and selection of candidates for appointment as Directors;
- f. Identifying potential individuals for appointment as Key Managerial Personnel and Senior Management;
- g. Formulation of criteria for evaluation of Independent Directors and the Board;
- h. Recommend to the Board all remuneration, in whatever form, payable to senior management;
- i. Formulation, Administration and Superintendence of KPCL Employee Stock Option Scheme 2019; and
- j. Review of succession planning mechanism and recommend changes / modifications thereto, if required.

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

During the year, three Meetings were held on 29<sup>th</sup> April, 2021, 10<sup>th</sup> August, 2021 and 21<sup>st</sup> October, 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	3	2
Mr G Krishna Rao	3	3
Mr Sunil Shah Singh	3	3
*Mr Mahesh Chhabria	3	2

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

\*Appointed w.e.f. 30<sup>th</sup> April, 2021.

**iv. Criteria for performance evaluation:**

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

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

**6. 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.

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.

Details of remuneration paid / payable to Directors during the year 2021-22:

**A. Non- Executive Directors:**

Name of Director	Sitting Fees	Commission on Net Profit *	Salary & Perquisites	Total	No. of shares held **
Mr Atul C Kirloskar	0.350	0.600	-	0.950	61,05,023
Mr Vikram S Kirloskar	0.250	0.500	-	0.750	31,010
Mr G Krishna Rao	0.775	1.450	-	2.225	-
Mr D R Swar	0.700	1.450	-	2.150	-
Mr Sunil Shah Singh	0.800	1.450	-	2.250	5,000
Dr Ajay Dua	0.650	1.350	-	2.000	-
Mr K Venkataramanan	0.600	1.350	-	1.950	-
Mrs Nalini Venkatesh	0.375	0.700	-	1.075	230
Mr Tejas Deshpande	0.350	0.700	-	1.050	-
Mr Mahesh Chhabria	0.400	0.700	-	1.100	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.
- 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 ₹ 0.050 Million for attending each meeting of the Board and Audit Committee and ₹ 0.025 Million for attending each meeting of the other Committees of the Board.

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

(Amount in ₹)

Particulars	Mr Rahul C Kirloskar	***Mr K Srinivasan
Salary	20,064,516	10,800,000
House Rent Allowance	-	-
Contribution to Funds	7,917,419	3,434,400
Other perquisites	4,383,982	1,735,793
* Commission	# 2,40,00,000	2,10,00,000
<b>TOTAL</b>	<b>5,63,65,917</b>	<b>3,69,70,193</b>
**No. of shares held	74,93,650	77,800

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.
- \*\*\* 80,000 stock options have been granted to Mr K Srinivasan on 29<sup>th</sup> April, 2021. Out of which 40,000 stock options shall vest on 29<sup>th</sup> April, 2022 and 40,000 stock options on 29<sup>th</sup> April, 2023 and can be exercised thereafter. As the options cannot be exercised during the FY 2021-22, benefit arising out of such exercise, if any, does not form a part of remuneration for the year ended 31<sup>st</sup> March, 2022.
- # Payable only on approval by the shareholders in the ensuing Annual General Meeting.

**7. 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 29<sup>th</sup> April, 2021, 10<sup>th</sup> August, 2021, 21<sup>st</sup> October, 2021 and 27<sup>th</sup> January, 2022 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 5 complaints during the year and the same were resolved. There was no complaint pending as on 31<sup>st</sup> March, 2022.

**8. RISK MANAGEMENT COMMITTEE:**

The Risk Management Committee was mandatory to the top listed 1,000 entities determined on the basis of market capitalization as per the SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment), Regulations, 2021. Being the Company is coming under top listed 1,000 entities determined on the basis of market capitalization,

the Risk Management Committee was mandatory with effect from 7<sup>th</sup> September, 2021.

The Company voluntarily formed the board level Risk Management Committee on 26<sup>th</sup> April, 2018. The detailed framework relating to the Risk Management has been provided under the Section of Directors' Report in the Annual Report.

**i. Composition:**

The Risk Management Committee comprises of 4 Directors. The Risk Management Committee functions under the Chairmanship of Mr K Venkataramanan, an Independent Director. Dr Ajay Dua, an Independent Director and Mr Atul C Kirloskar, Non-Executive Director & Mr K Srinivasan, Managing Director are its members. Company Secretary acts as Secretary to the Committee.

**ii. Terms of Reference:**

The broad terms of reference of the Risk Management Committee are as under:

- To formulate a detailed risk management policy;
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken; and
- The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

**iii. Meetings & attendance of the Risk Management Committee:**

During the year, two Risk Management Committee meeting(s) were held on 21<sup>st</sup> October, 2021 & 30<sup>th</sup> March, 2022 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 K Venkataramanan	2	2
Dr Ajay Dua	2	2
Mr Atul C Kirloskar	2	2
Mr K Srinivasan	2	2



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## 9. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

### i. Composition:

The Committee functions under the Chairmanship of Mr Rahul C Kirloskar, Executive Chairman.

Mr Sunil Shah Singh, an Independent Director, Mrs Nalini Venkatesh, an Independent Director and Mr K Srinivasan, Managing Director act as its members. Mr Jitendra Shah, Company Secretary is the Compliance Officer.

### ii. Meetings & attendance of the Corporate Social Responsibility Committee:

During the year, one Corporate Social Responsibility Committee meeting was held on 29<sup>th</sup> April, 2021 and the same was attended by members as per the following details:

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr Rahul C Kirloskar	1	1
Mr Sunil Shah Singh	1	1
Mrs Nalini Venkatesh	1	1
Mr K Srinivasan	1	1

## 10. GENERAL BODY MEETINGS:

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

Date	Time	Location
20 <sup>th</sup> July, 2021	10.30 a.m. (IST)	Video Conferencing / Other Audio Visual Means
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. (IST)	S.M. Joshi Socialist Foundation (S.M. Joshi Hall) S. No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune-411 030

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

The members of the Company have passed following Special Resolution(s) in the last three Annual General Meetings:

Sr. No.	Resolution
1	Annual General Meeting held on 20 <sup>th</sup> July, 2021 Re-appointment of Dr Ajay Dua (holding DIN 02318948) as a Non-Executive Independent Director.

Sr. No.	Resolution
2	Annual General Meeting held on 20 <sup>th</sup> July, 2019 Re-appointment of Mr Sunil Shah Singh (DIN 00233918) as Independent Director of the Company.
3	Re-appointment of Mr G Krishna Rao (DIN 00058985) as Independent Director of the Company.
4	Continuation of appointment of Mr K Venkataramanan (DIN 00001647) as Non-Executive and Independent Director of the Company.
5	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.

### 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.

## 11. 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. Every quarter, the Company had conference call with the investors on the next day after the declaration of the financial results. The Company also did presentations to the Investors and the same were uploaded before the Conference Call on the website of the Company.

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)

## 12. GENERAL SHAREHOLDER INFORMATION:

### i. Annual General Meeting

Day & Date : Wednesday, 20<sup>th</sup> July, 2022  
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, 2022

iv. Book Closure : 13<sup>th</sup> July, 2022 to 20<sup>th</sup> July, 2022 (both days inclusive)

v. Listing on : BSE Ltd  
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001  
Annual Listing Fees for the year 2022-23 has been paid to BSE Ltd.

vi. Stock Code : 505283

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

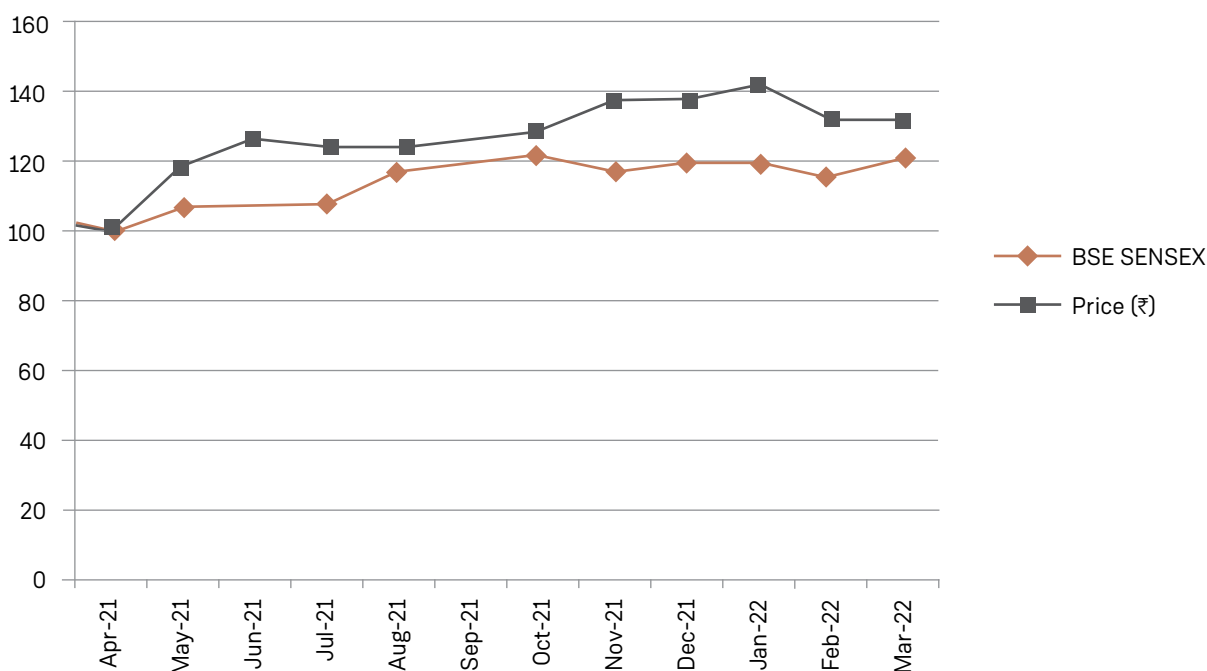
viii. ISIN No. : INE811A01020

### 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 (₹)	Low (₹)	Close (₹)
April 2021	316.90	240.75	310.45
May 2021	395.00	310.00	367.45
June 2021	425.00	358.50	391.40
July 2021	413.95	380.00	385.10
August 2021	429.95	285.55	383.50
September 2021	404.00	344.00	348.75
October 2021	410.00	335.00	400.00
November 2021	465.00	364.00	427.60
December 2021	476.65	400.00	428.90
January 2022	513.85	419.90	440.85
February 2022	454.90	376.25	410.90
March 2022	466.00	381.50	408.10

## x. Stock Performance in comparison to BSE Sensex:



## xi. Registrar &amp; Transfer Agent:

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

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").

## xii. Communication to Members:

**KYC Compliance:**

The Company has sent individual letters to all the Members holding shares of the Company in physical form for furnishing their PAN, KYC details and Nomination through standardized forms pursuant to the SEBI circular no. SEBI/HO/MIRSD/MIRSD\_RTAMB/P/CIR/2021/655 dated 3<sup>rd</sup> November, 2021. The aforesaid communication was intimated to the Stock Exchange also and available on the website of the Company.

Attention of the Shareholders holding shares in physical form is invited to furnish their PAN, KYC details and Nomination through standardized forms made available on the Company's website under the weblink at <https://www.kirloskarpneumatic.com/investors/forms>

**Share Transfer System:**

SEBI had 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").

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

- 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.
- 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.
- 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.

Further, as per SEBI Circular No. SEBI/HO/MIRSD/MIRSD\_RTAMB/P/CIR/2022/8 dated 25<sup>th</sup> January, 2022, the listed companies shall henceforth issue the securities in case(s) of Duplicate securities certificate, Claim from Unclaimed Suspense Account, Renewal / Exchange of securities

certificate, Endorsement, Sub-division / Splitting of securities certificate, Consolidation of securities certificates / folios, Transmission, Transposition, in dematerialized form only.

Accordingly, the Shareholders are requested to make service requests by submitting a duly filled and signed Form ISR - 4, the format of which is available on the Company's website namely [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)

**xiii. Distribution of Shareholding as on 31<sup>st</sup> March, 2022:**

Holding	No. of Members	%	No. of Shares of ₹ 2/- each	% to Capital
UPTO 500	22,194	84.43	2,164,930	3.36
501 1,000	1,911	7.27	1,396,370	2.17
1,001 2,000	1,049	3.99	1,531,329	2.38
2,001 3,000	365	1.39	921,089	1.43
3,001 4,000	186	0.71	650,457	1.01
4,001 5,000	148	0.56	688,420	1.07
5,001 10,000	224	0.85	1,611,916	2.50
10,001 AND ABOVE	211	0.80	55,480,079	86.09
<b>Total</b>	<b>26,288</b>	<b>100.00</b>	<b>64,445,290</b>	<b>100.00</b>

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

The name of the Company appears in the Compulsory Trading List and 96.58% of Share Capital is in Electronic Form as on 31<sup>st</sup> March, 2022.

- xv. Company has not issued GDRs / ADRs / Warrants or any convertible instruments. However, the details of the options granted and vested to eligible employees of the Company and exercise thereof are provided in the Directors' Report under the heading of Capital Structure. 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 Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and can be accessed on the following weblink : <https://www.kirloskarpneumatic.com/investors/employee-stock-option-plan>
- 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. Further, CRISIL has reaffirmed and withdrawn credit rating of 'CRISIL AA-/Stable' assigned to term loan since the term loan has been repaid in full by the Company during the year.

**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](mailto:sec@kirloskar.com)  
Website : [www.kirloskarpneumatic.com](http://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 - 46014473  
Fax No. 020 - 26163503  
Email : [pune@linkintime.co.in](mailto: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](mailto:mumbai@linkintime.co.in)

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### 13. 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 the same was amended and placed on website at: <https://www.kirloskarpneumatic.com/investors/for-share-holders/company-policies>

#### 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 behaviour, 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://www.kirloskarpneumatic.com/investors/for-share-holders/company-policies>

#### 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:

- Audit qualification: Company's financial statements are unqualified.
- 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://www.kirloskarpneumatic.com/investors/for-share-holders/company-policies>

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 ₹ 3.55 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

#### xiv. The Company has not provided any loans and advances to firms / companies in which Directors are interested except a Letter of Comfort amounting to ₹ 10 Crores issued to SBM Bank (India) Ltd. on behalf of Kirloskar Management Services Private Limited.

### 14. 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 28<sup>th</sup> April, 2022.

For Kirloskar Pneumatic Company Limited

sd/-

**K Srinivasan**

Managing Director

DIN 00088424

Date : 28<sup>th</sup> April, 2022

Place : Pune

# 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.

Date : 28<sup>th</sup> April, 2022  
Place : Pune

sd/-  
**K Srinivasan**  
Managing Director  
DIN 00088424

## Auditors' Certificate on Corporate Governance

To  
The Members  
Kirloskar Pneumatic Company Limited

### Independent Auditors' Certificate on Compliance with conditions of Corporate Governance

1. We, Kirtane & Pandit LLP, Chartered Accountants, the Statutory Auditors of Kirloskar Pneumatic Company Limited ("the Company"), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on March 31, 2022, as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C, D and E of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations").

### Management's Responsibility

2. The compliance with conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation, and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations.

### Auditor's Responsibility

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
4. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
5. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the "ICAI"), the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
6. 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

7. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulation 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C, D and E of Schedule V to the Listing Regulations during the year ended March 31, 2022.
8. 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.

## Restrictions on Use

9. The certificate is issued solely for the purpose of complying with the aforesaid SEBI Listing Regulations and may not be suitable for any other purpose.

### For Kirtane & Pandit LLP

Chartered Accountants

Firm Registration No. 105215W/W100057

sd/-

**Suhas Deshpande**

Partner

Membership No. 031787

UDIN: 22031787AHZFYJ9093

Pune, April 28, 2022

# 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' (NVG).

## 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	2021-22
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 Channel Partners 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 (₹ in Million)
1	*Paid up capital	128.89
2	Total Income	10,334.97
3	Total profit after taxes	849.24
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 ₹ 128.53 Million to ₹ 128.89 Million.

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

#### a) Health & Hygiene:

**DISHA:** KPCL supports the DISHA Program of Deep Griha Society which conducts HIV AIDS Awareness workshops for general community members and school / college students as well as support PLHIV (People Living with HIV). During the COVID-19 Pandemic year of 2020-21 and 2021-22, 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, health checkups, masks, sanitizers etc.



**Mission Vayu:** KPCL supported this project of MCCIA's Pune Platform for Covid Response in which Oxygen Concentrators and BiPAP Ventilators were supplied to hospitals during the second wave of COVID-19 pandemic thus raising their capability to deliver oxygen to patients during the most critical phase (second wave) of the pandemic.

#### 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 continued COVID-19 Pandemic, the focus remained on eLearning which was facilitated by further enhancing the audio-visual facility, providing 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 the 2<sup>nd</sup> Online Ramnadi Festival.

**KIAMS (Kirloskar Institute of Advance Management Studies):** During the year, for promoting education the Company had contributed ₹ 7.50 million to KIAMS

### 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	<a href="mailto:rahul.kirloskar@kirloskar.com">rahul.kirloskar@kirloskar.com</a>
K Srinivasan	Managing Director	00088424	020-26727000	<a href="mailto:srinivasan.k@kirloskar.com">srinivasan.k@kirloskar.com</a>

#### BR Head

Name	Designation	Telephone No.	Email Id
Dr Suresh Mijar	General Manager BSS-Health & CSR-OHC	020-26727000	<a href="mailto:suresh.mijar@kirloskar.com">suresh.mijar@kirloskar.com</a>

### 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 # Policy signed by MD / owner / CEO / appropriate Board Director?	Y Y	Y Y	Y Y	Y Y	Y 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 in nature.

The Company also has an Internal Committee to redress complaints received with respect to sexual harassment. No complaints were received in the year 2021-22.

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 2021-22.

**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 / certifications as follows:

Sr. No.	Business Segment	Product Model	Standard Certification
<b>Compression Segment</b>			
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
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
<b>Other non-reportable Segment</b>			
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 280 geographic areas in the 10<sup>th</sup> and 11<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 39.56 Lakhs M3 / 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.

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.

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The resource consumption towards Energy and Water is as under:

#### Specific Energy Consumption

Plant	Energy Type	UOM	FY 2021-22
Hadapsar	*Electricity – Compression	kWh/MT	937 (PY 1001)
	#Electricity – Air End Machine Shop	kWh/SMH	348 (PY 228)
	*Electricity – Transmission	kWh/MT	1009 (PY 1077)
Saswad	^Electricity	kWh/Cyl	158 (PY 156)
	§CNG	KG/Pkge	68 (PY 74)

#### Note:

\*There was reduction in energy consumption due to improvement in net weight percentage loading and brick lining of furnaces, despite the Company having more production during the year.

#There was increase in energy consumption due to addition of one machine and increase in working hours during the year.

^Energy consumption was marginally on higher side due to increase in production.

§Construction of an automatic testing bed consisting of control valve for gas flow has resulted in reduced consumption.

#### Water Consumption

Plant	Total Water Input	Water Recycled	
UOM	kL	kL	%
Hadapsar	36,340 (PY 21,807)	12,489 (PY 6,341)	34.40 (PY 32.10)
Saswad	17,299 (PY 11,277)	2,325 (PY 1,125)	13.40 (PY 9.98)

#### Note:

Increase in production resulted into higher consumption of water. Recycle water used was higher as compared to previous year due to more plantations under extended green initiative.

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 2021-22
Recycled Cast Iron / Steel*	223.9 Ton (PY 94.8 Ton)
Recycled Aluminium*	4.3 Ton (PY 3.7 Ton)
Recycled Oil	28.89 KL (PY 28.43 KL)
Recycled Sand*	3,747 Ton (PY 1,975 Ton)

#### Note:

\*Steel, Aluminium and sand recycled was higher due to increase in volume of production, improved waste elimination and reuse of scrap material to make new castings.

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 2021-22
Total Wood Consumption	72,280 CFT (PY 49,507 CFT)
Reused wood	4,992 CFT (PY 3,506 CFT)
% Reuse	6.9% (PY 7.1%)

Note: The wood consumption was increased due to increase in production.

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 2021-22, about 63% (PY 43%) of goods and services were procured from MSME suppliers. Local Purchases during the year represent 72% (PY 72%) 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. This year we conducted an internal Engagement Survey, the same shows that overall engagement score of KPCL is at 84%, which is highest in the Kirloskar Group.

Employee Category	Number of Employees	% Trained on Safety	% Trained for skill upgradation
Permanent Male	693 (PY 673)	80% (PY 85%)	90% (PY 100%)
Permanent Female	40 (PY 38)	- (PY 100%)	100% (PY 92%)
Temporary / Contractual	534 (PY 387)	70% (PY 70%)	62% (PY 51%)

The Company has a well-equipped Occupational Health Centre that delivers qualitative preventive health services. First-Aid Preparedness and 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 Planner ensures that all employees are covered under preventive health checks, health & lifestyle risk assessments, counselling and eWellness Communications.

With the ongoing COVID-19 Pandemic, in addition to implementing various workplace protocols / guidelines / SOPs as well as supporting all employees for prevention, testing, treatment, hospitalization, etc., we also created a Covid Care Portal for better and digitized way of managing health and well-being of all the employees. Unique health care initiatives like Post Covid Health Checks and Wellness Health Checks, facilitated by home collection for laboratory tests and online counselling, were also implemented during the course of the year.



KPCL got approval as a ‘Workplace Vaccination Centre’ and ensured that all employees including trainees, contractual labour were fully vaccinated in-house against COVID-19 through its #Project JABit.

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 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 2021-22.

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 29<sup>th</sup> December, 2021 for a period of 3 years with effect from 1<sup>st</sup> January, 2022 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 6.50% (PY 6.90%) 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

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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. The last such survey conducted in the year 2020 captured a consolidated CSR satisfaction score of 95.40%. 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 recognising 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 PoSH 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 ISO 14001:2015 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.

KPCL is rich in biodiversity having 40 species of Birds & 85 species of trees. Each year tree plantation drive is undertaken & saplings are given to all employees for Plantation. In last five years more than 1,500 trees are planted in the campus - Covering more than 33 % of the total area. KPCL has a largest green wall in Asia.



### Carbon Sequestration

Carbon Sequestration through trees is one of the broader portfolio of carbon offset mechanisms in addition to the initiatives already taken to reduce the carbon footprint.

As per the report of Carbon Sequestration Assessment of Trees at KPCL, the trees at KPCL Hadapsar store 45.70 Ton of carbon with a potential sequestering 0.91 Ton per year.

As per the report of Carbon Sequestration Assessment of Trees at KPCL, the trees at KPCL Saswad store 108.92 Ton of carbon with a potential sequestering 1.09 Ton per year.

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) through the Program KaShi (Kanya Shiksha).

### 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.



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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 ₹ 14.5 Million on CSR initiatives during the year 2021-22.

### 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

# Auditor's Report

To the Members of  
Kirloskar Pneumatic Company Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Kirloskar Pneumatic Company Limited ("the Company"), which comprises the Balance Sheet as at 31<sup>st</sup> March 2022, the Statement of Profit and Loss (including the Statement of Other Comprehensive Income), the Statement of Changes in Equity, and the 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 financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid the financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under Section 133 of the Act read with Companies (Accounts) Rules, 2014 as amended ("Indian Accounting Standards") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March 2022, and profit and other comprehensive income and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial statements under the provisions of the Companies Act, 2013 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 opinion on the financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

### Revenue Recognition

(Refer note 19, 53.3.1 and 53.4.16 of the accompanying financial statements)

Company's revenue comprises of revenue from sale of goods as well as services, including cases where performance obligations are satisfied at a point in time as well as over a period of time.

Revenue recognition has been identified as a key audit matter since it involves management judgment and estimates, and the fact that it is considered to be key metric for evaluation of Company's performance.

Our audit procedures included the following:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal financial controls in relation to revenue recognition.
- Assessing the appropriateness of the accounting policies related to revenue recognition with reference to the applicable Indian Accounting Standards.
- Testing the revenue transactions recognised during the year by verification of underlying documents on a sample basis.
- Testing the appropriateness of contract classification, determination of the performance obligations and determination of transaction price including variable consideration for selected samples.
- Testing the supporting documents on a sample basis, for sales transactions recorded during the period closer to the year end to determine whether revenue was recognised in the appropriate period based on the terms of contract.
- Assessing the completeness and appropriateness of disclosures relating to revenue recognition as required by the applicable Indian Accounting Standards.

### Other Matter

The financial statements of the Company for the year ended March 31, 2021 were audited by another firm of Chartered Accountants under the Companies Act, 2013 who expressed an unmodified opinion, vide their separate reports on financial statements and financial results both dated April 29, 2021.

### Information Other than the financial statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Board's Report, including annexures

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thereto, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our 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.

### Responsibility of Management for the Financial Statements

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

In preparing the financial statements, 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the

scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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.

### Report on Other Legal and Regulatory Requirements

1. A statement on the matters specified in paragraphs 3 and 4 of the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, based on our audit we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.
  - d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March 2022 taken on record by the Board of Directors, none of the directors are disqualified as on 31<sup>st</sup> March 2022 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 pending litigations which may have an impact on its financial position. (Refer Note 41 to the financial statements).
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
    - iv.
      - a. The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
      - b. The management has represented that, to the best of its knowledge and belief, no funds have been received by the company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
      - c. Based on audit procedures, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

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- v. The Company has declared and paid dividend during the year in compliance of Section 123 of the Act.
  - vi. Requirement of mandatory audit trail in company accounting software is postponed to financial years commencing on or after the 1<sup>st</sup> April, 2022 specified in notification No. F. No.1/19/2013-CL-V Part III dated 1<sup>st</sup> April 2021 read along with notification No. G.S.R. 205(E) dated 24<sup>th</sup> March, 2021 issued by the Ministry of Corporate Affairs. Accordingly, reporting for the same is not applicable.
3. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **Kirtane & Pandit LLP**

Chartered Accountants

Firm Registration No.105215W/W100057

**Suhas Deshpande**

Partner

Membership No.: 031787

UDIN: 22031787AHZFQK2130

Pune, April 28, 2022

## Annexure “A” to the Independent Auditor’s Report

The annexure referred to in paragraph 1 in Report on Other Legal and Regulatory Requirements of the Independent Auditors’ Report to the members of the Company on the financial statements for the year ended 31<sup>st</sup> March 2022, we report that:

- (i) (a) (A) The Company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment.
- (a) (B) The Company has maintained proper records showing full particulars of Intangible Assets.
- (b) Property, Plant and Equipment of the Company have been physically verified by the management during the year, in accordance with their physical verification program, which is reasonable with regard to the size of the Company and nature of its assets. The discrepancies noticed during such verification were not material.
- (c) The title deeds of all immovable properties, as disclosed in Note 1 to the financial statements are held in the name of the Company.
- (d) The Company has not revalued its Property, Plant and Equipment (PPE) & intangible assets during the year. Accordingly, Clause 3(i) (d) of the Order regarding Revaluation of PPE and intangible assets is not applicable.
- (e) According to the information, explanations given and represented to us by the management of company, no proceedings have been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.
- (ii) (a) The physical verification of inventory has been conducted by the management at reasonable intervals, and the coverage and procedure of such verification by the management is appropriate. Inventory lying with third parties at the year-end have been confirmed by respective parties. Discrepancies of 10% or more in the aggregate for each class of inventory were not noticed by the management on such verification.
- (b) The Company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks on the basis of security of current assets. The quarterly returns/ statements filed by the company with such banks are in agreement with the books of account of the Company.
- (iii) During the year the company has made investments in several Mutual Fund schemes. According to the information and explanations provided to us, such investments are not prejudicial to the Company’s interest. (Paragraph 3(iii)(b) of the Order).
- Further, according to the information and explanations given to us and audit procedures performed, the Company has not provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, reporting under paragraph 3(iii)(a), 3(iii)(c), 3(iii)(d), 3(iii)(e), and 3(iii)(f) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us:
- a. The Company has not given loans or guarantees or provided securities which are covered by the provisions of Section 185 and 186 of the Act. Accordingly, paragraph 3(iv) of the Order is not applicable.
- b. In respect of investments made by the Company, provisions of section 186 of the Companies Act, 2013 have been complied with.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits or amounts which are deemed to be deposits from the public, hence the directives issued by the Reserve Bank of India and provisions of Section 73 to 76 or any other relevant provisions of the Act and the rules framed there under, are not applicable. Further, according to the information and explanations given to us, no order in this respect has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunals. Accordingly, reporting under paragraph 3(v) of the Order is not applicable.
- (vi) The Central Government has specified maintenance of cost records under Sub-Section (1) of Section 148 of the Act and we are of the opinion that prima facie such accounts and records are made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Value Added Tax, Duty of Customs, Duty of Excise, Service Tax, Goods & Services Tax, Employees’ State Insurance, Cess and any other material statutory dues have generally been deposited regularly during the year by the Company with appropriate authorities.
- According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31<sup>st</sup> March 2022 for a period of more than six months from the date they

A Kirloskar Group Company

became payable, other than dues of ₹ 27,682/- towards Provident Fund Contribution. However, these have been subsequently deposited, before the date of issue of this report.

- (b) Details of dues of Income Tax, Sales Tax, Service Tax, Excise Duty and Value Added Tax which have not been deposited as at March 31, 2022 on account of dispute are given below:

Sr No	Name of Statute	Nature of Dues	Authority where pending	Period to which it relates	Amount under dispute (₹ Million)
1	Income Tax Act, 1961	Provision for Pension scheme	High Court, Mumbai	FY 1996-97	6.97
2	Income Tax Act, 1961	Disallowance of expenses	CIT(A), Pune	FY 2015-16	6.13
3	Income Tax Act, 1961	Disallowance of expenses, Interest Under sec 234C and Interest on DDT (115P)	CIT(A), Pune	FY 2016-17	14.85
4	Income Tax Act, 1961	Disallowance of expenses	CIT(A), Pune	FY 2017-18	1.84
5	Central Excise Act, 1944	Inadmissible/Excess cenvat credit	Assistant Commissioner CGST, Pune	August 2013 to July 2016	0.01
6	Central Excise Act, 1944	Incorrect availment of lower duty rate due to classification of compressor, Gears, Gear Boxes and parts thereof	Appeal with CESTAT, Mumbai	FY 2016-17 to FY 2017-18	70.24 (*)
7	Customs Act, 1962	Non-compliance of conditions for availing concessional rate of duty	Assistant Commissioner (Customs)-Mumbai	FY 1997-98	1.45
8	Customs Act, 1962	Incorrect availment of lower duty rate due to classification of goods	Joint Commissioner of Customs, (Audit), NHC, Mumbai	FY 2017-18	0.52
9	Central Sales Tax Act, 1956	Non-production of concessional tax rate forms	Joint Commissioner Appeals, Sales Tax Tribunal	FY 1992-93 FY 2012-13 FY 2013-14 FY 2014-15 FY 2015-16 FY 2016-17	0.18 (*) 7.56 (*) 5.26 (*) 5.71 (*) 7.12 (*) 11.99 (*)
10	Central Sales Tax Act, 1956	Demand under Works Contract Tax	Joint Commissioner Appeals, Sales Tax Tribunal	FY 1985-86 to 1987-88	0.59 (*)

\*Note: Includes amounts paid under protest

- (viii) According to the information and explanations given to us and as represented by management, there are no transactions which are not recorded in the books of account, and which have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961.
- (ix) Based on representation given by the management of the company and according to the information and explanations given to us-
- The Company has not defaulted in the repayment of loans or other borrowing or in the payment of interest thereon to any lender.
  - The company has not been declared wilful defaulter by any bank or financial institute or government or any government authority.
  - The Company has not obtained any new term loans during the year. Accordingly reporting under paragraph 3(ix)(c) is not applicable.
- On an overall examination of the financial statements of the company, we report that the Company has not used funds raised on short term basis for long term purposes.
  - The Company does not have any subsidiary, associates & joint venture during the year. Accordingly reporting under paragraph 3(ix)(e) and 3(ix)(f) is not applicable.
- (x) In our opinion and according to the information and explanations given to us:
- The Company has not raised money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, reporting under paragraph 3(x)(a) of the Order is not applicable.
  - The Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures during the year and hence reporting under clause 3(x)(b) of the Order is not applicable to the Company.

- (xi) Based upon the audit procedures performed for the purpose of reporting upon the true and fair view of the financial statements, to the best of our knowledge and according to the information and explanations given to us:
- No fraud by the Company or any fraud on the Company has been noticed or reported during the period, nor have we been informed of any such case by the Management.
  - No report under Section 143(12) of the Act in Form ADT-4 has been filed during the year.
  - No whistle-blower complaints have been received by the Company during the year.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, reporting under paragraph 3(xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable Indian accounting standards.
- (xiv) In our opinion and according to the information and explanations given to us,
- The Company's internal audit system is commensurate with the size and nature of its business.
  - Reports submitted by the internal auditor during the year have been considered during the course of our audit.
- (xv) In our opinion and according to the information and explanations given to us, during the year, the Company has not entered into any non-cash transactions with its directors or persons connected with them. Accordingly, reporting under paragraph 3(xv) of the Order is not applicable.
- (xvi) In our opinion and according to the information and explanations given to us,
- The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.
  - The Company has not conducted any Non-Banking Financial or Housing Finance activities during the year.
  - The company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, reporting under paragraph 3(xvi)(c) and 3(xvi)(d) of the Order is not applicable.
- (xvii) The Company has not incurred any cash loss during the financial year ended on 31<sup>st</sup> March 2022 and the immediately preceding financial year. Accordingly, reporting under paragraph 3(xvii) of the Order is not applicable.
- (xviii) There has been no resignation of the statutory auditors during the year and accordingly, reporting under paragraph 3(xviii) of the Order is not applicable.
- (xix) In our opinion and according to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statement, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.
- (xx) In our opinion and according to the information and explanations given to us:
- In respect of other than ongoing projects, there is no unspent amount that would be required to be transferred to a Fund specified in Schedule VII to the Act within a period of six months of the expiry of the financial year in compliance with second proviso to section 135(5) of the said Act. Accordingly, reporting under paragraph 3(xx) of the Order is not applicable.
  - There are no unspent amounts with respect to ongoing projects that would be required to be transferred to a special account in compliance of provisions of Section 135(6) of the Act.
- (xxi) In our opinion and according to the information and explanations given to us, the company does not have any subsidiaries, associates and joint ventures during the year. Hence, the Company is not required to prepare Consolidated Financial Statements. Accordingly, reporting under paragraph 3(xxi) of the Order is not applicable.

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

**Suhas Deshpande**  
Partner  
Membership No.: 031787  
UDIN: 22031787AHZFK2130  
Pune, April 28, 2022



## Annexure “B” to The Independent Auditor’s Report

The annexure as referred to in paragraph 2(f) in Report on Other Legal and Regulatory Requirements of the Independent Auditors’ Report to the members of the Company on the financial statements for the year ended 31<sup>st</sup> March 2022

### Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Kirloskar Pneumatic Company Limited (“the Company”) as of March 31, 2022 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management’s Responsibility for Internal Financial Controls

The Company’s management and Board of Directors are 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. 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 respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements

and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

### Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

For **Kirtane & Pandit LLP**

Chartered Accountants

Firm Registration No.105215W/W100057

**Suhas Deshpande**

Partner

Membership No.: 031787

UDIN: 22031787AHZFQK2130

Pune, April 28, 2022

### 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, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, 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.

A Kirloskar Group Company

# Balance Sheet

as at 31<sup>st</sup> March 2022

₹ in Million

	Note No.	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>ASSETS</b>			
<b>(1) NON-CURRENT ASSETS</b>			
(a) Property, Plant and Equipment	1	2,272.55	1,724.41
(b) Capital work-in-progress	1A	52.11	41.88
(c) Other Intangible Assets	2	21.10	25.76
(d) Intangible Assets Under Development	2A	56.87	37.33
(e) Financial Assets			
(i) Investments	3	789.08	619.28
(ii) Loans	5	-	0.08
(iii) Others	6	25.07	28.49
(f) Other Non-Current Assets	8	1.99	2.02
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,218.77</b>	<b>2,479.25</b>
<b>(2) CURRENT ASSETS</b>			
(a) Inventories	9	2,027.53	1,143.74
(b) Financial Assets			
(i) Investments	3	1,265.69	1,613.43
(ii) Trade Receivables	4	2,988.28	3,080.99
(iii) Cash and Cash Equivalents	10	356.70	445.66
(iv) Bank Balance other than (iii) above	10	31.31	77.92
(v) Others	6	9.02	13.72
(c) Other Current Assets	8	349.07	389.15
<b>TOTAL CURRENT ASSETS</b>		<b>7,027.60</b>	<b>6,764.61</b>
<b>TOTAL ASSETS</b>		<b>10,246.37</b>	<b>9,243.86</b>
<b>EQUITY AND LIABILITIES</b>			
<b>(1) EQUITY</b>			
(a) Equity Share Capital	12	128.89	128.53
(b) Other Equity	13	6,455.73	5,757.91
<b>TOTAL EQUITY</b>		<b>6,584.62</b>	<b>5,886.44</b>
<b>(2) LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
(a) Financial Liabilities			
(i) Borrowings	14	-	375.00
(ii) Lease Liabilities		9.54	-
(iii) Other Financial Liabilities	16	0.87	0.87
(b) Provisions	17	61.14	60.49
(c) Deferred Tax Liabilities (Net)	7	54.17	32.88
(d) Other Non-Current Liabilities	18	-	0.89
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>125.72</b>	<b>470.13</b>
<b>CURRENT LIABILITIES</b>			
(a) Financial Liabilities			
(i) Borrowings		-	25.00
(Current Maturities of Long-Term Debt)			
(ii) Lease Liabilities		2.89	1.57
(iii) Trade Payables	15		
Due to Micro, Small and Medium Enterprises		390.86	285.61
Other Trade Payables		1,312.79	1,171.02
(iv) Other Financial Liabilities	16	641.49	695.54
(b) Other Current Liabilities	18	1,100.39	626.53
(c) Provisions	17	59.76	39.72
(d) Current Tax Liabilities (Net)	11	27.85	42.30
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,536.03</b>	<b>2,887.29</b>
<b>TOTAL LIABILITIES</b>		<b>3,661.75</b>	<b>3,357.42</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,246.37</b>	<b>9,243.86</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 Kirtane & Pandit LLP  
Chartered Accountants  
Firm Registration No. 105215W / W100057

K. Srinivasan  
Managing Director  
DIN - 00088424

Rahul C. Kirloskar  
Executive Chairman  
DIN - 00007319

Suhas Deshpande  
Partner  
Membership No. 031787

Jitendra Shah  
Company Secretary

Suhas S. Kolhatkar  
Vice President & Chief Financial Officer

Pune, April 28, 2022

Pune, April 28, 2022

# Statement of Profit and Loss

for the year ended 31<sup>st</sup> March, 2022

₹ in Million

	Note No.	2021-22	2020-21
<b>INCOME :</b>			
I Revenue from Operations	19	10,211.73	8,232.64
II Other Income	20	123.24	101.16
<b>III TOTAL INCOME ( I + II )</b>		<b>10,334.97</b>	<b>8,333.80</b>
<b>IV EXPENSES :</b>			
Cost of Materials Consumed	21	5,916.15	4,312.02
Changes in Inventories of Finished Goods and Work-in-Progress	22	(313.05)	195.32
Employee Benefits Expenses	23	1,294.85	1,132.00
Finance Costs	24	21.08	16.93
Depreciation and Amortization Expense	25	352.16	375.91
Other Expenses	26	1,922.54	1,462.84
<b>TOTAL EXPENSES</b>		<b>9,193.73</b>	<b>7,495.02</b>
V Profit before Exceptional Items and Tax ( III - IV )		1,141.24	838.78
VI Exceptional Items		-	-
VII Profit Before Tax ( V-VI )		1,141.24	838.78
VIII Tax Expense :	46		
Current Tax ( Net of ₹ 1.87 Million in respect of earlier years Previous Year - ₹ 6.43 Million )		289.94	205.00
Deferred Tax		2.06	(4.64)
		292.00	200.36
<b>IX Profit for the Year ( VII-VIII)</b>		<b>849.24</b>	<b>638.42</b>
<b>X Other Comprehensive Income ( OCI )</b>			
a) Items that will not be reclassified to profit or loss			
i) Re-measurement of net Defined Benefit Obligation		(11.60)	5.09
ii) Equity Instruments through Other Comprehensive Income		169.69	305.80
		158.09	310.89
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		2.92	(1.28)
ii) Taxes on Equity Instruments through Other Comprehensive Income		(19.22)	(31.41)
		(16.30)	(32.69)
<b>Total Other Comprehensive Income</b>		<b>141.79</b>	<b>278.20</b>
<b>Total Comprehensive Income for the period ( IX + X )</b>		<b>991.03</b>	<b>916.62</b>
<b>(Comprising Profit and Other Comprehensive Income for the period)</b>			
Earning per Share : [ nominal value per share ₹ 2/- ]			
(1) Basic ₹		13.19	9.94
(2) Diluted ₹		13.12	9.94
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 **Kirtane & Pandit LLP**  
Chartered Accountants  
Firm Registration No. 105215W / W100057

**K. Srinivasan**  
Managing Director  
DIN - 00088424

**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**Suhas Deshpande**  
Partner  
Membership No. 031787

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, April 28, 2022

Pune, April 28, 2022

# Statement of Changes in Equity

for the year ended 31<sup>st</sup> March, 2022

## A : EQUITY SHARE CAPITAL

₹ in Million

Financial Year	Balance at the beginning of the period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the previous reporting period	Changes in Equity Share Capital during the year (Net)	Balance at the end of the period
2021-22	128.53	-	N.A.	0.36	128.89
2020-21	128.44	-	N.A.	0.09	128.53

## B : OTHER EQUITY

### (1) Current Reporting Period

₹ in Million

	Reserves and Surplus				Equity Instruments through Other Comprehensive Income	Total
	Securities Premium	General reserve	Retained Earnings	Share Based Payment		
Balance as on 1 April 2021	60.01	4,500.00	620.91	26.90	550.09	5,757.91
Profit for the year	-	-	849.24	-	-	849.24
Other Comprehensive Income for the year - Fair Valuation Net of Tax	-	-	-	-	150.47	150.47
Other Comprehensive Income for the year - Actuarial Gain/(Loss) - Net of Tax	-	-	(8.68)	-	-	(8.68)
Dividend Paid	-	-	(225.21)	-	-	(225.21)
Interim Dividend	-	-	(103.07)	-	-	(103.07)
Transfer from Share Based Payment	11.44	-	-	(11.44)	-	-
For the Year	21.00	-	-	14.07	-	35.07
Transfer from retained earnings	-	500.00	(500.00)	-	-	-
Balance as on 31 March 2022	92.45	5,000.00	633.19	29.53	700.56	6,455.73

### (2) Previous Reporting Period

₹ in Million

	Reserves and Surplus				Equity Instruments through Other Comprehensive Income	Total
	Securities Premium	General reserve	Retained Earnings	Share Based Payment		
Balance as on 1 April 2020	51.82	3,800.00	678.68	11.57	275.70	4,817.77
Profit for the year	-	-	638.42	-	-	638.42
Other Comprehensive Income for the year - Fair Valuation	-	-	-	-	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)	-	-	-
Balance as on 31 March 2021	60.01	4,500.00	620.91	26.90	550.09	5,757.91

As per our attached report of even date.

For and on behalf of The Board of Directors

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

**K. Srinivasan**  
Managing Director  
DIN - 00088424

**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**Suhas Deshpande**  
Partner  
Membership No. 031787

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, April 28, 2022

Pune, April 28, 2022

# Cash Flow Statement

for the year ended 31<sup>st</sup> March, 2022

₹ in Million

	2021-2022	2020-2021
<b>A) Cash Flow From Operating Activities</b>		
Profit Before Tax	1,141.24	838.78
Adjustments for :		
Depreciation and amortisation expense	352.16	375.91
Interest income	(0.29)	(7.66)
Unwinding of Interest on Security Deposits	(1.28)	(1.27)
Share Based Payment	14.07	18.14
Dividend income	(14.51)	(5.51)
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit or Loss	(40.23)	(68.44)
Loss/(gain) on Sale of Investments	(31.59)	(8.26)
Loss/(gain) on disposal of property, plant and equipment	(17.22)	(5.20)
Finance costs	21.08	16.93
Bad Debts	17.26	2.07
<b>Operating profit before working capital adjustments</b>	<b>1,440.69</b>	<b>1,155.49</b>
<b>Working capital adjustments</b>		
(Increase)/decrease in trade receivables	75.45	(1,192.06)
(Increase)/decrease in inventories	(883.79)	448.28
(Increase)/decrease in other financial assets	13.80	29.24
(Increase)/decrease in other non-financial assets	36.68	(88.73)
Increase/(decrease) in trade payables	247.02	84.34
Increase/(decrease) in financial liabilities	(61.91)	168.38
Increase/(decrease) in non-financial liabilities	472.97	140.27
Increase/(decrease) in provisions	9.09	(14.73)
<b>Cash generated from operations</b>	<b>1,350.00</b>	<b>730.48</b>
Income taxes paid	(259.16)	(164.00)
<b>Net cash inflow from operating activities</b>	<b>1,090.84</b>	<b>566.48</b>
<b>B) Cash flow from investing activities</b>		
Payments for property, plant and equipment, intangible assets	(916.96)	(36.48)
Proceeds from sale of property, plant and equipment, intangible assets	25.11	8.56
Sale / Redemption of Investments	718.90	457.13
Purchase of Investments	(299.46)	(930.11)
Interest income	0.29	6.92
Dividend income	14.51	5.51
<b>Net cash outflow from investing activities</b>	<b>(457.61)</b>	<b>(488.46)</b>
<b>C) Cash flow from financing activities</b>		
Proceeds from issuance of share capital	21.36	5.47
Repayment of borrowings	(400.00)	(283.09)
Proceeds from borrowings	-	400.00
Finance costs	(17.33)	(18.12)
Lease Payments	(2.51)	(2.40)
Dividends paid (including dividend distribution tax)	(323.71)	(3.72)
<b>Net cash outflow from financing activities</b>	<b>(722.19)</b>	<b>98.14</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(88.96)</b>	<b>176.16</b>
Cash and cash equivalents at beginning of the financial year	445.66	269.50
Cash and cash equivalents at end of the financial year	356.70	445.66

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

**K. Srinivasan**  
Managing Director  
DIN - 00088424

**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**Suhas Deshpande**  
Partner  
Membership No. 031787

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, April 28, 2022

Pune, April 28, 2022

A Kirloskar Group Company

# Notes to the Financial Statements

for the year ended 31st March, 2022

## NOTE 1: PROPERTY, PLANT AND EQUIPMENT :

PARTICULARS	PROPERTY, PLANT AND EQUIPMENT											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		TOTAL
								VEHICLES	COMPRESSION FACILITY				
<b>Gross Carrying Amount</b>	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	
<b>As at 01/04/2020</b>	-	1.24	53.71	0.77	0.73	1.69	4.14	-	-	-	62.28	43.30	
Additions	-	-	-	-	-	-	3.19	35.30	-	-	38.49	73.23	
Deductions and adjustments	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Gross Carrying Amount</b>	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	
<b>As at 31/03/2021</b>	-	73.38	339.21	17.80	13.84	13.62	200.72	64.74	67.27	3.29	793.87	-	
<b>Accumulated Depreciation</b>	-	-	-	-	-	-	-	-	-	-	-	-	
<b>As at 01/04/2020</b>	-	15.80	98.76	5.95	3.06	3.24	98.89	2.32	134.54	3.29	365.85	-	
Depreciation for the year	-	-	-	-	-	-	2.92	32.21	-	-	35.13	-	
Deductions and Adjustments	-	89.18	437.97	23.75	16.90	16.86	296.69	34.85	201.81	6.58	1,124.59	-	
<b>Accumulated Depreciation up to 31/03/2021</b>	-	413.69	566.63	29.18	6.30	17.48	421.35	3.61	261.28	2.73	1,724.41	41.88	
<b>Net Carrying Amount</b>	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	
<b>As at 01/04/2021</b>	602.91	78.17	150.90	27.08	3.99	4.25	10.17	-	-	17.66	895.13	887.70	
Additions	-	2.96	29.13	0.18	2.65	10.74	43.31	38.46	-	-	127.43	877.47	
Deductions and adjustments	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Gross Carrying Amount</b>	605.07	578.08	1,126.37	79.83	24.54	27.85	684.90	-	463.09	26.97	3,616.70	52.11	
<b>As at 31/03/2022</b>	-	89.18	437.97	23.75	16.90	16.86	296.69	34.85	201.81	6.58	1,124.59	-	
<b>Accumulated Depreciation</b>	-	-	-	-	-	-	-	-	-	-	-	-	
<b>As at 01/04/2021</b>	-	14.13	113.49	6.27	2.76	3.05	95.44	1.03	99.60	3.33	339.10	-	
For the year	-	2.96	28.18	0.18	2.65	9.33	40.36	35.88	-	-	119.54	-	
Deductions and Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Accumulated Depreciation up to 31/03/2022</b>	-	100.35	523.28	29.84	17.01	10.58	351.77	-	301.41	9.91	1,344.15	-	
<b>Net Carrying Amount</b>	605.07	477.73	603.09	49.99	7.53	17.27	333.13	-	161.68	17.06	2,272.55	52.11	
<b>As at 31/03/2022</b>	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	
<b>Net Carrying Amount</b>	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	
<b>As at 31/03/2021</b>	-	-	-	-	-	-	-	-	-	-	-	-	

Title deeds of immovable properties are held in name of the Company. For charge on property, plant &amp; equipment - see Note 50.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 1A : Capital-Work-in Progress (CWIP) :

### i) CWIP aging schedule :

₹ in Million

CWIP	As at 31 <sup>st</sup> March, 2022				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	28.89	-	-	23.22	52.11
Projects temporarily suspended	N.A.	N.A.	N.A.	N.A.	-

₹ in Million

Intangible assets under development	As at 31 <sup>st</sup> March, 2021				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	18.66	-	-	23.22	41.88
Projects temporarily suspended	N.A.	N.A.	N.A.	N.A.	-

Cost of CWIP reflected as more than 3 years represent RoadRailer assets not commissioned and deployed for use. The same is expected to be capitalised in due course as and when the need arises. Completion of these assets is neither overdue nor the cost of which has exceeded its original plan.

## NOTE 2 : OTHER INTANGIBLE ASSETS :

₹ in Million

PARTICULARS	OTHER INTANGIBLE ASSETS			INTANGIBLE ASSETS UNDER DEVELOPMENT
	SOFTWARES	TECHNICAL KNOW HOW	TOTAL	
Gross Carrying Amount As at 01/04/2020	18.85	136.43	155.28	20.34
Additions	0.62	-	0.62	17.61
Deductions and adjustments	-	-	-	0.62
Gross Carrying Amount As at 31/03/2021	19.47	136.43	155.90	37.33
Accumulated Depreciation As at 01/04/2020	16.86	103.22	120.08	-
For the year	2.09	7.97	10.06	-
Deductions and Adjustments	-	-	-	-
Accumulated Depreciation up to 31/03/2021	18.95	111.19	130.14	-
Net Carrying Amount as at 31/03/2021	0.52	25.24	25.76	37.33
Gross Carrying Amount As at 01/04/2021	19.47	136.43	155.90	37.33
Additions	8.40	-	8.40	27.94
Deductions and adjustments	-	-	-	8.40
Gross Carrying Amount As at 31/03/2022	27.87	136.43	164.30	56.87
Accumulated Depreciation As at 01/04/2021	18.95	111.19	130.14	-
For the year	5.09	7.97	13.06	-
Deductions and Adjustments	-	-	-	-
Accumulated Depreciation up to 31/03/2022	24.04	119.16	143.20	-
Net Carrying Amount As at 31/03/2022	3.83	17.27	21.10	56.87
Net Carrying Amount As at 31/03/2021	0.52	25.24	25.76	37.33

The remaining amortisation period for Technical Know How of Compressor Technology is 26 months.



# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 2A : Capital-Work-in Progress (CWIP) :

### i) Intangible assets under development aging schedule :

₹ in Million

Intangible assets under development	As at 31 <sup>st</sup> March, 2022				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	19.57	37.30	-	-	56.87
Projects temporarily suspended	N.A.	N.A.	N.A.	N.A.	-

₹ in Million

Intangible assets under development	As at 31 <sup>st</sup> March, 2021				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	37.33	-	-	-	37.33
Projects temporarily suspended	N.A.	N.A.	N.A.	N.A.	-

## NOTE 3 : INVESTMENTS ( NON CURRENT ) :

	Face Value ₹	As at 31 <sup>st</sup> March, 2022		As at 31 <sup>st</sup> March, 2021	
		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	0.05	201,988	0.04
UTI Hybrid Equity Fund Regular Dividend Plan	10	9,962,865	0.33	9,359,315	0.27
Reinvestment					
UTI Mastershare Unit Scheme- Regular Dividend Payout	10	3,300	0.14	3,300	0.12
			<b>0.52</b>		<b>0.43</b>
In Debentures and Bonds :					
Quoted :					
12.5% Secured Redeemable Partly Convertible Debentures of ₹100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of ₹ 44/- per Debenture - matured on 01.06.1998 awaiting realisation	100	25,000	0.00 *	25,000	0.00 *
<b>Total Fair Value through Profit or Loss ( FVTPL )</b>			<b>0.52</b>		<b>0.43</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	4,87,500	42.90	4,87,500	5.36
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	2,25,000	152.78	2,25,000	125.10
			<b>198.23</b>		<b>133.01</b>
(Carried Over ₹)			<b>198.75</b>		<b>133.44</b>

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 3 : INVESTMENTS ( NON CURRENT ) : (Contd...)

	Face Value ₹	As at 31 <sup>st</sup> March, 2022		As at 31 <sup>st</sup> March, 2021	
		Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
*Value less than ₹ Ten Thousand (Brought Over ₹)			198.75		133.44
Other, Quoted :					
The Mysore Kirloskar Ltd.	10	1,00,000	0.00 *	1,00,000	0.00 *
Kirloskar Industries Ltd.	10	200	0.31	200	0.25
Housing Development Finance Corporation Ltd.	2	46,990	112.32	46,990	117.37
Kirloskar Investment and Finance Ltd.	10	3,75,000	0.00 *	3,75,000	0.00 *
ICICI Bank Limited	2	55,324	40.40	55,324	32.20
Kirloskar Ferrous Industries Ltd.	5	20,00,000	429.70	20,00,000	328.30
HDFC Bank Ltd.	1	5,000	7.35	5,000	7.46
Punjab National Bank	2	7,000	0.25	7,000	0.26
			590.33		485.84
<b>Total Fair Value through Other Comprehensive Income (FVTOCI)</b>			788.56		618.85
<b>Total</b>			<b>789.08</b>		<b>619.28</b>
*Value less than ₹ Ten Thousand					
Aggregate Cost of acquisition of Quoted Investments			28.01		27.98
Aggregate Market Value of Quoted Investments			590.85		486.27
Aggregate Cost of acquisition of Un-Quoted Investments			9.59		9.59
Aggregate Fair Value of Un-Quoted Investments			198.23		133.01
Aggregate Amount of Impairment in the Value of Investments			7.40		7.40

## NOTE 3 : INVESTMENTS ( CURRENT ) :

	Face Value ₹	As at 31 <sup>st</sup> March, 2022		As at 31 <sup>st</sup> March, 2021	
		Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
<b>At Fair Value through Profit or Loss (FVTPL)</b>					
ICICI Prudential Fixed Maturity Plan Series 82- Plan F Direct Cumulative		-	-	2,50,00,000.000	321.80
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		-	-	3,04,034.312	100.80
Kotak Liquid Fund Direct Plan Growth		-	-	22,121.058	92.00
HDFC FMP Direct Growth Series 42		1,00,00,000.000	137.88	1,00,00,000.000	128.18
Axis Banking & PSU Debt Fund Growth		18,185.959	38.93	18,185.959	37.45
Franklin India Ultra Short Bond Fund Super Inst. Plan - Direct Growth		44,840.730	1.51	9,17,020.150	27.42
Axis Treasury Advantage Fund Direct Growth		25,979.555	67.29	25,979.555	64.50
IDFC Banking & PSU Debt Fund Direct Plan Growth		44,79,057.606	91.37	44,79,057.606	87.52
HDFC Liquid Fund Direct Plan Growth		65,546.018	274.29	65,546.018	265.17
SBI Liquid Fund Direct Plan Growth		75,031.307	250.09	88,471.347	285.02
ICICI Liquid Fund Direct Plan Growth		12,82,540.823	404.33	3,00,879.819	91.69
<b>Total</b>			<b>1,265.69</b>		<b>1,613.43</b>
Aggregate Cost of acquisition of Quoted Investments			1,172.15		1,477.44
Aggregate Market Value of Quoted Investments			1,265.69		1,613.43
Aggregate Cost of acquisition of Un-Quoted Investments			-		-
Aggregate Amount of Impairment in the Value of Investments			-		-

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 4 : TRADE RECEIVABLES :

	₹ in Million	
	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Undisputed Considered Good ( Refer Note 34 (2a) )	2,988.28	3,080.99
Having significant increase in Credit Risk	-	-
<b>Total</b>	<b>2,988.28</b>	<b>3,080.99</b>
Non Current	-	-
Current	2,988.28	3,080.99
Debts due from Private Companies in which Director is a Director or a Member	-	-
For charge on Trade Receivables - see Note 50		

## NOTE 5 : LOANS :

	₹ in Million	
	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Unsecured Considered Good		
Loan To Employees ( Non Current )	-	0.08
<b>Total</b>	<b>-</b>	<b>0.08</b>
Non Current	-	0.08

## NOTE 6 : OTHER FINANCIAL ASSETS :

	₹ in Million	
	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Unsecured Considered Good		
Security Deposits (Non Current)	25.07	28.49
Security Deposits (Current)	8.00	11.97
Other Assets	1.02	1.75
<b>Total</b>	<b>34.09</b>	<b>42.21</b>
Non Current	25.07	28.49
Current	9.02	13.72
Includes amount due from Related party	15.27	18.87

## NOTE 7 : DEFERRED TAX ASSETS / (LIABILITY) :

	₹ in Million	
	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Deferred Tax Assets	27.88	28.77
Deferred Tax Liabilities (Refer Note no. 46)	82.05	61.65
<b>Total</b>	<b>(54.17)</b>	<b>(32.88)</b>

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 8 : OTHER ASSETS :

₹ in Million

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Unsecured Considered Good		
Advances to Supplier of Capital Goods ( Current )	1.32	-
Other Assets ( Non Current )	1.99	2.02
GST Balances ( Current )	103.93	104.38
Other Assets ( Current )	243.82	284.77
<b>Total</b>	<b>351.06</b>	<b>391.17</b>
Non Current	1.99	2.02
Current	349.07	389.15
Other Non Current Assets includes amount due from Related party	-	-
Other Current Assets includes amount due from Related party	-	-

## NOTE 9 : INVENTORIES :

₹ in Million

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Raw Materials	1,309.06	726.73
[ Includes ₹ 1.25 Million ( 31 <sup>st</sup> March 2021 ₹ 0.85 Million ) in transit ]		
Work-in-progress	625.64	272.18
Finished Goods, at cost or net realisable value whichever is lower	78.46	118.87
Stores & Spares	14.37	25.96
<b>Total</b>	<b>2,027.53</b>	<b>1,143.74</b>
For charge on Inventories - see Note 50		

## NOTE 10 : CASH AND CASH EQUIVALENTS :

₹ in Million

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>a) CASH AND CASH EQUIVALENTS :</b>		
Cash on hand	0.08	0.05
Balances with Banks :		
In Current Accounts	356.50	445.50
In Fixed Deposits	0.12	0.11
<b>Total</b>	<b>356.70</b>	<b>445.66</b>
<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	28.98	24.41
For Fractional Entitlement	2.33	2.33
<b>Total</b>	<b>31.31</b>	<b>77.92</b>

## NOTE 11 : CURRENT TAX ASSET / ( LIABILITY ) - NET :

₹ in Million

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Advance Tax Paid	261.04	157.54
Less : Provision for Tax	288.89	199.84
<b>Total</b>	<b>(27.85)</b>	<b>(42.30)</b>

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 12 : EQUITY SHARE CAPITAL :

	₹ in Million	
	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>AUTHORISED :</b>		
Opening Balance :		
187.50 Million Equity Shares of ₹2/- each	375.00	375.00
Changes during the Year	-	-
Closing Balance :	375.00	375.00
<b>ISSUED AND SUBSCRIBED :</b>		
Opening Balance :		
64.267 Million ( Previous year 64.22 Million ) Equity Shares of ₹ 2/- each	128.53	128.44
Issued during the year		
0.178 Million ( Previous year 0.046 Million ) Equity Shares of ₹ 2/- each	0.36	0.09
Closing Balance :		
64.445 Million Equity Shares of ₹ 2/- each	128.89	128.53
<b>PAID UP :</b>		
Opening Balance :		
64.267 Million ( Previous year 64.22 Million ) Equity Shares of ₹ 2/- each	128.53	128.44
Addition during the year		
0.178 Million ( Previous year 0.046 Million ) Equity Shares of ₹ 2/- each	0.36	0.09
Closing Balance :		
64.445 Million Equity Shares of ₹ 2/- each	128.89	128.53

## Rights attached to Equity Shares :

The Company has one class of equity shares having a par value of ₹ 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.

	in Million	
Shareholder holding more than 5%	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
	Nos. Face Value of ₹ 2/-	Nos. Face Value of ₹ 2/-
a) Mr. Rahul C. Kirloskar	7.49 11.63%	7.49 11.66%
b) Mr. Atul C. Kirloskar	6.11 9.47%	6.11 9.50%
c) Kirloskar Industries Ltd.	6.42 9.97%	6.42 9.99%
d) Ms. Jyotsna Gautam Kulkarni	4.66 7.24%	4.66 7.26%
e) Nippon Life India Trustee Limited (Formerly Reliance Capital Trustee Co. Limited)	4.15 6.44%	4.16 6.47%
f) HDFC Trustee Co. Ltd.	-	5.74 8.93%

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 12 : EQUITY SHARE CAPITAL : (Contd..)

### Shareholding of Promoters :

Sr. No	Promoter Name	Shares held by promoters at the end of the year		% Change during the year (with respect to number of shares at the beginning of the year)	% Change during the year (with respect to number of shares at the end of the year) *
		No of Shares	% of total shares		
1	Rahul Chandrakant Kirloskar	74,93,650	11.63	Nil	-0.03
2	Atul Chandrakant Kirloskar	61,05,023	9.47	Nil	-0.03
3	Jyotsna Gautam Kulkarni	46,62,637	7.24	Nil	-0.02
4	Vikram Shreekant Kirloskar	31,010	0.05	Nil	0.00
5	Sanjay Chandrakant Kirloskar	3,155	0.00	Nil	0.00
6	Ambar Gautam Kulkarni	23,31,319	3.62	Nil	-0.01
7	Nihal Gautam Kulkarni	23,31,319	3.62	Nil	-0.01
8	Aditi Atul Kirloskar	20,68,765	3.21	Nil	-0.01
9	Alpana Rahul Kirloskar	19,84,555	3.08	Nil	-0.01
10	Gauri Atul Kirloskar	6,89,753	1.07	Nil	0.00
11	Arti Atul Kirloskar	3,31,134	0.51	Nil	0.00
12	Alika Rahul Kirloskar	60,760	0.09	Nil	0.00
13	Mrinalini Shreekant Kirloskar	6,080	0.01	Nil	0.00
14	Suman Chandrakant Kirloskar	4,035	0.01	Nil	0.00
15	Alok Kirloskar	2,725	0.00	Nil	0.00
16	Pratima Sanjay Kirloskar	660	0.00	Nil	0.00
17	Rama Sanjay Kirloskar	625	0.00	Nil	0.00
18	Kirloskar Industries Ltd	64,22,990	9.97	Nil	-0.03
19	Achyut and Neeta Holdings and Finance Pvt Ltd	57,155	0.09	Nil	0.00
20	Alpak Investments Private Limited	580	0.00	Nil	0.00
21	Navsai Investments Private Ltd	580	0.00	Nil	0.00
<b>Total</b>		<b>3,45,88,510</b>	<b>53.67</b>		<b>-0.15</b>

\*The Company has allotted 178,000 equity shares of ₹ 2 each fully paid to its eligible employees under the ESOS schemes. Promoters' % share of holding has therefore undergone a change with respect to number of shares at the end of the year.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 13 : OTHER EQUITY :

	₹ in Million	
	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
<b>Securities Premium (Share Premium) Account:</b>		
As per last Account	60.01	51.82
Add : During the year	21.00	5.38
Add : Transferred from Share Based Payment Reserve	11.44	2.81
<b>Closing Balance</b>	<b>92.45</b>	<b>60.01</b>
<b>General Reserve :</b>		
Opening Balance / As per last Account	4,500.00	3,800.00
Add: Set aside this year	500.00	700.00
<b>Closing Balance</b>	<b>5,000.00</b>	<b>4,500.00</b>
<b>Share Based Payment Reserve :</b>		
Opening Balance / As per last Account	26.90	11.57
Add : During the year	14.07	18.14
Less : Transferred to Share Premium	11.44	2.81
<b>Closing Balance</b>	<b>29.53</b>	<b>26.90</b>
<b>Retained Earnings :</b>		
Opening Balance / As per last Account	620.91	678.68
Add : Transferred from Statement of Profit and Loss	849.24	638.42
Add : Transferred from Other Comprehensive Income - Net of Tax	(8.68)	3.81
<b>Total</b>	<b>1,461.47</b>	<b>1,320.91</b>
Less :		
Transfer to General Reserve	500.00	700.00
Dividend Paid	225.21	-
Interim Dividend	103.07	-
	<b>828.28</b>	<b>700.00</b>
<b>Closing Balance</b>	<b>633.19</b>	<b>620.91</b>
<b>Equity Instruments Through Other Comprehensive Income</b>		
Opening Balance / As per last Account	550.09	275.70
Add / (Less) FVTOCI Equity Investments - Change in Fair Value	150.47	274.39
<b>Closing Balance</b>	<b>700.56</b>	<b>550.09</b>
<b>Total</b>	<b>6,455.73</b>	<b>5,757.91</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.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 14 : BORROWINGS :

₹ in Million

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Borrowings - Other Secured (Refer Note No. 36 for Net Debt position)	-	375.00
<b>Total</b>	<b>-</b>	<b>375.00</b>
Non Current	-	375.00

During the year the Company has repaid in full Term Loan taken from ICICI Bank Ltd after the completion of a moratorium period of one year.

Previous Year - Non Current Borrowings 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.

For security Refer Note No.50

## NOTE 15 : TRADE PAYABLES :

₹ in Million

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Due to Micro, Small and Medium Enterprises	390.86	285.61
Other Trade Payables (Refer Note 34 ( 2d )	1,312.79	1,171.02
<b>Total</b>	<b>1,703.65</b>	<b>1,456.63</b>

## NOTE 16 : OTHER FINANCIAL LIABILITIES :

₹ in Million

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Deposit Received ( Non Current )	0.87	0.87
Unpaid Dividends ( Current )	28.98	24.41
Fractional Entitlement ( Current )	2.33	2.33
Interest Accrued ( Current )	9.04	5.29
Employee Related Liabilities ( Current )	113.94	117.87
Other Trade Liabilities ( Current )	202.11	256.80
Other Liabilities ( Current )	285.09	288.84
<b>Total</b>	<b>642.36</b>	<b>696.41</b>
Non Current	0.87	0.87
Current	641.49	695.54

## NOTE 17 : PROVISIONS :

₹ in Million

	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Provision for Employee Benefits		
Provision for Leave Encashment ( Non Current )	61.14	60.49
Provision for Leave Encashment ( Current )	33.28	31.19
Provision for Gratuity ( Current )	26.48	8.53
<b>Total</b>	<b>120.90</b>	<b>100.21</b>
Non Current	61.14	60.49
Current	59.76	39.72



# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 18 : OTHER LIABILITIES :

	₹ in Million	
	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Other Liabilities ( Non Current )	-	0.89
Advance from Customer ( Current )	976.68	395.00
Other Liabilities ( Current )	123.71	231.53
<b>Total</b>	<b>1,100.39</b>	<b>627.42</b>
Non Current	-	0.89
Current	1,100.39	626.53

## NOTE 19 : REVENUE FROM OPERATIONS :

	₹ in Million	
	2021-22	2020-21
<b>Sales and Services</b>		
Sale of Products	8,290.75	6,006.85
Sale of Services ( includes WCT sale ₹ 1,293.92 Mn, Previous Year ₹ 1,674.99 Mn )	1,570.09	1,864.35
Lease Income	290.92	276.55
	<b>10,151.76</b>	<b>8,147.75</b>
<b>Other Operating Revenue</b>		
Insurance Claim Received	1.58	1.13
Miscellaneous Receipts	55.71	59.49
Bad Debts / Liquidated Damages Recovered	2.68	24.27
	<b>59.97</b>	<b>84.89</b>
<b>Total</b>	<b>10,211.73</b>	<b>8,232.64</b>

## NOTE 20 : OTHER INCOME :

	₹ in Million	
	2021-22	2020-21
Dividend Income from Equity Investments designated at Fair Value through Other Comprehensive Income	14.48	4.99
Dividend Income from Mutual Fund Investments designated at Fair Value through Profit and Loss	0.03	0.52
Interest Received	0.29	7.66
Unwinding of Interest on Security Deposits	1.28	1.27
Miscellaneous Receipts	16.26	4.82
Surplus on Sale of Assets	19.08	5.20
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit and Loss	40.23	68.44
Gain on Sale of Investments	31.59	8.26
<b>Total</b>	<b>123.24</b>	<b>101.16</b>

## NOTE 21 : COST OF MATERIALS CONSUMED :

	₹ in Million	
	2021-22	2020-21
<b>Raw Materials (including components) consumed :</b>		
Stocks at commencement	726.73	972.24
Add : Purchases	6,498.48	4,066.51
	<b>7,225.21</b>	<b>5,038.75</b>
Less : Stocks at close	1,309.06	726.73
<b>Total</b>	<b>5,916.15</b>	<b>4,312.02</b>

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 22 : CHANGES IN INVENTORIES :

₹ in Million

	2021-22	2020-21
<b>(Increase) / Decrease in Stocks :</b>		
<b>Finished Goods</b>		
Stocks at close	78.46	118.87
Stocks at commencement	118.87	75.75
	<b>40.41</b>	<b>(43.12)</b>
<b>Work-in-Progress</b>		
Stocks at close	625.64	272.18
Stocks at commencement	272.18	510.62
	<b>(353.46)</b>	<b>238.44</b>
<b>Total</b>	<b>(313.05)</b>	<b>195.32</b>

## NOTE 23 : EMPLOYEE BENEFITS EXPENSES :

₹ in Million

	2021-22	2020-21
Salaries, Wages, Bonus, etc.	1,058.41	949.03
Incentive	29.69	24.95
Share Based Payment	14.07	18.14
Contribution to Provident and Other Funds, etc.	87.38	72.08
Welfare Expenses	105.30	67.80
<b>Total</b>	<b>1,294.85</b>	<b>1,132.00</b>

## NOTE 24 : FINANCE COSTS :

₹ in Million

	2021-22	2020-21
<b>Interest :</b>		
On Borrowings	20.64	16.64
On Lease	0.44	0.29
<b>Total</b>	<b>21.08</b>	<b>16.93</b>

## NOTE 25 : DEPRECIATION AND AMORTISATION EXPENSE :

₹ in Million

	2021-22	2020-21
Depreciation	339.10	365.85
Amortisation of intangible assets	13.06	10.06
<b>Total</b>	<b>352.16</b>	<b>375.91</b>

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 26 : OTHER EXPENSES :

	₹ in Million	
	2021-22	2020-21
Stores and Spares Consumed	153.68	98.49
Manufacturing Expenses ( includes Cost of Services )	863.69	687.53
Power, Fuel and Water	126.74	88.91
Building Repairs	41.64	34.04
Machinery Repairs	70.14	51.85
Sundry Repairs	19.94	12.15
Rent	13.38	10.58
Rates and Taxes	18.15	22.23
Insurance	23.36	23.70
Commission on Sales	12.84	17.67
Royalty	25.40	20.56
Travelling Expenses	59.47	32.18
Postage, Telephones, Telex Expenses	19.17	16.00
Bank Charges	19.86	21.18
Freight Outward	103.27	113.08
Vehicle Expenses	19.36	14.97
Printing and Stationery	5.77	3.33
Legal and Professional Charges	91.28	57.39
Advertisement and Publicity Expenses	25.78	1.78
Donations	-	3.50
Auditors' Remuneration	3.56	3.28
Directors' Fees and Travelling Expenses	15.58	11.07
Loss on Assets Sold	1.86	-
Bad Debts	17.26	2.07
CSR Expenditure	14.51	14.23
Miscellaneous Expenses	156.85	101.07
<b>Total</b>	<b>1,922.54</b>	<b>1,462.84</b>

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 27 : EMPLOYEE BENEFITS :

### i Defined Contribution Plans :

Amount of ₹ 56.98 Million (Previous Year ₹ 50.26 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, 2022	31 <sup>st</sup> March, 2021
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
<b>A. Amount to be recognised in balance sheet</b>		
Present value of defined benefit obligation	290.07	247.61
Less: Fair value of plan assets	263.59	239.09
Amount to be recognised as liability or (asset)	26.48	8.52
<b>B. Amounts reflected in the balance sheet</b>		
Liabilities	26.48	8.52
Assets	-	-
<b>Net liability / (assets)</b>	<b>26.48</b>	<b>8.52</b>

#### b) The amounts recognised in the statement of profit and loss are as follows :

	₹ in Million	
	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
<b>Employee benefit expenses</b>		
Current service cost	30.63	21.10
Past service cost	-	-
<b>Finance cost</b>		
Net interest (income)/expenses	(0.23)	0.71
Net periodic benefit cost recognised in the statement of profit and loss	30.40	21.81

#### c) The amounts recognised in the statement of other comprehensive income (OCI) :

	₹ in Million	
	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Opening amount recognised in OCI outside profit and loss account	36.50	41.59
2 Remeasurements for the year - obligation (gain)/loss	13.11	(4.47)
3 Remeasurements for the year - plan assets (gain) / loss	(1.51)	(0.62)
4 Total remeasurements cost / (credit) for the year recognised in OCI	11.60	(5.09)
5 Less: Accumulated balances transferred to retained earnings	11.60	(5.09)
Closing balances (remeasurements (gain) / loss recognised OCI)	48.10	36.50

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 27 : EMPLOYEE BENEFITS : (Contd..)

- 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, 2022	31 <sup>st</sup> March, 2021
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Present value of obligation as at the beginning of the period	247.61	232.54
2 Acquisition adjustment	-	-
3 Transfer in/ (out)	-	-
4 Interest expenses	15.08	13.71
5 Past service cost	-	-
6 Current service cost	30.63	21.10
7 Curtailment cost / (credit)	-	-
8 Settlement cost/ (credit)	-	-
9 Benefits paid	(16.36)	(15.27)
10 Remeasurements on obligation - (gain) / loss	13.11	(4.47)
Present value of obligation as at the end of the period	290.07	247.61

- e) The changes in the fair value of plan assets representing reconciliation of the opening and closing balances there of are as follows :

	₹ in Million	
	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Fair value of the plan assets as at beginning of the period	239.09	200.76
2 Acquisition adjustment	-	-
3 Transfer in/(out)	-	-
4 Interest income	15.31	13.00
5 Contributions	24.44	40.26
6 Mortality Charges and Taxes	(0.40)	(0.28)
7 Benefits paid	(16.36)	(15.27)
8 Amount paid on settlement	-	-
9 Return on plan assets, excluding amount recognized in Interest Income - gain / (loss)	1.51	0.62
10 Fair value of plan assets as at the end of the period	263.59	239.09
11 Actual return on plan assets	16.82	13.62
100% of total plan assets are managed by the insurer - Life Insurance Corporation of India.		

- f) Net interest (income) / expenses :

	₹ in Million	
	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Interest ( income) / expense – obligation	15.08	13.71
2 Interest (income) / expense – plan assets	(15.31)	(13.00)
3 Net interest (income) / expense for the year	(0.23)	0.71

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 27 : Employee benefits : (Contd..)

### 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 6.30% has been used for the valuation purpose.

### g) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) :

Gratuity:	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
Discount rate	6.90%	6.30%
Expected return on plan assets	6.30%	6.10%
Salary growth rate*	8.00%	7.00%
Attrition rate	9.00%	6.00%
Mortality table	IALM(2012-14) ult	IALM(2012-14) ult

\*The estimates of future salary increase considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors.

### h) General descriptions of defined benefit plans :

i) The Company expects to fund approximately ₹ 55 Million towards its gratuity plan in the year 2022-23.

### 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, 2022	31 <sup>st</sup> March, 2021
	<b>PVO of Gratuity</b>	
<b>1 Discount rate</b>		
Increase by 1%	277.13	235.08
Decrease by 1%	304.23	261.63
<b>2 Salary increase rate</b>		
Increase by 1%	301.30	259.27
Decrease by 1%	279.58	236.96
<b>3 Withdrawal rate</b>		
Increase by 1%	288.28	245.79
Decrease by 1%	291.95	249.60
<b>k) Expected Future Benefit Payments</b>		
Within the next 12 months	65.53	59.97
Between 2 & 5 years	132.16	94.42
Above 5 years	149.34	119.77

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 27 : Employee benefits : (Contd..)

### i) Average Duration :

Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal rate and interest rate) is 12.24 years ( PY 13.32 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.

##### 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.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 27 : Employee benefits : (Contd..)

a) The amounts recognised in balance sheet are as follows :

	₹ in Million	
	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
<b>A. Amount to be recognised in balance sheet</b>		
Present value of defined benefit obligation	94.42	91.68
Less: Fair value of plan assets	-	-
Amount to be recognised as liability or (asset)	<b>94.42</b>	<b>91.68</b>
<b>B. Amounts reflected in the balance sheet</b>		
Current Liabilities	33.28	31.19
Non Current Liabilities	61.14	60.49
<b>Total Liability</b>	<b>94.42</b>	<b>91.68</b>

b) The amounts recognised in the statement of profit and loss are as follows :

	₹ in Million	
	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
<b>Employee benefit expenses</b>		
Current service cost	12.86	11.62
<b>Finance cost</b>		
Net interest (income)/expenses	5.51	5.12
Remeasurements for the year - obligation (gain)/loss	(7.30)	(4.72)
Net cost recognised in the statement of profit and loss	<b>11.07</b>	<b>12.02</b>

c) 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, 2022	31 <sup>st</sup> March, 2021
1 Present value of obligation as at the beginning of the period	91.68	88.25
2 Acquisition adjustment	-	-
3 Transfer in/ (out)	-	-
4 Interest expenses	5.51	5.12
5 Past service cost	-	-
6 Current service cost	12.86	11.62
7 Curtailment cost / (credit)	-	-
8 Settlement cost/ (credit)	-	-
9 Benefits paid	(8.33)	(8.59)
10 Remeasurements on obligation - (gain) / loss	(7.30)	(4.72)
Present value of obligation as at the end of the period	<b>94.42</b>	<b>91.68</b>

d) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) :

	₹ in Million	
<b>Defined Benefit Plan - Compensated Absences:</b>	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
Discount rate	6.90%	6.30%
Expected average remaining working lives	7.76	9.44
Salary growth rate*	8.00%	7.00%
Attrition rate	9.00%	6.00%
Mortality table	IALM(2012-14) ult	IALM(2012-14) ult

\*The estimates of future salary increase considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors.



# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 27 : Employee benefits : (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, 2022	31 <sup>st</sup> March, 2021
	PVO of Compensated Absences	
<b>1 Discount rate</b>		
Increase by 1%	91.52	88.69
Decrease by 1%	97.50	94.88
<b>2 Salary increase rate</b>		
Increase by 1%	96.56	94.01
Decrease by 1%	92.36	89.46
<b>3 Availment rate</b>		
Increase by 1%	95.51	92.78
Decrease by 1%	93.25	90.49
<b>f) Expected Future Benefit Payments</b>		
Within the next 12 months	13.26	13.00
Between 2 & 5 years	27.74	20.27
Above 5 years	27.22	22.60

### g) Average Duration :

Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal rate and availment rate) is 7.76 years ( PY 5.87 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.

##### 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.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 27 : Employee benefits : (Contd..)

### 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.

## NOTE 28 : EMPLOYEE STOCK OPTIONS SCHEME - IND AS 102 :

The Company, during the year 2019-20, introduced 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 and April 29, 2021 granted 684,000 (Six lakhs eighty four thousand only) and 104,000 (One lakhs four thousand only) Options respectively 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 ₹ 2 (Indian Rupees two) each fully paid-up, in accordance with the terms and conditions of the Scheme.

Particulars	Grant date October 22, 2019		Grant date April 29, 2021	
	Vesting Date	Option Vested	Vesting Date	Option Vested
Vesting 1	Oct. 22, 2020	1,96,500	-	-
Vesting 2	Oct. 22, 2021	1,38,000	-	-

Options granted on April 29, 2021 are not yet eligible for vesting as on March 31, 2022.

Number and weighted average exercise prices of options granted, exercised and cancelled / expired during the financial year:

Options granted on October 22, 2019

Particulars	FY - 2021 - 22		FY - 2020 - 21	
	No. of Shares	Weighted average exercise price ₹	No. of Shares	Weighted average exercise price ₹
Options outstanding at the beginning of the year	6,01,400	120.00	6,84,000	120.00
Granted during the year	-	-	-	-
Forfeited / lapsed / surrendered during the year	40,000	120.00	35,500	120.00
Options vested during the year	1,48,000	120.00	1,96,500	120.00
Exercised during the year	1,78,000	120.00	45,600	120.00
Expired during the year	1,500	120.00	1,500	120.00
Options outstanding at the end of year	3,81,900	120.00	6,01,400	120.00
Options exercisable at the end of the year	1,17,900	120.00	1,49,400	120.00
Weighted average remaining contractual life	3.51 Years		4.00 Years	

\*Weighted average share price on the date of exercise is ₹ 372.63 (Previous Year ₹ 260.03)

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 28 : EMPLOYEE STOCK OPTIONS SCHEME - IND AS 102 : (Contd.)

Options granted on April 29, 2021

Particulars	FY - 2021 - 22		FY - 2020 - 21	
	No. of Shares	Weighted average exercise price ₹	No. of Shares	Weighted average exercise price ₹
Options outstanding at the beginning of the year	-	-	-	-
Granted during the year	1,04,000	190.00	-	-
Forfeited / lapsed / surrendered during the year	8,000	190.00	-	-
Options vested during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Options outstanding at the end of year	96,000	190.00	-	-
Options exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life	3.75 Years		N.A.	

### 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 ₹ 14.07 Million as employee compensation cost relating to share-based payment (Previous year ₹ 18.14 Million) in the Statement of Profit and Loss.

## NOTE 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 ₹ 234.61 Million ( Previous Year ₹ 165.67 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 ₹ 93.68 Million (Previous year ₹ 120.29 Million ).

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 30 : DETAILS OF OPERATING SEGMENT - IND AS 108 :

₹ in Million

Sr. No.	Particulars	2021-22			2020-21		
		COMPRESSION SYSTEMS	OTHER NON REPORTABLE SEGMENTS	TOTAL	COMPRESSION SYSTEMS	OTHER NON REPORTABLE SEGMENTS	TOTAL
<b>A.</b>	<b>Information about Operating Segment (See Note below)</b>						
<b>1</b>	<b>Segment Revenue</b>						
	Sales	9,609.46	602.27	10,211.73	7,853.48	379.16	8,232.64
	Less: Inter Segment Revenue	-	-	-	-	-	-
	<b>Net Revenue from Operations</b>	<b>9,609.46</b>	<b>602.27</b>	<b>10,211.73</b>	<b>7,853.48</b>	<b>379.16</b>	<b>8,232.64</b>
<b>2</b>	<b>Result</b>						
	Segment Result (Net of Income)	1,799.45	(637.13)	1,162.32	1,403.71	(548.00)	855.71
	Operating Profit before Interest			1,162.32			855.71
	Less: Finance Cost			21.08			16.93
	<b>Profit before Tax</b>			<b>1,141.24</b>			<b>838.78</b>
<b>3</b>	<b>Other Information</b>						
	Segment Assets	6,093.78	4,152.59	10,246.37	5,335.46	3,908.40	9,243.86
	<b>Total Assets</b>			<b>10,246.37</b>			<b>9,243.86</b>
	Segment Liabilities	3,327.02	334.73	3,661.75	3,048.18	309.24	3,357.42
	<b>Total Liabilities</b>			<b>3,661.75</b>			<b>3,357.42</b>
<b>4</b>	<b>Capital Expenditure During the year</b>	258.28	627.59	885.87	52.76	10.54	63.30
<b>5</b>	<b>Depreciation and Impairment</b>	219.47	132.69	352.16	239.86	136.05	375.91
				352.16			375.91
<b>B</b>	<b>Revenue by location</b>						
<b>1</b>	In India			9,953.98			7,993.93
<b>2</b>	Outside India			257.75			238.71
	<b>Total</b>			<b>10,211.73</b>			<b>8,232.64</b>
	All Assets of the Company are located within India						

## C Other Disclosures

- In terms of provisions of Ind-AS 108 - Operating Segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM) who evaluates the Company's performance comprising various business segments. Accordingly, segmental information has been reported under Compression Segment and Other Non-Reportable Segments which includes remaining non-qualifying segments. Figures pertaining to previous periods have been regrouped accordingly.

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.

- Composition of Operating Segment

Name of the Segment :

Comprises of :

a) Compression Systems

Air & Gas Compressors, Airconditioning & Refrigeration Compressors and Systems etc.

b) Other non-reportable Segments

Remaining non qualifying segments

- The Segment Revenue, Results , Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
- During the year there is no single customer ( PY ₹ NIL ) who has contributed more than 10% of Revenue of the Company in any of the Segments whether in India or outside.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 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	Executive Chairman
	Mr. K. Srinivasan	Managing Director
2) Relatives of Key Management Personnel	Mrs. Alpana Rahul Kirloskar	Wife
	Ms. Suman C. Kirloskar	Mother
	Mr. Atul C. Kirloskar	Brother
	Ms. Aika Rahul Kirloskar	Daughter
	Mr. Aman Rahul Kirloskar	Son
	Mrs. Malathi Srinivasan	Wife
	Ms. Janaki Krishnaswamy	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 Investments Pvt. Ltd. Kirloskar Energen Pvt Ltd Kirloskar Solar Technologies Pvt. Ltd. Navsai Investments Pvt. Ltd. Lakeland Universal Ltd. BVI (up to 20 <sup>th</sup> January 2022) Kiara Lifespaces Pvt. Ltd.	
4) Post employment benefit plan of the Company	Kirloskar Pneumatic Company Limited Employees Gratuity Fund Kirloskar Pneumatic Company Limited Officers Superannuation Fund	Trust   Trust

### (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	Other	
Services Received	2021-22	56.36	36.97	3.92	97.24
	2020-21	31.65	41.95	2.43	76.03
Short Term Employee Benefits	Refer Note No 32				
Post Employment Benefits	Refer Note No 32				
Rent Paid	2021-22	-	-	2.51	2.51
	2020-21	-	-	2.40	2.40
Dividend Paid	2021-22	38.22	0.39	41.59	80.20
	2020-21	-	-	-	-
<b>Balance Outstanding</b>					
Receivable	2021-22	-	-	-	-
	2020-21	-	-	-	-
Payable	2021-22	24.00	21.00	0.60	45.60
	2020-21	24.00	13.20	0.50	37.70
Deposit receivable	2021-22	-	-	20.00	20.00
	2020-21	-	-	20.00	20.00

There are no entities or relatives of Key Management Personnel who are promoters holding more than 10% of share holding.

#### Contribution to

Kirloskar Pneumatic Company Limited Employees Gratuity Fund - ₹ 24.44 Million ( Previous Year ₹ 40.26 Million )

Kirloskar Pneumatic Company Limited Officers Superannuation Fund - ₹ 19.75 Million ( Previous Year ₹ 20.16 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 the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 32 : MANAGERIAL REMUNERATION :

a) Profit and Loss Account includes payments and provisions on account of Remuneration to the Executive Directors as under :

₹ in Million

	2021-22			2020-21			
	Executive Chairman	Managing Director	Total	Executive Chairman	Executive Directors		Total
					A. Kowshik As M. D. till 1 <sup>st</sup> Jan. 2021	K. Srinivasan w.e.f 27 <sup>th</sup> Oct. 2020 M. D. From 2 <sup>nd</sup> Jan. 2021	
Salary *	20.06	10.80	30.86	1.50	8.33	4.44	14.27
House Rent Allowance *	-	-	-	-	0.86	-	0.86
Commission *	24.00	21.00	45.00	24.00	8.00	5.00	37.00
Contribution to Provident Fund, Superannuation and Gratuity : #	7.92	3.44	11.36	1.91	2.91	1.40	6.22
Other perquisites *	4.38	1.73	6.11	4.24	10.48	0.53	15.25
<b>Gross Remuneration</b>	<b>56.36</b>	<b>36.97</b>	<b>93.33</b>	<b>31.65</b>	<b>30.58</b>	<b>11.37</b>	<b>73.60</b>

\*Represents Short Term Employee Benefits and wherever applicable, Share Based 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.

b) Computation of net profit under Section 197 read with Section 198 of the Companies Act, 2013.

₹ in Million

	2021-22	2020-21
<b>1</b> Net Profit as per Profit & Loss Account	1,141.24	838.78
<b>2 ADD</b>		
Directors Remuneration	103.58	81.60
Loss on sale of Assets	1.86	-
	<b>1,246.68</b>	<b>920.38</b>
<b>3 LESS</b>		
Profit on sale of Investments	31.59	8.26
Net Gain on Financial Instruments Measured at FVTPL	40.23	68.44
Unrealised and Notional Gains on foreign exchange	2.15	21.13
	<b>73.97</b>	<b>97.83</b>
Net Profit U/S 197	1,172.71	822.55
Maximum permissible Remuneration payable to Executive Chairman & Managing Director	117.27	82.26
Restricted to		
Executive Chairman	56.36	31.65
Executive Directors	36.97	41.95
Maximum permissible Commission payable to Non Executive Directors	11.73	8.23
Restricted to	<b>10.25</b>	<b>8.00</b>

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 33 : 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, 2022	31 <sup>st</sup> March, 2021
<b>A Financial assets</b>		
<b>a) Fair value through other comprehensive income (FVTOCI)</b>		
Equity investments	788.56	618.85
<b>b) Fair value through profit and loss (FVTPL)</b>		
Mutual Fund investments	1,266.21	1,613.86
<b>c) Amortised cost</b>		
Trade receivables	2,988.28	3,080.99
Loans- employees	-	0.08
Other financial assets	34.09	42.21
Cash and cash equivalents	356.70	445.66
Other bank balances	31.31	77.92
	<b>5,465.15</b>	<b>5,879.55</b>
<b>B Financial liabilities</b>		
<b>Amortised cost</b>		
Borrowings	-	400.00
Lease liabilities	12.43	1.57
Trade payables	1,703.65	1,456.63
Other financial liabilities	642.36	696.41
	<b>2,358.44</b>	<b>2,554.61</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.

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.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 33 : Financial instruments - fair values : (Contd..)

Borrowings are obtained at market rates of interest available for debt on similar terms, credit risk and remaining maturities. As of reporting date there was no borrowing. In the previous year the fair value of borrowings measured at amortised cost did 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 2022

#### a) Financial assets measured at fair value

₹ in Million

	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
<b>Financial assets</b>					
FVTOCI investments - quoted	590.33	-	-	Quoted market price	
FVTOCI investments - unquoted	-	-	198.23	Discounted cash flow / carrying value	EBIDTA, Free cash flow for 4 Years, growth rate, risk adjusted discount rate
FVTPL investments - Mutual Funds	1,266.21	-	-	Quoted market price	
	<b>1,856.54</b>	<b>-</b>	<b>198.23</b>		

Gain in fair value compared to previous year of the level 3 item amounting to ₹ 65.21 Million has been recognised in FVTOCI.

#### b) Financial assets measured at amortised cost for which fair value is disclosed

Loans- employees	-	-	-	Net Present Value	-
Other financial assets	-	34.09	-	Net Present Value	Maturity and prevailing interest rate
	<b>-</b>	<b>34.09</b>	<b>-</b>		

#### c) Financial liabilities measured at amortised cost

Borrowings	-	-	-	Net Present Value	Prevailing market rate of interest, future pay-outs
Other financial liabilities	-	642.36	-	Net Present Value	Maturity period
	<b>-</b>	<b>642.36</b>	<b>-</b>		



# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 33 : Financial instruments - fair values : (Contd..)

As at 31<sup>st</sup> March 2021

### a) Financial assets measured at fair value

₹ in Million

	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
<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>2,099.69</b>	<b>-</b>	<b>133.01</b>		

### b) Financial assets measured at amortised cost for which fair value is disclosed

<b>Financial assets measured at amortised cost</b>					
Loans- employees	-	0.08	-	Net Present Value	-
Other financial assets	-	42.21	-	Net Present Value	Maturity and prevailing interest rate
	<b>-</b>	<b>42.29</b>	<b>-</b>		

### c) Financial liabilities measured at amortised cost

Borrowings ( includes current maturities )	-	400.00	-	Net Present Value	Prevailing market rate of interest, future pay-outs
Other financial liabilities	-	696.41	-	Net Present Value	Maturity period
	<b>-</b>	<b>1,096.41</b>	<b>-</b>		

During the year ended 31 March 2022, 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.

## NOTE 34 : 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 of 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

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 34 : FINANCIAL RISK MANAGEMENT : (Contd..)

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. For unhedged exposure refer note 35 - foreign currency sensitivity analysis.

### b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has Nil borrowing as on 31<sup>st</sup> March 2022, but has an exposure of ₹ 1,265.69 Million in its current investments. To minimise this exposure 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 ₹ 590.35 Million. A decrease/increase of 5% in the active market could have an impact of approximately ₹ 29.52 Million on the OCI or equity attributable to the Company. These changes would not have a material 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.

### 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

Undisputed Trade receivables - considered good	Outstanding from due date of payment						Total
	Not due	Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	
31 March 2022	1,669.22	937.02	283.88	59.81	8.30	30.05	2,988.28
31 March 2021	1,828.36	1,115.00	67.38	40.20	30.05	-	3,080.99

### 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 except lease liabilities.

₹ in Million

	31 <sup>st</sup> March, 2022					
	Carrying amount	On demand	Less than 6 months	6-12 Months	>1 year	Total
Lease Liabilities	12.42	-	1.46	1.42	9.54	12.42
Other financial liabilities	642.36	31.31	504.60	105.58	0.87	642.36
Trade payables	1,703.65	-	1,703.65	-	-	1,703.65

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 34 : FINANCIAL RISK MANAGEMENT : (Contd..)

₹ in Million

	31 <sup>st</sup> March, 2021					Total
	Carrying amount	On demand	Less than 6 months	6-12 Months	>1 year	
Interest bearing borrowings	400.00	-	-	25.00	375.00	400.00
Lease Liabilities	1.57	-	0.79	0.79	0.00	1.57
Other financial liabilities	696.41	26.74	537.75	131.04	0.87	696.40
Trade payables	1,456.63	-	1,456.63	-	-	1,456.63

d) The table summarises aging for trade payable:

₹ in Million

Trade Payable	Not due	Outstanding from due date of payment				Total
		Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
<b>31 March 2022</b>						
MSME	387.19	3.67	-	-	-	390.86
Others	1,159.32	152.51	0.51	0.28	0.17	1,312.79
<b>Total</b>	<b>1,546.51</b>	<b>156.18</b>	<b>0.51</b>	<b>0.28</b>	<b>0.17</b>	<b>1,703.65</b>
<b>31 March 2021</b>						
MSME	282.61	3.00	-	-	-	285.61
Others	1,056.76	111.62	1.47	0.34	0.83	1,171.02
<b>Total</b>	<b>1,339.37</b>	<b>114.62</b>	<b>1.47</b>	<b>0.34</b>	<b>0.83</b>	<b>1,456.63</b>

## NOTE 35 : Foreign currency sensitivity analysis :

(A) Exposure Hedged - Foreign Exchange Derivatives

in Million

Nature of Instrument	Currency	Sale / Purchase	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
Forward Contracts	USD	Purchase	-	-

(B) Exposure Unhedged - Net

Currency	Net exposure in foreign currency in Million		Net exposure in ₹ Million	
	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
USD	0.71	0.19	53.93	14.13
EUR	0.15	0.17	12.36	14.89
GBP	0.08	0.09	7.70	9.23
SEK	0.62	-	5.22	-

₹ in Million

Currency	Sensitivity %	Impact of Profit (Strengthen)*		Impact of Profit (Weakening)*	
		31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
USD	3.06%	(1.65)	(0.61)	1.65	0.61
EUR	2.87%	(0.35)	(0.36)	0.35	0.36
GBP	3.21%	(0.25)	(0.31)	0.25	0.31
SEK	2.10%	(0.11)	-	0.11	-
<b>Total INR</b>		<b>(2.36)</b>	<b>(1.28)</b>	<b>2.36</b>	<b>1.28</b>

(\*Strengthening / weakening of foreign currency)

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 36 : 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 31 March, 2022 and 31 March, 2021.

### Net debt position

₹ in Million

	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
Borrowings (including current maturities)	-	400.00
Less: Cash and cash equivalents & current investments	1,622.39	2,059.10
<b>Net debt</b>	<b>(1,622.39)</b>	<b>(1,659.10)</b>
<b>Total Equity</b>	<b>6,584.62</b>	<b>5,886.44</b>

### Net debt to equity ratio

Not applicable as the net debt position is negative

₹ in Million

Particulars	Cash and Cash Equivalents	Current Borrowings	TOTAL
(Net Debt) /Surplus as on 1 <sup>st</sup> April 2021	2,059.10	400	1,659.10
Cash Flows	(476.93)	(400)	(76.93)
Other non-cash movement	-	-	-
<b>Fair Value Adjustment</b>	<b>40.23</b>	<b>-</b>	<b>40.23</b>
<b>(Net Debt) /Surplus as on 31<sup>st</sup> March 2022</b>	<b>1,622.39</b>	<b>-</b>	<b>1,622.39</b>

## NOTE 37 : 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 ₹ 9.34 Million ( ₹ 5.22 Million )
  - 2) Later than 1 year but not later than 5 years ₹ 7.56 Million ( ₹ 6.86 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 31<sup>st</sup> March, 2022 amounts to ₹ 13.38 Million (₹ 10.58 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.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 37 : LEASES - IND AS 116 : (Contd..)

### 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 ₹ 3.33 Million ( Previous Year ₹ 3.29 Million ) Refer Note No.1 - Property, Plant & Equipment.
- b. Interest Expenses on Lease Liability ₹ 0.44 Million ( Previous Year ₹ 0.29 Million ) . Refer Note No.24 - Finance Cost
- c. The expense relating to leases accounted by applying paragraph 6 are given in Note 37 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 37 A is ₹ 15.89 Million (Previous Year ₹ 12.98 Million).
- f. The carrying amount of right-of-use assets at the end of the reporting period amount to ₹ 17.06 Million ( Previous Year ₹ 2.73 Million ) Refer Note No.1 - Property, Plant & Equipment.
- g. For maturity profile of lease liability Refer Note No.34 (2) (C).

### 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

Asset under Lease	Undiscounted Lease payments to be received in each of next 5 years				
	₹ in Million				
	Year 1	Year 2	Year 3	Year 4	Year 5
Compression Facility	170.00	-	-	-	-
<b>Total</b>	<b>170.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- d. The Company has not entered into any transaction in the nature of sale & lease back.

## NOTE 38 : CAPITAL AND OTHER COMMITMENTS :

	₹ in Million	
	2021-22	2020-21
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	44.58	62.46
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 31 <sup>st</sup> March 2022	1,879.55	2,069.43

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 39 : PAYMENT TO AUDITORS :

	₹ in Million	
	2021-22	2020-21
(a) As Auditors	2.90	2.60
(b) In Other Capacity ( to previous auditors )		
For Tax Audit	0.40	0.40
For GST Audit	0.22	0.22
	<b>3.52</b>	<b>3.22</b>
(c) For Expenses	0.03	0.06
	<b>3.55</b>	<b>3.28</b>

## NOTE 40 : DIVIDEND :

	₹ in Million	
	2021-22	2020-21
Interim Dividend paid per share - ₹	1.60	-
Dividend %	80	-
Proposed Dividend per share - ₹	2.40	3.50
Dividend %	120	175

## NOTE 41 A : CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF :

	₹ in Million	
	2021-22	2020-21
Claims against the Company not acknowledged as Debts, estimated at	486.62	393.15
Income Tax Matters	6.97	6.97
Disputed Central Excise Matters	70.26	66.69
Disputed Customs Matters	1.97	2.01
Disputed Sales Tax Demands	0.78	27.48
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	8.93	-

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.

## NOTE 42 : EXPENDITURE IN FOREIGN CURRENCIES ( ACCRUAL BASIS ) :

	₹ in Million	
	2021-22	2020-21
<b>CIF Value of Imports</b>		
Raw Materials & Components	1,166.15	720.59
Capital Goods	52.84	-
<b>Other Expenses</b>	43.81	30.97
<b>Total</b>	<b>1,262.80</b>	<b>751.56</b>

## NOTE 43 : EARNINGS IN FOREIGN CURRENCIES ( ACCRUAL BASIS ) :

	₹ in Million	
	2021-22	2020-21
F.O.B. Value of Exports	251.69	238.71
Export of Services	6.06	-
Other Income	1.15	3.72
<b>Total</b>	<b>258.90</b>	<b>242.43</b>

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 44 : 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:

	₹ in Million	
	2021-22	2020-21
Profit attributable to equity shareholders (₹ in Million)	849.24	638.42
Weighted average number of equity shares used as denominator	64,361,908	64,222,597
	In ₹	In ₹
Basic earnings per share of nominal value of ₹ 2/- each	13.19	9.94
Diluted earnings per share of nominal value of ₹ 2/- each	13.12	9.94

**NOTE 45 :** 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:

	₹ in Million	
Particulars	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
Total outstanding to MSME suppliers	391.03	285.64
Principal Amount	390.86	285.61
Interest Amount on above	0.17	0.03
Payment made to suppliers beyond the appointed day, during the year	1,473.14	526.16
Interest due and payable to suppliers under MSMED Act, for the payments already made	3.65	2.17
Interest accrued and remaining unpaid for the year to suppliers under MSMED Act	3.82	2.20
<b>Interest remaining due &amp; payable to suppliers under MSMED Act</b>	<b>9.07</b>	<b>5.25</b>

## NOTE 46 : TAXATION :

Company has provided Income Tax for the year ended on 31<sup>st</sup> March, 2022 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 2022	As at 31 <sup>st</sup> March 2021
Property, Plant & Equipments and Intangible Assets	(17.42)	(21.19)
Disallowance U/S 43B	27.88	26.96
Fair Value of Current and Non Current Investment	(64.63)	(40.47)
Expenses of Business Combination	-	1.82
<b>Deferred Tax Asset / (Liability)</b>	<b>(54.17)</b>	<b>(32.88)</b>

	₹ in Million		
Movement in Temporary Differences	1 <sup>st</sup> April 2021	Recognised in Profit & Loss & OCI in 2021-22	31 <sup>st</sup> March 2022
Property, Plant & Equipments and Intangible Assets	(21.19)	3.77	(17.42)
Disallowance U/S 43 B	26.96	0.92	27.88
Expenses of Business Combination recognised in General Reserve			
Expenses of Business Combination	1.82	(1.82)	-
Total Expenses of Business Combination	1.82	(1.82)	-
Fair Value of Current and Non Current Investment	(40.47)	(24.16)	(64.63)
<b>Net Deferred Tax Asset / (Liability)</b>	<b>(32.88)</b>	<b>(21.29)</b>	<b>(54.17)</b>

There are no items in OCI, movement of which will require recognition of Deferred Tax Asset/Liability on account of temporary differences.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 46 : TAXATION : (Contd..)

Reconciliation of tax expense and tax calculated at prevailing income tax rate on the accounting profit for the year ending March 2022 & March 2021 is as under

Particulars	₹ in Million	
	As at 31 <sup>st</sup> March 2022	As at 31 <sup>st</sup> March 2021
<b>Accounting Profit Before Tax</b>	1,141.24	838.78
Tax on above at current rate of Income Tax	287.23	211.11
<b>Tax Expense</b>		
Current	289.94	205.00
Deferred	2.06	(4.64)
<b>Total Tax Expense</b>	<b>292.00</b>	<b>200.36</b>
<b>Difference</b>	<b>4.77</b>	<b>(10.75)</b>
<b>Tax Reconciliation :</b>		
<b>Amounts not deductible</b>		
Donations & CSR expenses	3.65	4.46
Others	4.08	5.23
<b>Amounts not Taxable</b>		
Carried forward claims	(0.13)	(25.16)
Others	(0.96)	(1.71)
<b>Taxation in respect of earlier years</b>	<b>(1.87)</b>	<b>6.43</b>
<b>Total</b>	<b>4.77</b>	<b>(10.75)</b>

**NOTE 47 :** Gross amount required to be spent by the Company on Corporate Social Responsibility during the year was ₹ 14.51 Million ( PY ₹ 14.20 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>2.01</b>	<b>0.00</b>	<b>2.01</b>
(Previous Year)	5.03	0.00	5.03
<b>Contribution by way of Donation</b>	<b>12.50</b>	<b>0.00</b>	<b>12.50</b>
(Previous Year)	9.20	0.00	9.20
<b>Total</b>	<b>14.51</b>	<b>0.00</b>	<b>14.51</b>
(Previous Year)	14.23	0.00	14.23

Direct Expenditure includes expenses incurred on DISHA - HIV AIDS initiative, Bharari, KaShi (Kanya Shiksha) and Kirloskar Vasundhara initiative Contribution by way of donation is for Promoting education and Covid-19 support.



# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## NOTE 48: Ratios :

₹ in Million					
Ratios	Numerator	Denominator	Current Period	Previous Period	% Variance
Current ratio	Total Current Assets - Current Investments	Total Current Liabilities	1.63	1.78	-8.7%
Debt-equity ratio	Non-Current Borrowing	Total Equity - OCI Reserve	-	0.07	NA
Debt service coverage ratio	Profit for the year + Depreciation + Interest on Borrowing	Current Borrowing + Int. on Borrowing	59.21	24.76	139.1%
Return on equity ratio	Profit for the year	Average of Opening & Closing (Total Equity - OCI Reserve)	15.1%	12.8%	18.6%
Inventory turnover ratio	Revenue from Operations - Other Operating Revenue	Average of Opening & Closing Inventory	6.40	5.96	7.5%
Trade receivables turnover ratio	Revenue from Operations - Other Operating Revenue	Average of Opening & Closing Trade Receivables	3.35	3.28	2.1%
Trade payables turnover ratio	Revenue from Operations - Other Operating Revenue	Average of Opening & Closing Trade Payables	6.42	5.76	11.5%
Net capital turnover ratio	Revenue from Operations - Other Operating Revenue	Total Current Assets - Current Investments - (Total Current Liabilities - Current Borrowing)	4.56	3.56	28.1%
Net profit ratio	Profit for the year	Total Income	8.2%	7.7%	7.3%
Return on capital employed	Profit Before Tax + Finance Cost	Average of Opening & Closing Total Assets - Total Liabilities - Tangible CWIP - Intangible CWIP - Non Current Investment + Cost of Acquisition of Quoted + Unquoted Non-Current Investment	21.2%	17.5%	21.1%
Return on investment	Profit Before Tax + Depreciation + Finance Cost - Income relating Current & Non Current Investments	Average of Opening & Closing Total Assets - Tangible CWIP - Intangible CWIP - Non Current Investment - Current Investments	19.0%	17.4%	9.4%

As on the Balance Sheet date Company does not have any debt. As such debt equity ratio is zero and variance to previous period is not applicable. Similarly debt service coverage ratio also results in significant positive variance.

As the % growth in turnover is higher than the % growth in Net Current Assets, Net Capital Turnover ratio has improved favourably.

## NOTE 49 : Impact of COVID-19 on Financial Reporting :

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 impairment of the carrying value of any class of its assets.

**NOTE 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. The said charge has been satisfied in full on 10<sup>th</sup> January, 2022.

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.

Quarterly returns or statements of current assets filed by the Company with banks are in agreement with the books of accounts.

**NOTE 51 :** Previous Years figures have been regrouped, rearranged or reclassified wherever necessary to correspond to Current Year's figures.

**NOTE 52 :** These financial statements were authorised for issue by the Board of Directors on 28<sup>th</sup> April, 2022.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

**Note 53 : NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2022.**

## 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.

### 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 1<sup>st</sup> 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.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## 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.

### 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 :

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- 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.

A liability is current when it is :

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period or
- 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:

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

- 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.
- 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 31<sup>st</sup> March 2016 and use those values as deemed cost as at the date of transition to Ind AS being 1<sup>st</sup> 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 expenses.

### 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 the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

- 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 life of each of the components of the facility.
- Depreciation on Jigs & Fixtures, Patterns and Dies is being provided over a period of three years, being the estimated useful life of the asset to the Company.
- 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 31<sup>st</sup> March 2016 and use those values as deemed cost as at the date of transition to Ind AS being 1<sup>st</sup> 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.

#### 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.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## 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
- 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 wcontractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) the Company has transferred

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

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. 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.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## 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.

### • 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.

### • 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



# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

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.

## 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. Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.
- V. 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.

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

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

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.

### 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:

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

- 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.

#### 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.

- b) Revenue are stated net of discounts, rebates and returns.
- c) 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.
- d) 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.
- e) 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.
- f) 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.
- g) 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.

# Notes to the Financial Statements

for the year ended 31<sup>st</sup> March, 2022

- h) Disaggregation of Revenue is depicted in Operating Segment.
- i) 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.
- j) Income from dividend on investments is accrued in the year in which it is authorized, whereby right to receive is established.
- k) Profit / Loss on sale of investments is recognized on the contract date.
- l) 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

In exercise of the powers conferred by section 133 read with section 469 of the Companies Act, 2013 (18 of 2013), the Central Government, in consultation with the National Financial Reporting Authority, has made the following rules further to amend the Companies (Indian Accounting Standards) Rules, 2015, namely:

1. Amendment to Ind AS 109 "Financial Instruments" - Derecognition of Financial Liabilities
2. Amendment to Ind AS 16 "Property, Plant and Equipment" - Directly attributable costs
3. Amendment to Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets" - relating to Onerous Contracts.

These rules shall come into force with effect from 1<sup>st</sup> April, 2022. No significant impact on financial statements of the Company are expected as a result of these amendments.

As per our attached report of even date.

For and on behalf of The Board of Directors

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

**K. Srinivasan**  
Managing Director  
DIN - 00088424

**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**Suhas Deshpande**  
Partner  
Membership No. 031787

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, April 28, 2022

Pune, April 28, 2022











**kirloskar**  
Pneumatic

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