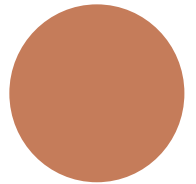


Futuristic. Dynamic. Customer centric.



Contents

For more information, please, visit our website:



It is with great pleasure that I share with you the annual performance report of Kirloskar Pneumatic Company Limited for the fiscal year 2023. Despite challenges, we sustained a 21% sales growth compared to last year, driven by strong performance in exports. //

02-55

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About the Report

We are pleased to present our Annual Report which includes voluntary information to the extent available to us, in accordance with reporting framework developed and designed by International Integrated Reporting Council (IIRC). This report is primarily intended to address the information requirements of investors (our equity and prospective investors). Our endeavour is to present this information in a manner that is also relevant to all the key stakeholders. This report also aligns with following:

The Companies Act, 2013

Indian Accounting Standards

The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Scope and boundary

This report provides comprehensive information about the business activities of Kirloskar Pneumatic Company Limited (KPCL), suitably communicated through the six capitals as per the guidelines defined by the International Integrated Reporting Council (IIRC). The document encapsulates our business model, overarching performance, and corresponding results. It's important to note that the financial capital parameters discussed in this report pertain exclusively to KPCL's standalone operations.

Reporting period

The major reporting period for the Annual Report is 1st April, 2022 to 31st March, 2023. However, certain portions of the report provide facts and numbers from prior years in order to give readers a complete picture.

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. Please send us your feedback to:

Email:
sec@kirloskar.com

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

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 Mahesh Chhabria

Mr Sunil Shah Singh

Dr Ajay Dua

Mr G Krishna Rao

Mrs Nalini Venkatesh

Mr Tejas Deshpande

Mr Pravir Kumar Vohra
(w.e.f. 19th October, 2022)

Mr D R Swar
(upto 19th July, 2022)

Mr K Venkataramanan
(upto 26th July, 2022)

Late Mr Vikram S Kirloskar
(upto 29th November, 2022)

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, 2nd Floor, 'Akshay'
Complex, Near Ganesh Temple, Off
Dhole Patil Road, Pune-411 001
Ph. Nos. 020-46014473 /
26163503 / 26161629

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				
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Revenue from Operations	12,393.37	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
Profit Before Tax	1,432.76	1,141.24	838.78	719.15	802.29	726.81	714.40	516.45	284.19	614.65
Profit After Tax	1,085.81	849.24	638.42	534.92	552.62	499.43	537.80	363.79	225.75	388.30
Dividend (%)#	275.00	200.00	175.00	135.00	125.00	120.00	100.00	70.00	50.00	100.00
Dividend Per Share (₹)	5.50	4.00	3.50	2.70	2.50	12.00	10.00	7.00	5.00	10.00
Earning Per Share (₹)#	16.82	13.19	9.94	8.33	8.60	38.88	41.87	28.32	17.58	30.23
Book Value Per Share (₹)#	123.00	102.17	91.59	77.02	76.90	359.38	331.48	250.34	230.43	220.03
Share Capital	129.27	128.89	128.53	128.44	128.44	128.44	128.44	128.44	128.44	128.44
Reserves and Surplus	7,822.45	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
Shareholders' Funds	7,951.72	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
Loan Funds	-	-	400.00	277.78	5.31	6.88	-	-	-	-
Total Capital Employed	7,951.72	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
Net Block	2,234.05	2,293.65	1,750.17	2,066.53	1,217.81	748.09	793.65	817.42	970.59	1,139.07

Note:

- The Company transitioned into Ind AS from 1st April, 2016.
- *Sales include excise duty of ₹ 59 Million collected from Customers upto 30th 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. 27th September, 2018.

Limitless

As society changes and progresses, we at Kirloskar keep up with the pace by constantly evolving. Our philosophy, which has been the foundation of our organisation for 134+ years, focuses on the progress of humanity.

We encourage our customers to boldly embrace the future by breaking free from conventions and living up to their limitless potential.

Guided by our values, we have a vision that propels us towards an exciting future full of endless possibilities. With innovation as our driving force, we engineer solutions for tomorrow, always keeping human progress at the forefront. We strive to see beyond challenges and envision the unlimited potential that the future holds.

Being limitless also means a firm commitment to the values we live by: Innovative Thinking, Empathy, Collaboration, Integrity, Excellence, and Value Creation. By designing groundbreaking solutions, we create avenues for innovative services that address problems, generate value for our customers and society, and exceed their expectations. We operate with empathy and a strong commitment to moving forward together with our customers and partners because, together, we are limitless.

At KPCL, the customer is at the centre of our universe and their aspirations guide our strategy and operations.

Futuristic. Dynamic. Customer centric.

We believe customer aspirations are never static, so our business plans have to be dynamic and futuristic to keep pace with their evolving aspirations. We continue to develop new products and solutions for our customers on the strength of our technology, R&D and digitalisation initiatives.

While most companies manufacture products and find markets for those products, we do exactly the opposite. We first try to understand the specific customer needs and then build bespoke solutions to meet those needs. This is why, over 80% of our business is 'Made-to-Order'.

To our customers, we deliver a comprehensive solution that meets their requirement — be it of Air, Refrigeration or Gas. This is backed by a best-in-industry spares and service support. The testimony of this is the fact that even customers who have systems supplied by others, prefer to get the post-sales service from us.

About Kirloskar Group

Innovation that empowers and enriches

For more than 134 years, the Kirloskar Group has been a driving force of excellence and innovation.

At the heart of our group's story lies the iron plough. A century ago, our founder, Shri Laxmanrao Kirloskar, started his journey with a small bicycle repair shop in Belgaum, Karnataka, India. Over time, he transformed it into a modest machine tool workshop, manufacturing not only iron ploughs but also chaff cutters — just one example of the engineering innovations that would shape the group's future.

Today, our founder is celebrated as a pioneer of Indian industry and a notable social reformer. Above all, he was an entrepreneur driven by a passion for innovation that improved people's lives. His enduring legacy provides employment to thousands in India and positively impacts millions of lives, both in India and around the globe.

Today, Kirloskar is recognised as the leader in castings, diesel engine manufacturing, backup power solutions, pneumatic packages and cooling solutions, serving as a cornerstone for various industries. With a trail of pioneering achievements, we constantly innovate solutions that defy conventions and unlock a boundless future.

Our group of companies actively operates across diverse sectors, including agriculture, manufacturing, food and beverage, oil and gas, infrastructure and real estate. The sustainability and profitability of these businesses can largely be attributed to the core values woven into our foundation.

134+

Years of engineering excellence

05

Listed companies*

₹ 84,391 Million

Combined shareholders' funds*

6,800+

Employees across the group companies*

₹ 203,198 Million

Combined market cap**

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

**Market cap based on closing market price of 31st March, 2023.



Our Values

We are all about finding solutions, building partnership and co-creating a preferred future.

01



Excellence

In everything we do, quality without compromise

02



Integrity

Say what we do, and do what we say

03



Collaboration

We grow with people and partners

04



Empathy

We always listen, and learn

05



Value creation

We're building for a shared prosperous future

06



Innovative thinking

Be bold and brave, & stay relevant

About KPCL

Excelling with customer-centricity at the core

Kirloskar Pneumatic Company Limited (KPCL) continues to be a trusted leader in the manufacture and supply of industrial pneumatic equipment for over six decades.

At KPCL, we specialise in industrial air compressors, gas compressors and pneumatic tools catering to a diverse range of sectors. Our products are powered by globally benchmarked design, R&D, manufacturing and innovation capabilities.

Our products are used in numerous applications, such as Air Compressors, Air Conditioning and Refrigeration Systems, Process Gas Systems, Vapour Absorption Systems and Industrial Gear Boxes. At KPCL, we put customer-centricity at the core of our operations. We design compressors and

compression systems that are tailored to the specific needs of our customers, and a large proportion of our business is made-to-order. Our products are exported to many geographies; and we are further expanding our market footprint.

Our customer-centric approach and commitment to quality have earned us a reputation as a reliable partner for industries worldwide. We try to understand the specific requirements of our customers and offer customised solutions that meet our clients' specific needs, backed by industry-

best spares and service support. We have 100+ dedicated engineers constantly innovating and developing new products and solutions. Our digitalisation initiatives help enhance workflow and customer satisfaction.

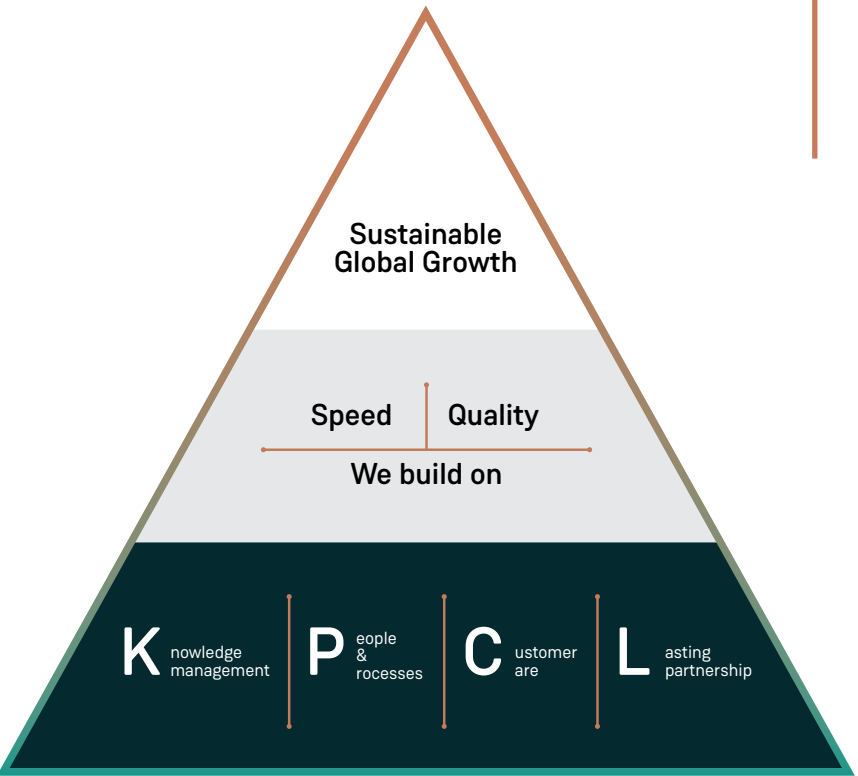
At KPCL, we adhere to sustainable business practices to minimise our carbon footprint. Our goal is to continue delivering quality products and exceptional customer services, making us the go-to manufacturer of industrial pneumatic equipment for our customers' diverse requirements.



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.



70%

India Market Share for Ammonia Refrigeration

1st

Indian Company approved for Hydrocarbon Refrigeration Systems

1st

Supplier of Traction Gears to Indian Railways

50%

Daily gas compressed at CNG stations in India is by KPCL CNG Packages



Product Portfolio

Building futuristic products
to delight customers

At KPCL, we believe in providing innovative and sustainable solutions that meet the diverse needs of our customers. Our decade-long expertise along with our capabilities and excellence in manufacturing allow us to develop products which serve a variety of industries including niche markets which require specialised engineering products.

KPCL offers a diverse range of compression solutions, which includes Air Conditioning and Refrigeration, Air Compressors and Process Gas Systems. We have rich experience in manufacturing compressors for a multitude of applications, ranging from basic air compressors to those designed for handling various refrigerants, natural gas, and other gases and hydrocarbons.

Our portfolio also encompasses comprehensive package solutions tailored to meet specific customer requirements such as climate control for submarines and LPG bottling. Additionally, we supply compressors to oxygen plants.

93%
Of our revenue comes from compressors

Air Compressors



We offer a broad spectrum of air compressors across 15 product categories, subdivided into Reciprocating Compressors, Screw Compressors and Centrifugal Compressors.

Our offerings span from 30 to 10000 CFM and reciprocating, screw and centrifugal compressors. Our products, known for minimal power consumption and maximum reliability, adhere to stringent quality standards tailored to various industrial needs. From general engineering to critical operations in refineries, chemical, petrochemical, PET bottling, metal and power, our compressors contribute significantly across sectors. The Screw Air Compressor Systems serve markets

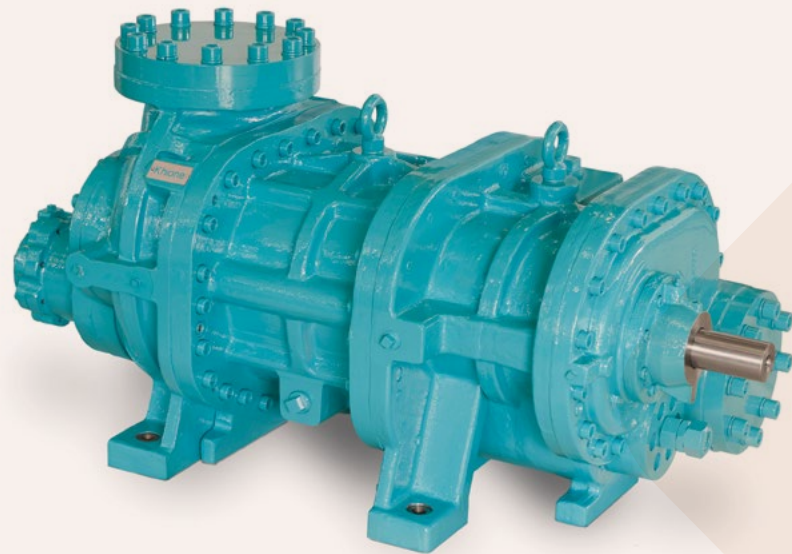
including sugar, automobile ancillaries, railways, mining and cement segment, whereas our Centrifugal Compressors, designed for capacities from 1600 to 9200 CFM, find applications across multiple industries. We are expanding our centrifugal compressor range from 800 CFM to 14000 CFM.

Air Conditioning and Refrigeration Systems



ACR Division offers various products under three categories, which are refrigeration compressors, process refrigeration systems, and vapour absorption chillers.

Our products are designed to cater to the requirements of various industries such as the cold chain for food processing and preservation, refinery and petrochemicals, fertilizers, chemicals and marine sectors. We understand the unique needs of each industry and provide tailor-made solutions to integrate our technical and complex cooling systems seamlessly into their industrial processes. Our products have found extensive application across these diverse industries.



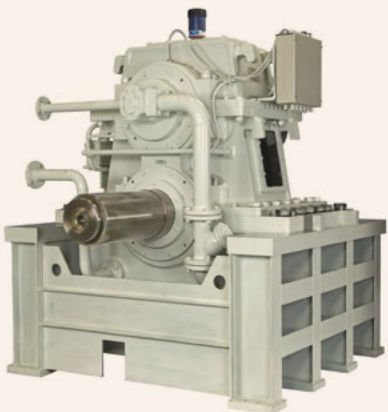
Process Gas Systems



Our expertise lies in serving the specialised oil and gas sector, catering to their gas compression systems requirements for upstream, midstream, downstream and distribution applications.

Our gas compressor packages are designed to operate across a wide range of pressure ranges and various gas types. Being a Company with significant scale and resources, we offer a complete one-stop solution for our customers, right from the initial concept stage to commissioning, followed by ongoing operation and maintenance services. Our reputation for providing custom-engineered, efficient, reliable and cost-effective solutions has enabled us to install more than 1,000 systems across domestic and international markets, making us synonymous with exceptional performance.

Transmission



As pioneers in the railway transmission product industry in India, we have been manufacturing gears, gear boxes and pinions for several years.

We have since expanded our offerings to include high-speed gear boxes for power generation, catering to leading multinational companies. With state-of-the-art gear manufacturing facilities, in-house heat treatment furnaces, and special purpose machines, our division is equipped to enhance gear performance significantly. Our product range includes gears and gear boxes tailored for a variety of industries such as railways, power and steel, cement and minerals, wind turbine, marine, sugar, and refurbishment, among others.

Chairman's letter



Dear Shareholders,

It is with great pleasure that I share with you the annual performance report of Kirloskar Pneumatic Company Limited for the fiscal year 2023. Despite challenges, we sustained a 21% sales growth compared to last year, driven by strong performance in exports. Although there was a decline in orders for oxygen concentrators and a slowdown in CNG compressors, our team's resilience and adaptability helped us maintain growth momentum and deliver encouraging results in FY23.

Our legacy inspires us to see beyond present challenges and opportunities and remain futuristic and dynamic in our thoughts and actions in line with evolving customer aspirations. We believe, this is the only way to grow sustainably with a long-term approach.

Delivering consistent performance

Our overall performance during the year under review showcased the strength of our vision and strategic planning, especially in the face of high input costs. The supply chain disruptions were largely mitigated with better inventory management. Our culture of innovation and stronger relationships with customers helped us stay on the growth path we have envisaged.

We continued on our growth journey, with total income growing to ₹ 1,250 crores from ₹ 1,033 crores, 21% higher than the previous year, primarily driven by the export of Gas & Refrigeration packages to the Middle East region. Our export sales reached ₹ 177 crores this year.

Our profit before tax grew from ₹ 114 crores to ₹ 143 crores, registering 25% growth, while the EBITDA improved to ₹ 177 crores, compared to ₹ 151.45 crores, a growth of 17%. This growth was a product of streamlined operations, strategic improvements in the product mix as well as an emphasis on cost efficiency.

The Air Compressor business continued to grow strongly in delivering superior solutions to various niche applications. The standardisation and scaling up of the Tezcatlipoca range of centrifugal compressors was a milestone for us.

It is one of the most efficient oil-free dry-air compressor in the market and we expect this to become an industry standard going forward. Another major step in building reliability, scalability and standardisation was the implementation of the Product Lifecycle Management software from Dassault. These initiatives enable us to maintain the superior quality of our products.

The oil and gas industry is transitioning to a new normal as prices stabilise after an uncertain period. The acceptance of natural gas by the EU as part of their ESG initiatives, and its potential as a precursor to a future shift towards hydrogen, has strengthened the demand for natural gas and gas projects. This favourable outlook bodes well for our business in this sector.

In the past year, we successfully expanded our customer base to the MENA region and achieved record sales of packages in the Middle East and North Africa. This accomplishment reflects our customer-centric approach, where we prioritise understanding the distinct and evolving needs of our customers across various cultures and geographic locations.

Technology excellence and quality commitment

To capture these opportunities, we have invested significantly in our technical capabilities. We understand the importance of embracing technology and innovation to stay competitive in the rapidly evolving industrial landscape. With our firm belief in the potential of Industry 4.0, we have made significant strides in incorporating digital technologies into our operations.

From product design and development to manufacturing and customer service, quality remains at the forefront of everything we do. Our dedicated team of professionals work tirelessly to ensure that our products and services meet the highest industry standards, surpassing the expectations of our valued customers.

People-first approach

To complement our technical expertise, we put an equal emphasis on fostering a supportive and inclusive work environment that promotes employee well-being, professional development and work-life balance. We understand that a motivated and engaged workforce is essential for sustained growth and innovation.

We continue to have industry benchmark scores on employee satisfaction and have significantly invested in training programmes, skill-enhancement initiatives and career progression opportunities, enabling our teams to thrive and reach their full potential.

Sustainable business practices

At Kirloskar Pneumatic, we recognise the significance of Environmental, Social and Governance (ESG) factors in driving sustainable growth. During the year, we have made significant progress

in establishing a robust governance structure and implementing a comprehensive policy framework for our ESG initiatives. We are dedicated to reducing our carbon footprint, conserving resources and advocating responsible manufacturing practices as the focal points of our efforts.

From education and environment to health and hygiene, our CSR initiatives focus on a wide area of societal priorities. Our youth skilling and girls' education initiatives such as KaShi (Kanya Shiksha) and KPCL-Girls Education Bharari initiative are empowering future generations with knowledge and skills.

With our firm belief in the potential of Industry 4.0, we have made significant strides in incorporating digital technologies into our operations.

Positive outlook

I believe the future looks bright with the demand for our compression packages continuing to remain strong in the air, gas and refrigeration space. Also, the installation of CNG stations has now accelerated and we believe all the announced plans will go into execution mode.

As part of our strategic plans for this year, we aim to prioritise increasing the proportion of product sales in our revenue mix. This will involve introducing new products across industrial and refrigeration compressor categories. We will also benefit from the new range of products, which are being scaled up. I am confident that our customer-centric approach coupled with our industry-leading capabilities, will position us well to capitalise on emerging opportunities. I am confident that we will be able to maintain our growth momentum and we remain committed to meeting our aspirational target of being a ₹ 2,000 crores-plus Company in the next two years.

The Board of Directors, with the approval of all our esteemed shareholders, has recommended a final dividend of ₹ 3.00 per equity share (150%), taking the total dividend for the year to ₹ 5.50 per equity share (275%).

In conclusion, I would like to express our sincere gratitude to our valued shareholders for their unwavering support and trust in Kirloskar Pneumatic Company Limited. It is through your continued partnership that we can strive for excellence and drive limitless growth.

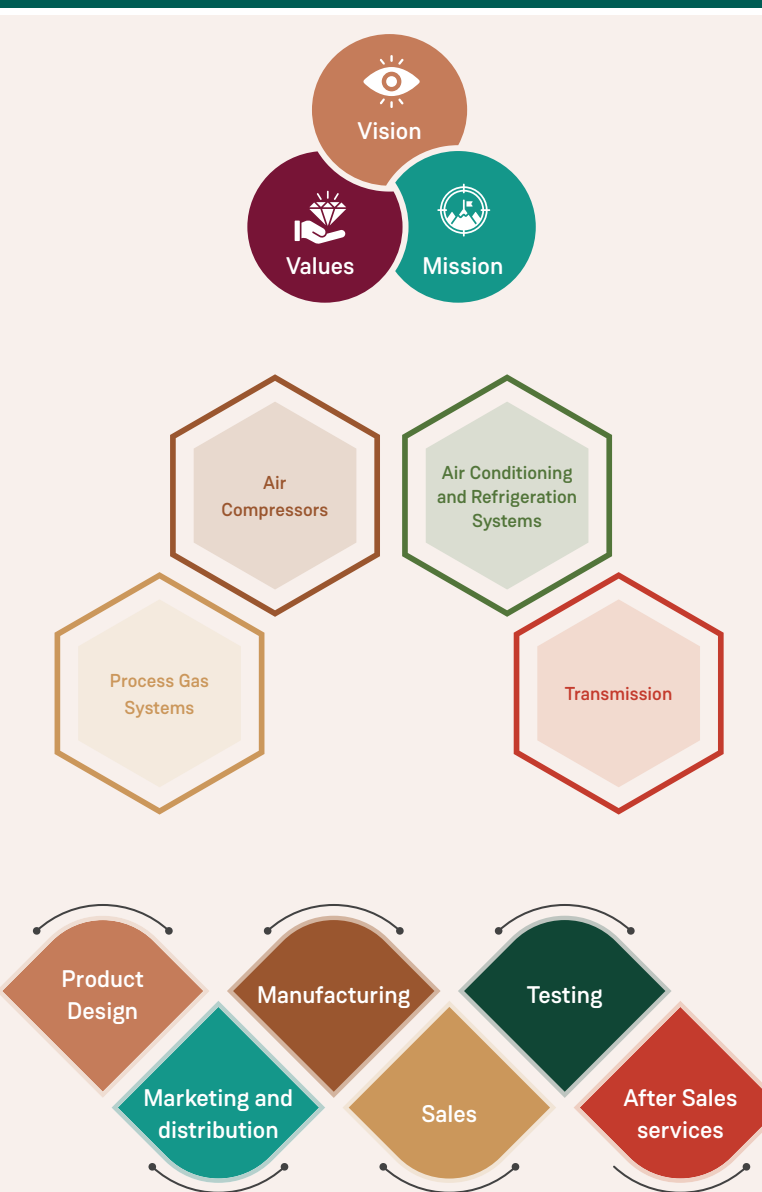
Regards,





Rahul C Kirloskar
Executive Chairman

Business Model

Creating sustainable value for stakeholders

Maintaining strong relationships with stakeholders is critical for us to operate sustainably over the long term. To foster a healthy and long-standing relationship with stakeholders, we consider it essential to establish a two-way dialogue with them. By engaging in communication with stakeholders, we build trust and credibility, demonstrate our commitment to ethical and responsible practices while gaining valuable insights into the needs and expectations of our customers, employees and other key stakeholders.

Input	Value creation Process
<div><div></div><div>Financial Capital</div><div>₹ 129.27 Million Equity Capital</div><div>₹ 277.50 Million Capex</div><div>Debt Free Company</div></div>	
<div><div></div><div>Manufacturing Capital</div><div>3 Manufacturing locations</div></div>	
<div><div></div><div>Intellectual Capital</div><div>Investment in R&D</div><div>₹ 128.73 Million on Innovation and Business development</div></div>	
<div><div></div><div>Human Capital</div><div>749 Permanent employees</div><div>₹ 2.8 Million Investment on Training and skill development.</div><div>₹ 5.56 Million Investment on health and safety</div></div>	
<div><div></div><div>Social and Relationship Capital</div><div>₹ 17 Million Investments in community development Initiatives</div><div>76 Dealers base</div></div>	
<div><div></div><div>Natural Capital</div><div>10,056.43 Tonnes Raw material (Steel, Aluminum and Sand)</div><div>12,186,920 kWh Energy Consumed</div><div>72,903 KL Water Consumed</div><div>73.97 KL Oil</div><div>63,222 CFT Wood</div></div>	

Output	Outcome	SDG linkages
<div><div></div><div>Financial Capital</div><div>₹ 12,505.24 Million Total Income</div><div>14.2 % EBIDTA margin</div><div>₹ 1,085.81 Million PAT</div></div>	Increased performance in segments and had a robust cash flow.	
<div><div></div><div>Manufacturing Capital</div><div>Segment Revenue:</div><div>₹ 11,569.44 Million Compressions Systems</div><div>₹ 823.93 Million Others</div></div>	Maintaining strong brand identification. Ensuring customer satisfaction by innovative thinking and ability to change.	
<div><div></div><div>Intellectual Capital</div><div>2 Patents filed</div><div>2 Patents granted</div><div>8 Research publications</div><div>12 Trade marks filed</div></div>	Continuous innovation to improve the product offering and delivering good quality products.	
<div><div></div><div>Human Capital</div><div>7.5% Increase in employee base</div><div>20,407 Hours Time spent in learning and skill development</div><div>3,000 Hours Time spent in health and safety training</div></div>	Providing equal opportunity to all and ensuring race and gender diversity. Ensuring continuous training and skill development.	 
<div><div></div><div>Social and Relationship Capital</div><div>25,000+ Beneficiaries of CSR activities</div><div>95% CSR Satisfaction Index</div></div>	Maintaining healthy and mutually beneficial relationships with stakeholders and conceptualisation of Net Zero Accelerator.	   
<div><div></div><div>Natural Capital</div><div>427,689 kWh Energy saved</div><div>11,806 KL Water recycled</div><div>180,633 kWh Renewable Energy</div><div>Materials recycled:</div><div>273.27 Tonnes Steel</div><div>2.69 Tonnes Aluminium</div><div>46.74 KL Oil</div><div>3,418 Tonnes Sand</div><div>7,433 CFT Wood</div></div>	Optimising and using resources in best possible and sustainable manner.	  

Governance

Building a strong governance structure

At KPCL, we believe that effective corporate governance represents the foundation that underpins sustainable growth and value creation in a business scenario that is dynamic and ever evolving. No governance framework can be complete without a strong commitment to ethical business practices, transparency and accountability.

Adherence to ethical business practices, transparency and accountability is deeply ingrained in our culture and guides our strategy and decision-making across hierarchies. We strive to adopt best practices in corporate governance to ensure that we meet the highest standards of integrity and professionalism.

To facilitate efficient and effective decision-making, we have established various committees with specific mandates. These committees comprise Board members, who possess the required expertise and experience to guide the Company in achieving its objectives. The key committees include:

Audit Committee

Responsible for overseeing the financial reporting process, ensuring the accuracy and reliability of financial statements and monitoring the effectiveness of internal control systems.

Risk Management Committee

Responsible for identifying, assessing, and mitigating potential risks to the Company's business and ensuring that appropriate risk management policies and processes are in place.

Nomination and Remuneration Committee

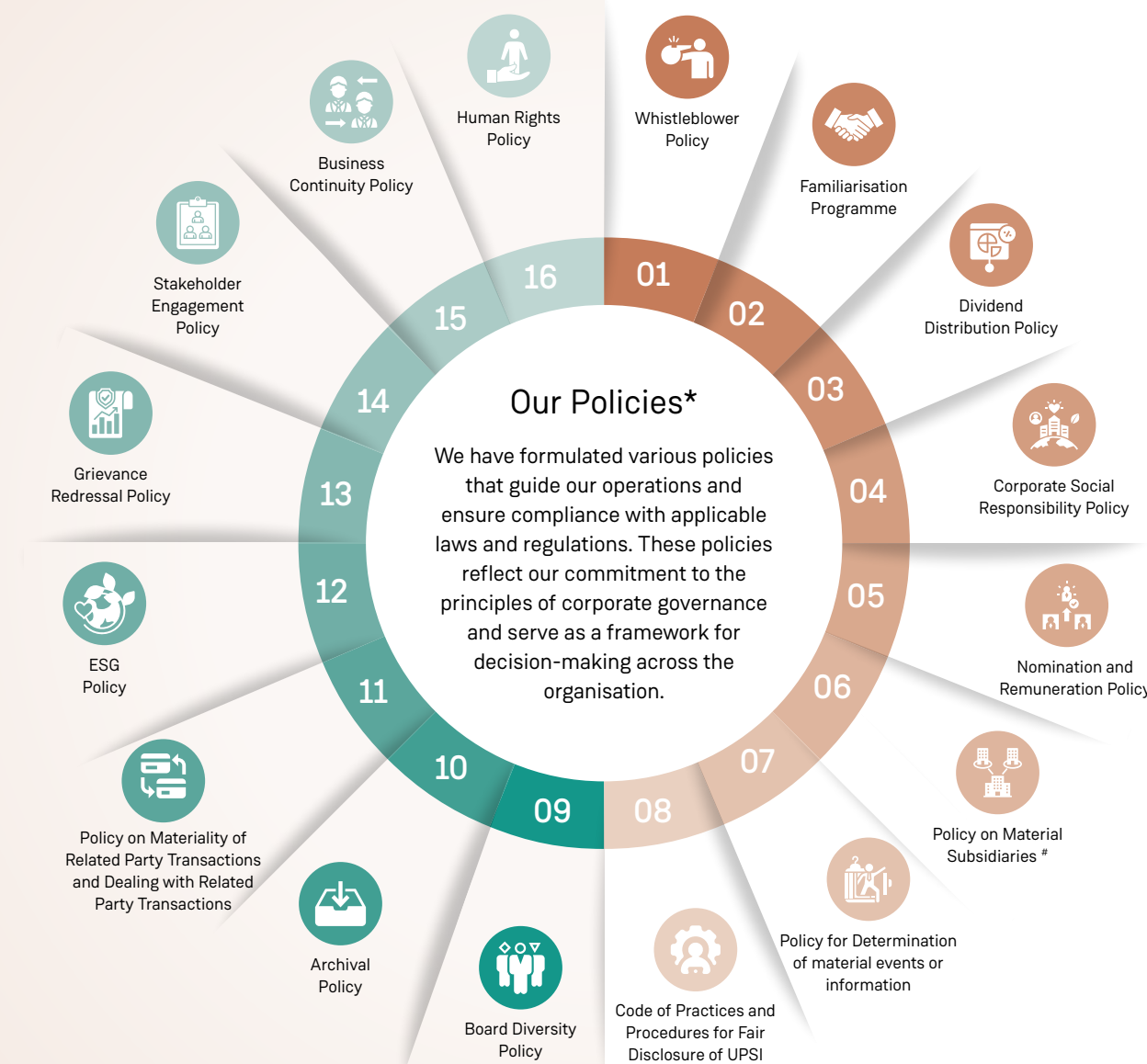
Responsible for reviewing and approving the appointment, remuneration, and performance evaluation of executive directors, key managerial personnel and senior management.

Corporate Social Responsibility (CSR) Committee

Responsible for formulating and monitoring the Company's CSR policies, programmes, and initiatives in line with statutory requirements and societal expectations.

Stakeholders Relationship Committee

Responsible for addressing and resolving grievances of shareholders and other security holders in a timely and effective manner.



Group Policies Framework

*Presently the Company does not have any subsidiary

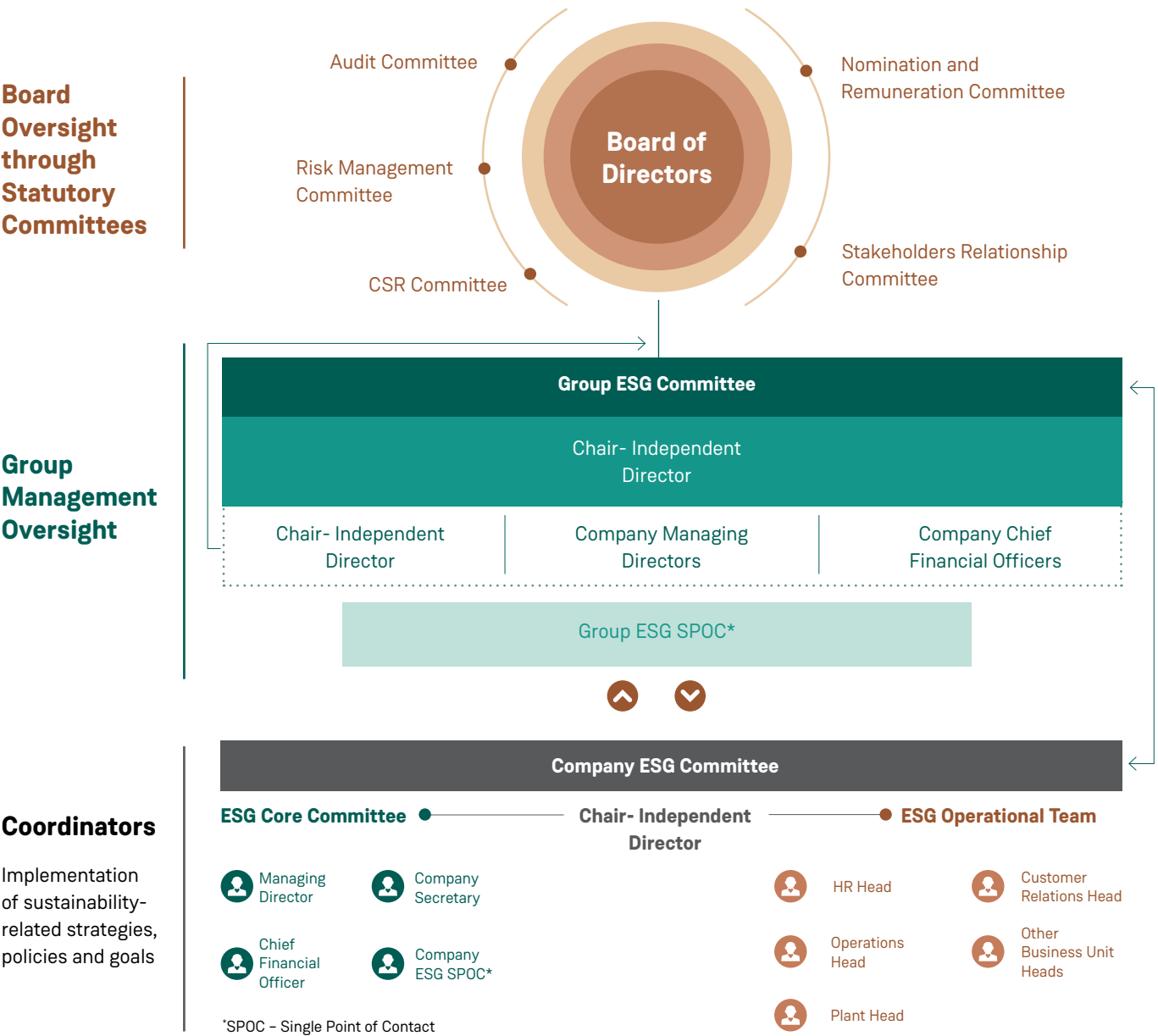
*Indicative list of policy

Driving Sustainable Success

Our Commitment to ESG Excellence

Our ESG framework is a set of principles and standards that are used to measure and manage our Environmental, Social and Governance (ESG) performance. ESG factors are increasingly important to investors, customers and employees, and we are committed to demonstrate a strong ESG performance that gives us a competitive advantage. This has aided our group in risk management, increasing shareholder value, improving reputation and attracting and retaining the right talent.

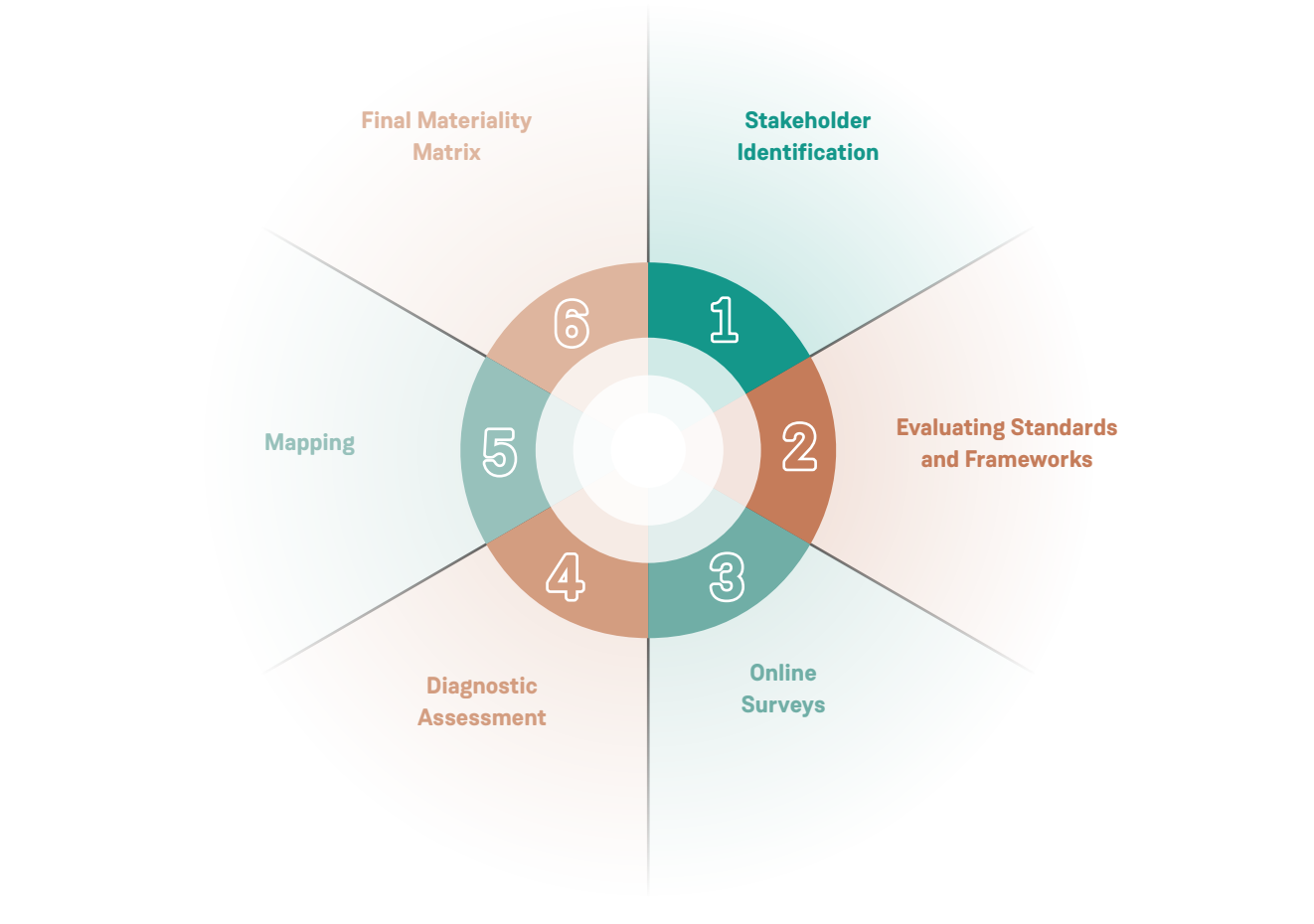
Sustainable Governance Structure



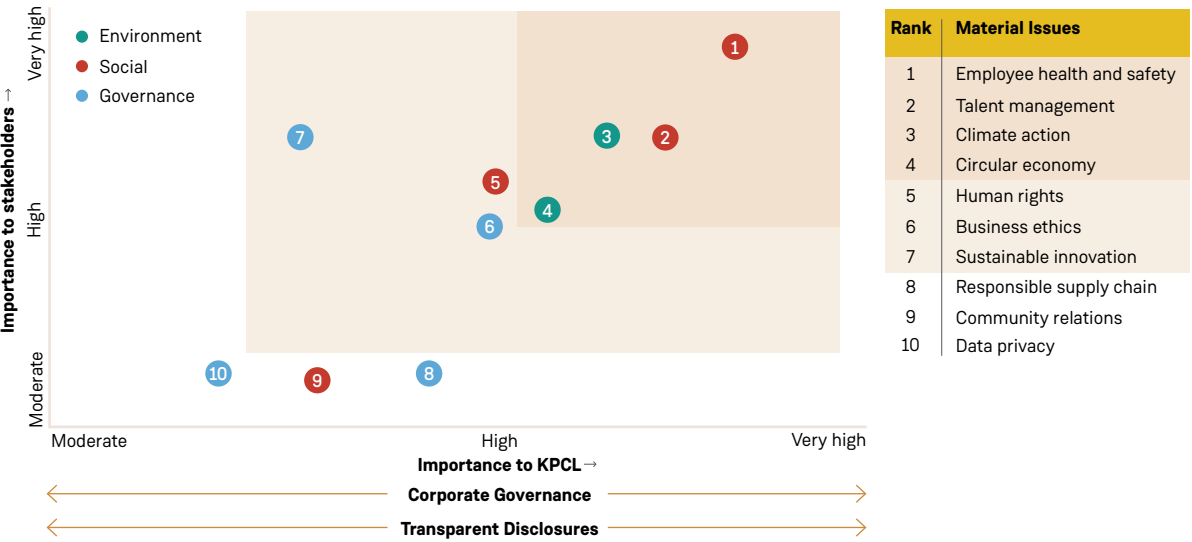
Materiality

Materiality Assessment

KPCL places great emphasis on the materiality assessment process, which plays a crucial role in identifying key material topics and its impact to both internal and external stakeholders. This proactive approach enables us to develop effective strategies for risk management and leverage opportunities for growth. By engaging in an open and continuous dialogue with the stakeholders, we endeavour to stay ahead of the curve and respond swiftly to evolving industry trends.






Materiality matrix












Stakeholder Engagement

Engaging in constructive dialogue for long-term value





Engaging with our stakeholders is a critical aspect to achieve business sustainability and deliver long term value. Building and maintaining healthy relationships with stakeholders require constant communication, understanding their expectations and needs, and responding to their feedback. As a responsible corporate citizen, we view our stakeholders as partners in our journey and seek to balance their interests with those of the business through an inclusive process.




Stakeholder group	Expectations for us	Mode of engagement	Capital linkage
 Employees	<ul style="list-style-type: none">Learning and growthDiversity and inclusionWorkplace safetyWell-beingRecognition	Regular interaction with employees is undertaken throughout the year through various channels including : <ul style="list-style-type: none">Weekly team meetingsTraining and development programmesCultural events	 Intellectual Capital  Human Capital
Importance of the relationship Their contribution to the Company's development, productivity and profitability through their talents and commitment is critical to the Company's success.			





Stakeholder group	Expectations for us	Mode of engagement	Capital linkage
 Shareholders and Investors	<ul style="list-style-type: none">Consistent return on investmentEthical business practicesRisk ManagementLong term and short term financial viability	Based on the Company's progress and future plans on timely basis engagement is done through: <ul style="list-style-type: none">Annual general meetingConferencesWebsiteQuarterly earning callsInvestor presentationsMedia communicationsE-mails	 Financial Capital  Social and Relationship Capital  Intellectual Capital
Importance of the relationship They play a pivotal role in providing the vital financial capital necessary to fund growth.			

Stakeholder group	Expectations for us	Mode of engagement	Capital linkage
 Customers and Dealers	<ul style="list-style-type: none">Quality of productsQuick and efficient after sales serviceValue for moneyPartnering for growth	We use various channels to communicate with our customers throughout the year <ul style="list-style-type: none">WebsitePress releasesCustomer surveyOne-on-one meetingCustomer eventsHelp desk	 Manufactured Capital  Intellectual Capital  Social and Relationship Capital  Financial Capital
Importance of the relationship They play an indispensable role by helping us increase our revenue and providing valuable feedback necessary for our growth and success.			



Stakeholder group	Expectations for us	Mode of engagement	Capital linkage
 Suppliers	<ul style="list-style-type: none">Partnering for long- term growthOn-time paymentsCompetitive pricingFair trade practices	To maintain our relationships with them, we communicate through: <ul style="list-style-type: none">WorkshopsSuppliers MeetVendor Satisfaction SurveyExhibitionsWebsite	 Manufactured Capital  Intellectual Capital  Social and Relationship Capital
Importance of the relationship Provides essential resources and operational capabilities that fuel KPCL's success.			

Stakeholder group	Expectations for us	Mode of engagement	Capital linkage
 Communities	<ul style="list-style-type: none">Job creationSkill developmentHealth careEducationWomen empowermentRural infrastructure	On-need basis engagement is done through: <ul style="list-style-type: none">CSR activitiesNGO collaborationOther volunteering activitiesWebsiteSociety perception survey	 Social and Relationship Capital  Natural Capital
Importance of the relationship They allow KPCL to create long term value for societies and enable the Company to build trust, loyalty and support.			

Stakeholder group	Expectations for us	Mode of engagement	Capital linkage
 Regulatory body and Government	<ul style="list-style-type: none">Compliance with laws and regulationsEthical business practicesStrong governance structureTransparent reporting	To ensure compliance, we are continuously engaged with them through: <ul style="list-style-type: none">Regular compliance filings and meetingsParticipating at industry forums	 Manufactured Capital  Intellectual Capital  Social and Relationship Capital
Importance of the relationship Ensure compliance with laws and regulations, as well as to maintain a favourable business environment for operations and growth.			

Risk Management

Navigating uncertainties with sharper growth focus

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.

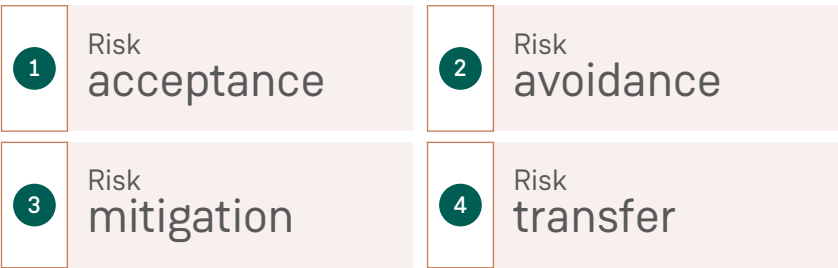
Framework

The policy establishes an organised and disciplined approach to risk management to direct decisions on risk-related issues in order to accomplish the policy's main goal. To ensure effective systems for risk management, the Company's existing and future substantial risk exposures are recognised, assessed, planned for mitigation, reduced and managed.

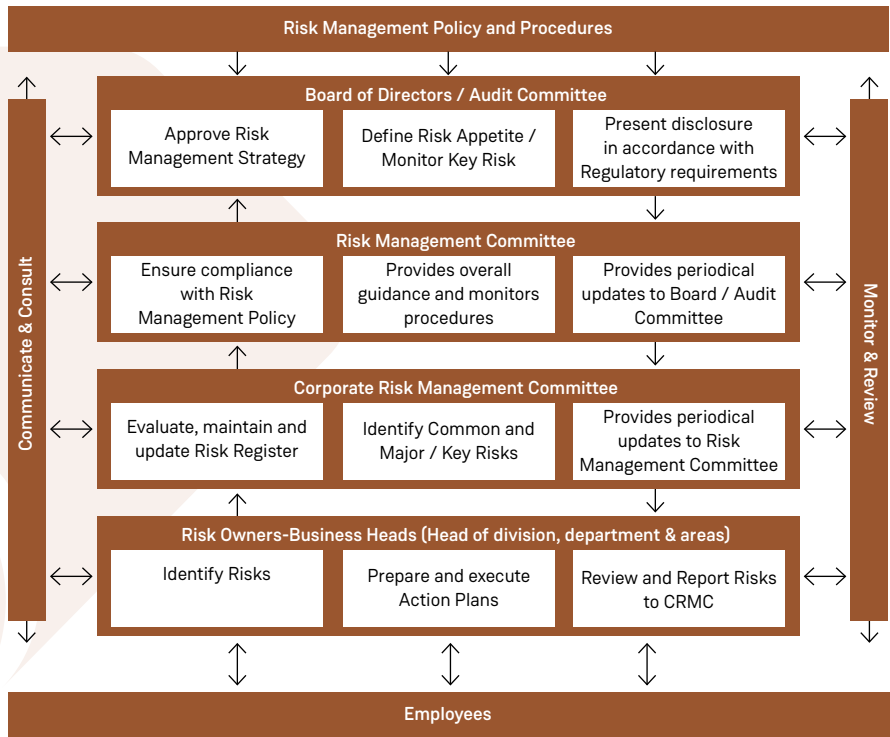
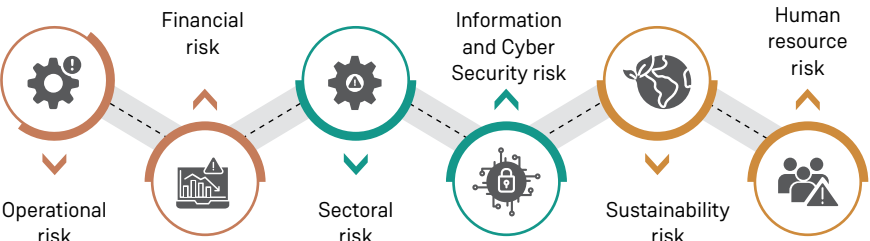
In accordance with many categories such as financial, operational, sectoral, sustainability (ESG-related risks), information and cyber security, and so on, the framework identifies internal and external risks that the Company is exposed to.

Risk identification and assessment







Identification of risks is a structured, consistent and continuous process and is usually carried out by respective Risk Committees. After identification of risk, it is assessed / evaluated on a five-point scale based on probability and severity to determine whether the risk exposure is inherent or residual. Based on the risk assessment process, the management adopts an appropriate approach.



Some of the risks / challenges identified are categorised broadly:



These risks can be short-term, medium-term and long-term based on the duration of the impact of the risk. Some of the risks are:

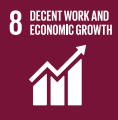
Type of Risk(s)	Risks and challenges	Strategy
Short-Term Risks and Opportunities:	 Operational risk The disruption in global supply chains, leading to shortages and delays in the delivery of raw materials and components. Such unexpected events might result in supply chain disruptions that can cause production delays and increase in operating costs.	We are diversifying our supplier base and establishing long-term relationships with reliable suppliers. We are also exploring the possibility of localising our supply chain and investing in raw material inventory management.
	 Financial risk As a global company, we are exposed to fluctuations in currency rates. Currency rate fluctuations can lead to significant changes in the cost of raw materials, production and exports, thus affecting profitability.	We mitigate our exposure to currency fluctuations by utilising financial hedging strategies. This approach allows us to stabilise raw material, production and export costs, thereby ensuring consistent profitability.
Medium-Term Risks and Opportunities:	 Sectoral risk We operate in a highly competitive market with numerous players. Our competitors may offer better prices, quality or innovative products, which can affect our market share and profitability.	We are investing in research and development to develop innovative products and enhance our competitive advantage. We are also exploring strategic partnerships to strengthen our market position.
	 Information and cyber security risk The pneumatic and hydraulic equipment industry is undergoing rapid technological changes. Failure to adapt to these changes can lead to a loss of market share and reduced profitability.	We are investing in new technologies and processes to improve product quality and reduce production costs. We are also collaborating with technology providers to access cutting-edge technologies and keep up with market trends.
Long-Term Risks and Opportunities:	 Sustainability risk Environmental regulations and social pressures are increasing and failure to comply with these regulations can lead to legal and reputational risks.	We are adopting environment-friendly practices and social responsibility policies to minimise our environmental impact and contribute to the communities in which we operate.
	 Human resource risk The potential impact on business continuity and long-term success due to a lack of effective succession planning and development of future organisational leaders.	We utilise comprehensive L&D programmes including a specific 'Passport to Leadership' initiative, ensuring a structured approach to identify learning needs, and offering custom-tailored, business-specific trainings, resulting in high engagement and learning scores annually.

Financial Capital

At KPCL, we consistently endeavour to maintain a strong liquidity position, healthy balance sheet and steady free cashflow. We ensure prudent allocation of our capital and the same is supervised by our leadership team and the esteemed Board. We aim to generate optimum returns on our operations and build capabilities that drive enduring growth.



SDGs covered



Key highlights

₹ 12,393 Million

Revenue

21%

Revenue Growth

₹ 1,769 Million

EBITDA

₹ 1,086 Million

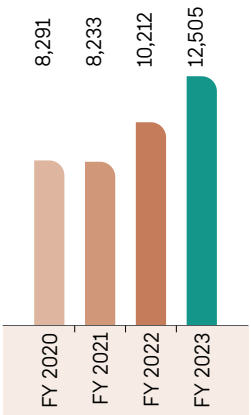
PAT

₹ 36,212 Million

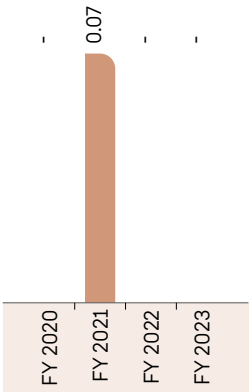
Market Capitalisation

Note : Rounded off to the nearest decimal

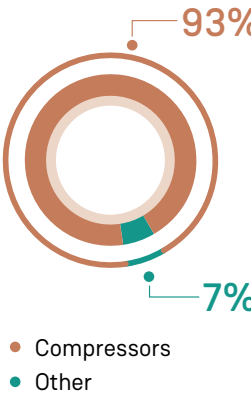
Income from operations
(₹ in Million)



Debt/Equity
(Times)

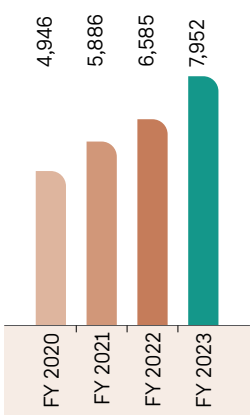


Revenue mix
(in %)

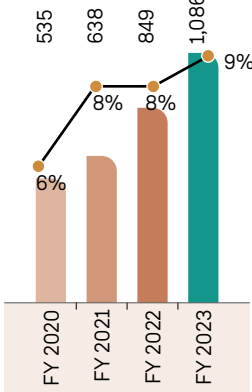


Note : Rounded off to the nearest decimal

Shareholders' Funds
(₹ in Million)



PAT (₹ in Million)
Margin (in %)



Growth pillars

Four key pillars form the foundation of our sustained growth

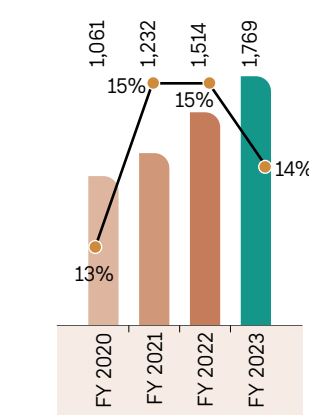
1 Product Leadership

Offering best-of-breed products and services that meet the evolving needs of customers.

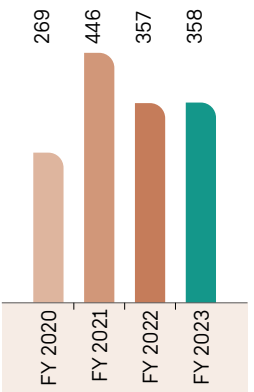
2 Industry Innovation

Exploring new industries and applications to diversify the product portfolio and stay ahead of the curve.

EBITDA (₹ in Million)
Margin (in %)



Cash and cash equivalents
(₹ in Million)



3 Customer Engagement

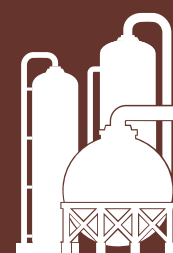
Offering exceptional services and identifying customer needs to drive product innovation and ensure consumer loyalty.

4 Stakeholder Value Creation

Collaborating with stakeholders to chart new frontiers of growth and create sustainable value for all.

Manufactured Capital

At KPCL, our manufactured capital comprises our state-of-the-art manufacturing units and infrastructure that ensure uninterrupted delivery even in challenging times. Prudent investments in infrastructure, research and development strengthen our manufactured capital. We focus on utilising the latest technology to boost productivity and durability of our operational processes and products. Digitalised software is a strong enabler for achieving key performance indicators.



SDGs covered



Key highlights

50

VAC production capacity

3,000

Refrigeration Compressors

350

CNG Packages

2,000

Air Compressors



Manufacturing prowess

We design and manufacture our own compressors with in-house manufactured air-ends, covering the entire spectrum of screw and reciprocating models. By streamlining our internal manufacturing process and reducing lead times, our ability to produce centrifugal compressors is further enhanced. Apart from in-house heat treatment, we are also equipped with gear and pinion machining from 20mm to 2500mm sizes.

For refrigeration compressors, we have a lead time of less than four weeks for all models. Also, we ensure an on-time delivery index for products. To build on our efficiency, we have a mean time to repair (MTTR) that is less than a day. Our manufacturing capability for chillers is significant, which enables us to produce high volume each year. In addition, we possess the necessary resources to perform string testing on packages with high motor capacities.

We have state-of-the-art machinery to fulfil production capacity while maintaining high-precision quality for screw, reciprocating models, centrifugal products, gear, pinion and heat treatment to match drawing specifications.

Our machinery

- CLC
- EMAG
- Makino / Mazak - Niigat
- Yasda
- Mitsui Seiki
- Nicolas Correa
- Hofler
- DMG Mori
- HAAAS / BFW

Boosting performance and productivity

We have invested in shop floor digitalisation to accomplish real-time machine utilisation, overall equipment effectiveness (OEE), consumable cost per part and operator productivity. Real-time insight on losses is helping us improve continually on the above-mentioned key performance indicators. The advanced manufacturing facilities are equipped with the latest technology machinery, which ensures top-notch quality and operational excellence.

We have installed a glycol-free, one-degree chiller, which facilitates significant reductions in operational costs for the client in our VAC, Saswad facility.

For the rapid development of new products, we invested in an in-house performance testing facility for refrigeration compressors.

We enhanced our own foundry by ensuring on-time delivery, lower rejection PPM, and timely delivery of low-volume, high-mix variety material. The new product development adaptation rate is high.

Key highlights of production capabilities for customers

> 98% on-time delivery index for products and spare parts.

MTTR of less than 24 hours

Lowest cost of ownership

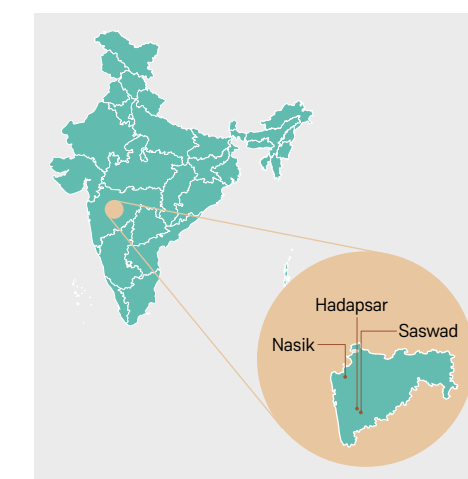
Foundry capability increased to deliver 8 tonnes each day of casting.

3 MW is the maximum capacity for building and testing packages at Saswad.

Inventory management

Based on a month-long work-in-progress, we maintain air-end safety stock up to the non-variable stage. Production planning and control are crucial for achieving peak performance. We employed Industrial Internet of Things (IIoT) on the shop floor for greater consistency, leading to a >98% on-time delivery (OTD) index.

Our locations



Leveraging technology to gain a competitive edge

We have implemented the Industrial Internet of Things (IIoT) in the machine shop to capture real-time data for better tracking and evaluation of operations. Additionally, we have integrated barcoding technology into our stores for efficient inventory management and employed assembly testing automation to ensure product quality.

We focused on ACR equipment which has successfully completed Phase 2 of the shop floor digitalisation project. This has resulted in a live work-in-progress (WIP) inventory for better resource allocation and planning, digital history cards for convenient product information monitoring and digital productivity dockets offering real-time insights into manufacturing processes.

IoT gateways and smart sensors implementation

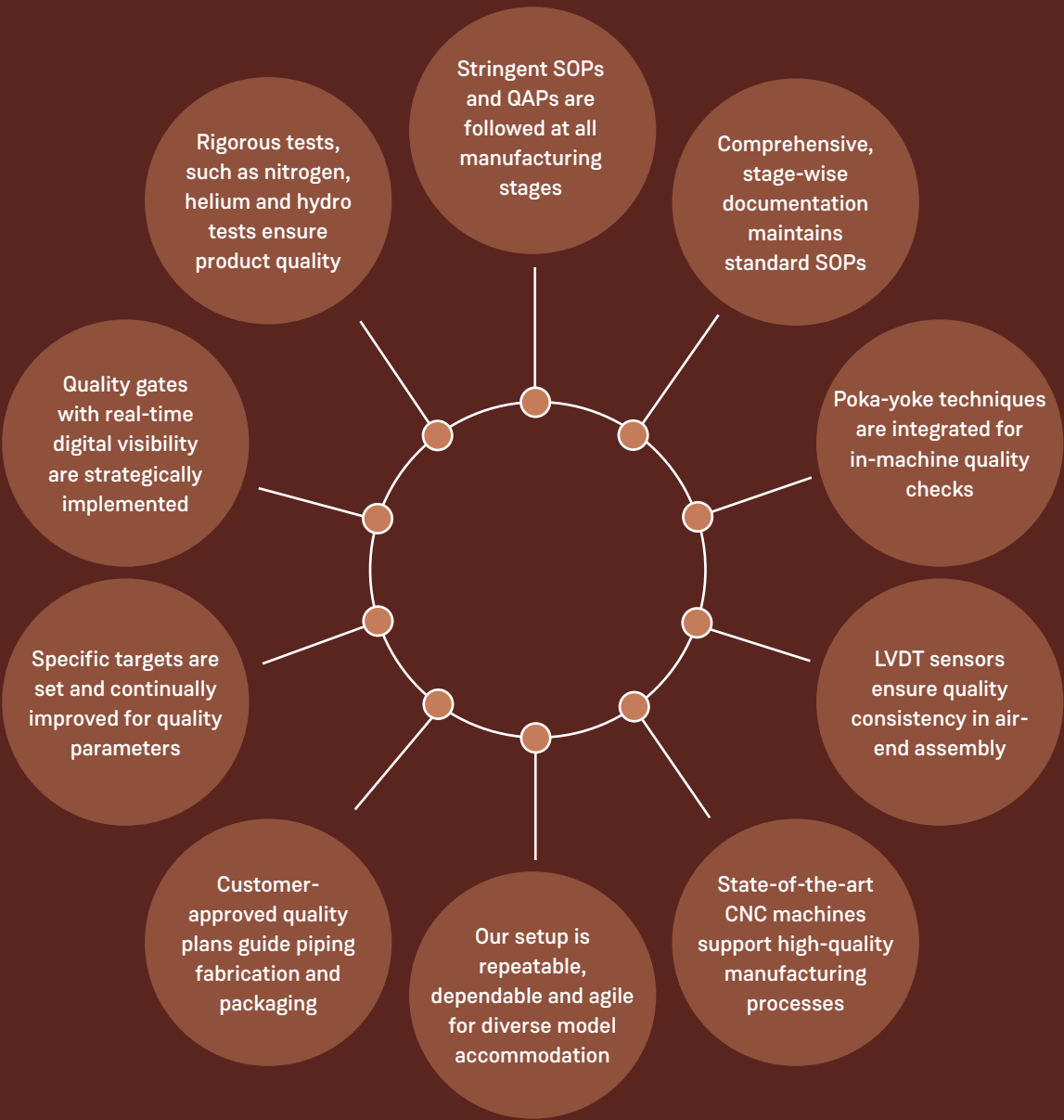
We have installed IoT gateways on screw compressors which reproduce machine data on a custom-designed dashboard. This enables our support teams to monitor performance parameters at the site installation, leading to proactive preventive measures and faster breakdown resolution.

We offer Programmable Logic Controller (PLC)-based controllers for enhanced automation and process control. This ensures operational efficiency and more effective management of resources.

Stringent quality control

To achieve excellence, we prioritise quality control in our manufacturing processes. We strive hard to ascertain that our products meet the highest standards of quality and reliability, while tirelessly refining our processes to retain consistency and boost efficiency.

Quality control practices at our facilities



Intellectual Capital

At KPCL, we rely on the strength of our intellectual capital to create innovative solutions for our clients. Our in-house R&D capabilities are the foundation that helps in creating products that are future ready. Designed for tomorrow, our products cater to the evolving needs of our growing client base. We leverage our rich expertise spanning five decades, solutions-oriented approach and encourage pioneering technologies to create long-term value for our stakeholders.



SDGs covered



Key highlights

₹ 128.73 Million

R&D expenditure

100+

R&D Team members

8

International publications

8

New products launched



Defining our purpose

As technology continues to evolve at an unprecedented pace, we remain at the forefront of this revolution. The Kirloskar Group acknowledges that intellectual capital is instrumental in driving growth and success. Our recent 'Limitless' brand revamp demonstrates our transformation to become a future-ready, customer-centric organisation. By encouraging new brand values such as innovation, empathy and collaboration, we aspire to develop and leverage intellectual capital to achieve our long-term goals.

Consistently innovating

Our innovation-led strategy reflects our dedication to investing in our employees and fostering a culture of continuous learning. As a leading player in the global market, we are committed to harnessing our innovative capabilities to maintain a competitive edge, drive growth and ensure sustainable development.

Our key initiatives

Kaizen implementation for operational efficiency

- Kaizen is implemented with the TOC methodology for the ACD division.
- Improved execution speed of assembly, and SCM.

AI model for compressor sizing

- Working on a two-stage compressor AI model.
- Predicts and optimises overall compressor sizing and performance.

Adopting the latest technologies

- Adapting to cloud hosting and the new-age Product Life Cycle Management (PLM) framework.
- Migration to Google Workspace.
- Internal digitalisation projects.
- Industry 4.0 projects.
- Use of the latest design software.
- Speeds up time to market and decision-making using data.
- Enables management to take informed decisions.

Tech-driven growth

- We have implemented the 'connected machines' project at Saswad and Hadapsar, reducing WIP and providing real-time feedback on compressor packages via IoT.
- We are also implementing the Dassault - Product Lifecycle Management solution for a shared database to manage products and components over the long-term.
- We are committed to digitalisation to optimise processes and drive growth.

In-house analytical methodology

- Established methodology for pulsation analysis, torsional vibration analysis, rotor dynamic analysis, aero design, CFT, structural analysis and flow calculations for NPD's.
- We plan to enhance existing capabilities on the technology front.
- Improves the accuracy and precision of analysis.

New additions to our product line

Over the past years, our Company has made great strides in diversifying our product portfolio and leveraging our intellectual capital to develop best-in-class, innovative solutions for various industries. Our R&D efforts have resulted in the successful launch and development of multiple new compressors, each tailored to specific industry needs.

Khione Ammonia Compressor

Our first Khione ammonia compressor has been designed to meet the unique refrigeration demands of the dairy, food processing and pharmaceutical industries.



Trolley Mounted Diesel and Electric Screw Diesel Compressor

We have successfully launched trolley-mounted diesel and electric screw compressors, specifically designed for mining applications.



7-22 kW Belt Drive Screw Package

This versatile belt drive screw package is designed for diverse small-scale industrial applications. This helped us further expand our reach into different market segments.



Kosmic KAS-400 Compressor

Our efficient series of Kosmic KAS-400 compressors is in the advanced stages of development and is currently undergoing rigorous testing.



Centrifugal Two-Stage Compressor

Our ongoing development of a centrifugal two-stage compressor, set to launch in the middle of FY24, is a step forward towards expanding our product line.



K Rotor Profile Technology

We have successfully established our proprietary K rotor profile technology and are in the process of obtaining a patent, which is currently in the grant stage.



Calana booster compressor

Our Calana compressor offers a safe and efficient solution for off-line gas dispensing without the need for a direct connection to the main gas supply.



2100 / 3500/ 7000 CFM Tezcatlipoca Centrifugal compressors

To cater to the needs arising from changing industry trends, we released compressors with 3 different CFM options. These offer 100% oil-free air, leading to higher product quality and lower operating costs, among other features.



Business growth initiatives

With a view to enhancing our intellectual capabilities further, we participated in several exhibitions to showcase our products and services, which helped us gain brand recognition and market share. We also engaged in multiple international paper presentations, which gave us the opportunity to share our expertise and knowledge with a wider audience, demonstrating our thought leadership and innovation to the global community.

15

IPs filed in FY23

2

Patents granted in FY23

Digitalising marketing

As part of our endeavour to improve our digital marketing initiatives, we revised our social media policy and increased our visibility on various social media platforms through creative promotional campaigns.

To further strengthen our marketing efforts, we have released new marketing collateral and executed revamped product launch strategies. Our revised internal and external merchandising has also helped to improve the customer experience and strengthen our brand identity.

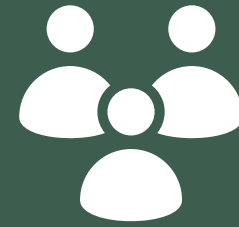
Cyber security

Industry 4.0 implementations in the manufacturing sector include the integration of connected machines. These machines are typically installed on-premises and are not accessible from external sources. Cybersecurity measures are put in place to safeguard the information shared within the IT network.

On the other hand, connected products are usually hosted on Software-as-a-Service (SaaS) platforms offered by vendor partners. These partners are responsible for assuring data encryption, security and hosting on their cloud services.

Human Capital

Our people uphold our vision of being limitless. Aspiring to be the employer of choice, we have always believed that our greatest strength is our workforce. Therefore, the Company's organisational culture, strategic priorities and future aspirations are all centred on caring for our people holistically, assisting them to build fulfilling careers and ensuring their overall well-being. Driven by the organisational spirit of outperformance, every member of the Kirloskar family goes above and beyond to add value to the society and represent the Company as a Goodwill Ambassador.



SDGs covered



Key highlights

4.8%

Women in workforce

81%

Employee engagement score*

*KPCL score is 7% above India Manufacturing average and 1% above the India Manufacturing Top Quartile.



At KPCL, we recognise the crucial role, our human capital plays in driving organisational success. Towards this end, we foster a safe and ethical working environment for all our people. Our central legal committee diligently reviews legal compliance in accordance with the legal register applicable to our establishment. The committee also provides the management with monthly assessments and quarterly reports.

An online legal register and alert system are in place to ensure prompt adherence to regulations. Furthermore, the Kirloskar Group has instituted a Whistleblower policy across all its companies, providing all its team members with an ethics hotline to confidentially report any violations or breaches of the Code of Conduct. This comprehensive resolution process, supervised by dedicated ethics managers, underscores our commitment to promoting transparency and accountability to build a value-driven workplace for our human capital.

749

Permanent employees

Key highlights of our production capabilities

To make sure that our HR practices were more effective and people-centric, we launched several offline and online procedures, which led to a substantial growth in financial and process-related outputs.

The procedures include

Information Management System (IMS)
Kaizen
CII HR Excellence Model
Implementation of TOC
Connected Machines
Implementation of PLM
Online Performance Management System
Online Leave and Attendance Monitoring
Online Training needs management and a Learning Management System

Ensuring health and safety

At KPCL, we put employee health and safety first by adopting stringent safety protocols and raising awareness of safe working practices. Monthly safety audits are conducted across all areas, complemented by a dedicated safety organisation that organises theme-based safety programmes annually. Through frequent virtual and physical sessions, our Health and Safety team not only ensures a safe work environment, but also informs our people about the numerous benefits of leading a healthy lifestyle.

As we are committed to supporting the overall well-being of our employees, we conduct periodic health checks and offer personalised health counselling, supplemented by online and in-person health awareness sessions led by internal and external trainers. Additionally, we share monthly health bulletins and advisory notes with our team members via our Intranet and House Magazine.

3,000

Man-hours of safety and health training conducted

92%

Health and wellness score in the Annual HR Dipstick survey



Prioritising employee well-being

At the heart of our employee practices lies a commitment to enhancing employee well-being by implementing policies and initiatives that create a positive work environment. Apart from expanding transport facilities, we have invested in renovating offices and common areas. We also encourage our people to participate in several indoor and outdoor sports activities. To support our employees further, we conduct health, safety and wellness awareness sessions, counselling sessions and leadership communication sessions.

Accelerating learning and development

Staying true to our commitment to facilitating the growth and development of our talent pool, we implemented diverse leadership initiatives and offered numerous innovative learning opportunities to all our people. The L&D department employs the Kirkpatrick Feedback Model and the STAR approach from managers to gauge the efficacy of training initiatives conducted.

Key initiatives

Flexible working hours policy
Revised retirement age to 58 years
Enhanced transport services
Women's Safe working hours policy
Block salary corrections
Uniform weekly off

Innovative learning opportunities

Quarterly theme-based round table- Sessions to generate ideas and suggestions around a chosen theme, with progress reviewed and tracked each quarter.

Collaboration with research institutes for engagement- Teaming up with reputed institutes for product innovation and employee development through assignments and partnerships.

Implementing leadership and development initiatives



Comprehensive L&D programmes

These include a diverse range of programmes concerning knowledge, skill and behavioural aspects, such as Passport to Leadership, Project Management, Frontline Manager Development, Sales Training, Train the Trainer and Campus to Corporate, among others.



Annual learning milestone

We successfully conducted **20,000+** man-hours of learning during the year.



Structured approach

This entails the utilisation of the 70-20-10 concept to identify learning requirements and design tailored training and development strategies, covering at least **85%** of the workforce through classroom, virtual and e-learning platforms.



High L&D process score

We achieved an **85%** score in the Annual HR Dipstick survey and we have been maintaining this level for the last three years.



Customised learning interventions

Introduced business / function-specific trainings, such as Sales and Project Management, in 2022.

Upskilling our workforce

We have made prudent investments in the upskilling of our talent pool through a multifaceted approach known as Multifold actions. This entails funding advanced degrees such as PhD and M-Tech, sponsoring attendance at international conferences and publishing journal articles. We also encourage our employees to file for intellectual property rights and benchmark their skills against competitors, ensuring that we stay ahead of industry needs.

Career planning

At KPCL, we prioritise professional development and succession planning through initiatives such as higher education assistance, job rotation and the grooming of high-potential employees. We focus on career growth for entry-level engineers and conduct annual management reviews to establish succession plans for key positions.

Talent acquisition and retention

Hiring the right employee is an important aspect of any organisation. Towards this end, we employ a multifaceted hiring approach, utilising channels such as job portals, employee referrals, social media, website posts, college hires and third-party agencies to identify top talent. Candidates undergo a rigorous evaluation process, including virtual and in-person interviews with panels assessing technical and behavioural competencies. The candidates are shortlisted based on well-defined job descriptions and requisite skill sets. Additionally, aptitude and psychometric tests are conducted to further refine the selection process.

To amplify brand recognition and attract talent, we leverage print and social media platforms, implement employee referral programmes and foster industry-institute interactions. Our robust employee benefits package and progressive policies, such as the introduction of flexible working hours,

work-from-home guidelines, special rewards for outstanding performers and salary adjustments for junior management, aim to bolster talent retention.

85%

Employees covered in Learning & Development initiatives

37%

Of our workforce are with us for

10+

Years

Performance management

We implemented a comprehensive online performance management system to facilitate regular appraisals on both quarterly and annual basis. The system incorporates a Key Results Area (KRA) setting process for each quarter, culminating in a cumulative evaluation at the conclusion of the year. This approach provides employees with consistent opportunities to both give and receive feedback on their performance and behaviour after each quarter and year. To enhance performance management for senior colleagues, the Company has introduced a balanced scorecard system, ensuring an all-encompassing assessment of their overall performance.

Diversity and inclusion

We consider it essential to build a diverse and inclusive workforce, where professionals from varied backgrounds and geographies collaborate across multiple functions such as Human Resources, IT, Finance, Design, Supply Chain and Sales. Our dedicated talent acquisition team is committed to ensuring a well-rounded mix of employees and facilitating a positive work culture that encourages collaboration, innovation and mutual growth.

We feel that continuing to embrace diversity in the workplace enhances our capability to better understand and cater to the specific needs of our global clientele while developing an empowering environment for all our team members.

Rewards and recognition

Our employees are recognised and rewarded based on their performance and output through monetary and non-monetary reward schemes.

The rewards and recognition



Star of the Month



Team rewards



Spontaneous rewards



Kaizen redemption



Safety and quality quiz rewards

We have been conducting annual HR Disptick surveys to evaluate the effectiveness of its HR processes. For several years, the Reward and Recognition (R&R) process has consistently scored 89%, falling into the Maintain category. The R&R team uses feedback from these surveys to refine their practices.

Our dedication to excellence has led to us receiving the CII Prize for Leadership in HR Excellence for four consecutive years, from 2019 to 2022. In 2023, we were honoured with a special accolade from CII – the ‘Prize for Sustained HR Excellence’ – in recognition of our commitment to exceptional performance.

Social and Relationship Capital

At KPCL, we treasure our clients, partners, suppliers, communities and stakeholders as our social and relationship capital. The long-standing relationships that we have nurtured with our clients, key suppliers and stakeholders over the years have supported the organisation's growth trajectory. Making sure that investor demands are met responsibly through transparent and effective modes of engagement helps foster stakeholder inclusion and priority. Their faith in us and unwavering assistance have significantly contributed to the Company's inclusive growth.



SDGs covered



Key highlights

25,000+

Beneficiaries

₹17 Million

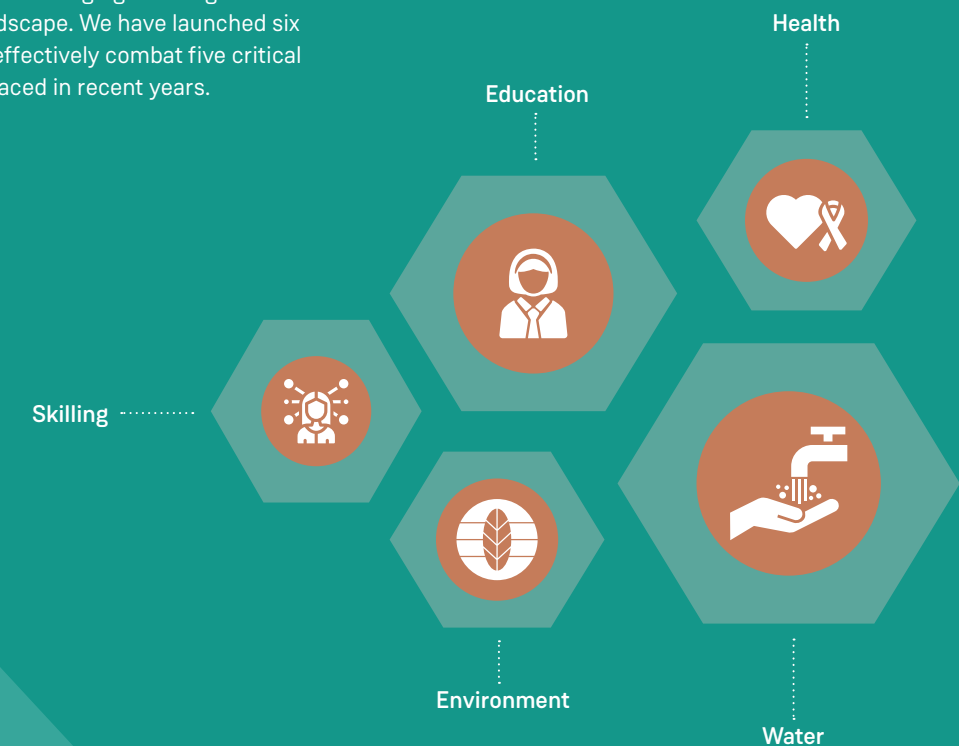
CSR Expenditure

95%

CSR Satisfaction Index

For the community

To build stronger communities and ensure their holistic well-being we address the emerging challenges in the socio-economic landscape. We have launched six unique programmes to effectively combat five critical concerns that have surfaced in recent years.



The youth skilling programme aims to enhance employability through a merit-based selection process for underprivileged students. It offers a 3-year residential Diploma in Mechatronics and Smart Factory at Nettur Technical Training Foundation (NTTF), equipping students with industry-relevant skills to secure promising careers in the flourishing field of mechatronics and advanced manufacturing. The first batch comprises 38 students, of whom more than 30% are girls.

38

Students enrolled

Youth Skilling



Promotion of Education

KPCL is committed to advancing education through various initiatives, particularly focusing on empowering girls through primary and secondary education. The Bharari and KaShi programmes are a testament to our efforts to facilitate and promote girls' education in rural and urban areas.



KaShi (Kanya Shiksha)

Our North and West regional offices volunteer and collaborate with state cold storage associations in UP, Gujarat, Rajasthan and MP with an aim to support the education of daughters of workmen of cold storage units.

30

Girls benefited

Bharari

Socio-economically challenged girl students from a Saswad school are supported for academic and extracurricular skill development. The initiative was enhanced by creating

a book library and organising life skill workshops.

200

Girls benefited

In addition to these initiatives, we actively contribute to Kirloskar Institute of Advanced Management Studies (KIAMS), an esteemed educational institution that offers higher education opportunities. KIAMS develops skilled professionals in management and business through rigorous academic programmes, fostering a culture of innovation and entrepreneurship. By supporting KIAMS, KPCL demonstrates its commitment to nurturing future leaders and building capability for India's growing economy.

We remain steadfast in our commitment to safeguard the environment by conducting river restoration-related activities through Kirloskar Vasundhara initiative. This initiative targets students and teachers from 12 schools in the vicinity of Ram Nadi in Pune, promoting sustainable practices, biodiversity conservation and eco-friendly habits, thereby empowering the younger generation to become responsible stewards of the environment.

3,600+

Students participated

Environment



Our DISHA initiative raises HIV / AIDS awareness by educating the general community and students about prevention and care. DISHA also extends support to people living with HIV (PLHIV) through counselling, medical aid and socio-economic assistance, cultivating a more inclusive and empathetic society that understands and combats the disease.

11,000+

People reached

Health Awareness



Our efforts are centred on providing clean and safe drinking water facilities in schools. By installing filtration and purification systems in nine schools in the nearby vicinity of our plants, we ensured that students have access to potable water, which helps minimise the incidence of waterborne diseases and improves overall health. As a result, it contributes to better learning outcomes.

10,000+

Students benefitted

Safe Drinking Water



Creating enduring relationships with our stakeholders

Customers

Our customers are at the heart of our business and serve as a vital stakeholder in our operations. We continually endeavour to deliver exceptional services by offering high-quality products, actively addressing their feedback, as well as providing prompt and efficient after-sales support. Through regular engagement with customer surveys, we create hassle-free experiences for our customers, ensuring their satisfaction and fostering long-term relationships.

Business partners and vendors

KPCL is deeply committed to upholding diversity, inclusion and sustainability within our supply chain. Our robust selection procedure for suppliers ensures adherence to our Quality, Environment, Occupational Health and Safety (QEOMS) standards, Code of Conduct and Human Rights policies. By engaging local MSMEs and maintaining close proximity to our plants, we not only contribute to community development but also facilitate regular site inspections to maintain optimum quality levels. Our ERP and barcoding systems provide visibility, enable us to manage inputs efficiently and encourage our suppliers to align with our environmental and social targets.

To foster strong relationships with our business partners and vendors, we regularly communicate through channels such as supplier and dealer meetings, as well as exhibitions. By conducting vendor satisfaction surveys and actively soliciting their feedback on our operations, we consistently improve and align our goals with those of our stakeholders. Our commitment to transparency and collaboration ensures that we create a resilient, sustainable and inclusive supply chain that drives mutual growth and success for all parties involved.

Shareholders and investors

We diligently work towards delivering value to our shareholders and investors by focusing on sustainable business growth, maintaining a robust balance sheet and ensuring consistent year-on-year improvements in returns and profitability.

₹36,212
Million

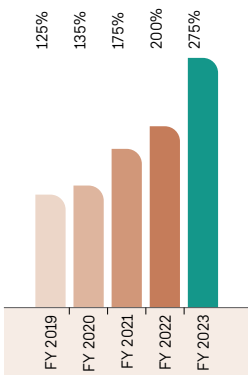
Market Capitalisation as of
March 31, 2023

Shareholders mix (in %)



- Promoter and promoter group
- Public and institutions

Dividend payout



Natural Capital

Ever since the inception of KPCL's journey, caring for the planet has been our key priority. Our natural capital comprises the renewable and non-renewable environmental resources that support our operational processes. Being cognisant of how our business adversely impacts the environment, we are implementing several measures to ensure judicious use of natural resources. At KPCL, numerous conservation initiatives are instituted to effectively lower our environmental footprint.



SDGs covered



Key highlights

11,806 KL

Water recycled

427,689 kWh

Electricity saved



Waste management



In FY23, we successfully reused thousands of CFT of wooden packaging material received from suppliers for our own product packaging. This initiative not only reduced waste generation, but also ensured resource efficiency, thereby supporting our commitment to sustainability.

We partnered with Maharashtra Enviro Power Limited (MEPL), a waste management company licenced by the Maharashtra Pollution Control Board (MPCB) situated in Ranjangaon, Pune, to ascertain the proper disposal of hazardous waste. The collection, transportation, treatment and safe disposal of hazardous waste generated from our operations are all covered under our agreement with MEPL.

By submitting online annual reports for hazardous waste and other waste as required by the regulatory authorities, we maintain a comprehensive record of our waste management practices.

Apart from hazardous waste management, we also actively recycle non-hazardous waste materials such as

wood, oil, water, steel and aluminium, to further minimise our environmental footprint. By collaborating with specialised waste management companies, we efficiently recycle these materials and contribute to a circular economy.

Also, we are committed to creating a positive impact on the environment and our stakeholders by reusing, recycling and safely disposing off waste materials.

273.27 MT

Metal scrap reused

46.74 KL

Oil recovered

7,433 CFT

Wooden packaging material reused

Water management



Recognising the value of water as a finite resource, we are stepping up with numerous calibrated measures to reduce water wastage and optimise its use in our operations.

One of our key initiatives in reducing water consumption has been the implementation of a Dry Type Paint Booth in our painting process. This innovative solution has effectively eliminated the need for water at this stage of production, significantly reducing our overall water usage.

Moreover, we successfully recycled 11,806 KL of wastewater by utilising a combined Effluent Treatment Plant (ETP) and Sewage Treatment Plant (STP). The recycled water has been repurposed for our gardening needs, helping to minimise our reliance on fresh water sources. As part of our compliance efforts, we also adhere to the parameters set forth by the Maharashtra Pollution Control Board (MPCB) to ensure that our environmental impact remains minimal.

As part of our endeavour to reduce our water footprint, we plan to digitalise water consumption monitoring across all functional areas within the Company. This initiative will provide real-time data on water usage, enabling us to pinpoint high water consumption areas and implement targeted conservation measures. By leveraging digital technology, we aim to further enhance our water management practices and solidify our commitment to sustainability.

11,806 KL

Water recycled for gardening through ETP and STP

Energy management



We made significant strides this year in energy management, focusing on the efficient use and conservation of electrical energy. We implemented 23 energy conservation projects, which resulted in remarkable savings. Our commitment to sustainability led to the successful installation of a rooftop solar energy plant, which generated 180,633 kWh of electricity from January to March 2023. This initiative is set to fulfil 59% of our current energy requirements at the Saswad facility.

By optimising stress-relieving and heat treatment furnaces, we achieved better energy efficiency and reduced the heating temperature in our ferritisation annealing process from 930°C to 730°C. These improvements were monitored through monthly Management Review Meetings (MRMs), ensuring that specific energy consumption targets were met and any gaps were addressed promptly.

Our employees were encouraged to consider energy conservation projects as Kaizen, with awards given for the best improvement projects. This resulted in the installation of a 840 kWp (DC) rooftop solar PV plant at

our Saswad facility. Consequently, 1.48% of the organisation's total energy consumption now comes from renewable sources, with a total energy consumption of 12,186,920 kWh and 180,633 kWh generated and used by our solar plant.

As part of our ongoing commitment to sustainable energy management, we are considering further plans to expand renewable energy generation across our other plants. Our continuous efforts in energy management enhance our natural capital, reflecting our dedication to a greener and more efficient future.

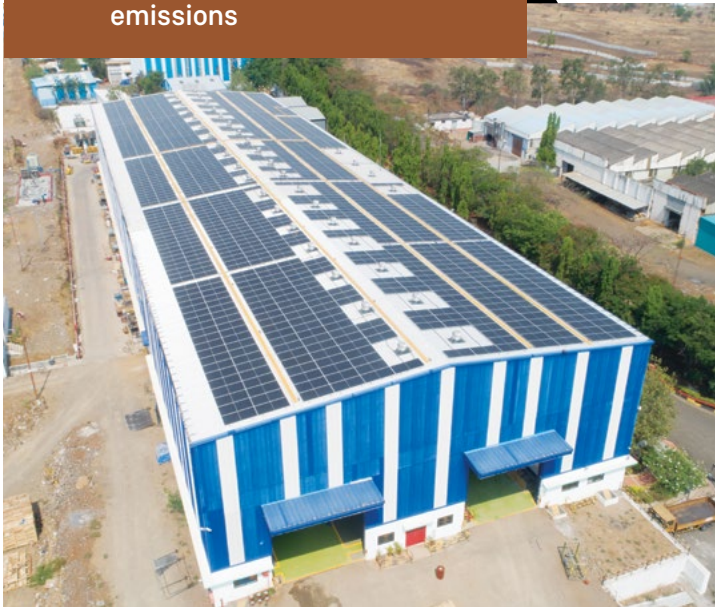
427,689 kWh

Electricity saved

180,633 kWh

Electricity generated from renewable resources

Greenhouse gas emissions



We installed a 840 kWp DC / 680 kWp AC rooftop solar PV plant at Saswad. This is a testament to our efforts to reduce greenhouse gas emissions. By generating 10,75,200 units, we can reduce 881.5 tonnes of CO₂ emissions.

Carbon sequestration

The recent carbon sequestration assessment conducted in 2023 presents encouraging results for our Saswad and Hadapsar plants. We have seen substantial growth in carbon storage and sequestration potential at both locations. We will continue to enhance these results through increased plantations of indigenous tree species, adding both aesthetic and ecological value to our campuses.

Key Figures from the 2023 Assessment

Saswad Plant

124.0 Tonnes

Carbon storage and

2.4 Tonnes

Annual sequestration potential

Hadapsar Plant

46.6 Tonnes

Carbon storage and

0.93 Tonnes

Annual sequestration potential

Biodiversity

We were pleased to announce in FY23 substantial progress in fostering biodiversity across our sites. In comparison to FY19 figures, we recorded an upsurge of 18% in plant and tree life, birds, insects, butterflies and mammals at our Saswad site and an impressive 20% growth at our Hadapsar location. This progress can be attributed to our diligent maintenance of gardens, plants and trees, which uses regular watering and organic manure to promote healthy growth.

Alongwith these initiatives, we planted 100 trees at our Saswad plant in FY23 and we have more plans for FY24. Our future plans to enhance biodiversity include expanding the green wall at our Hadapsar facility, establishing a butterfly garden and creating an eco-friendly water hole at our Saswad site. We have already identified a new green wall area of **725.32** sq. metres and the plantation process is well underway, with plants showing promising growth.



100

Trees planted at Saswad Plant

Our Environmental Scorecard

Energy and Emissions

180,633 kWh

Electricity generated from renewable resources

427,689 kWh

Electricity saved

Water

72,903 KL

Water consumed

11,806 KL

Water recycled

Zero water discharge

plants

Waste

2,841 MT

Waste generated

1,465 MT

Waste disposed off safely

1,376 MT

Waste recycled / reused

7,433 CFT

Wooden packaging material reused

Biodiversity

18%

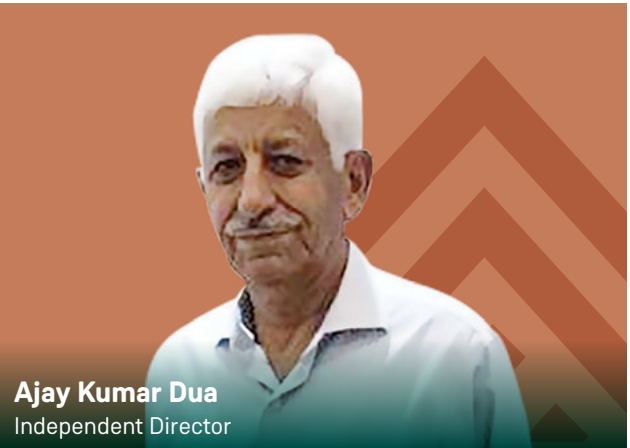
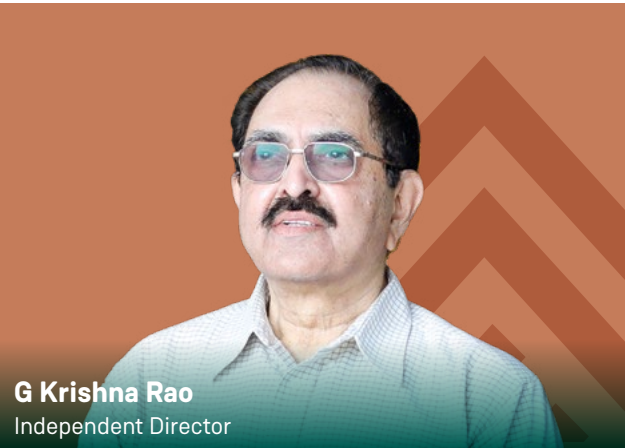
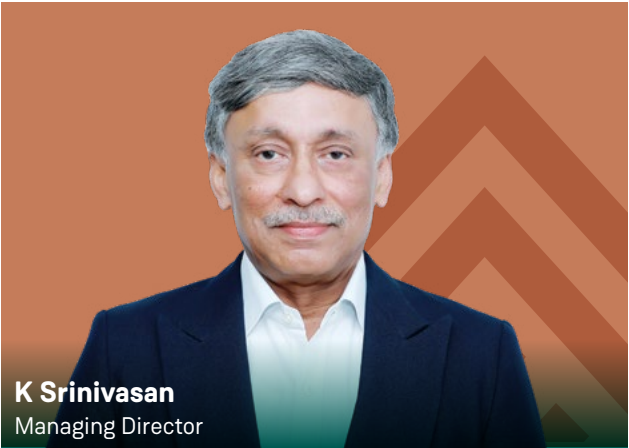
Increase in plant and tree ecosystem at Saswad

20%

Increase in plant and tree ecosystem at Hadapsar

Note : Rounded off to the nearest decimal

Board of Directors



Senior Management



Left to Right

Sanjay Grover Vice President- IBD	N Vijaykumar General Manager- Defence	Neeraj Bhargava Vice President- ACD & TRM	Dr Sadashib Padhee Vice President- HR, CSR & IEHS	Suhas Kolhatkar Vice President- Finance & CFO	Rahul C Kirloskar Executive Chairman	Mrugendra Behere Vice President- ACR	Deepak Lokras Vice President- PGS	Aman Kirloskar AVP Operations- ACD & TRM	K Srinivasan Managing Director	Jitendra Shah Company Secretary & Head Legal
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Notice of 48th Annual General Meeting

Notice is hereby given that the 48th Annual General Meeting ("AGM") of the Members of Kirloskar Pneumatic Company Limited ('the Company') will be held on Thursday, the 20th day of July, 2023 at 3:30 p.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 8th April, 2020; the General Circular No. 17/2020 dated 13th April, 2020; the General Circular No. 20/2020 dated 5th May, 2020; the General Circular No. 2/2022 dated 5th May, 2022 and the General Circular No. 10/2022 dated 28th December, 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/PoD-2/P/CIR/2023/4 dated 5th January, 2023 (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 31st March, 2023 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 31st March, 2023.
3. To appoint a Director in place of Mr Rahul C Kirloskar (holding DIN 00007319), 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 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 ₹ 6.5 Lakhs (Rupees Six Lakhs and Fifty

Thousand only) to Company's Cost Auditor, M/s Sudhir Govind Jog, a proprietary firm of Cost Accountant, appointed by the Board of Directors for auditing the cost records maintained by the Company for the financial year ending on 31st March, 2024 be and is hereby ratified and confirmed."

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 Sections 152, 196, 197, 203 read with Schedule V and any other applicable provisions of the Companies Act, 2013 and rules, circulars, orders and notifications issued thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), pursuant to the recommendation of the Nomination and Remuneration Committee, and subject to such other approvals as may be necessary, consent of the Members be and is hereby accorded to the re-appointment of Mr K Srinivasan (holding DIN 00088424) as Managing Director of the Company for a further period beginning from 26th October, 2023 upto 31st March, 2026 on the terms and conditions including remuneration contained in the draft agreement to be entered into between the Company and Mr K Srinivasan, material terms of which are set out in the explanatory statement attached to this notice and the Board of Directors be and is hereby authorised to alter and vary the said terms of appointment and remuneration but so as not to exceed the limits specified in Section 197 and Schedule V to the Companies Act, 2013 or any amendments thereto, as may be agreed to between the Board of Directors and Mr K Srinivasan.

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

NOTES:

- 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 48th 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 Wednesday, 12th July, 2023 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-PoD-1/P/CIR/2023/37 dated 16th March, 2023, it mandates all the listed Companies to record the PAN, Nomination, KYC details of all the shareholders and Bank Account details of first holder on or before 1st October, 2023.

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

- Non-updation of KYC: Folios wherein any ONE of the cited details / documents (i.e. PAN, Contact details, Bank Details, Nomination and specimen signature) are not available on or after 1st October, 2023, shall be frozen.
- The securities in the frozen folios shall be:
 - Eligible to lodge any grievance or avail service request from the RTA only after furnishing the complete documents / details as aforesaid.
 - Eligible for any payment including dividend, interest or redemption only through electronic mode upon complying with the above stated requirements.
- 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 30th June, 2023 or any other date as may be specified by the CBDT. Security holders who are yet to link the PAN with Aadhar number are requested to get the same done before 30th June, 2023 or any other date as may be specified by the CBDT. Post 1st July, 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 30th June, 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, 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:

- In Person Verification (IPV):** by producing the originals to the Authorised Person of the RTA, who will retain copy(ies) of the document(s) with IPV stamping, date and initials.
- In hard copy:** by furnishing self-attested photocopy(ies) of the relevant documents, with date.
- With e-sign:**
 - In case your email is already registered with us, you may send the scanned copies of your KYC documents with e-sign at RTA's dedicated email-id: kyc@linkintime.co.in Kindly mention the email subject line as "KYC Updation (Kirloskar Pneumatic Company Limited) - Folio No : _____" (for example 'A00005').
 - 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 an 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.

- 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 Thursday, 13th July, 2023 to Thursday, 20th July, 2023 (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 Wednesday, 12th July, 2023 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 Wednesday, 12th July, 2023.

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. A member is requested to send an email to sec@kirloskar.com for the same.

7. Electronic copies of necessary statutory registers, certificate(s), agreement(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 at least seven (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 at least four (4) days in advance before the meeting i.e. on or before Saturday, 15th July, 2023.

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 two (2) unclaimed dividend accounts in respect of financial year 2015-16 (Interim Dividend(s) including the dividend declared by erstwhile Pneumatic Holdings Limited) is due for transfer to the said Fund.

11. Members who have neither received nor encashed their dividend warrant(s) for the financial years 2016-17 to 2022-23, 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. 12th July, 2023 as the Book Closure is from 13th July, 2023 to 20th July, 2023 (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 2023-2024 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 2023-2024.
- Copy of the online Form 10F electronically verified and filed on the Income Tax web portal. (As per the notification dated 16th July, 2022 read with notification dated 12th December, 2022, the CBDT has mandated e-filing of form 10F for such non-residents who holds a valid PAN / is required to obtain PAN in India. Accordingly, where the non-resident is holding a valid PAN / is required to obtain PAN in India, such non-resident shall furnish form 10F duly filed on the online income-tax portal).
- Self-declaration in Form 10F duly filled and signed in physical / manual form if exempted from online Form 10F in accordance with the Central Board of Direct Tax ('CBDT') notification dated 12th December, 2022. (As per the CBDT notification dated 28th March, 2023, the non-residents who do not hold a valid PAN in India / is not required to obtain PAN in India are exempted to e-file form 10F and such non-resident shall file form manually. Such exemption is valid upto 30th September, 2023).
- 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 2023-24 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 years.

However, the aforementioned withholding at higher rate shall not apply to a Non-Resident who does not have a Permanent Establishment / fixed base in India.

Accordingly, a Non-Resident should submit a No Permanent Establishment declaration (as referred above), wherever applicable.

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 available on the website of the Company viz. www.kirloskarpneumatic.com 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 2023-24 i.e. 31st August, 2023, 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 Wednesday, 12th July, 2023.

The Resident Non-Individual Members i.e. Insurance Companies, Mutual Funds and Alternative Investment Fund (AIF) established in India and Non-Resident Non-Individual Members i.e. Foreign Institutional Investors and Foreign Portfolio Investors may alternatively submit the relevant forms / declarations / documents through their respective custodian who is registered on NSDL platform, on or before the aforesaid timelines.

No communication on tax determination / deduction shall be considered after Wednesday, 12th July, 2023.

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

- I. 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 aforesaid MCA Circulars and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder read with aforesaid SEBI Circular and Secretarial Standards 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 / OAVM. Hence, Members can attend and participate in the ensuing AGM through VC / OAVM.
- II. Pursuant to the aforesaid 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 aforesaid MCA Circulars, 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 e-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. The Notice can also be accessed from the website of the Stock Exchange(s) i.e. BSE Limited at www.bseindia.com and National Stock Exchange of India Limited (NSE) at www.nseindia.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
- VII. AGM has been convened through VC / OAVM in compliance with aforesaid 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 Monday, 17th July, 2023 at 09:00 A.M. (IST) and ends on Wednesday, 19th July, 2023 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. Wednesday, 12th July, 2023, may cast their vote electronically. The voting right 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 Wednesday, 12th July, 2023.

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 9th 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"> Existing IDeAS user can visit the e-Services website of NSDL viz. https://eservices.nsdl.com either on a Personal Computer or on a mobile. On the e-Services home page click on the “Beneficial Owner” icon under “Login” which is available under ‘IDeAS’ 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 “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL 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 & voting during the meeting. If you are not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com Select “Register Online for IDeAS Portal” or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 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 (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 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. Shareholders/Members can also download NSDL Mobile App “NSDL Speede” facility by scanning the QR code mentioned below for seamless voting experience

NSDL Mobile App is available on



Individual Shareholders holding securities in demat mode with CDSL.

1. Users who have opted for Easi / Easiest facility can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The users to login Easi / Easiest are requested to visit CDSL Website www.cdslindia.com and click on Login Icon and New System Myeasi Tab and then use your existing my easi username & password.
2. After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the e-Voting is in progress as per the information provided by company. On clicking the e-Voting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also link provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers' website directly.
3. If the user is not registered for Easi / Easiest, option to register is available at CDSL website www.cdslindia.com and click on login & New System Myeasi Tab and then click on registration option.
4. Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the e-Voting is in progress and also able to directly access the system of all e-Voting Service Providers.

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 evoting@nsdl.co.in or call at 022-4886 7000 and 022-2499 7000
Individual Shareholders holding securities in demat mode with CDSL.	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no : 1800 22 55 33

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

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

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.

3. A new screen will open. You will have to enter your User ID, your Password / OTP and a Verification Code as shown on the screen.

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

4. Your User ID details are given below:

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

5. Password details for shareholders other than Individual shareholders are given below:

- a. If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- b. If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
- c. How to retrieve your 'initial password'?

- (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL to 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
 - b. "Physical User Reset Password?" (If you are holding shares in physical mode) option available on 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 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 with a copy marked to 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 to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-Voting user manual for Shareholders available at the download section

of www.evoting.nsdl.com or call at 022-4886 7000 or 022-2499 7000 or send a request to Mr Amit Vishal, AVP or Mr Abhijeet Gunjal, AM at 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
2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, Client Master or copy of Consolidated Account Statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to sec@kirloskar.com If you are an Individual shareholder holding securities in demat mode, you are requested to refer to the login method explained at **step 1 (A) i.e. Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.**
3. Alternatively, shareholders / members may send a request to 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 9th 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 at least four (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 shareholder, who acquire shares of the Company and becomes member of the Company after the notice is sent through email and holding shares as of the cut-off date i.e. Wednesday, 12th July, 2023, may obtain the login ID and password by sending a request at 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 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. Wednesday, 12th July, 2023 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 and on the website of NSDL 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(s) viz. BSE Limited and National Stock Exchange of India Limited (NSE).
- 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 Wednesday, 12th July, 2023.
- 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 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 Rahul C Kirloskar (DIN 00007319) aged 59 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 Rahul C Kirloskar has been associated with the Kirloskar Group of Companies for more than thirty five (35) years at senior levels in different capacities. He started his career in the then Kirloskar Cummins Ltd. and later joined a family owned small-scale unit where he worked for a period of three (3) years. In 1989, he joined erstwhile Kirloskar Pneumatic Company Ltd. (KPCL) as Sr. Manager Operations for the Air Compressors Division.

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

the Chairman of the Company. In June 2001 (till January 2012), he was appointed as the Director Exports of the Kirloskar Oil Engines Limited (KOEL).

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

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

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

The Directorships / Committee Membership in other listed / public limited companies are as follows:

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

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

In terms of BSE Circular No. LIST/COMP/ 14/2018-19 dated June 20, 2018 and NSE Circular No. NSE /CML/ 2018/24 dated June 20, 2018, Mr Rahul C Kirloskar is not debarred from holding the office of a Director by virtue of any order by SEBI or any other authority.

Mr Rahul C Kirloskar holds 74,96,150 shares in the Company, the said shareholding is considered in the name of the first holder (PAN based) only.

None of the Directors or Key Managerial Personnel or their relatives other than Mr Rahul C Kirloskar and Mr Atul C Kirloskar being his brother, are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 3.

Registered Office :

Hadapsar Industrial Estate,
Pune 411 013
Date : 27th April, 2023

By Order of the Board of Directors
sd/-

Jitendra R Shah
Company Secretary

ANNEXURE TO THE NOTICE

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

ITEM NO. 4 OF THE NOTICE

The Board of Directors at their meeting held on 27th April, 2023, 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 31st March, 2023 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. 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 of the Company, on the recommendation of the Nomination and Remuneration Committee at their Meeting held on 27th April, 2023 re-appointed Mr K Srinivasan (DIN 00088424) as the Managing Director w.e.f. 26th October, 2023 upto 31st March, 2026, with substantial powers of the management.

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

Profile of the Director

Mr K Srinivasan is the Managing Director of the Company. Before joining the Company, he was the Managing Director of Carborundum Universal Limited (CUMI) a part of the Murugappa Group.

Srinivasan began his career in 1980 with brief stints at Widia India Limited and Philips India Ltd. In 1983, he joined Wendt India Ltd where he was instrumental in turning around the company and finally bringing it into the Cumi fold. Since taking over as Managing Director in 2005, he has grown Cumi from a leading Indian abrasive company to a global player with major operations in Russia, China, South Africa, Australia and Thailand. He was ranked as the Most Valuable CEO of mid-sized companies in India in 2012. He was in the Boards of Volzhsky Abrasives Ltd, Murugappa Morgan Thermal Ceramics, Wendt India Ltd, Sterling Abrasives Ltd, Foskor Zirconia Pte SA, Cumi Australia, China and the US.

Srinivasan is a Mechanical Engineer from REC Surathkal and has attended several Executive Development / Leadership Programmes at global institutions.

Currently, he is also on the Board of a Listed Company viz. Aspinwall and Company Limited as an Independent Director and holding position of member in Business Strategy Committee of that Company.

He is a member of the Corporate Social Responsibility Committee, Risk Management Committee and Transfer Committee of the Board. He also holds 1,17,800 shares in the Company as on the date of this Notice.

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

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

SALARY:

₹ 12,00,000/- (Rupees Twelve Lakhs) per month

PERQUISITES AND OTHER BENEFITS:

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

- Fully furnished residential accommodation - 4 Bedroom Apartment on rent. The rental shall not exceed more than ₹ 2,50,000/- per month. The expenses on gas, electricity, water and other utilities and repairs shall be borne by the Company subject to limit of ₹ 30,000/- per month.
- Expenses on Hard and Soft furnishing by way of an allowance upto a limit of ₹ 5,00,000/- per annum.
- Reimbursement of all medical expenses incurred for Self and family as per Company rules. In addition, hospitalisation expenses for Self and family will be paid on actual basis.
- Leave travel assistance of ₹ 2,50,000/- per annum.
- Club fees as per Company Rules.
- Suitable Personal Accident Insurance premium shall be paid by the Company.
- A car with driver.
- Telephone, Telefax, and other telecommunication facilities at Residence.
- Contribution to Provident Fund, Superannuation Fund as per Company rules.

- j. Gratuity - 15 days salary for each completed year of service.
- k. Privilege Leave as per Company rules. Leave not availed of may be encashed as per Company rules, and
- l. Employees stock options granted / to be granted to Mr K Srinivasan, from time to time as per the Scheme of the Company.

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

SITTING FEES:

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

COMMISSION:

Commission shall be decided by the Board of Directors based on the net profits of the Company for each year, subject to the

condition that the aggregate remuneration shall not exceed the limit laid down under Section 197 and Schedule V to the Companies Act, 2013.

MINIMUM REMUNERATION:

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

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

None of the Directors or Key Managerial Personnel or their relatives other than Mr K Srinivasan are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 5. This explanatory statement may also be regarded as disclosure under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Registered Office :

Hadapsar Industrial Estate,
Pune 411 013
Date : 27th April, 2023

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 31st March, 2023.

1. COMPANY SPECIFIC INFORMATION

1.1. Financial Summary & Highlights

The financial results for the year ended 31st March, 2023 are summarized below:

	₹ in Million	
	2022-23	2021-22
Total Income	12,505.24	10,334.97
Profit before tax	1,432.76	1,141.24
Tax Expense (Current & Deferred tax)	346.95	292.00
Profit after tax	1,085.81	849.24
Other Comprehensive Income / (Loss), net of tax	555.16	141.79
Total Comprehensive Income for the year	1,640.97	991.03
Transferred to General Reserve	1,000.00	500.00

Your Company registered a total income of ₹ 12,505.24 Million for the financial year 2022-23, against ₹ 10,334.97 Million of the previous year. Your Company earned a net profit of ₹ 1,085.81 Million compared to ₹ 849.24 Million earned in last year. Your Company registered 21% growth in Total Income and over 27% growth in Net Profit as compared to previous year.

During the year, your Company continues to maintain the status of debt free company.

1.2 Reserves

During the reporting year, ₹ 1,000 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 ₹ 2.50 (125%) per equity share of ₹ 2/- each.

The Board of Directors had recommended a final dividend of ₹ 3/- (150%) per equity share of ₹ 2/- each for the year 2022-23 which will be paid subject to the approval of shareholders in the ensuing Annual General Meeting.

The Company has paid / recommended total dividend of ₹ 5.50 (275%) per equity share of ₹ 2/- each for the year 2022-23.

The dividend distribution policy is available on the following Weblink:

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

1.4 Major events that occurred during the year

Listing of Shares on NSE:

During the year, the certain Promoters and Promoter Group have diluted their equity shares of your Company thereby increase the liquidity in the market. The Promoters and Promoter Group are as on date holding 39% equity shares of your Company. As such there is no change in the control of the Company.

During the year, your Company has made an application for listing of its existing equity shares on the National Stock Exchange of India Limited (NSE). NSE has permitted to list 64,634,690 equity shares of ₹ 2/- each of your Company and admitted the same to dealings with effect from 26th April, 2023.



Thus, your Company is now listed on both the nationwide trading terminals i.e. BSE & NSE. As such, increase in liquidity and listing on nationwide stock exchanges will help our approx. 30,000 Members and Investors to deal in the equity shares of the Company easily and effectively.

Accreditation to Metrology Lab:

Metrology Laboratory is Accredited in accordance with the standard "ISO / IEC 17025:2017 - General requirements for the Competence of testing & calibration Laboratories" in the field of "Calibration" for our Calibration facilities at Hadapsar Plant from National Accreditation Board for Testing & Calibration Laboratories.

1.5 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 ₹ 11,569 Million as compared to ₹ 9,609 Million in the previous year.

2. CAPITAL STRUCTURE

2.1 Increase in Share Capital

During the year, the Company allotted 189,400 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 ESOS 2019' or 'the Scheme'). Issued Capital, Subscribed Capital and Paid-up Capital of the Company therefore increased by ₹ 378,800 and was ₹ 129,269,380/- consisting of 64,634,690 equity shares of ₹ 2/- each as on 31st March, 2023.

2.2 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 22nd October, 2019, 29th April, 2021 and 19th October, 2022 respectively approved the grant of 684,000, 104,000 and 164,000 stock options exercisable into 684,000, 104,000 and 164,000 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 12th August, 2021, the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 w.e.f. 13th August, 2021 and other applicable regulations, if any.

The details of options granted, vested, exercised, lapsed / cancelled during the year 2022-23 and outstanding at the end of the year is provided in Note No. 26 to the Financial Statements for the year ended 31st March, 2023. During the year, 189,400 equity shares were allotted as a result of exercise of options resulting into realization of ₹ 25,542,000. The Company has granted 4,000 options to Key Managerial Personnel namely Mr Jitendra Shah, Company Secretary during the year. None of the employee was granted options in any one year amounting to five percent or more during the year. Further, no employee was identified to whom options granted one percent or more of the issued capital of the company at the time of grant during the year. During the year, the Company has not made any variations in the KPCL ESOS 2019.

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 20th 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 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/for-share-holders/agm-results>

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 consecutively recognized with prestigious and diverse external accolades which include:

- “Prize for Leadership in HR Excellence” and “Prize for sustained excellence” during HR in 13th CII HR Excellence Assessment 2022-23
- “Excellence Award Trophy” at 36th National Convention on Quality Concepts (NCQC – 2022)
- “Gold Award Trophy” at 37th Chapter Convention on Quality Concepts (CCQC – 2022)
- Mr Arun Adiverekar was awarded with “QCI Champion Award” during the QCI Silver Jubilee Celebration, held in New Delhi on 6th October, 2022 for his outstanding contributions that improved manufacturing quality through new technology application and advanced Quality tools.



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 in the past.

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

5. INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Details of the transfer/s to the IEPF made during the year are 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 2014-15	₹ 1,221,750
No. of shares of ₹ 2/- each	79,780

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 31-03-2023	Corresponding Number of Equity Shares of the Company	Due Date of Transfer
1	Dividend 2015-16 (Interim)	1,630,006	232,858 *	19th April, 2023
2	Dividend 2015-16 (Interim - PHL)	1,374,876	152,764 #	6th May, 2023
3	Dividend 2016-17 (Interim - PHL)	1,185,668	158,089 #	3rd May, 2024
4	Final Dividend 2016-17	4,179,300	417,930 *	1st September, 2024
5	Final Dividend 2017-18	3,769,644	314,137 *	29th August, 2025
6	Dividend 2018-19 (Interim)	1,572,011	1,572,011 **	28th February, 2026
7	Final Dividend 2018-19	2,315,976	1,543,984 **	25th August, 2026
8	Dividend 2019-20 (Interim)	1,603,505	1,603,505 **	28th February, 2027
9	Dividend 2019-20 (Second Interim)	3,036,912	1,786,419 **	9th April, 2027
10	Final Dividend 2020-21	4,766,124	1,361,750 **	25th August, 2028
11	Dividend 2021-22 (Interim)	1,967,767	1,229,854 **	5th March, 2029
12	Final Dividend 2021-22	3,144,180	1,310,075 **	25th August, 2029
13	Dividend 2021-22 (Interim)	2,942,686	1,177,074 **	2nd March, 2030

Note : # The Sr No. 2 & 3 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. 28th 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. Demise of Director

Your Directors, report with a deep sense of grief, the passing away of Mr Vikram S Kirloskar, Non-Executive Director and Promoter of the Company on 29th November, 2022.

Mr Vikram S Kirloskar was a Fourth generation member of the illustrious Kirloskar Family. He played a leading role in the automotive sector. He was also elected as President of the Society of Indian Automobile Manufacturers during 2013-15. He also served on the Govt. of India Development Council for Automobiles and the National Council for Electric Mobility. He was President of Confederation of Indian Industry during 2019-20 and was the Chairman of CII Council on making manufacturing future ready and CII task force on green Hydrogen.

He was recognized by the Karnataka Government and presented with the “Suvarna Karnataka” award.

The Company immensely benefitted from his foresight and vision, pursuit of excellence, desire for quality enrichment and leadership during his tenure as member of the Board. His mentorship to senior colleagues in the organisation is irreplaceable and remains a source of inspiration forever. Mr Vikram Kirloskar’s passing away will be irreparable loss to the Company.

Your Directors place on record their warm and sincere appreciation for enormous contribution extended by Mr Vikram S Kirloskar during his tenure on the Board.

ii. Directors and Key Managerial Personnel

During the year, Mr D R Swar and Mr K Venkataramanan have ceased to be Directors with effect from 20th July, 2022 and 27th July, 2022, respectively, on completion of their tenure. The Company places on record appreciation for their valuable and continued guidance over the years.

Your Company appointed Mr Pravir Kumar Vohra as an Independent Director with effect from 19th October, 2022 to hold office for a term of Five (5) consecutive years upto 18th October, 2027.

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

Pursuant to the recommendation of Nomination and Remuneration Committee, the Board of Directors at its meeting held on 27th April, 2023, has subject to approval of the members at the forthcoming 48th Annual General Meeting scheduled on 20th July, 2023 approved the re-appointment of Mr K Srinivasan as the Managing Director of the Company from 26th October, 2023 to 31st March, 2026. The necessary resolution for appointment of Mr K Srinivasan is proposed for approval in the forthcoming Annual General Meeting.

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

iii. 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.

iv. 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 Nomination and Remuneration Policy is available on the Company’s website on the following weblink:

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

v. Board Evaluation

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

- Attendance in 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.

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.

vi. Number of Meetings of the Board

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

vii. Composition of Committee Meetings

The composition of the Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and Risk Management Committee constituted by the Board under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) 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.

viii. 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 31st March, 2023 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 and Promoter Group, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

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

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

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

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

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

8. RISK MANAGEMENT

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.

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 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 five (5) consecutive years from the conclusion of the 46th Annual General Meeting till the conclusion of the 51st 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 31st March, 2023.

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 2023-24 on a remuneration of ₹ 0.65 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 31st March, 2024 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 31st March, 2023.

M/s. SVD & Associates, has submitted Annual Secretarial Compliance Report as laid down in SEBI Circular CIR/CFD/CMD1/27/2019 dated 8th February, 2019 and has also confirmed that the Company has complied with all applicable SEBI Regulations and circulars / guidelines issued in line thereunder, for the financial year 2022-23.

11. SECRETARIAL STANDARDS

Your Company is in compliance with the revised Secretarial Standards on Meetings of the Board of Directors (SS-1) and Secretarial Standards on General Meetings (SS-2) issued by The Institute of Company Secretaries of India.

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

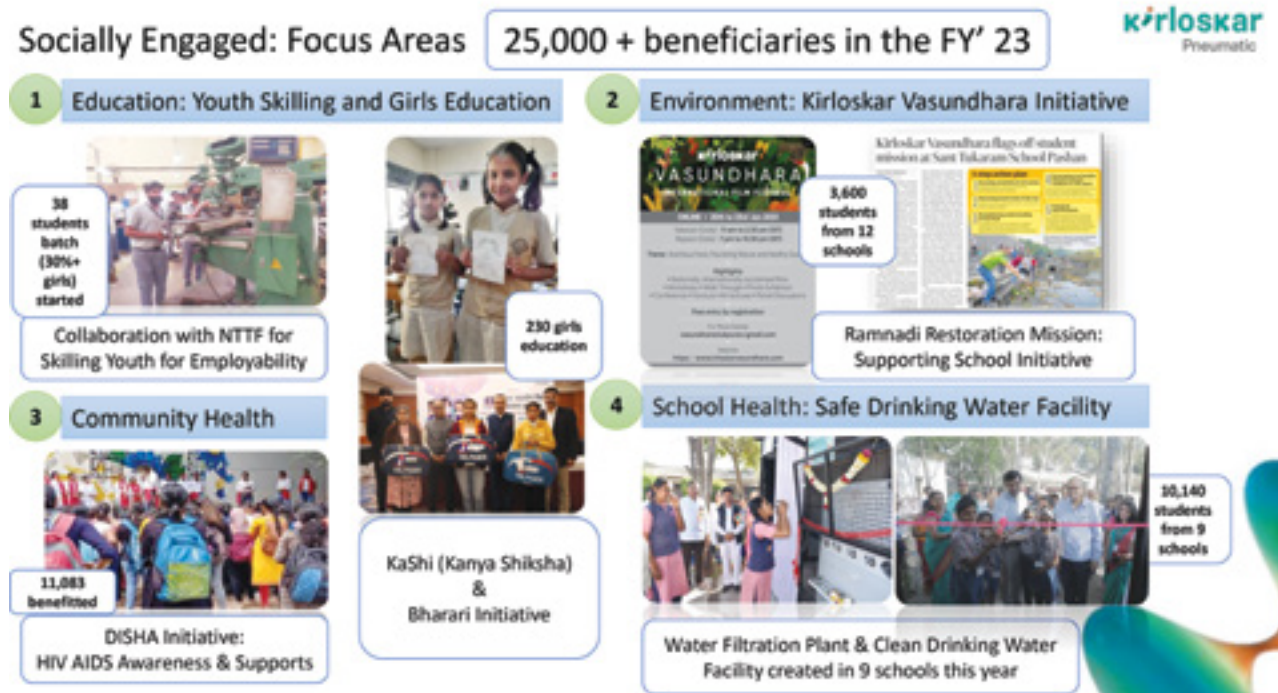
The Annual Return as provided under Sub-section (3) of Section 92 of the Companies Act, 2013 is available on the web-link: <https://www.kirloskarpneumatic.com/investors/for-share-holders/agm-results>

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 and are also aligned with SDGs (Sustainability Development Goals).

This year was the first year where everyone started to live a normal life and learned to co-exist with the waning COVID-19 pandemic. This meant that we could reconnect and engage with our community stakeholders in physical ways as usual. The year marked consolidating as well as refocusing of our CSR initiatives.



With focus on youth skilling and employability, a new initiative is started by collaborating with NTTF (Nettur Technical Training Foundation). Eligible students are selected with due consideration for DEI (Diversity, Equity and Inclusion) and based on various socio-economic criteria. These selected candidates are supported for a 3 year diploma program in Mechatronics and Smart Factory.

Bharari and KaShi initiatives that promote girls' education were continued with renewed enthusiasm. Improvements like setting up of a book library, organizing life skills workshops helped enhancing the impacts on overall development of the girl students from 5th to 10th Std.

DISHA initiative aimed at creating awareness about HIV AIDS in general community as well as school, college students also reached out to people living with HIV through medical camps, counselling sessions, matrimonial melava etc.

As WaSH intervention, water filtration and purification plants were created for schools in the vicinity of your Company's factory locations to ensure clean and safe drinking water to the students.

RRM (Ram Nadi Restoration Mission) School Initiative created awareness about river restoration amongst teachers and students of schools located nearby Ram Nadi river basin through activities such as wall paintings,

workshops and competitions (elocution, drawings, essays etc). The 3rd Online Ram Nadi Festival as a part of Kirloskar Vasundhara Initiative highlighted the contributions made through such activities.

KIAMS – Contribution to Kirloskar Institute of Advanced Management Studies were continued by contributing ₹ 12 Million during the year to promote education.

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 Two percent (2%) 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 AND SUSTAINABILITY REPORT

Business Responsibility and Sustainability 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 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. During the year, no application was made or any proceeding was pending under the Insolvency and Bankruptcy Code, 2016 against the Company.

21. VIGIL MECHANISM / WHISTLE BLOWER POLICY

During the reporting year, your Company revised the Whistle Blower Policy / Vigil Mechanism. Your Company has adopted Whistle Blower Policy / Vigil Mechanism with the objectives of enhancing the standards of ethical conduct for the highest degree of transparency, integrity, accountability and corporate social responsibility.

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

To encourage the employees, your Company has launched Kirloskar Ethical Helpline to report their genuine concerns.

22. FIXED DEPOSIT

Your Company has discontinued accepting fixed deposits since 2001-02. As such, as of 31st March, 2023 there are no fixed deposits outstanding.

23. PARTICULARS OF EMPLOYEES

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

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

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

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

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

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

- Continued with a PoSH Awareness Module in its employee induction program. During the reporting year, 10 such programs were conducted for 129 employees.
- Online training provided through KORE – Platform to 223 employees during the reporting year.

In addition to the above, as a social responsibility, your Company has also extended awareness sessions for 30 employees and 35 students of the other entities through 1 workshop.

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 has benchmark score of

84 within Kirloskar Group. CII conferred us with the “Prize for Leadership in HR Excellence-2022”. Your Company has won this for the 4th consecutive year. Your Company is also one out of the two organizations who have achieved this consistency in the Country. For this consistent performance, CII has specially recognised your Company with a certificate “Prize for sustained excellence in HR”.

Your Company has 749 permanent employees on its rolls as on 31st March, 2023.

26. ACKNOWLEDGEMENT

The Directors wish to convey their appreciation to all employees for their individual efforts and collective contribution to your Company’s performance in the rapidly changing environment. 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

Date : 27th April, 2023
Place: Pune

ANNEXURE “1” TO THE BOARD’S REPORT

FORM NO. MR-3 SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2023

[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 Securities Exchange Board of India (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, 2023 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, 2023 according to the provisions of:

- i. The Companies Act, 2013, as amended from time to time (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 (“SCRA”) and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings 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 (SEBI (PIT) Regulations);
- 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 and Sweat Equity) Regulations, 2021;
- e) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 **(not applicable to the Company during the audit period)**;
- f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client **(not applicable to the Company during the audit period)**;
- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 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 Securities Exchange Board of India (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.

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

All 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 by Board with the requisite majority and by committees are carried out unanimously 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:

1. The Company has made application to National Stock Exchange of India Ltd (NSE) to list its shares on NSE which is under process.
2. The Company has passed a resolution for appointment of Mr. Pravir Kumar Vohra (DIN 00082545) as an Independent Director through postal ballot.
3. During the Financial Year the Company has allotted 1,89,400 equity shares to its employees under the Kirloskar Pneumatic Company Limited – Employee Stock Option Scheme (KPCL – ESOS 2019).
4. In the matter of Order No. WTM/MPB/IVD/ID1/139/2020 dated October 20, 2020 passed by SEBI (“SEBI Order”) against certain promoters and directors of the Company in relation to the investigation in respect of dealings in the scrip of Kirloskar Brothers Limited in 2010, the Hon'ble Securities Appellate Tribunal (SAT) vide its order dated October 12, 2022, has set aside the SEBI Order, thereby exonerating the said promoters and directors of the Company from the charges of insider trading and fraudulent trade practices levied by SEBI against them. No appeal against the SAT Order has been filed by SEBI. Therefore, the matter has been disposed off.

For SVD & Associates
Company Secretaries

sd/-

Sridhar Mudaliar

Partner

FCS No: 6156

CP No: 2664

Peer Review number: P2013MH075200

UDIN: F006156E000183113

Place: Pune

Date: April 27, 2023

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

‘ANNEXURE A’

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

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

Management's Responsibility

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

Auditor's Responsibility

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

Disclaimer

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

For SVD & Associates
Company Secretaries

sd/-

Sridhar Mudaliar

Partner

FCS No: 6156

CP No: 2664

Peer Review number: P2013MH075200

UDIN: F006156E000183113

Place: Pune

Date: April 27, 2023

ANNEXURE “2” TO THE BOARD’S REPORT

ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2022-23

1. A brief outline on CSR Policy of the Company :

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 two percent (2%) 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. Composition of CSR Committee:

The CSR Committee consists of:

SI 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

3. Web-link where Composition of CSR Committee, CSR Policy and CSR Projects 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 Projects approved by the Board

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

4. The executive summary along with web-link(s) of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8, if applicable:

Not Applicable

5. Details of Net Profit and CSR obligation for the Financial Year 2022-23:

a	Average net profit of the Company as per Sub-section (5) of Section 135	₹ 822.35 Million
b	Two percent of average net profit of the Company as per section 135(5)	₹ 16.45 Million
c	Surplus arising out of the CSR projects or programmes or activities of the previous financial years	₹ Nil
d	Amount required to be set off for the financial year, if any	₹ Nil
e	Total CSR obligation for the financial year [(b)+(c)-(d)]	₹ 16.45 Million

6. Details of amount spent on CSR Obligations:

a	Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project)	₹ 17.00 Million																						
b	Amount spent in Administrative Overheads	₹ Nil																						
c	Amount spent on Impact Assessment, if applicable	₹ Nil																						
d	Total amount spent for the Financial Year [(a)+(b)+(c)]	₹ 17.00 Million																						
e	CSR amount spent for the Financial Year:																							
	<table><tr><th rowspan="3">Total Amount Spent for the Financial Year (in ₹)</th><th colspan="5">Amount Unspent (in ₹)</th></tr><tr><th colspan="2">Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135</th><th colspan="3">Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135</th></tr><tr><th>Amount</th><th>Date of transfer</th><th>Name of the Fund</th><th>Amount</th><th>Date of transfer</th></tr><tr><td>₹ 17.00 Million</td><td colspan="2">NIL</td><td></td><td colspan="2">NIL</td></tr></table>	Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)					Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135		Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135			Amount	Date of transfer	Name of the Fund	Amount	Date of transfer	₹ 17.00 Million	NIL			NIL		
Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)																							
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	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer																			
₹ 17.00 Million	NIL			NIL																				
f	Excess Amount for Set off, if any :																							
	<table><tr><th>Sl No</th><th>Particular</th><th>Amount</th></tr><tr><td>(i)</td><td>Two percent of average net profit of the company as per sub-section (5) of section 135</td><td>₹ 16.45 Million</td></tr><tr><td>(ii)</td><td>Total amount spent for the Financial Year</td><td>₹ 17.00 Million</td></tr><tr><td>(iii)</td><td>*Excess amount spent for the Financial Year [(ii)-(i)]</td><td>₹ Nil</td></tr><tr><td>(iv)</td><td>*Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any</td><td>₹ Nil</td></tr><tr><td>(v)</td><td>*Amount available for set off in succeeding Financial Years [(iii)-(iv)]</td><td>₹ Nil</td></tr></table>	Sl No	Particular	Amount	(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	₹ 16.45 Million	(ii)	Total amount spent for the Financial Year	₹ 17.00 Million	(iii)	*Excess amount spent for the Financial Year [(ii)-(i)]	₹ Nil	(iv)	*Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	₹ Nil	(v)	*Amount available for set off in succeeding Financial Years [(iii)-(iv)]	₹ Nil					
Sl No	Particular	Amount																						
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	₹ 16.45 Million																						
(ii)	Total amount spent for the Financial Year	₹ 17.00 Million																						
(iii)	*Excess amount spent for the Financial Year [(ii)-(i)]	₹ Nil																						
(iv)	*Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	₹ Nil																						
(v)	*Amount available for set off in succeeding Financial Years [(iii)-(iv)]	₹ Nil																						

Note : *The excess amount spent on CSR is not intended to be set off in succeeding financial years.

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

Not Applicable

1	2	3	4	5	6	7	8
Sl No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub-section (6) of Section 135 (In ₹)	Balance Amount in Unspent CSR Account under sub-section (6) of Section 135 (In ₹)	Amount Spent in the Financial Year (In ₹)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to Sub-section (5) of Section 135, if any	Amount remaining to be spent in succeeding financial years (In ₹)	Deficiency, if any
1	FY 2021-22						
2	FY 2020-21						
3	FY 2019-20						

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year: No

If yes, enter the number of capital assets created / acquired: Not Applicable

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year: Not Applicable

SI No.	Short Particulars of the Property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of Creation	Amount of CSR amount spent	Details of entity / Authority / beneficiary of the Registered Owner		
1	2	3	4	5	6		
					CSR Registration Number, if applicable	Name	Registered Address

9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per sub-section (5) of section 135: Not Applicable

For Kirloskar Pneumatic Company Limited

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

Place : Pune
Date : 27th April, 2023

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

a. Continuous projects

- Switch ‘OFF’ power transformer T5-1,500 kVA, T8-1,600 kVA and T1-500 kVA at no load condition at Hadapsar and Isolation of 1,500 kVA transformer from HT and LT side at Saswad.
- Proper utilization of stress relieving and heat treatment furnaces to get energy efficiency by improving on net weight loading and TOD tariff.
- Switching off machines during lunch & tea time.
- 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.
- Maximum demand control through remote control operation.

b. Process improvement projects

- Use of small baffle furnace for shrink fit instead of pit type 1 ton capacity furnace.
- Use of modified heat treatment cycle for ferritization annealing process resulting in heating temperature reduction from 930°C to 730°C.
- Energy saving by switching Coolant filtration motor pump during cycle instead of keeping

continuously ON of two CNC machines.

- Isolation of 4,500 kVA transformer from HT & LT side at Saswad.
- Synchronising of 5 nos. compressors to reduce energy consumption.
- Eliminate the DG Set operation to reduce specific fuel consumption.
- 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.
- Process improvement in cycle time reduction by 1.5 hrs at heat treatment carburizing furnaces.
- Use of face driver attachment for all type of centre shaft for turning operation.
- 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 motor IE3 Class on 10/09 Bore Grinding machine.
- Replacement of 22 nos. 60 W AC fan by 32 W AC energy efficient BLDC fans.
- Installation of energy efficient direct drive compressor KRC-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 1,600 kVA energy efficient, hermetically sealed transformer, losses per IS 1,180 energy efficiency level 2 during TRM shop expansion.
- VFD based control panel with pressure transducer for controlling pressure of water circulation of induction furnace.
- Installation of Energy Monitoring System (EMS) system for Hadapsar Plant.
- Use of Human Sensor for office lightening & of AC saver.
- Use of thyrister controlled PID base control panel for heat treatment furnace.

d. Waste elimination

- Use of day light sheet for use natural sunlight for illumination in foundry shop during day shift working.
- Reduction in Power consumption at foundry shop by providing individual switch to each fan to switch off instead of common supply to 3 to 4 fans.
- Elimination of 500 kVA (T2) transformer by optimising the load on T4 transformer hence saving in transformer losses.
- 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.
- Loading of non VFD compressor and switching off VFD compressor during irregular demand as motor is switched off after unloading to achieve energy efficiency at Saswad.
- Saving in cutting oil consumption by reusing recovered oil of 28.70 KL from hobbing burr and grinding dust at Hadapsar. Also reused 18.04 KL testing oil of compressor after filtration, at Saswad. Total oil recovered and reused is 46.74 KL.
- Use of MS turning burr and metal scrap for making new casting at ferrous foundry. Total of 273.27 Tonnes 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 2.69 Tonnes of aluminium burr is reused to make Aluminium casting.
- Change in pump operating system to avoid unnecessary pump operation at central pump house.

As a result of steps taken, your Company avoided 350.70 Tons of CO₂ 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 installed and used 680 kWp AC (840 kWp DC) roof top solar power PV plant in the month of Jan-23 and also used 2kWp capacity off-grid solar power plant at Hadapsar Plant. Total units generated by utilizing both plants are 180,633 kWh. This 680 kWp roof top solar power PV plant was running for part of the year and fulfilled 9.71% of energy requirement of Saswad Plant in FY 23. The said solar plant is designed to cater around 59% of the energy requirement of the Saswad plant if it runs for the full year.

iii. The capital investment on energy conservation equipments:

Company has made capital investment of ₹ 38.32 Million on energy conservation equipments and technologies adoption for the energy efficiency improvement projects.

B. TECHNOLOGY ABSORPTION

i. Efforts made towards technology absorption:

- A new, Khione, series of ammonia screw compressors were developed in-house, prototyped and successfully launched in the Indian market.
- Experimental validation of indigenously developed new 'K' (Kirloskar) screw rotor profile is completed. This rotor profile is better energy efficient.
- Successfully executed import substitution of 7-22 kW Kosmic series, belt-driven screw compressor blocks (KAS-100 & KAS-200), and packages.
- The testing validation of a Kosmic series, direct-drive bare screw compressor (KAS-400) for 55 kW and 7.5 bar (g) pressure rating with better energy-efficiency is in progress.
- Design optimization of the LP & HP stages of the first 'oil-free' screw compressor block suitable for 2-stage 160 kW unit is in progress.
- A new age, trolley mounted series of diesel and electric screw compressors with better energy-efficiency are also commercialised. The flow capacities vary from 300 CFM to 650 CFM while pressure ranging from 100 to 200 psig, suitable for construction and mining applications.

- Developed digital calculation tool, Reciprocating Performance Assessment Tool (R-PAT and Gas R-PAT), for optimisation of performance and size of Reciprocating Compressors for air and gas applications.
 - Implemented standardised water cooled Reciprocating Compressors with canopy, with optimised Compressor layout and common base frame for 26 models, flow range 191 CFM to 617 CFM.
 - Developed KER Compressor packages for 2 hp, 5 hp and 10 hp ratings having flame-proof and safe area models. Volume flow from 5 to 30 CFM and pressure from 7 to 12.7 bar (g).
 - Successful technology demonstration in Centrifugal Compressor for field interchangeability of gears, increased outer diameter of bearings to remove dependency on manufacturing inaccuracies.
 - Successful Commissioning of AC plants with Oil Free Magnetic bearing Centrifugal Compressor designed for Indian Navy at INS Mysore.
 - Developed single stage KRC-4 refrigeration Reciprocating Compressor operating at 1500 rpm, which produces 75 TR refrigeration capacity of at (-)10°C and 112 TR at 0°C evaporating temperature with Ammonia.
 - Developed two stage KRC-31 Refrigeration Reciprocating Compressor operating at 1500 rpm, which produces 7.5 TR to 45 TR refrigeration capacity of at (-) 40°C & (-) 20 °C evaporating temperatures with Ammonia.
 - Developed single cylinder PCX1 refrigeration Reciprocating Compressor operating at 1500 rpm, which produces 7.5 TR refrigeration capacity of at (-) 40°C evaporating temperature with Ammonia.
 - Developed KRMS - Kirloskar Remote Management System, a fully integrated IoT enabled compressor controller suitable for the entire Reciprocating Compressor product range.
 - Developed open flash & closed flash inter-stage gas cooler range for two stage Refrigeration Compressors.
 - Developed high efficiency standard oil separators as per CE-PED directives for Reciprocating Compressor product range.
- 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 the design of direct-drive compressors which eliminates the mechanical losses arising in the drive system.
 - KAS-100 & KAS-200 which are in-house designed for 7-22 kW Kosmic series, provided import substitution of respective power ratings.
 - Upgraded design in diesel screw compressor for Indian market will increase the product performance and organisation's market share in construction and mining sector.
 - Reduction in time to assembly, manufacturing, servicing and increase in reliability through field interchangeability of gears, removable attachment for impeller & shaft joint, increased outer diameter of bearings of Centrifugal Compressors.
- 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:**
- ₹ 128.73 Million
- C. FOREIGN EXCHANGE EARNINGS AND OUTGO**
- Foreign Exchange Earning earned during the year: ₹ 1,777.07 Million.
- Foreign Exchange Outgo during the year: ₹ 1,216.98 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 2022-23	Ratio of remuneration of each Director / to median remuneration of employees
1	Mr Rahul C Kirloskar, Executive Chairman	30.05	80.09
2	Mr K Srinivasan*, Managing Director	31.45	58.18
3	Mr Atul C Kirloskar, Non-Executive Director	Nil	1.20
4	Mr G Krishna Rao, Independent Director	17.98	3.39
5	Mr Sunil Shah Singh, Independent Director	18.67	3.45
6	Dr Ajay Dua, Independent Director	30.00	3.36
7	Mrs Nalini Venkatesh, Independent Director	Nil	1.20
8	Mr Tejas Deshpande, Independent Director	50.00	2.04
9	Mr Mahesh Chhabria, Non-Executive Director	22.73	1.75
10	Mr Pravir Kumar Vohra*, Independent Director	NA	NA
11	Late Mr Vikram S Kirloskar**, Non-Executive Director	NA	NA
12	Mr K Venkataramanan**, Independent Director	NA	NA
13	Mr D R Swar**, Non-Executive Director	NA	NA
14	Mr Suhas S Kolhatkar, Vice President and Chief Financial Officer	24.10	NA
15	Mr Jitendra R Shah, Company Secretary & Head Legal	60.80	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 Pravir Kumar Vohra is Director for part of the financial year 2022-23 i.e. w.e.f. 19th October, 2022.
- **Details are not given as Late Mr Vikram S Kirloskar, Mr K Venkataramanan and Mr D R Swar are Directors only for part of the financial year 2022-23 i.e. upto 29th November, 2022, 26th July, 2022 and 19th July, 2022 respectively.

- In the financial year, there was an increase of 6.57% in the median remuneration of employees.
- There were 749 permanent employees on the rolls of Company as on 31st March, 2023.
- Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2022-23 was 10.30% whereas average percentage increase in the managerial remuneration is 27.49% mainly due to value of perquisite on the exercise of stock options.
- The Board affirms that the remuneration is as per the Nomination and Remuneration policy of the Company.

Management Discussion & Analysis



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.

Not only do we manage pressure, we make it work for you.

Kirloskar Pneumatic Company Limited (“KPCL” or “Company”) is a leading provider of compression systems and solutions in India, with a focus on customer satisfaction and in-house R&D efforts. Your Company has a long-standing reputation for delivering high-quality, reliable products and services to its customers.

At the heart of our business lies pressure management, whether it’s for gas stations or climate control systems in submarines. Handling pressure well is our business to create value for our clients, partners and stakeholders. Our commitment to delivering value is reflected in our performance this year and our dedication to continued growth.

We take pride in our ability to handle challenging media and have achieved tangible success in doing so. Our success is a testament to our unwavering commitment to providing innovative solutions that meet our customers’ unique needs.

At the core of KPCL’s approach is a customer-centric focus. The Company understands that the needs and requirements of its customers are constantly evolving and works closely with them to develop customized solutions that meet their specific needs. KPCL’s compression systems and solutions are designed to be versatile, efficient and cost-effective, ensuring that customers get the most value for their investment.

In addition to our focus on customer satisfaction, KPCL places a strong emphasis on in-house research and development. The Company has a dedicated R&D team that is responsible for developing new products, improving existing ones and staying up-to-date with the latest technological advancements in the industry. This commitment to innovation and continuous improvement ensures that KPCL’s compression systems and solutions remain at the forefront of the industry.

KPCL has a vision to become a leading force in the industry while prioritizing our customers, employees, investors and the environment. The Company’s ambitious growth plans are being

supported by its 'Limitless' vision, which involves implementing new technology and making investments over the next two to three years to establish a strong foundation.

We understand that success is not only measured by profits but also by our impact on society. We believe that a customer-centric approach, employee well-being, investor communication and a focus on ESG (Environmental, Social, and Governance) factors are key to achieving our goals.

Economy & Economic Prospects

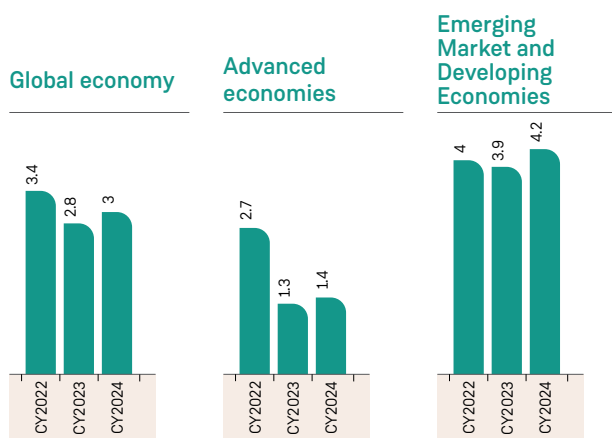
Global economic review

Economic uncertainty, geopolitical unrest, global financial stress and inflationary pressures all continued to have an adverse effect on the world economy in FY23, which resulted in a significant slowdown in growth. Amidst the Russia-Ukraine conflict and the lingering effect of the recurrent hikes in Central bank interest rates, global growth is expected to slow down to 2.8% in FY23 as compared to 3.4% in FY22. Additionally, the rapid spread of Covid-19 in China in FY22 slowed growth, but the recent reopening has paved the way for a quicker-than-anticipated recovery.

Notwithstanding challenges such as inflationary pressure and supply chain disruption, the global economy is being bolstered by higher household spending, inflows of global investment and Europe's strong response to the energy crisis. A silver lining is that global inflation is predicted to decline from 8.8% in CY2022 to 6.6% in CY2023 and 4.3% in CY2024.

A stronger boost from pent-up demand in numerous economies or a stabilisation in inflation are expected in the course of CY2024. The emerging and developing economies of the world are likely to play a major role in accelerating global economic growth, going forward.

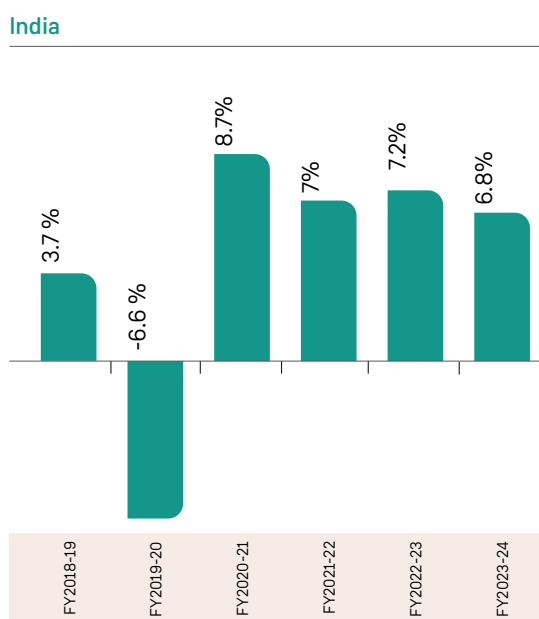
Global growth (%)



Indian economic review

A conducive domestic policy environment and the Government's sustained focus on structural reforms have kept India's economic activity robust despite global headwinds. India's economy will stay on course. The Indian economy is expected to grow in a range of 6.7-6.8% in FY2023-24.

India and China are anticipated to generate more than half of the global growth this year, with the rest of Asia contributing an extra quarter, according to the IMF. India's economic recovery is still being supported by favourable policies, which have also increased public investment. Moreover, it is anticipated that monetary and fiscal tightening will be less pronounced than in the rest of the South Asian region.



Overview

KPCL caters to key industries such as industrial, oil and gas, infrastructure and food processing markets by offering a diverse range of products. The Company's large in-house capabilities enable it to engineer, design, produce, assemble, commission and service products and systems with an extensive presence in 30 countries. Its machine shop is equipped with advanced technology such as horizontal and vertical CNC machining centres, SPM, VTL, boring, grinding and general-purpose equipment to produce high-quality parts for centrifugal air ends, screws and pistons.

Well-planned investments ensure that cutting-edge manufacturing technology is readily available at KPCL's sites in Hadapsar, Saswad and Nashik. The Company has highly skilled and trained service employees throughout India, thanks to sales and service networks established in key regions. With the supervision of an expert team, products are assembled in a lean assembly shop to the highest quality standard. The NABL-approved laboratory and heat treatment facilities provide flexibility to address unique customer needs in the oil and gas, nuclear and defence industries.

KPCL is a market leader in some of its business sectors and aims to increase its geographic presence.

The Company is divided into two segments - compression products and non-reportable segments and is exploring opportunities to export to the Middle East, South East Asia, Indo China and South and West Africa using both products and projects to increase export revenue.

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

1. Compression Products

Under the compression segment, we have three primary product lines: air compressors, refrigeration compressors and compression systems and gas compressors and compression systems. With over 60 years of experience, the Company has established itself as a leading manufacturer in its industry.

All of these businesses are poised for growth as it caters to the strong demand from multiple industrial sectors, both domestically and internationally. We have a reputation for developing a diverse range of innovative products that are tailored to meet the specific needs of the Indian market. Moreover, we consistently upgrade our products to ensure that they meet the highest quality and reliability standards.

The Company's growth is further supported by a shift in the global energy landscape. This shift is driven by a combination of environmental concerns and political factors, leading to an increase in demand for the Company's products. With these favourable trends in place, the company is well-positioned to expand its activities and continue its successful trajectory.

Air compressor business

Air Compressors are used to compress air for diverse purposes such as instrument air to control complex plants as well as service air, power tools, pneumatic, machinery and conveying. They are utilized in the industrial sector for air motors, feed air for gas plants and driving pneumatic cylinders during machining process.

From 2021 to 2026, the worldwide air compressor market is predicted to increase at a CAGR of roughly 4%, driven by rising demand for energy-efficient compressors and a growing industrial sector.

Due to increased demand for compressors in the industrial and automotive industries, the Asia-Pacific region is likely to be the fastest-growing market. Air compressors have the highest market size of about approximately USD 30 billion.

There are three types of Air compressors:

- a) Screw compressors
- b) Reciprocating compressors
- c) Centrifugal compressors



KPCL has long enjoyed a strong position in the market for reciprocating compressors. Air Compressor Systems offers a wide range of compressors from 15 distinct product categories. KPCL, a relatively new competitor in the screw compressor market, has a long-term competitive advantage in this industry since it controls the full value chain, with the ability to design, manufacture, sell and repair these machines in India.

Screw compressors with built-in dryers offer your Company opportunities for expansion. The investment in the production of high-speed gearboxes again gives KPCL the advantage to provide superior and affordable centrifugal compressors. KPCL provides air compressors with a range of 30 to 10000 CFM.

KPCL has incorporated state-of-the-art machinery to meet the production requirements and maintain high levels of precision and quality for various products such as screws, centrifugal, gear and pinion. Additionally, the Company utilises heat treatment methods to ensure that accuracy is achieved in compliance with the drawing specifications.

In addition, the capabilities of the centrifugal compressor have been improved by optimizing the in-house manufacturing processes and reducing lead time. Additionally, the Company has achieved indigenization of its screw rotors and centrifugal impeller.

The Air Compressor business continued to grow strongly in delivering superior solutions to various niche applications. In the previous year, your Company predominantly had Screw Compressor as a volume Compressor. During the year, it was more of high value Reciprocating Compressor Packages as well as a scale-up of a Centrifugal Compressor. Indeed, your Company has achieved a milestone of standardization and scaling-up of the Tezcatlipoca range of Centrifugal Compressors during the year. Your Company had record sales of Reciprocating Compressor Packages for various critical applications in metal, in air separation etc. and this continues to grow. Standard Screw Compressor sales were albeit much lower compared to the previous year.

Refrigeration business

The global industrial refrigeration industry is projected to be worth USD 10 billion. The global refrigeration compressor market is expected to grow at a CAGR of around 4.5% from 2021 to 2026, driven by the increasing demand for refrigeration systems in developing countries and the growing demand for energy-efficient and eco-friendly refrigeration compressors. The Asia-Pacific region is expected to be the largest and fastest-growing market due to the increasing demand for refrigeration systems in the food and beverage industry.

In Hydrocarbon refrigeration, the business specialized and is dominated by players who have exhibited a 'Proven Track Record' (PTR) in the market. Your Company is a dominant player in the Hydrocarbon refrigeration market as it has a very strong PTR in handling Hydrocarbons. These refrigeration systems employ a range of refrigerants, including hydrocarbons such as propane and propylene and Butane as well as mixture of these and other hydrocarbons.

The Company benefits from its 'Concept to Commissioning' methodology, which is used to stay ahead of the industry's increasingly stringent environmental, quality and safety

regulations. Refrigeration industry is currently expanding and is expected to quickly replace other choices as the preferred option for its various market segments.

The Company holds a significant market share of approximately 60% in the field of ammonia refrigeration compressors. As part of its efforts to accelerate the development of new products, the Company has made investments in an in-house performance testing facility dedicated to refrigeration compressors.

During the year, the Company has supplied three large packages of Screw Compressors using hydrocarbon refrigerant for Oil and Gas Industry. The Company has witnessed continuous growth in the after market sale.

Process Gas Business

Process gas compressors are utilised in a variety of sectors such as oil and gas, chemical and petrochemical. These compressors are used to compress gases such as hydrogen, natural gases, nitrogen and carbon dioxide for use in a variety of industrial applications.





The worldwide process gas compressor market is estimated to increase at a CAGR of 3% from 2022 to 2029, reaching USD 8.42 billion by 2029, driven by rising natural gas consumption and the expanding petrochemical industry. The Asia-Pacific region is expected to be the largest and fastest-growing market due to the increasing demand for natural gas in developing countries and the growing chemical and petrochemical industries.

The market for gas compressors is around USD 4.7 billion, while the market for gas compression systems is approximately USD 24 billion. This industry is regarded as a worldwide enterprise because of our capacity to make these plants and packages anywhere, sell them anywhere and install them everywhere. This business is dominated by the phrase 'Proven Track Record' (PTR). Gasification of the energy basket and environmental activities are worldwide trends that are supporting this growth. The Company is able to capture this market by using their strong design and engineering capabilities. The Company has a significant market share in the oil and gas industry in India.

During the year, your Company has supplied and completed the installation of 3 large packages in the Middle East region which resulted into a growth in sales. The CNG business was sluggish as compared to previous year. Your Company commenced shipment of Calana range of booster compressors. There is a continuous growth in the O&M business.

The Compression Segment contributes 93% of total revenue and is the only reportable segment.

2. Other Businesses

KPCL's Transmission Division was India's first manufacturer of railway transmission products. This division specializes in customized power transmission systems. When it comes to various gear and gearbox types with capacities ranging from less than one megawatt to fifty megawatt, the Transmission Division has a competitive edge.

Outlook

Despite a global economy that is experiencing high inflation and modest to negative growth, the current slowdown has resulted in a delay in the technological transmission in the energy sector. As a result, there is a continued strong demand for our compression packages, both in the gas and refrigeration space. Furthermore, the installation of CNG stations has accelerated and we hope to meet all the announced plans. This acceleration would likely lead to significant growth in both CNG and booster compressor sales in FY 24.

Your Company has received strong inquiries for various packages, both in India and from the Middle East, indicating a promising future. Additionally, we are excited to introduce our new range of products, i.e. Khione, Calana and Tezcatlipoca compressors, which were brought into the market during the reporting year.

Overall, your Company is confident that it can maintain its growth momentum and remain committed to its aspirational goal of becoming a ₹ 2,000 Crore plus Company within the next two years.

Technology

KPCL has the in-house expertise to develop products requiring sufficient customisation, boosting the Company's design and development activities. Many cutting-edge technological solutions have been implemented by the Company. With over a 100 engineers in Design, Engineering and Research we continue to develop new Products and solutions for our customers.

In the reporting year, your Company filed 15 IP's and had 8 international publications and participated in several International paper presentations. The details are as follows:

Particulars	Filed in FY 2022-23	Granted in FY 2022-23
Patents	2	2
Trademark	12	5
Design	1	1
Research Publications in International Forum (Out of this two Research Papers recognised and appreciated)	8	NA

The new products that your Company launched include:

- Khione screw compressors for the refrigeration applications in Dairies, Food processing and Pharma industry.
- Calana booster compressor for off-line gas dispensation.
- 2100 / 3500 / 7000 CFM Tezcatlipoca Centrifugal compressors.

As a part of our Digitalisation initiatives, your Company have the 'connected machines' project implemented at Saswad and Hadapsar. This ensures smooth work flow with the least amount of WIP. IoT has been implemented on most of our Compressor package giving real time feedback on conditions. We are implementing the Dassult - Product Lifecycle Management solution which will allow us to have a common database and design repository to manage our products and parts on a reliable, long term basis.

Value Chain Advantage

At KPCL, we have established a range of in-house capabilities that provide us with a significant advantage in the value chain. Our capabilities include a foundry that produces cast iron, SG iron and aluminum alloys. Additionally, we have a comprehensive fabrication facility that allows us to produce base frames, pressure vessels and other structures.

Our high-precision multi-axis CNC machining capability is another crucial asset. This capability allows us to manufacture high-precision parts such as housings, impellers, rotors, screws and more. Our design and engineering department includes over 100 engineers who use advanced software support, including a PLM, to create innovative solutions tailored to our customers' needs.

Moreover, our Company has over 1200 associates working across 15 states of India managing the operation and maintenance of all CNG stations.

By leveraging our diverse in-house capabilities, we can offer a wide range of high-quality products and services to our customers. We take pride in our ability to provide end-to-end solutions that encompass everything from design and engineering to manufacturing, fabrication and installation.

Internal Control Systems and their Adequacy

The Company has an Internal Control System, proportionate to the size, scale and complexity of its operations. All internal controls are well aligned with the evolving business needs, objectives and overall strategic direction.

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 FY2023, 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 ₹ 12,393.37 Million as compared to ₹ 10,211.73 Million in the previous year, a growth over 21%. The growth in sales was mainly driven by exports of Gas & Refrigeration packages to the Middle East region. While demand of compressors for Oxygen packages was muted during the year as Covid was under control, rising prices in domestic gas impacted the demand for CNG packages, despite these domestic sales grew by over 12% made up by reciprocating and centrifugal compressors packages and gear business. The profit before tax grew from ₹ 1,141.24 Million to ₹ 1,432.76 Million, a growth over 25%. 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's export sales at ₹ 1,777.07 Million, which was nearly 7 times more than what we had done in the previous year.

In terms of working capital management, net working capital as a percentage to sales rose to about 26% as compared to 22% of the previous year due to higher receivables and lower advances. Your Company had a net cash position of about ₹ 1,900 Million as on 31st March, 2023, after paying final dividend of the previous year and interim dividend declared in the reporting year apart from the capex.

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 31st March, 2023, your Company's return on net worth improved to 17.25% as compared to 15.10% 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 overall Risk Management Matrix is derived from Divisional Risk Management Process. A dedicated Risk Management Committee oversees the possible risks and derives a framework to mitigate the same.

During the year, your Company has conducted material assessment and identified material responsible business conduct issues. The key material issues of the business have been provided in the Business Responsibility and Sustainability Report, which forms part of this Annual Report.

The risk management approach is mentioned on page 24 of the annual 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. 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 27th August, 2024. During the year, an external agency has conducted IMS surveillance audit of your Company and confirmed that the IMS certificate is sustained. 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. Your Company has been working on ESG initiatives for many years now. During the year, we had a diagnostic study done on Maturity of our ESG processes. We were rated as between 'Progressive' and 'Proactive' in most parameters. We have taken a clear road map to become a 'Transformative' Company in the next 3 years.

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 and their families are covered under preventive health checks (which are age based and are enhanced with test relevant in post covid situation), risk assessment and counselling (focused on health and lifestyle risk assessment and address post covid concerns as well).

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.

Your Company has contributed an amount of ₹ 12.0 Million by way of donation to Kirloskar Institute of Advanced Management Studies for promoting education.

Socio-economically challenged girl students from 5th to 10th Std. from a school in the vicinity of Saswad Plant are supported for development through Bharari Initiative. The initiative that benefits 200 girls was enhanced by adding a book library and organizing life skills workshops in addition to activities related to academic and extracurricular skill development.

Your Company is supporting education of girls, by supporting daughters of workmen of Cold Storage Units from UP, Gujarat, Rajasthan and MP. This unique CSR Initiative, named KaShi (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. At present, 30 girl students benefit from this initiative.

Your Company is supporting the 1st batch of 3 year diploma program in Mechatronics and Smart Factory comprising of 38 socio-economically challenged students at NTT. The selection criteria have ensured that deserving and needy candidates are selected. Twelve (30% +) of these students are girls demonstrating focus on gender diversity, inclusion and equity as a guiding principles for the initiative.

To create awareness about HIV AIDS amongst different sections of the society, your Company's DISHA initiative reached out to 11,000 + members of the general community including secondary school and college students during this year. Additionally, the initiative also provided supports in the form of medical camps, counselling, matrimonial melava etc. to PLHIV (People Living with HIV).

This year, your Company ensured that 10,000 + students from 9 school locations in the nearby vicinity have access to clean and safe drinking water by installing water filtration and purification plants in their premises.

Your Company is supporting various activities in 12 schools associated with Ram Nadi Restoration Mission through its RRM School Initiative in addition to participating in an online Ram Nadi Festival and other Kirloskar Vasundhara Initiative related activities. This year river restoration message reached out to 3,600 + students and teachers by way of wall paintings, awareness workshops and competitions like elocution, drawings, essays etc.

Overall CSR initiatives of your Company have benefitted 25,000 + community members in this year.

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

KPCL once again (4th 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. While we were settling down after the Pandemic outbreak, it was time to rebuild, rejig and recalibrate our teams for the newer growth aspirations. Our goals for the FY-23 were clear and communicated to all employees through multiple communication platforms. During the year, we imparted 2500+ man-days of training covering more than 90% of our workforce through 145 learning initiatives. L&D programs supporting the strategic objectives were designed and implemented during the year. This included Future leaders grooming, Leadership & Managerial Effectiveness, Effective selling, Project Management etc. There were strategic structural changes made during the year to synergize the operations and business teams across the Organization. 3000+ rewards were given during the year through various reward schemes. Your Company has ensured 100% legal compliance to all applicable labour and factory statutory requirements. Your Company has ensured cordial Industrial relations all the time and has zero man hour loss during the fiscal year.

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, Reward and Recognition Sessions, Sudnyan Knowledge sharing, 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

Human Resources and Industrial Relations

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

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



The annualized attrition rate for FY-23 stands at 15.9%, which is in line with the similar industries. However, it has improved during last two quarters compared to other segments. 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. A group of identified high-potential employees went through a customized future leaders program conducted by SLKCEE - Passport to Leadership. These programs covered important topics like Personal Leadership, Team evolution, Art of delegation, People motivation theories, managing self and Team performance.

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 2023, the total training provided for employees was over 2.5 days per employee which has improved by 50% compared to previous year. This year more than 90% of our employees have undergone at least one training program during the year. 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 learning programs were 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 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 programmes 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. The Kirloskar group companies have now adopted a common whistle blower policy and an ethics hotline has been created to provide an assuring platform to the employees to highlight discriminatory or violating acts or behaviours’.

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 (Impeller) and intranet (Shashwat). The employees are aware of various developments in the Company. We have also done focussed internal and external communication through interactive campaigns such as revamped House Magazine, New Wall and Table calendars, monthly HBR articles, Quarterly Leadership address, Theme based Round tables sessions and Reward & Recognition sessions. The revamped Marcom approach has resulted into 100% rise in the social media followers of your Company. On an average we have 8 social media posts each month regarding various highlights about your Company.

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

Cautionary Statement

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

For and on behalf of the Board of Directors

sd/-

Rahul C Kirloskar

Executive Chairman

DIN 00007319

Place : Pune

Date : 27th April, 2023

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 2022-23.

a. 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.

Our legacy inspires us to innovate solutions that challenge conventions and helps to create an inclusive future for customers, partners, employees, investors and communities.

The 'Limitless' vision of the Company is laying a foundation for aggressive growth plans. 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.

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.

To take it further, the Company as a part of the 'Kirloskar group' has launched Kirloskar's Ethics Helpline to encourage employees to act with integrity and honesty and report any cases of unethical behaviour. By maintaining the highest standards of ethical conduct, the Company can ensure to be a leader in the industry and trusted partner to the customers. Invariably, as a group, we are committed to upholding the highest standards of ethical conduct in all our business practices.

b. GOVERNANCE STRUCTURE AND DEFINED ROLE AND RESPONSIBILITIES:

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

c. 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 Ten Directors as on 31st March, 2023 consisting of Six (60%) Non-Executive & Independent Directors including a Woman Director in terms of LODR Regulations, 2015, Two (20%) Non-Executive Directors and Two (20%) Executive Directors.

During the reporting year:

Due to sudden and unexpected demise, Shri Vikram S Kirloskar (DIN 00007907) ceased to be a Non-Executive

Director and Promoter of the Company, with effect from 29th November, 2022. He was a Fourth generation member of the illustrious Kirloskar Family which has been pioneering manufacturing in India. He was associated with the Company since 1987. He will be remembered fondly for his role in the path of growth and progress of the Company.

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

- i. Mr D R Swar (DIN 00007495), Director was liable to retire by rotation at the 47th AGM. However, he did not seek re-appointment. As a result, he has ceased to be Director with effect from 20th July, 2022.
- ii. The annual remuneration (including Commission) payable to the promoter Director, who is an Executive Chairman, exceeded the threshold limits prescribed under the LODR Regulations, 2015. Accordingly, a special resolution was passed approving continuation of payment of remuneration to Mr Rahul C Kirloskar, Executive Chairman and Promoter Director as per Regulation 17(6)(e)(i) exceeding the threshold limits prescribed under LODR Regulations, 2015.

After the last AGM, Mr Krishnamurti Venkataramanan (holding DIN 00001647), an Independent Director of the Company had completed his second term of two (2) consecutive years. His second term was with effect from 27th July, 2020 to 26th July, 2022. As a result, on completion of his tenure of his appointment, he has ceased to be Director with effect from 27th July, 2022.

During the year, Mr Pravir Kumar Vohra (holding DIN 00082545) was appointed as an Independent Director of the Company by way of Special Resolution through postal ballot for a period of five (5) consecutive years from 19th October, 2022 to 18th October, 2027.

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

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 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:

Board Meeting

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 31st March, 2023, five Board Meetings were held. The attendance of the Directors was as follows:

Name of Director	Date of Board Meetings				
	28th April, 2022	19th July, 2022	19th October, 2022	25th January, 2023	9th March, 2023
Mr Atul C Kirloskar	✓		✓	✓	✓
Mr Rahul C Kirloskar	✓	✓	✓	✓	✓
Mr Sunil Shah Singh	✓	✓	✓	✓	✓
Mr G Krishna Rao	✓	✓	✓	✓	✓
Dr Ajay Dua	✓	✓	✓	✓	✓
Mrs Nalini Venkatesh	✓	✓	✓	✓	✓
Mr Tejas Deshpande	✓	✓	✓	✓	✓
Mr K Srinivasan	✓	✓	✓	✓	✓
Mr Mahesh Chhabria	✓	✓	✓	✓	✓
Mr Pravir Kumar Vohra (appointed w.e.f. 19th October, 2022)	NA	NA	✓	✓	✓

Name of Director	Date of Board Meetings				
	28th April, 2022	19th July, 2022	19th October, 2022	25th January, 2023	9th March, 2023
Late Mr Vikram S Kirloskar (ceased w.e.f. 29th November, 2022)		✓		NA	NA
Mr Krishnamurti Venkataramanan (ceased w.e.f. 27th July, 2022)	✓	✓	NA	NA	NA
Mr D R Swar (ceased w.e.f. 20th July, 2022)	✓	✓	NA	NA	NA

Annual General Meeting : The Annual General Meeting of the Company was held on 20th July, 2022. All Directors at that point of time except Mr K Venkataramanan attended the Annual General Meeting.

iv. Director's directorships:

The details of Directorships and Committee Memberships / Chairmanships are as follows:

Name of the Director and Position	Directorship held in Indian Public Limited Companies (including KPCL)*	Name of other Directorships in Listed Companies as on 31st March, 2023		Committee Position#** (including KPCL) as on 31st March, 2023	
		Name of the Company	Category of Directorship	Member	Chairman
Non- Executive Directors					
Atul C Kirloskar ^{S@} (DIN 00007387)	5	Kirloskar Oil Engines Limited	Executive Director - Executive Chairman	1	1
		Kirloskar Ferrous Industries Limited	Non- Executive Non-Independent Director – Chairman		
		Kirloskar Industries Limited			
Mr Mahesh Chhabria (DIN 0166049)	8	Kirloskar Industries Limited	Managing Director	6	2
		Kirloskar Oil Engines Limited	Non- Executive Non-Independent Director		
		Kirloskar Ferrous Industries Limited			
		ZF Commercial Vehicle Control Systems India Limited	Non- Executive Independent Director		
Non- Executive Directors - Independent Directors					
Mr G Krishna Rao (DIN 00058985)	1			2	1
Mr Sunil Shah Singh (DIN 00233918)	3	ITD Cementation India Limited	Non- Executive Independent Director	5	4
		Kirloskar Oil Engines Limited			
Dr Ajay Dua (DIN 02318948)	2	Dabur India Limited	Non- Executive Independent Director	2	0
Mrs Nalini Venkatesh (DIN 06891397)	2	Kirloskar Ferrous Industries Limited	Non- Executive Independent Director	0	0
Mr Tejas Deshpande (DIN 01942507)	3	Kirloskar Industries Limited	Non- Executive Independent Director	3	0
Mr Pravir Kumar Vohra (DIN 00082545)	5	Kirloskar Ferrous Industries Limited	Non- Executive Independent Director	7	1
		Thomas Cook (India) Limited			
		IDFC First Bank Limited			

Name of the Director and Position	Directorship held in Indian Public Limited Companies (including KPCL)*	Name of other Directorships in Listed Companies as on 31st March, 2023		Committee Position#** (including KPCL) as on 31st March, 2023	
		Name of the Company	Category of Directorship	Member	Chairman
Executive Directors					
Mr Rahul C Kirloskar ^{§@} (DIN 00007319) Chairman	6	Kirloskar Ferrous Industries Limited Kirloskar Oil Engines Limited ISMT Limited	Non- Executive Non-Independent Director	3	0
Mr K Srinivasan (DIN 00088424) Managing Director	2	Aspinwall and Company Limited	Non- Executive Independent Director	0	0

Notes: KPCL means Kirloskar Pneumatic Company Limited.

* Excluding Private, Foreign and Section 8 Companies.

** Excluding Private, Foreign, high value debt listed entities 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.

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. Accordingly, a separate meeting of Independent Directors was held during the year.

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 Sunil Shah Singh	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr G Krishna Rao	✓	✓	✓	✓	✓	✓		✓	✓
Dr Ajay Dua	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs Nalini Venkatesh	✓	✓	✓			✓		✓	✓
Mr Tejas Deshpande	✓	✓	✓			✓		✓	✓
Mr K Srinivasan	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Mahesh Chhabria	✓	✓	✓	✓	✓	✓		✓	✓
Mr Pravir Kumar Vohra	✓	✓	✓	✓	✓	✓	✓	✓	✓

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

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 31st March, 2023. A declaration to this effect signed by the Managing Director has been incorporated in the Annual Report.

d. AUDIT COMMITTEE:

i. Composition:

The Audit Committee before reconstitution comprised 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.

The Audit Committee was reconstituted on 19th July, 2022. After reconstitution, the Audit Committee comprised of 4 Directors namely Mr Sunil Shah Singh (Chairman), Mr G Krishna Rao, Dr Ajay Dua and Mr Tejas Deshpande.

The Audit Committee was further reconstituted on 25th January, 2023 to include Mr Pravir Kumar Vohra, Independent Director as a member. Post reconstitution, the Audit Committee comprises of 5 Independent Directors namely Mr Sunil Shah Singh, Mr G Krishna Rao, Dr Ajay Dua, Mr Tejas Deshpande and Mr Pravir Kumar Vohra.

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 and 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 the management, the annual financial statements and auditor's report thereon before

submission to the board for approval, with particular reference to:

- matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - changes, if any, in accounting policies and practices and reasons for the same;
 - major accounting entries involving estimates based on the exercise of judgment by management;
 - significant adjustments made in the financial statements arising out of audit findings;
 - compliance with listing and other legal requirements relating to financial statements;
 - disclosure of any related party transactions;
 - modified opinion(s) in the draft audit report.
- Reviewing with the management, the quarterly financial statements before submission to the board for approval;
 - Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
 - Reviewing and monitoring the auditor's independence and performance and effectiveness of audit process;
 - Approval or any subsequent modification of transactions of the company with related parties;
 - Scrutiny of inter-corporate loans and investments;
 - Valuation of undertakings or assets of the company, wherever it is necessary;
 - Evaluation of internal financial controls and risk management systems;
 - Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
 - Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

- n. Discussion with internal auditors of any significant findings and follow up thereon;
- o. 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;
- p. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- q. 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;
- r. To review the functioning of the whistle blower mechanism;
- s. Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- t. To mandatorily review the following information:
 1. Management discussion and analysis of financial condition and results of operations;
 2. Statement of significant related party transactions (as defined by the audit committee), submitted by the management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee; and
6. Statement of deviations:
 - a. Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1);
 - b. Annual statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice in terms of Regulation 32(7).
- u. 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 existing as on the date of coming into force of this provision;
- v. Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders; and
- w. Carrying out any other function as is 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 as under :

Name of Committee Member	Date of Audit Committee Meetings				
	27th April, 2022	19th July, 2022	19th October, 2022	25th January, 2023	9th March, 2023
Mr Sunil Shah Singh	✓	✓	✓	✓	✓
Mr G Krishna Rao	✓	✓	✓	✓	✓
Dr Ajay Dua	✓	NA	✓	✓	✓
Mr Tejas Deshpande	NA	NA	✓	✓	✓
Mr D R Swar	✓	✓	NA	NA	NA
(ceased w.e.f. 20th July, 2022)					
Mr Krishnamurti Venkataramanan	✓	✓	NA	NA	NA
(ceased w.e.f. 27th July, 2022)					
Mr Pravir Kumar Vohra	NA	NA	NA	NA	✓
(appointed w.e.f. 19th October, 2022)					

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

e. 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:

- Formulation of the criteria for determining the qualifications, positive attributes and Independence of Director;
- Devising a policy on Board diversity;

- Formulation of Remuneration policy;
- Review the structure, size and composition of the Board;
- Identifying and selection of candidates for appointment as Directors;
- Identifying potential individuals for appointment as Key Managerial Personnel and Senior Management;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Recommend to the Board all remuneration, in whatever form, payable to senior management;
- Formulation, Administration and Superintendence of KPCL Employee Stock Option Scheme 2019; and
- Review of succession planning mechanism and recommend changes / modifications thereto, if required.

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

During the year, five Meetings were held as per the following details:

Name of Committee Member	Date of Nomination & Remuneration Committee Meetings				
	27th April, 2022	19th July, 2022	19th October, 2022	25th January, 2023	9th March, 2023
Dr Ajay Dua	✓	✓	✓	✓	✓
Mr Sunil Shah Singh	✓	✓	✓	✓	✓
Mr G Krishna Rao	✓	✓	✓	✓	✓
Mr Mahesh Chhabria	✓	✓	✓	✓	✓

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

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.

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.

f. NOMINATION & REMUNERATION POLICY:

The Board determines the remuneration payable to the Executive Directors taking into account their qualification,

Details of remuneration paid / payable to Directors during the year 2022-23:

A. Non- Executive Directors:

Name of Director	Sitting Fees	Commission on Net Profit *	Salary & Perquisites	Total	No. of shares held **
	(₹ in Million)				
Mr Atul C Kirloskar	0.425	0.500	-	0.925	61,07,523
Mr Mahesh Chhabria	0.600	0.750	-	1.350	9,325
Mr G Krishna Rao	1.125	1.500	-	2.625	0
Mr Sunil Shah Singh	1.120	1.550	-	2.670	5,000
Dr Ajay Dua	1.000	1.600	-	2.600	0
Mrs Nalini Venkatesh	0.425	0.500	-	0.925	230
Mr Tejas Deshpande	0.625	0.950	-	1.575	0
Mr D R Swar (ceased w.e.f. 20th July, 2022)	0.225	0.500	-	0.725	0
Mr K Venkataramanan (ceased w.e.f. 27th July, 2022)	0.225	0.550	-	0.775	0
Mr Pravir Kumar Vohra (appointed w.e.f. 19th October, 2022)	0.375	0.450	-	0.825	0
Late Mr Vikram S Kirloskar (upto 29th November, 2022)	0.050	0.100	-	0.150	0

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 as follows:
 - ₹ 0.050 Million for attending each meeting of the Board till 18th October, 2022 and ₹ 0.100 Million from 19th October, 2022.
 - ₹ 0.050 Million for attending each meeting of the Audit Committee till 18th October, 2022 and ₹ 0.075 Million from 19th October, 2022.
 - ₹ 0.025 Million for attending each meeting of the Nomination and Remuneration Committee and Risk Management Committee till 18th October, 2022 and ₹ 0.050 Million from 19th October, 2022.
 - ₹ 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:

Particulars	(in Million)	
	Mr Rahul C Kirloskar	Mr K Srinivasan***
Salary	30.00	10.80
House Rent Allowance	-	-
Contribution to Funds	10.60	3.44
Other perquisites	4.45	11.70
* Commission	27.50	22.50
TOTAL	72.55	48.44
**No. of shares held	74,96,150	1,17,800

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 were granted to Mr K Srinivasan on 29th April, 2021. Out of which 40,000 stock options vested on 29th April, 2022 and 40,000 stock options shall vest on 29th April, 2023 and can be exercised thereafter. Accordingly, 7,500 shares and 32,500 shares were exercised and allotted on 26th May, 2022 and 24th August, 2022 respectively. As the options were exercised during the FY 2022-23, benefit arising out of such exercise forms a part of remuneration for the year ended on 31st March, 2023.

g. 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 and the same were attended by members as per the following details:

Name of Committee Member	Date of Stakeholders Relationship Committee Meetings			
	27th April, 2022	19th July, 2022	19th October, 2022	25th January, 2023
Mr G Krishna Rao	✓	✓	✓	✓
Mr Sunil Shah Singh	✓	✓	✓	✓
Mr Rahul C Kirloskar	✓	✓	✓	✓

The Company has received 6 complaint(s) during the year and the same were resolved. There was no complaint pending as on 31st March, 2023.

h. RISK MANAGEMENT COMMITTEE:

The Risk Management Committee of the Company is in conformity with Regulation 21 of LODR Regulations, 2015.

i. Composition:

The Risk Management Committee before reconstitution comprised of 4 Directors namely Mr K Venkataramanan (Chairman), Dr Ajay Dua, Independent Directors, Mr Atul C Kirloskar, Non-Executive and Non-Independent Director and Mr K Srinivasan, Managing Director.

In view of completion of term of Mr K Venkataramanan as Independent Director on 26th July, 2022, the Risk Management Committee was reconstituted on 19th July, 2022. Post reconstitution, the Risk Management Committee functions under the Chairmanship of Dr Ajay Dua, Independent Director (w.e.f. 27th July, 2022), Mr Sunil Shah Singh, Independent Director (w.e.f. 27th July, 2022) 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:

- a. To formulate a detailed risk management policy which shall include:
 - i. A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectorial, sustainability (particularly ESG related risks), information, cyber security risks or any other risks as may be determined by the Committee;
 - ii. Measures for risk mitigation including systems and processes for internal control of identified risks; and
 - iii. Business Continuity Plan.
- b. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- c. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- d. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- e. To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- f. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee; and

- g. The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the Board of Directors.

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

During the year, two Risk Management Committee meeting(s) were held and the same were attended by members as per the following details:

Name of Committee Member	Dates of Risk Management Committee Meetings	
	14th July, 2022	9th January, 2023
Mr K Venkataramanan	✓	NA
Dr Ajay Dua	✓	✓
Mr Atul C Kirloskar	✓	✓
Mr K Srinivasan	✓	✓
Mr Sunil Shah Singh	NA	✓

9. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

Managing Director act as its members. Mr Jitendra Shah, Company Secretary is the Compliance Officer.

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,

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

During the year, one Corporate Social Responsibility Committee meeting was held on 27th April, 2022 and the same was attended by all the members.

10. GENERAL BODY MEETINGS:

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

Date	Time	Location
20th July, 2022	10.30 a.m. (IST)	Video Conferencing / Other Audio Visual Means
20th July, 2021	10.30 a.m. (IST)	
21st August, 2020	11.30 a.m. (IST)	

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 20th July, 2022 Continuation of payment of remuneration to Mr Rahul C Kirloskar, Executive Chairman and Promoter exceeding the threshold limits prescribed under SEBI LODR Regulations.
2	Annual General Meeting held on 20th July, 2021 Re-appointment of Dr Ajay Dua (holding DIN 02318948) as a Non-Executive Independent Director.

No special resolution was passed in the Annual General Meeting held on 21st August, 2020.

iii. **Postal Ballot:**

The Members of the Company have passed 1 special resolution by way of Postal Ballot in FY 2022-23.

The Members of the Company have passed the following Special Resolution by way of Postal Ballot on 28th December, 2022:

Sr. No.	Resolution	Votes in favour of the Resolution*		Votes against the Resolution*	
		No. of shares	Percentage	No. of shares	Percentage
1	Appointment of Mr Pravir Kumar Vohra (DIN : 00082545) as an Independent Director	42,957,774	99.97	12,012	0.03

*Only number of valid votes counted

The Notice dated 24th November, 2022 was sent to the Members. The last date of e-voting was 28th December, 2022. 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 resolution was passed by the requisite majority. The result of the postal ballot was declared on 29th December, 2022 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 and Exchange Board of India.

The aforesaid financial results are sent to the stock exchange(s) 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 the stock exchanges, where its securities are listed, 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.

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 2022	453.70	400.00	432.20
May 2022	458.40	376.25	412.80
June 2022	454.40	392.00	420.05
July 2022	497.00	415.00	471.95
August 2022	597.00	460.05	550.20
September 2022	614.50	510.10	568.50
October 2022	602.55	533.00	571.90
November 2022	654.00	543.90	614.15
December 2022	630.00	516.10	547.00
January 2023	574.00	512.00	568.75
February 2023	605.00	546.00	588.65
March 2023	631.95	536.60	560.25

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

12. GENERAL SHAREHOLDER INFORMATION:

i. Annual General Meeting:

Day & Date: Thursday, 20th July, 2023
Time: 03.30 pm (IST)
Venue: Annual General Meeting will be held through Video Conferencing (VC) / Other Audio Visual Means (OAVM)

ii. Financial Year: 1st April to 31st March

iii. Dividend Payment Date: On or after 20th July, 2023

iv. Book Closure : 13th July, 2023 to 20th July, 2023 (both days inclusive)

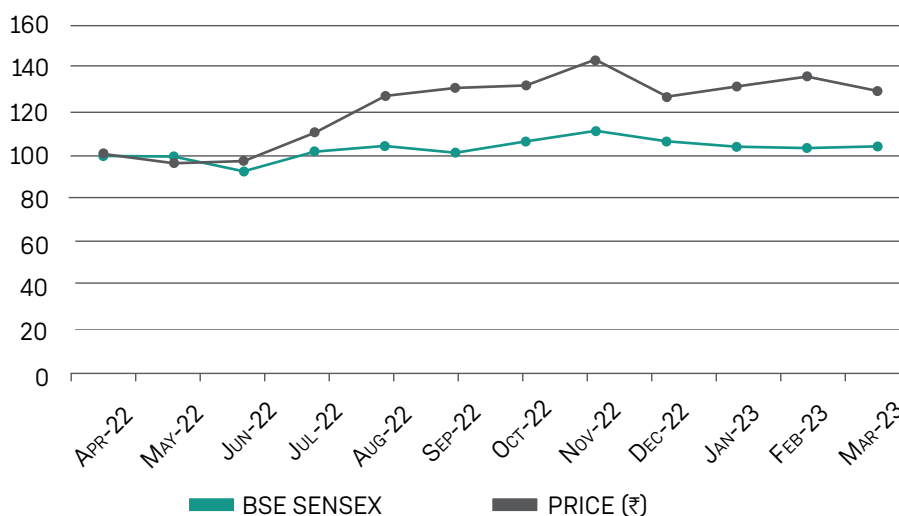
v. Listing on: BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001
National Stock Exchange of India Limited (NSE) (with effect from 26th April, 2023)
Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E) Mumbai - 400 051
Annual Listing Fees for the year 2023-24 has been paid to BSE Limited and NSE.

vi. Stock Code: 505283 (BSE) KIRLPNU (NSE)

vii. Depositories: National Securities Depository Limited (NSDL)
Central Depository Services (India) Limited (CDSL)

viii. ISIN No. : INE811A01020

x. Stock Performance in comparison to BSE SENSEX:



xi. Registrar & Transfer Agent:

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

xii. Communication to Members:

KYC Compliance:

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>

Now, the Company is in the process of sending individual reminder 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-PoD-1/P/CIR/2023/37 dated 16th March, 2023. The aforesaid communication will also be intimated to the Stock Exchange(s) and will be available on the website of the Company.

Share Transfer System:

SEBI had fixed 31st March, 2021 as the cut-off date for re-lodgement 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 7th September, 2020 (hereinafter referred to as "SEBI Circular No. 1").

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

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.
- 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.

Letter of Confirmation:

Further, as per SEBI Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated 25th 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

Generating awareness on Dispute Resolution Mechanism

In accordance with SEBI Letter no. SEBI/HO/OIAE/2023/03391 dated 27th January, 2023, the Registrar and Share Transfer Agent has sent information as directed by SEBI with respect to "Generating Awareness on Availability of Dispute resolution mechanism" vide both email and SMS to shareholders, on 10th February, 2023. The said mechanism has also been placed on the website of the Company.

xiii. Distribution of Shareholding as on 31st March, 2023:

Holding	No. of Members	%	No. of Shares of ₹ 2/- each	% to Capital
UPTO 500	25,254	84.10	2,597,251	4.02
501 1,000	2,225	7.41	1,624,506	2.51
1,001 2,000	1,216	4.05	1,764,464	2.73
2,001 3,000	455	1.51	1,143,674	1.77
3,001 4,000	238	0.79	833,450	1.29
4,001 5,000	156	0.52	726,544	1.13
5,001 10,000	260	0.87	1,888,335	2.92
10,001 AND ABOVE	225	0.75	54,056,466	83.63
Total	30,029	100.00	6,46,34,690	100.00

xiv. Dematerialisation of Shares & Liquidity:

The name of the Company appears in the Compulsory Trading List and 96.99% of Share Capital is in Electronic Form as on 31st March, 2023.

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 Note 26 to the Notes under the heading of Notes to the Financial Statements for the year ended 31st March, 2023. 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 weblink : <https://www.kirloskarpneumatic.com/investors/for-share-holders/agm-results>

xvi. Details of foreign exchange risk and hedging activities are provided in the notes annexed to and forming part of the financial statements.

xvii. CRISIL has reaffirmed AA-/Stable and A1+ rating for Company's long term bank facility and short term bank facility, respectively.

xviii. Plant Locations

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

xix. Address for Correspondence:

Registered Office of the Company:

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

Registrar & Transfer Agent:

Link Intime India Private Limited

Pune Office:

Akshay Complex, No. 202,
2nd Floor, Near Ganesh Temple,
Off Dhole Patil Road,
Pune 411 001
Phone Nos. 020 - 46014473 / 26163503 / 26161629
Email : pune@linkintime.co.in

Mumbai Office:

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

13. OTHER DISCLOSURES:

i. Related Party Transactions:

There are no materially significant related party transactions during the year 2022-23 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 is available at the following weblink :

<https://www.kirloskarpneumatic.com/documents/174996/0a8837d4-d661-7989-64e3-f5a53543c63c>

ii. Strictures or Penalties:

There were no penalties or strictures imposed on the Company by Stock Exchange(s), 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 was amended during the year and the amended policy has been uploaded and the same is available at the following weblink:

<https://www.kirloskarpneumatic.com/documents/174996/b0ead045-b972-e7c6-6c0d-210dc4338f87>

In line with the amended policy, the Company has voluntarily launched a 'Kirloskar's Ethics Helpline' for encouraging employees to report any suspected violations / any other ethical concerns.

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

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

- a. Audit qualification: Company's financial statements are unqualified.
- b. The Internal Auditor reports to the Audit Committee.

vi. Subsidiary Company:

A policy on material subsidiaries has been formulated by the Company and placed on the website of the Company at <https://www.kirloskarpneumatic.com/investors/for-%20share-holders/company-policies>

Company does not have any Subsidiary Company. Hence, no disclosure related thereto is provided.

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 ₹ 3.60 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) Limited 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 27th April, 2023.

For Kirloskar Pneumatic Company Limited

sd/-

K Srinivasan

Managing Director

DIN 00088424

Date : 27th April, 2023

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.

sd/-

K Srinivasan

Managing Director

DIN 00088424

Date : 27th April, 2023

Place : Pune

Auditors' Certificate on Corporate Governance

To

The Members of

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, 2023, 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, as amended (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, 2023.
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

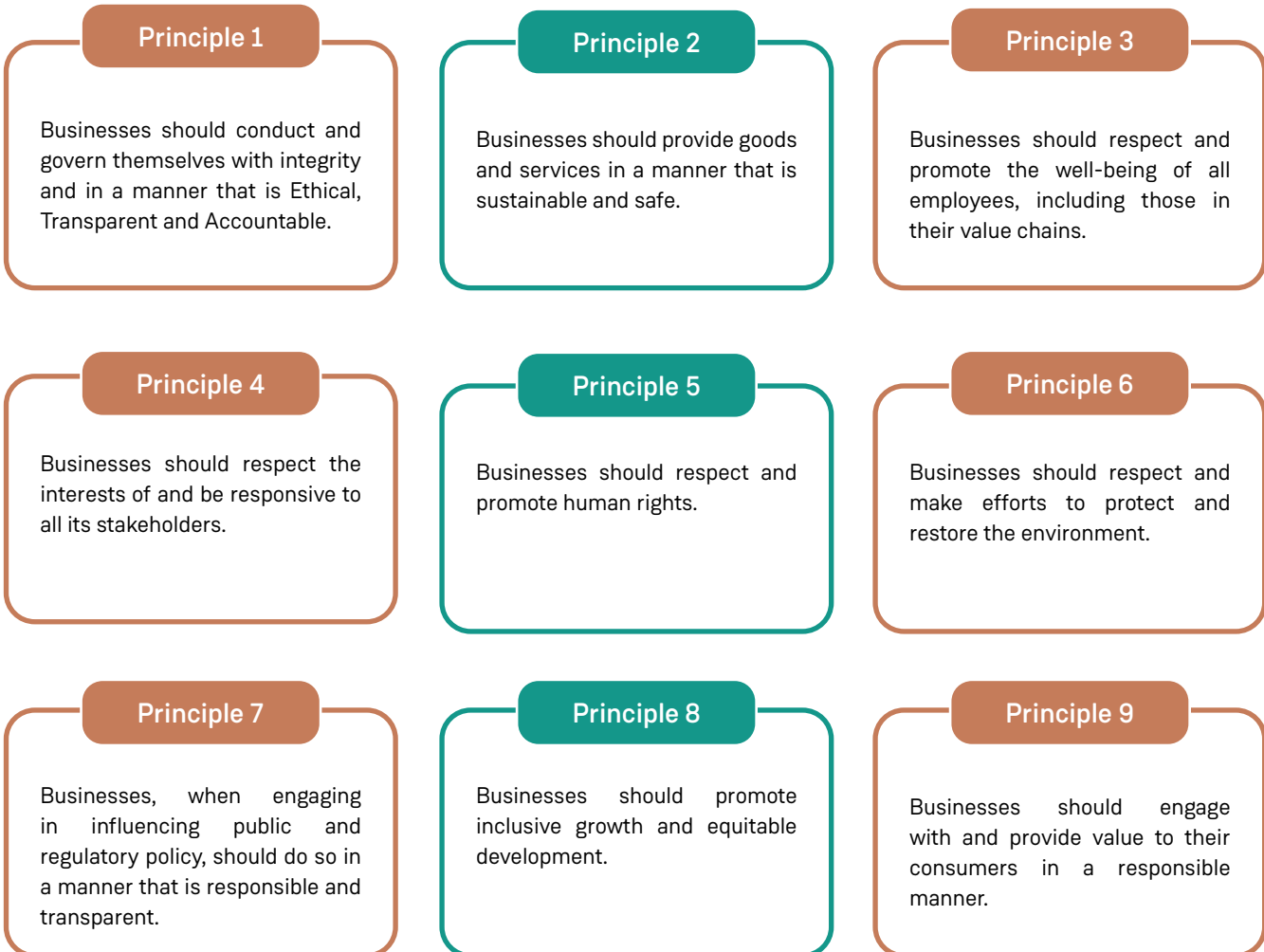
Partner

Membership No. 031787

UDIN: 23031787BGYQFT1321

Pune, April 27, 2023

Business Responsibility and Sustainability Report (BRSR)



SECTION A: General disclosures

I. Details of the listed entity

1.	Corporate Identity Number (CIN) of the Company	L29120PN1974PLC110307
2.	Name of the Company	Kirloskar Pneumatic Company Limited (KPCL)
3.	Year of Incorporation	1974
4.	Registered office address	Hadapsar Industrial Estate, Pune 411013
5.	Corporate office address	Hadapsar Industrial Estate, Pune 411013
6.	E-mail	sec@kirloskar.com
7.	Telephone	020-26727000
8.	Website	www.kirloskarpneumatic.com
9.	Financial year for which reporting is being done	2022-23
10.	Name of the Stock Exchange(s) where shares are listed	BSE Limited (BSE) National Stock Exchange of India Limited (NSE)* *Listed w. e. f. 26th April, 2023
11.	Paid-up Capital	₹ 129.27 Million
12.	Name and contact details (telephone, email address) of the person for BRSR Reporting	Name: Dr. Suresh Mijar Telephone: 020-26727000 Email: suresh.mijar@kirloskar.com
13.	Reporting boundary	Disclosures made in this report are on a standalone basis and pertain only to Kirloskar Pneumatic Company Limited

II. Product / Services

14. Details of business activities (accounting for 90% of the turnover):

S. No.	Description of Main Activity	Description of Business Activity	% of Turnover of the entity
1	Manufacturing & Service of Engineering goods	Manufacturing of compressors (Air, Refrigeration and Gas Compressors & Systems), Operation and Maintenance of Compression Systems, Leasing of Assets	93%

15. Products / Service sold by the entity (accounting for 90% of the turnover):

S. No.	Product / Service	NIC Code	% of total turnover contributed
1	Compressors & Compression Systems	28132	93%

III. Operations

16. Number of locations where plants and / or operations / offices of the entity are situated:

S. No.	Location	Number of plants	Number of offices	Total
1	National: Plants – Hadapsar (Pune), Saswad (Pune), Nashik Registered Office-Hadapsar (Pune) Regional Offices – Mumbai, Ahmedabad, Vadodara, New Delhi, Lucknow, Kolkata, Chennai, Bangalore, Hyderabad, Palwal and Melpakkam	3	12	15
2	International: Through Promoter Group Companies in UAE, South Africa and Thailand	0	3	3

17. Markets served by the entity:

a. Number of locations served:

S. No.	Number of Locations served	Number
1	National (Number of States)	24
	National (Number of Union Territories)	7
2	International (Number of Countries)	31

b. What is the contribution of exports as a percentage of the total turnover of the entity?

Exports contribute 14% of the total turnover of the Company.

c. Briefly explain the types of customers:

KPCL serves Indian and foreign markets in Oil & Gas, Power, Steel, Automobile, Railways, Chemicals & Fertilizers, Sugar, Paper, Pharmaceutical, Textile, Food and Beverage, Marine & Fisheries, Construction and other industrial sectors / customers.

IV. Employees

18. Details as at the end of Financial Year:

a. Employees and workers (including differently abled):

S. No.	Particulars	Total	Male		Female	
		(A)	No. (B)	% (B/A)	No. (C)	% (C/A)
Employees						
1.	Permanent (D)	675	640	95%	35	5%
2.	Other than permanent (E)	105	87	83%	18	17%
3.	Total employees (D+E)	780	727	93%	53	7%
Workers						
4.	Permanent (F)	74	73	99%	1	1%
5.	Other than permanent (G)	601	600	>99%	1	<1%
6.	Total workers (F+G)	675	673	>99%	2	<1%

b. Differently abled Employees and workers:

S. No.	Particulars	Total	Male		Female	
		(A)	No. (B)	% (B/A)	No. (C)	% (C/A)
Differently abled Employees						
1.	Permanent (D)	0	0	0	0	0
2.	Other than permanent (E)	0	0	0	0	0
3.	Total Differently abled employees (D+E)	0	0	0	0	0
Differently abled Workers						
4.	Permanent (F)	0	0	0	0	0
5.	Other than permanent (G)	0	0	0	0	0
6.	Total Differently abled workers (F+G)	0	0	0	0	0

19. Participation / Inclusion / Representation of women:

Particulars	Total	No. and percentage of Females	
	No. (A)	No. (B)	% (B/A)
*Board of Directors	10	1	10%
**Key Managerial Personnel	4	0	0%

*Number as of 31st March 2023, **2 out of 4 KMPs are also Board Members.

20. Turnover rate for permanent employees and workers:

Category	FY 2023			FY 2022			FY 2021		
	Male (%)	Female (%)	Total (%)	Male (%)	Female (%)	Total (%)	Male (%)	Female (%)	Total (%)
Permanent employees	17%	32%	18%	16%	21%	16%	5%	9%	5%
Permanent workers	5%	0%	5%	4%	0%	4%	10%	0%	10%

V. Holding, Subsidiary and Associate Companies (including Joint Ventures)

21. Names of Holding / Subsidiary / Associate companies / Joint Ventures:

S. No.	Name of the Holding / Subsidiary / Associate Companies / Joint Ventures	Is it a holding/ Subsidiary/ Associate/ Joint Venture	% of shares held by listed entity	Does the entity participate in the Business Responsibility initiatives of the listed entity? (Yes/No)
--------	-------------------------------------------------------------------------	-------------------------------------------------------	-----------------------------------	-------------------------------------------------------------------------------------------------------

1 KPCL does not have any Holding / Subsidiary / Associate Companies / Joint Ventures.

VI. CSR Details

22. i. Whether CSR is applicable as per Section 135 of Companies Act, 2013: Yes

ii. Turnover – ₹ 12,393.37 Million

iii. Net worth – ₹ 6,705.54 Million

VII. Transparency and disclosure compliances

23. Complaints / grievances on any of the principles (principles 1 to 9) under the National Guidelines on Responsible Business Conduct (NGRBC):

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/No)	FY 2023			FY 2022		
	(If Yes, then provide web-link for grievance redress policy)	No. of complaints filed during the year	No. of complaints pending resolution at close of the year	Remarks	No. of complaints filed during the year	No. of complaints pending resolution at close of the year	Remarks
*Communities	Yes	0	0	-	0	0	-
**Investors and Shareholders	Yes	6	0	-	5	0	-
***Employees and workers	Yes	0	0	-	0	0	-
#Dealers and Customers	Yes	924	30	Technical, service complaints	1075	0	Technical, service complaints
##Suppliers	Yes	0	0	-	0	0	-

*Grievances, if any can be raised during on-going in-person interactions with CSR stakeholders during planning and implementation of various initiatives. Society (CSR) Perception Survey conducted every alternate year through an external agency includes focus group discussion with community stakeholders which captures grievances, if any along with suggestions for improvements.

**No other securities except equity shares are issued by the Company.

***Mechanisms like PoSH Committee, Theme Based Virtual Round Table Sessions, Safety Committee Meetings, New Joiners Interaction with HR & SBU Head, Annual HR Dip-Stick Survey, Bi-Annual Employee Engagement Survey, Ethics Helpline etc. provide employees the platform to raise grievances, if any.

#Dealer and customer complaints are received through CCMS (Customer Complaints Management System) and other engagement mechanisms including Dealer Meets, alternate year Customer Satisfaction Survey by external agency etc.

##Supplier complaints are received through various interactions like Supplier Visits, Supplier Meets, alternate year Vendor Satisfaction Survey by external agency etc. KPCL is in the process of putting in tracking and review mechanism for the supplier grievances / complaints.

All the above mentioned stakeholders can lodge a complaint through Company's Whistle-blower Policy-Vigil Mechanism (Web link: <https://www.kirloskarpneumatic.com/documents/174996/b0ead045-b972-e7c6-6c0d-210dc4338f87>) or through Grievance Redressal Policy (Web link: <https://www.kirloskarpneumatic.com/documents/174996/73070424-2915-d987-61e7-f5c201ed44fc>)

24. Overview of the entity's material responsible business conduct issues:

Materiality Assessment is a fundamental aspect of Reporting at KPCL given the influence material issues have on the business activities, stakeholders and their ability to create sustainable value. The key material issues for our business have been listed below:

S. No.	Material issue identified	Is it risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate (Measures for enhancing opportunities are also indicated)	Financial implications of the risk or opportunity (Indicate positive or negative implications)
1	Employee Health & Safety	Risk	Health & Safety has an impact on employee well-being (injury / ill health) and productivity (loss of man-hours) apart from loss of earnings for the Company.	Predictive and preventive initiatives have been put in place to ensure employee health & safety.	Negative – Workplace mishap shall put life / property in danger and also affect company's earnings and reputation.
2	Talent Management	Opportunity	Employees are contributors to value creation. Recruiting talented people and training them adequately to build their competencies and skills is critical to driving Company's future growth by providing a quality differentiator.	Robust processes for acquiring and retaining the talent exist. Company focuses on Learning and Development initiatives in the areas of knowledge, skills and behaviour to build a competent workforce.	Positive – Ensures retention of talent, improves efficiency and productivity in achieving strategic goals and enhancing business performance.
3	Climate Action	Risk and opportunity	Climate change can pose significant risk to the Company's business. It can affect all key stakeholders as well as the Company's strategy and financial resources. It also offers opportunities arising from innovations in reducing emissions, energy efficiency and renewable energy.	Company has taken initiatives in the areas of water conservation, renewable energy (solar power) and promoting water as well as energy conserving products.	Negative – The cost incurred to prevent / mitigate the impact of climate change in the short to medium term. Positive – Benefits will accrue in the medium / long term to the Company as well as customers.
4	Circular Economy	Risk and Opportunity	Proper waste collection and reuse / recycling processes are essential to minimize waste and tackle harmful effects of waste generation. Water being a limited resource will affect the operations and Company stakeholders.	Company focuses on approaches for reducing generation, segregation, responsible disposal and increasing reuse / recycling of both hazardous and non-hazardous waste. All of its waste water is recycled.	Positive – Waste generated, recovered, recycled is used back in our processes leading to reduced cost and improved earnings.

S. No.	Material issue identified	Is it risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate (Measures for enhancing opportunities are also indicated)	Financial implications of the risk or opportunity (Indicate positive or negative implications)
5	Sustainable Innovation	Opportunity	Innovation management is important by focusing on development of new products, continuous R&D for improving product efficiencies, use of clean technology for business operations etc.	Company is focused on R&D initiatives, technology up gradation and PLM (Product Lifecycle Management).	Positive – Development of resource efficient new products and overall reduced lifecycle cost of products.
6	Responsible Supply Chain	Risk	Lack of sustainable sourcing approaches or efforts to build resilient supply chain can lead to supply / business disruptions due to unforeseen circumstances.	Company has integrated environmental, ethical and social performance factors into the process of selecting and periodically evaluating its key suppliers.	Negative – Supply chain disruptions will lead to disturbed production schedules and delayed deliveries to customers with consequent losses to the Company.

SECTION B: Management and process disclosures

This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC principles and core elements. Policy and Management processes:

S. NO.	Points	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	(a) Whether your entity's policy / policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	(b) Has the policy been approved by the Board? (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	(c) Web Link of the Policies, if available	Policies are uploaded on the Company's Website at https://www.kirloskarpneumatic.com/investors/for-share-holders/company-policies and on the Company's Intranet.								
2	Whether the entity has translated the policy into procedures. (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Do the enlisted policies extend to your value chain partners? (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Name of the national and international codes / certifications / labels / standards (e.g., Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustee) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.	Yes; Policies have been developed considering relevant Acts like The Companies Act, 2013, The SEBI (Listing Obligation Disclosure Requirements) Regulation 2015, The Factories Act, 1948 and other Statutes. The Policies are also based on different National / International Standards including that of the United Nations and International Labour Organisation and ISO Standards like ISO 9001, ISO 14001 and ISO 45001.								
5	Specific commitments, goals and targets set by the entity with defined timelines, if any.	Through its IMS Objectives KPCL takes targets (5% yearly) for reduction in energy consumption in its operations. The Company has installed a Rooftop Solar Plant at its Saswad Plant with a target of reducing Scope 2 (grid electricity) consumption up to 60% of the requirement. KPCL is committed to accelerate its ESG journey by way of putting in place a Vision and Roadmap going forward.								
6	Performance of the entity against the specific commitments, goals and targets along-with reasons in case the same are not met.	KPCL monitors the performance against the targets set for reduction in energy consumption and use of solar energy as KPIs for the respective divisions. With a specific commitment KPCL has achieved recycling of more than 35% and 60% of oil and foundry sand respectively.								

Governance, leadership and oversight

7. Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements (listed entity has flexibility regarding the placement of this disclosure)

KPCL's ESG ambition is best brought out by its Purpose Statement (To Create a Sustainable and Limitless Future through Innovation, Inclusion and Integrity). Its compression business makes a meaningful change to a wide group of user industries through product stewardship and implementation of ESG best practices. KPCL is in the process of putting in place a roadmap for its future ESG journey and it intends to have its business strategy embedded with ESG requirements to create long term sustainable value for its stakeholders.

Going forward KPCL will focus on 1) reducing its carbon footprint through energy efficiency measures and use of alternate energy; 2) enhancing standards of sustainability and governance across its value chain; and 3) sustainable development of its people and society at large.

8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).

Mr K Srinivasan, Managing Director oversees the implementation of Business Responsibility policies and reports to the Board on the progress made by the Company in its ESG journey.

9. Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes/No). If yes, provide details.

Yes, Corporate Social Responsibility Committee (CSR Committee) of the Board. For composition of CSR Committee, please refer to the Annual Report on its Website: www.kirloskarpneumatic.com

KPCL also has a CORE ESG Committee and Operational ESG Committee to plan, implement and review various ESG initiatives periodically.

10. Details of Review of NGRBCs by the Company

S. No.	Points	a.Indicate whether review was undertaken by Director / Committee of the Board/ Any other Committee									b.Frequency (Annually/ Half yearly/ Quarterly/ Any other – please specify)								
		P1	P2	P3	P4	P5	P6	P7	P8	P9	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Performance against above policies and follow up action										The Policies are reviewed on annual basis.								
2	Compliance with statutory requirements of relevance to the principles, and rectification of any non-compliances					Yes					The rectification vis-à-vis statutory requirements are done as and when need arises due to changes in Laws / Regulations and during the annual review of the policies.								

11. Has the entity carried out independent assessment / evaluation of the working of its policies by an external agency? (Yes/ No). If yes, provide name of the agency.

Most of KPCL's policies are internal. They are reviewed internally on a periodic basis as mentioned above. Review of policies related to IMS (ISO 9001, ISO 14001 and ISO 45001) is conducted through external agency during annual Surveillance / Re-certification Audits.

12. If answer to question (1) above is "No" i.e. not all Principles are covered by a policy, reasons to be stated:

Not Applicable

SECTION C: Principle-wise performance disclosure

This section is aimed at helping entities demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions. The information sought is categorized as "Essential" and "Leadership". While the essential indicators are expected to be disclosed by every entity that is mandated to file this report, the leadership indicators may be voluntarily disclosed by entities which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible.

Principle 1: Businesses should conduct and govern themselves with integrity and in a manner that is Ethical, Transparent and Accountable.

ESSENTIAL INDICATORS

1. Percentage coverage by training and awareness programmes on any of the Principles:

S. No.	Segment	Total number of training & awareness programmes held	Topics / principles covered under the training	% age of persons in respective category covered by the awareness programmes
1	Board of Directors	5	During quarterly Board / Committee Meetings, all Board / Committee Members and KMPs were updated on a regular basis, by way of presentations which covered, inter-alia, information on business performance, operations, regulatory updates and compliances, risk management, health, safety and environment performance, HR and CSR initiatives and such other areas as may arise from time to time. Further awareness was created on ESG & BRSR requirements, gap analysis and proposed action planning. The Board Members and other KMPs also participated in ESG Materiality Assessment Survey and Workshop. Managing Director and one of the Independent Directors is also a part of ESG Core Committee of the Company. Training and Familiarization Programme for Directors: https://www.kirloskarpneumatic.com/documents/174996/2f431435-9f16-bb3a-ebcb-a71bcfa027a7	100%
2	Key Managerial Personnel*	5		100%
3	Employees other than BOD and KMPs	37	Training and awareness programs covered knowledge, skills and behavioural areas pertaining to Safety, Health and Environment, Employee Code of Conduct, PoSH (Prevention of Sexual Harassment), Business Ethics, Leadership, Regulatory Compliances etc.	87%
4	Workers	18		100%

*2 out of 4 KMPs are also Board Members.

2. Details of fines / penalties / punishment / award / compounding fees / settlement amount paid in proceedings (by the entity or by its directors / KMPs) with regulators / law enforcement agencies/ judicial institutions.

There were no such instances during the FY 23.

3. Of the instances disclosed in Question 2 above, details of the Appeal / Revision preferred in cases where monetary or nonmonetary action has been appealed.

Not Applicable.

4. Does the entity have an anti-corruption policy or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy?

KPCL has Ethics and Anti-bribery Policy as well as Whistle-blower Policy - Vigil Mechanism to govern its operations. The Policy expects employees and any person dealing with the Company to be ethical, accountable and transparent in their conduct while discharging their respective duties. It addresses issues such as Unpublished Price Sensitive Information (UPSI) beyond corruption and bribery. The whistle-blower has access to the Ethics Committee / Ombudsman / Counsellor of KPCL.

Whistle-blower Policy-Vigil Mechanism:

<https://www.kirloskarpneumatic.com/documents/174996/b0ead045-b972-e7c6-6c0d-210dc4338f87>

Code of Conduct:

<https://www.kirloskarpneumatic.com/documents/174996/309aeb38-3ffb-c061-4319-b09ff27090f2>

5. Number of Directors / KMPs / Employees against whom disciplinary action was taken by any law enforcement agency for the charges of bribery / corruption.

S. No.	Segment	FY 2023	FY 2022
1	Directors	0	0
2	Key Managerial Personnel	0	0
3	Employee	0	0
4	Workers	0	0

6. Details of complaints with regard to conflict of interest.

S. No.	Segment	FY 2023		FY 2022	
		Number	Remarks	Number	Remarks
1	Number of complaints received in relation to issues of Conflict of Interest of the Directors	0	NA	0	NA
2	Number of complaints received in relation to issues of Conflict of Interest of the KMPs	0	NA	0	NA

7. Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators / law enforcement agencies / judicial institutions, on cases of corruption and conflicts of interest.

Not Applicable.

LEADERSHIP INDICATORS

1. Awareness programmes conducted for value chain partners on any of the Principles.

Total number of awareness programmes held	Topics / principles covered under the training	% age of value chain partners covered (by value of business done with such partners) under the awareness programmes
Customer, Dealer Personnel Training: 25 training programmes covering 554 participants (1218 man-days) were conducted in the FY 23. Dealers Service Engineers Refresher Course: 65 participants in the FY 23.	Product Training pertaining to quality, safety, environment, operation and maintenance.	KPCL has a dedicated Customer Training Centre and is in the process of planning specific ESG / BRSR Principles related awareness programmes for its value chain partners going forward. The Company is also planning to put in place mechanism to capture the value chain coverage.
Supplier Meets 2 supplier meets conducted in the FY 23 were attended by 152 participants.	Sessions on mutual expectations vis-à-vis quality, cost, delivery and overall business outlook and plans.	

2. Does the entity have processes in place to avoid / manage conflict of interests involving members of the Board? (Yes/No) If yes, provide details of the same.

Yes, the Company has a Code of Conduct for Directors and Senior Management as well as a Whistle Blower Policy-Vigil Mechanism. The web links for these policies / mechanisms have already been provided while addressing Essential Disclosure No. 4 of Principle 1.

Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe.

ESSENTIAL INDICATORS

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively*.

S. No.	Segment	FY 2023	FY 2022	Details of improvements in environmental and social impacts
1	R&D	Nil	Nil	Not Applicable
2	Capex	10.9%	0.41%	Rooftop Solar Plant, Fire Hydrant System, Crane Lifeline, Energy Management System and ENCON Projects in the FY 23.

2. a. Does the entity have procedures in place for sustainable sourcing? (Yes/No)

Yes, sustainable sourcing criteria are defined in Supplier Selection & Evaluation Procedure and Format (as per Company's IMS-Integrated Management System requirements).

All key suppliers (A, B, C Supplier Classification) are selected and periodically evaluated for their performance as per the defined procedure and format. Those certified for ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and ISO 45001 (Occupational Health and Safety Management System) are preferred as Company's key suppliers.

- b. If yes, what percentage of inputs was sourced sustainably?

While as a practice majority of the sourcing is done sustainably, KPCL is currently developing a mechanism to track and monitor the percentage of such input materials.

3. Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.

The Company has implemented compressor buyback programme (Renovare) for its refrigeration compressors for reuse, recycling and safe disposal of parts at the end of life. One hundred and thirty seven (137) of such compressors were reclaimed from customers and dismantled at our factory by gas cutting. The castings, aluminium, brass and mild steel parts are sent to respective suppliers / disposal agencies who then reuse or recycle them. The used refrigerant oil is safely disposed off in compliance with MPCB Consent.

All Company products have Operations & Maintenance Manuals and Dos & Don'ts for the use of customers having detail guidance about health, safety and environment while installing, commissioning, operating and servicing them. The manuals also provide information about safe end of life disposal of the products.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes/No); If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

Yes, Extended Producer Responsibility (EPR) is applicable to KPCL. The Company has made an application for EPR Registration for 'Brand Owners' which is under process. In the meanwhile plastic waste generated from packaging is managed in accordance with Plastic Waste Management Rules.

LEADERSHIP INDICATORS

1. Has the entity conducted Life Cycle Perspective / Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details in the following format?

Lifecycle Assessment Perspective is considered in development of new products in accordance with the guidelines specified in IMS D & D document.

Company is also in a process of implementing in a modular manner, the PLM (Product Lifecycle Management) covering scope from design to responsible disposal of products.

External assessment shall be conducted after complete implementation and roll-out of the PLM.

2. If there are any significant social or environmental concerns and / or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective / Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same

Environmental Aspect & Impact and OHS Risks & Opportunities Analysis is carried out by KPCL as per defined procedures and criteria requirements of IMS covering operations, installation, commissioning and servicing of products / projects.

An independent external agency carries out annual surveillance / re-certification audits of Company's IMS (QEOHS) and audit findings / observations are used for continual improvements of processes, products and services.

Specific Management Programmes are implemented to mitigate and further for identified significant impacts and risks. Twenty two (22) such Management Programmes were taken up in the FY 23 and these are being reviewed in MRM (Management Review Meetings) as part of KPCL's IMS.

3. Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry)

Indicate input material	Recycled or re-used input material to total material	
	FY 2023	FY 2022
Foundry Steel (MT)	3.27%	2.96%
Foundry Aluminium (MT)	10.51%	15.53%
Foundry Sand (MT)	63.82%	62.78%
Packaging Wood (CFT)	10.52%	6.62%
Machine Oil (KL)	38.72%	30.54%

4. Out of the products and packaging reclaimed at end of life of products, amount (in metric tons) reused, recycled, and safely disposed, as per the following format

Parts (MT)	FY 2023			FY 2022		
	Re-Used	Recycled	*Safely Disposed	Re-Used	Recycled	Safely Disposed
MS Scrap	KPCL does not directly re-use or recycle the parts of reclaimed compressors.		68.14	Nil Refrigeration Compressors buyback initiative, Renovare started from the FY 23.		
Cast Iron Scrap			59.37			
Brass Scrap			0.20			
Aluminium Scrap			0.91			

Data pertaining to 137 compressors reclaimed from customers at the end of life in the FY 23 (Refer Essential Indicator 2).

*While KPCL itself doesn't reuse or recycle the Metal scrap, its safe disposal is ensured to agencies that eventually do it.

5. Reclaimed products and their packaging materials (as percentage of products sold) for each product category

Indicate product category	Reclaimed products and their packaging materials as % of total products sold in respective category
Refrigeration Compressors (Project Renovare)	8.5%

Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains

ESSENTIAL INDICATORS

1. a. Details of measures for the well-being of employees

Category	% of employees covered by										
	Total (A)	Health Insurance		Accident Insurance		Maternity Benefits		Paternity Benefits		Day Care facilities	
		No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)
Permanent Employees											
Male	640	640	100%	640	100%	NA	NA	640	100%	0	0%
Female	35	35	100%	35	100%	35	100%	NA	NA	35	100%
Total	675	675	100%	675	100%	35	5%	640	95%	35	5%
Other than Permanent Employees											
Male	87	87	100%	87	100%	NA	NA	0	0%	0	0%
Female	18	18	100%	18	100%	18	100%	NA	NA	18	100%
Total	105	105	100%	105	100%	18	17%	0	0%	18	17%

b. Details of measures for the well-being of workers

Category	% of workers covered by										
	Total (A)	Health Insurance		Accident Insurance		Maternity Benefits		Paternity Benefits		Day Care facilities	
		No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)
Permanent Workers											
Male	73	73	100%	73	100%	NA	NA	0	0%	0	0%
Female	1	1	100%	1	100%	1	100%	NA	NA	1	100%
Total	74	74	100%	74	100%	1	1%	0	0%	1	1%
Other than Permanent Workers											
Male	600	600	100%	600	100%	NA	NA	0	0%	0	0%
Female	1	1	100%	1	100%	1	100%	NA	NA	1	100%
Total	601	601	100%	601	100%	1	<1%	NA	NA	1	<1%

2. Details of retirement benefits for Current and Previous FY.

S. No.	Benefits	FY 2023			FY 2022		
		No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
1	*PF	98%	97%	Yes	97%	94%	Yes
2	*Gratuity	98%	97%	Yes	97%	94%	Yes
3	Superannuation	43%	0%	Yes	41%	0%	Yes

*Not applicable to fixed period trainees and retainers

3. Accessibility of workplaces - Are the premises / offices of the entity accessible to differently abled employees, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps is being taken by the entity in this regard.

Yes, KPCL is constantly working towards providing required supports to make its premises accessible to differently abled employees; buildings, factory premises have lifts, railings for staircases, ramps, adequate spaces / pathways, wheelchair arrangement, factory locations have 24x7 ambulances / health centre facilities, first aid trained security personnel, washrooms etc.

Special attention will be given to make new buildings, factory premises accessible to differently abled employees as per requirements of The Rights of Persons with Disabilities Act, 2016.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

KPCL through its policies is committed to equal opportunity without discrimination on any grounds.

Going forward, KPCL will adopt an Equal Opportunity Policy that includes requirements as specified in The Rights of Persons with Disabilities Act, 2016.

5. Return to work and Retention rates of permanent employees and workers that took parental leave.

Gender	Permanent Employees		Permanent Workers	
	Return to work Rate (%)	Retention Rate (%)	Return to work Rate (%)	Retention Rate (%)
Male	93%	75%	*NA	*NA
Female	100%	100%	*NA	*NA
Total	93%	77%	*NA	*NA

*Note: None of the permanent workers availed of parental leave in FY 22 and FY 23.

6. Is there a mechanism available to receive and redress grievances for the following categories of employees? If yes, give details of the mechanism in brief.

Yes, in addition to existing mechanisms to receive and redress employee grievances, recently a Kirloskar Ethics Helpline which is managed by independent external agency is introduced. Employees across all locations can lodge grievances through a toll free number, voicemail, independent website, email or by post. Employees have freedom to share their identity or remain anonymous. Constant communication (Speak Up!) e-mailers create on-going awareness about the helpline and encourage employees to have Zero Tolerance towards bribery or corruption / discrimination, harassment, threat or violence / theft, fraud or funds misappropriation / conflict of interest / violation of policy or law / safety or environmental hazard.

1	Permanent workers	Yes, monthly Union Representatives and Management Meeting is held to discuss various topics related to workers.
2	Other than Permanent Workers	Yes, 2 dedicated headcounts for addressing the issues of other than permanent workers are assigned on all days.
3	Permanent Employees	Yes, some of the mechanisms that capture and redress employee grievances are PoSH Internal Committee, Theme Based Virtual Round Table Sessions, Safety Committee Meetings, New Joiners Interaction with HR and SBU Head, Annual HR Dip-Stick Survey, Bi-Annual Employee Engagement Survey and Kirloskar Ethics Helpline.
4	Other than Permanent Employees	Yes, 2 dedicated headcounts for addressing the issues of other than permanent employees are assigned on all days.

7. Membership of employees and workers in association(s) or Unions recognized by the listed entity.

Category	FY 2023			FY 2022		
	Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B / A)	Total employees / workers in respective category (C)	No. of employees / workers in respective category, who are part of association(s) or Union (D)	% (D / C)
Total Permanent Employees	675	0	0%	643	0	0%
Male	640	0	0%	604	0	0%
Female	35	0	0%	39	0	0%
Total Permanent Workers	74	52	70%	54	54	100%
Male	73	51	70%	53	53	100%
Female	1	1	100%	1	1	100%

8. Details of training given to employees and workers.

Category	FY 2023					FY 2022				
	Total (A)	On Health and safety measures		On Skill up- gradation		Total (D)	On Health and safety measures		On Skill up- gradation	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Male	727	435	60%	647	89%	701	459	65%	619	88%
Female	53	26	49%	44	83%	61	25	41%	52	85%
Total	780	461	59%	691	89%	762	484	64%	671	88%
Workers										
Male	673	378	56%	489	73%	684	275	40%	443	65%
Female	2	1	50%	2	100%	2	2	100%	2	100%
Total	675	379	56%	491	73%	686	277	40%	445	65%

9. Details of performance and career development reviews of employees and workers.

Category	FY 2023			FY 2022		
	Total (A)	No (B)	% (B/A)	Total (C)	No (D)	% (D/C)
Employees						
Male	727	727	100%	701	701	100%
Female	53	53	100%	61	61	100%
Total	780	780	100%	762	762	100%
Workers						
Male	673	338	50%	684	242	35%
Female	2	1	50%	2	1	50%
Total	675	339	50%	686	243	35%

10. Health and Safety Management System.

- a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/No) If yes, what is the coverage of such a system?

Yes, KPCL is an IMS (ISO 9001, ISO 14001 and ISO 45001 [Occupational Health and Safety]) Certified company and all its locations are covered under all the 3 standards.

- b. What are the processes used to identify work related hazards and assess risks on a routine and non-routine basis by the entity?

KPCL has implemented QEOHS Policy and put in place a structured approach towards health, safety and environment at its workplaces. The divisional safety committees three (3) meet every month and apex safety committee (1) meets every quarter to take a review of initiatives and performance.

IMS documentation ensures that every department identifies and reviews the work related hazards and risks & opportunities associated with them in an on-going manner.

Dedicated safety managers along with safety committee members ensure that unsafe conditions and unsafe acts are identified and acted upon through Cris-cross Safety Audits, Monthly Safety Walks, and Risk Hunting Initiative. Wider employee participation in identification of hazards and assess risks is ensured through 5S Initiative, Safety Kaizen Initiative and various activities / competitions / workshops organized during annual safety week celebrations.

Quarterly Internal IMS Audits, annual IMS External Audit, Bi-Annual statutory safety audit give insights into aspects related to safety and the observations are addressed in a prompt manner.

- c. Whether you have processes for employees to report the work-related hazards and to remove themselves from such risks (Yes/No)

Yes, KPCL has a system and formats that employees can use to report unsafe conditions / acts near miss and injury incidents. These reports are analysed to implement corrective / preventive actions.

- d. Do the employees of the entity have access to non-occupational medical and healthcare services? (Yes / No)

Yes, KPCL has 24x7 Occupational Health Centre with qualified medical and paramedical staff accessible to all employees for first aid and day to day health care, adequate hospitalization supports are ensured, Periodic e-Wellness communications address the health awareness needs across the Company, Annual Employee Wellness (Preventive) Health Checks with spouses followed by counselling and Health & Lifestyle Risk Assessment to promote well-being at individual level.

11. Details of safety related incidents, in the following format.

S. No.	Safety Incident/Number	Category	FY 2023	FY 2022
1	Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	Nil	Nil
		Workers	Nil	Nil
2	Total recordable work-related injuries	Employees	6	8
		Workers	13	23
3	No. of fatalities	Employees	Nil	Nil
		Workers	Nil	Nil
4	High consequence work-related injury or ill-health (excluding fatalities)	Employees	Nil	Nil
		Workers	Nil	Nil

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

In addition to initiatives and actions taken as mentioned in response to disclosure no. 10 above, KPCL prioritizes safety trainings including behavioural trainings and employee induction program, work permit system for non-routine work, adherence to safety PPE policy by everyone.

The Apex Safety Committee which includes all SBU / BU Heads in addition to taking safety reviews ensures that safety related budgets, infrastructural spending and capex are prioritized for a safe and healthy workplace.

13. Number of Complaints on the following made by employees and workers*.

Category	FY 2023			FY 2022		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working Conditions	0	0	NA	0	0	NA
Health & Safety	0	0	NA	0	0	NA

* Safety Audit observations are captured on a monthly basis and addressed as improvements (283 improvements in the FY 23 and 217 improvements in the FY 22 were implemented through such observations on working conditions and Health & Safety).

14. Assessments for the year.

Category	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Working Conditions	100%
Health & Safety Practices	100%

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.

Corrective and preventive actions after any incident, identification of unsafe conditions / acts through various mechanisms described above, is a vital requirement of KPCL's safety systems and these actions are implemented, reviewed and horizontally deployed for effective prevention.

Some of the examples of corrective actions taken to address significant concerns are metallic strip wooden box packaging replaced with nylon strip packaging, nail-less packaging for wooden boxes eliminating nail guns from dispatch section, machine guarding survey and implementation.

LEADERSHIP INDICATORS

1. Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Yes/No) (B) Workers (Yes/No)

(A) Employees excluding workers: Yes (B) Workers: No

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners

Statutory compliances of labour contractors are ensured every month by obtaining a report to that effect along with supporting evidence before payments are released.

3. Provide the number of employees / workers having suffered high consequence work related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment.

Category	Total no. of affected employees/ workers		No. of employees/workers that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment	
	FY 2023	FY 2022	FY 2023	FY 2022
Segment				
Employees	0	0	0	0
Workers	0	0	0	0

4. Does the entity provide transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/ No)

KPCL organizes 2 day workshop for retiring workers with their spouses giving insights into post retirement financial planning, health and diet awareness, mental health and well-being and second career guidance.

5. Details on assessment of value chain partners.

Category	% of value chain partners (by value of business done with such partners) that were assessed
Health and safety practices	Number of suppliers assessed in the FY 23 – 297 and FY 22 – 320
Working Conditions	Number of suppliers assessed in the FY 23 – 297 and FY 22 – 320

While suppliers are assessed for health & safety practices and working conditions during their selection and periodic evaluation process, KPCL is putting in place a tracking mechanism to monitor percentage of value chain partners that are assessed by value of business done with them.

6. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from assessments of health and safety practices and working conditions of value chain partners.

Not applicable as no significant risks or concerns vis-à-vis health & safety practices and working conditions were identified during supplier selection and periodic evaluations carried out in the FY 23.

Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders.

ESSENTIAL INDICATORS

1. Describe the processes for identifying key stakeholder groups of the entity.

KPCL has identified its key internal and external stakeholders through peer review and analysis of stakeholder groups considering that they could have potential impact or influence on its business operations, as well as the impact the Company might have on them.

KPCL recognizes that failing to consider stakeholder needs and expectations may jeopardize its long-term value generation strategy and believes that their opinion and concerns are just as vital to the business as its own strategic decisions.

KPCL connects and actively engages with the stakeholders on a regular basis through various communication channels and the valuable interactions help it in the continual improvement of operations, products and services.

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Stakeholder group	Whether identified as Vulnerable & Marginalized Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually / Half yearly/ Quarterly / others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Employees	No	<ul style="list-style-type: none"> - Emails, Notices, Displays, Meetings, Intranet, Website. - Review Meetings, Performance Appraisal Dialogues. - KORE Platform (e-Learning Management System), Trainings, Theme Based Virtual Round Tables. 	<ul style="list-style-type: none"> - Continuous / Frequently - Weekly / Monthly / Quarterly / Annually - As per annual training / events calendar 	<ul style="list-style-type: none"> - Employee morale and productivity. - Employee health, safety and well-being. - Learning, development and growth. - Policies, processes and performance. - Business communications.

Stakeholder group	Whether identified as Vulnerable & Marginalized Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually / Half yearly/ Quarterly / others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
		<ul style="list-style-type: none"> - MD's Address. - In House Magazine (Impeller). - Employee Engagement Activities. - Get-togethers, Cultural Activities. - HR Dip-stick Survey. - Employee Engagement Survey. 	<ul style="list-style-type: none"> - Annual - Quarterly - Annual - Annual - Annual - Alternate Year 	<ul style="list-style-type: none"> - Employee satisfaction, engagement and benchmarking.
Investors & Shareholders	No	<ul style="list-style-type: none"> - Annual General Meetings, Annual Reports. - Quarterly Results, Press Releases, Media Interactions. - Investor Presentations, Earnings Calls, Advertisements. - Stock Exchange Filings, Notices to Shareholders, Postal Ballots, Advertisements, Investor Meets, Emails, One-to-one Interactions, Website. 	<ul style="list-style-type: none"> - Annual - Quarterly - Continuous / Frequently 	<ul style="list-style-type: none"> - Corporate Governance, Transparency in disclosures and Enhancing enterprise Value. - Performance and Financial Results. - Strategy and Business Operations, Report on CSR, Conservation of Energy and Technology Absorption.
Suppliers	No	<ul style="list-style-type: none"> - Emails, Website, Telephonic conversations, i-Supplier Web Portal, Virtual Meetings, Visits and Workshops. - Supplier Meets. - Vendor Satisfaction Survey. 	<ul style="list-style-type: none"> - Continuous / Frequently - Annual - Alternate Year 	<ul style="list-style-type: none"> - Mutually beneficial and long term relationship. - Ethical practices, timely delivery and payments. - Quality assurance and improvement projects. - Business expectations and growth. - Vendor Satisfaction and opportunities for improvements.
Dealers & Customers	No	<ul style="list-style-type: none"> - Emails, Website, Visits and Interactions, O & M Manuals. - Dealer Meets. - Customer Satisfaction Survey. 	<ul style="list-style-type: none"> - Continuous / Frequently - Annual - Alternate Year 	<ul style="list-style-type: none"> - Mutually beneficial and long term relationship. - Business Promotion, Pre-sales support, timely delivery and prompt after-sales service. - Business opportunities. - Fair business practices. - Customer satisfaction and opportunities for improvements.

Stakeholder group	Whether identified as Vulnerable & Marginalized Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually / Half yearly/ Quarterly / others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Government & Regulatory Bodies	No	Interactions with District and State Authorities, Central Government, Pollution Control Boards, Stock Exchanges and SEBI, Direct and Indirect Tax Officials, Economic Publications in Journals, Seminars, Media Reports.	On-going and Need based	Statutory and Regulatory Compliances.
Banks	No	Consortium Meetings, Periodical Meetings with the member banks.	Annual and Need based On-going	To approve fund based and non-fund based limits for the Company.
Society & Communities	<ul style="list-style-type: none"> - School children from weaker sections. - People Living with HIV. - Social criteria for skilling beneficiaries. 	<ul style="list-style-type: none"> - In-person interactions by CSR Team, Volunteers, Partners. - CSR Field Visits. - Society (CSR) Perception Survey and Focused Group Discussions. 	<ul style="list-style-type: none"> - Continuous / Frequently - Alternate year 	<ul style="list-style-type: none"> - Needs and expectations. - Impacts, satisfaction and opportunities for improvements.

LEADERSHIP INDICATORS

1. Provide the processes for consultation between stakeholders and the Board on economic, environmental and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.

KPCL maintains a pro-active engagement with its key stakeholders as mentioned in the table above.

As a business practice, departmental heads interact with their internal and external stakeholders on regular intervals and stakeholder insights are shared with top management and subsequently with the Board Members to take appropriate steps and actions as required. Stakeholders' Engagement outcomes are shared through SBU's and MD's presentations to the Board.

2. Whether stakeholder consultation is used to support the identification and management of environmental and social topics (Yes/No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

Yes, KPCL's Materiality Assessment was conducted in consultation with its key identified stakeholder groups. The Company engaged with its stakeholder groups (both internal and external stakeholders) through a comprehensive confidential third party survey and gathered their inputs to determine and prioritize the sustainability issues that matters most to sustainability of its business operations.

Inputs received from periodic interactions with its stakeholders are considered in various activities. For example: Customers' expectations from water scarce areas prompted KPCL to introduce Air Cooled Compressors in place of Water Cooled Compressors which are well received across India resulting in thousands of litres of water saving. Girls education was enhanced after receiving feedback through KPCL's Society Perception Survey by providing e-learning supports, creating a library and imparting life skills education through its CSR initiatives (Bharari and KaShi).

3. Provide details of instances of engagement with and actions taken to address the concerns of vulnerable / marginalized stakeholder groups.

People living with HIV from nearby slum areas were supported (sanitizers, masks, grocery kits, health camps, vaccination etc.) during and post COVID-19 conditions (CSR DISHA Initiative). They were supported by way of organizing matrimonial camps. HIV-AIDS awareness programmes to promote prevention amongst high risk and vulnerable sections of the society were also organized.

Principle 5: Businesses should respect and promote human rights.

ESSENTIAL INDICATORS

1. Employees and workers who have been provided training on human rights issues and policy of the entity, in the following format:

Category	FY 2023			FY 2022		
	Total (A)	No. of employees / workers covered (B)	% (B/A)	Total (C)	No. of employees / workers covered (D)	% (D/C)
Employees						
Permanent	675	171	25%	701	130	19%
Other than permanent	105	70	67%	61	17	28%
Total employees	780	241	31%	762	147	19%
Workers						
Permanent	74	8	11%	54	7	13%
Other than permanent	601	79	13%	632	84	13%
Total workers	675	87	13%	686	91	13%

2. Details of minimum wages paid to employees and workers:

Category	FY 2023					FY 2022				
	Total (A)	Equal to minimum wage		More than minimum wage		Total (D)	Equal to minimum wage		More than minimum wage	
		No (B)	% (B/A)	No (C)	% (C/A)		No (E)	% (E/D)	No (F)	% (F/D)
Employees										
Permanent	675	0	0%	675	100%	643	0	0%	643	100%
Male	640	0	0%	640	100%	604	0	0%	604	100%
Female	35	0	0%	35	100%	39	0	0%	39	100%
Other than permanent	105	0	0%	105	100%	119	0	0%	119	100%
Male	87	0	0%	87	100%	97	0	0%	97	100%
Female	18	0	0%	18	100%	22	0	0%	22	100%
Workers										
Permanent	74	0	0%	74	100%	54	0	0%	54	100%
Male	73	0	0%	73	100%	53	0	0%	53	100%
Female	1	0	0%	1	100%	1	0	0%	1	100%
Other than permanent	601	22	4%	579	96%	632	20	3%	612	97%
Male	600	22	4%	578	96%	631	20	3%	611	97%
Female	1	0	0%	1	100%	1	0	0%	1	100%

3. Details of remuneration / salary / wages, in the following format:

Category	Male		Female	
	Number	Median remuneration / salary / wages of respective category (₹ in Million)	Number	Median remuneration / salary / wages of respective category (₹ in Million)
Board of Directors (BoD) (Excludes 2 Directors who are included in KMPs)	7	1.58	1	0.93
Key Managerial Personnel (includes 2 Directors)	4	30.56	0	NA
Employees other than BoD and KMP	709	0.87	36	0.63
Workers	73	0.42	1	0.87

Information given above is based on permanent headcount of 31st March 2023.

4. Do you have a focal point (Individual / Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes, there is Human Rights policy in place. The Ethics Committee, Ethics Ombudsman and Ethics Counsellors are responsible for addressing issues by following the Whistle-blower Policy and Vigil Mechanism thereon. Whistle-blower Policy Web link is given below: <https://www.kirloskarpneumatic.com/documents/174996/b0ead045-b972-e7c6-6c0d-210dc4338f87>

5. Describe the internal mechanisms in place to redress grievances related to human rights issue:

In addition to existing mechanisms like Whistle-blower, a Kirloskar Ethics Helpline which is managed by independent external agency is introduced to receive and redress employee grievances.

6. Number of Complaints on the following made by employees and workers:

Category	FY 2023		FY 2022	
	Filed during the year	Pending resolution at the end of year	Filed during the year	Pending resolution at the end of year
Sexual Harassment	0	NA	0	NA
Discrimination at workplace	0	NA	0	NA
Child Labour	0	NA	0	NA
Forced Labour / Involuntary Labour	0	NA	0	NA
Wages	0	NA	0	NA
Other human rights related issues	0	NA	0	NA

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases:

Kirloskar Ethics Helpline has a mechanism for anonymous reporting and assurance of 'no retaliation' for the complainants in harassment and discrimination cases. The details of the complainant are kept strictly confidential and the complaint is investigated by the assigned committee following the laid down timelines, policy and procedure (e.g. PoSH Policy).

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

Yes, while due diligence of human rights principles is ensured during supplier selection and evaluation process, similar approach will be adopted for selecting and evaluating dealers going forward. KPCL is conscious of ensuring that human rights are respected and followed in spirit by its entire value chain, it will further integrate these requirements formally in its business agreements and contracts through Kirloskar Code of Conduct.

9. Assessments for the year:

Section	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Sexual Harassment	100%
Discrimination at workplace	100%
Child Labour	100%
Forced Labour / Involuntary Labour	100%
Wages	100%

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above:

Not applicable as there were no significant human rights related risks / concerns identified by KPCL during the FY 23.

LEADERSHIP INDICATORS

1. Details of a business process being modified / introduced as a result of addressing human rights grievances / complaints.

Not applicable as no grievances / complaints were received regarding violation of Human Rights Policy during the FY 23.

2. Details of the scope and coverage of any Human rights due-diligence conducted.

KPCL has a Code of Conduct, Human Rights Policy, PoSH Policy and Grievance Mechanisms like Whistle-blower, Kirloskar Ethics Helpline etc. which are communicated and implemented covering the entire organization including internal and external stakeholders that ensured non-violation of any human rights.

3. Is the premise / office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

Yes, KPCL is constantly working towards providing required supports to make its premises accessible to differently abled employees or visitors; buildings, factory premises have lifts, railings for staircases, ramps, adequate spaces / pathways, wheelchair arrangement, factory locations have 24x7 ambulances / health centre facilities, first aid trained security personnel, washrooms etc.

Special attention will be given to make new buildings, factory premises accessible to differently abled employees as per requirements of The Rights of Persons with Disabilities Act, 2016.

4. Details on assessment of value chain partners:

Section	% of value chain partners (by value of business done with such partners) that were assessed
Sexual Harassment	
Discrimination at workplace	
Child Labour	Number of suppliers assessed in the FY 23 – 297
Forced Labour / Involuntary Labour	Number of suppliers assessed in the FY 22 – 320
Wages	

While suppliers are assessed for human rights during their selection and periodic evaluation process, KPCL is putting in place a tracking mechanism to monitor percentage of value chain partners that are assessed by value of business done with them.

5. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.

Not applicable as no grievances / complaints were identified regarding violation of Human Rights Policy during the FY 23.

Principle 6: Businesses should respect and make efforts to protect and restore the environment.

ESSENTIAL INDICATORS

1. Details of total energy consumption (in GJ) and energy intensity, in the following format:

Parameter	FY 2023	FY 2022
Total electricity consumption (A) (GJ)	43,872.91	40,047.91
Total fuel consumption (B) (GJ)	2,209.25	3,077.14
Energy consumption through other sources (C) (GJ)	650.28	5.24
Total energy consumption (A+B+C) (GJ)	46,732.45	43,130.30
Energy intensity per million rupee of turnover (Total energy consumption / turnover in rupees) (GJ / ₹ in Million)	3.77	4.22

Note: Internal and external IMS Audits on energy objectives and KPIs are carried out but no specific external assurance (Energy Audit) is carried out by KPCL in the FY 23.

2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

No, KPCL does not have any sites / facilities identified as designated consumers under PAT scheme of the Government of India.

3. Provide details of the following disclosures related to water, in the following format:

Parameter	FY 2023	FY 2022
Water withdrawal by source (in kilolitres)		
(i) Surface water	0	0
(ii) Groundwater	0	0
(iii) Third party water	72,855	53,639
(iv) Seawater / desalinated water	0	0
(v) Others (demineralized water used in foundry)	48	54
Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)	72,903	53,693
Total volume of water consumption (in kilolitres)	72,903	53,693
Water intensity per million rupee of turnover (Water consumed / turnover in ₹ in Million)	5.88	5.26

Note: No specific external assurance (Water Audit) is carried out by KPCL in the FY 23.

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Yes, KPCL's Hadapsar and Saswad factory locations have ETPs (Effluent Treatment Plants) and STPs (Sewage Treatment Plants) installed. The water used for industrial processes and other general purposes after the treatment is tested by NABL accredited lab and reused for gardening purpose throughout the factory premises. No water used in the factories is discharged to the municipal drains making KPCL's Hadapsar and Saswad plants Zero Water Discharge facilities.

5. Provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Parameter	Please specify unit	FY 2023	FY 2022
NOx	mg/Nm3	4.53	4.93
SOx	Kg/day	0.14	0.19
Particulate matter (PM)	mg/Nm3	17.25	18.56
Persistent organic pollutants (POP)	NA (As per MPCB consent)	NA	NA
Volatile organic compounds (VOC)	NA (As per MPCB consent)	NA	NA
Hazardous air pollutants (HAP)	NA (As per MPCB consent)	NA	NA

Note: Internal and external IMS Audits on parameters included in MPCB Consent are carried out but no specific external assurance (Emissions Audit) is carried out by KPCL in the FY 23.

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) and its intensity, in the following format:

Parameter	Please specify unit	FY 2023	FY 2022
Total Scope 1 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	Metric tonnes of CO2 equivalent	301.35	319.29
Total Scope 2 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	Metric tonnes of CO2 equivalent	9,993.27	9,455.76
Total Scope 1, Scope 2 emissions	Metric tonnes of CO2 equivalent	10,294.62	9,775.05
Total Scope 1, Scope 2 emissions per million of rupee turnover	Metric tonnes of CO2 equivalent / ₹ in Million	0.83	0.96

Note: Internal and external IMS Audits on parameters included in MPCB Consent are carried out but no specific external assurance (Emissions Audit) is carried out by KPCL in the FY 23.

7. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide details.

Yes, KPCL in the FY 23 installed and commissioned 840 kWp (DC) Rooftop Solar Plant at our Saswad Plant. This is expected to help KPCL reduce approximately 60% GHG emission resulting from the use of grid electricity at the said plant.

Additionally, KPCL focuses on plantation and greening of its factory premises and has carried out Carbon Sequestration Assessment of Trees:

Hadapsar Plant (FY 23) – Trees store 46.6 tons of carbon with a potential of sequestering 0.93 tons per year (2% increase in standing biomass, stored carbon and carbon sequestration potential since last study 3 years back).

Saswad Plant (FY 23) – Trees store 124.0 tons of carbon with a potential of sequestering 2.4 tons per year (14% increase in standing biomass, stored carbon with doubled value of carbon sequestration potential since last study 2 years back).

8. Provide details related to waste management by the entity, in the following format:

Parameter	FY 2023	FY 2022
	Total Waste generated (in MT)	
Plastic waste (A)–plastic used for packaging	4.46	5.26
E-waste (B)	3.51	4.1
Bio-medical waste (C)	0.014	0.015
Construction and demolition waste (D)	63.00	9.00
Battery waste (E)	0.83	0.90
Radioactive waste (F)	0	0
Other Hazardous waste (as per MPCB Consent) (G)	1,408.98	1,183.56
Other Non-hazardous waste generated (H). Please specify, if any.	1,360.00	1,523.90
Total (A+B + C + D + E + F + G + H)	2,840.79	2,726.74

Indicate if any independent assessment / evaluation /assurance have been carried out by an external agency? (Yes/No) If yes, name of the external agency.

Yes, KPCL's independent assessment of hazardous waste management is carried out through IMS external Audits and Hazardous Waste Annual Report filed through MPCB website.

a. For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (MT):

Category of waste	FY 2023	FY 2022
	*Total waste recycled or re-used (MT)	
Recycled or Re-used or other Recovery Options	1,375.73	1,548.92

*Plastic, paper, rubber waste, metal scrap, used / spent oil, discarded containers / barrels, wooden scrap, e-waste, battery waste are sent to authorized party / recycler / processor / CHWTSD for re-use / recycle as per MPCB Consent.

b. For each category of waste generated, total waste disposed by nature of disposal method (MT):

Category of waste	FY 2023	FY 2022
	*Total waste safely disposed (MT)	
Incineration or Landfill or other Recovery Options	1,465.06	1,177.82

*Foundry dross / sand, shot blasting, grinding dust, chemical / paint / ETP sludge, waste oil residues / gloves / filters, chemical bottles, discarded asbestos, glass wool, biomedical waste, construction / demolition waste are sent to authorized processor / CHWTSD for safe disposal by landfill / incineration as per MPCB Consent.

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

KPCL's waste management systems are well defined to manage operational waste. We follow the MPCB Hazardous Waste (Management, Handling & Trans-boundary) Rules, 2016 for effective management of our waste.

10. If the entity has operations / offices in / around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, specify details in the following format:

KPCL does not have any offices or operational sites in the vicinity of any ecologically sensitive area.

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year.

Regulations requiring Environmental Impact Assessment (EIA) of projects is not applicable to any of the projects undertaken by KPCL.

12. Is the entity compliant with the applicable environmental law / regulations / guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, and Environment Protection Act and Rules thereunder (Yes/No). If not, provide details of all such non-compliances, in the following format:

We are compliant with all the environmental regulations of the country. No monetary fines were levied on the entity in the FY 23 as per the applicable environmental laws, regulations and guidelines in India.

LEADERSHIP INDICATORS

1. Provide break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources, in the following format:

Parameter	Unit	FY 2023	FY 2022
From renewable sources			
Total electricity consumption (A)	GJ	650.28	5.24
Total fuel consumption (B)	-	-	-
Energy consumption through other sources (C)	-	-	-
Total energy consumed from renewable sources (A+B+C)	GJ	650.28	5.24
From non-renewable sources			
Total electricity consumption (D)	GJ	43,872.91	40,047.91
Total fuel consumption (E)	GJ	2,209.25	3,077.14
Energy consumption through other sources (F)	-	-	-
Total energy consumed from non-renewable sources (D+E+F)	GJ	46,082.16	43,125.05

2. Provide the following details related to water discharged:

KPCL's Hadapsar and Saswad plants do not discharge water outside of its premises with or without treatment as the water treated through ETP and STP processes is used in the premises for gardening purpose (11,806 KL and 14,814 KL water was used for gardening in FY 23 and FY 22 respectively).

3. Water withdrawal, consumption and discharge in areas of water stress (in kiloliters): For each facility / plant located in areas of water stress, provide the following information:

Not applicable as none of KPCL's facilities / plants are located in water stress areas.

4. Please provide details of total Scope 3 emissions & its intensity, in the following format:

KPCL is currently in the process of quantifying its Scope 3 emissions and will disclose data related to it in the upcoming years.

5. With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct & indirect impact of the entity on biodiversity in such areas along-with prevention and remediation activities.

Not Applicable as none of KPCL's facilities or plants are located in ecologically sensitive areas.

6. If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:

S. No.	Initiative undertaken	Details of the initiative (Web-link, if any)	Outcome of the initiative
1	Rooftop Solar Plant-840 kWp	Commissioned at Saswad Plant	60% reduction in grid electricity requirement of the plant
2	ETP and STP to recycle water	Recycled water used for gardening	Zero water discharge plants
3	Carbon Sequestration	Tree plantations and green initiatives	Trees store 170.6 Tons of carbon and sequestering of 3.33 Tons / year

7. Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.

KPCL has adopted Business Continuity Policy-Web link: <https://www.kirloskarpneumatic.com/documents/174996/c39fe306-0bff-1425-310c-30a4599d0746>

KPCL's Risk Management Policy emphasizes the business continuity and disaster management plan. Risk Management Committee identifies risks that can lead to disruptions and put in place action plans as well as monitors the outcomes. The risk management plans and outcomes are reviewed by the Board.

The IT Security Policy and other initiatives including recovery plans are put in place to ensure that threats arising from cyber frauds, hacking or breakdown of servers are prevented.

Emergency Preparedness Plan as part of IMS implementation ensures that all plants and offices of KPCL focus on prediction / prevention of major incidents like fires, accidents and are prepared to mitigate any emergency situation that may arise in the course of operations.

With the experience of handling COVID-19 related situations, KPCL is also better prepared to manage any significant local or global health emergency or pandemic in future.

Going forward KPCL intends to strengthen its interaction with District Disaster Management Committee and other relevant Government forums to remain prepared for any climate change related events or natural disasters / calamities.

8. Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard?

KPCL carries out assessment of its suppliers on various environment and social parameters during their selection and periodic evaluation. No significant concerns and adverse environmental impacts were identified during these assessments in the FY 23.

9. Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.

297 and 320 suppliers were assessed by KPCL in the FY 23 and the FY 22 respectively. While suppliers are assessed for environmental impacts during their selection and periodic evaluation process, KPCL is putting in place a tracking mechanism to monitor percentage of value chain partners that are assessed by value of business done with them.

Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

ESSENTIAL INDICATORS

1. a. Number of affiliations with trade and industry chambers / associations

KPCL has affiliations with 10 trade and industry associations.

- b. List the top 10 trade and industry chambers / associations (determined based on the total members of such a body) the entity is a member of / affiliated to

S. No.	Name of the trade and industry chambers / associations	Reach of trade and industry chambers/ associations (State/ National)
1	Confederation of Indian Industry (CII)	National (India)
2	Engineering Export Promotion Council (EEPC)	National (India)
3	Maharashtra Chamber of Commerce and Industry	State (Maharashtra)
4	Mahratta Chamber of Commerce, Industries & Agriculture (MCCIA)	State (Maharashtra)
5	Indian Council of Arbitration	National (India)
6	Association of Ammonia Refrigeration	National (India)
7	Cold Storage Owners Association	National (India)
8	Quality Circle Forum of India	National (India)
9	Indian Society of Heating, Refrigerating and Air-conditioning Engineers (ISHRAE)	National (India)
10	Maharashtra Economic Development Council	State (Maharashtra)

2. Provide details of corrective action taken or underway on any issues related to anticompetitive conduct by the entity, based on adverse orders from regulatory authorities.

Not applicable as there were no issues related to anti-competitive conduct by KPCL or adverse orders from regulatory authorities during the FY 23.

LEADERSHIP INDICATORS

1. Details of public policy positions advocated by the entity.

KPCL is a member of various national and state industry confederations / chambers / associations where it actively participates and views such memberships as strategic in nature. Our senior executives participate in various meetings and seminars through active dialogues. They provide their expertise and business acumen during public policy consultations. Going forward KPCL intends to develop a tracking mechanism for details of public policy advocacy including reviews of such advocacy by the Board and making the information available in public domain.

Principle 8: Businesses should promote inclusive growth and equitable development.

ESSENTIAL INDICATORS

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current FY 23.

As per applicable laws, SIA is not applicable for any of the projects undertaken by KPCL.

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity in the following format:

Not applicable as KPCL does not have any projects for which on-going Rehabilitation and Resettlement (R&R) is required to be undertaken.

3. Describe the mechanisms to receive and redress grievances of the community.

Grievance Redressal Policy addresses and provides relevant links for community members to lodge a grievance or a concern. These can also be raised during on-going, in-person interactions with CSR stakeholders including beneficiaries, partners during planning, implementation and follow up of various CSR initiatives.

Society (CSR) Perception Survey conducted every alternate year through an external agency includes focus group discussion with community stakeholders which captures grievances / concerns, if any along with suggestions for improvements.

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers:

Category of waste	FY 2023	FY 2022
Directly sourced from MSMEs/ small producers	56%	63%
Sourced directly from within the district and neighboring districts	70%	72%

LEADERSHIP INDICATORS

1. Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above).

Not applicable.

2. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:

Not applicable as KPCL's CSR activities are generally carried out in the vicinity of its plants / operations. Currently, KPCL does not have any of its plants / operations in or around designated aspirational districts.

3. a. Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalized /vulnerable groups? (Yes/No)

No.

- b. From which marginalized /vulnerable groups do you procure?

Not applicable.

- c. What percentage of total procurement (by value) does it constitute?

Not applicable.

4. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge

KPCL has not derived any benefits from intellectual properties owned or acquired based on traditional knowledge.

5. Details of corrective actions taken or underway based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.

Not applicable.

6. Details of beneficiaries of CSR Projects:

S. No.	CSR Project	No. of persons benefitted from CSR Projects	% of beneficiaries from vulnerable and marginalized groups
1	Promoting education through KIAMS	252	-
2	Sponsoring students to promote employability-oriented education / skilling (NTTF Diploma; Mechatronics & Smart Factory)	38	100%
3	Bharari (Girl education)	200	100%
4	KaShi (Girl education)	30	100%
5	Kirloskar Vasundhara; RRM School Initiative	3,600	100%
6	DISHA Initiative; HIV AIDS Awareness & Support	11,083	100%
7	Clean Drinking Water plants for schools	10,140	100%

Note: KPCL's various CSR initiatives have benefitted 25,000 + community members in the reporting year of FY 2023.

Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner.

ESSENTIAL INDICATORS

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

Resolving customer complaints and action planning on improvements identified through customer feedbacks are considered by KPCL as the top most priority.

The CCMS (Customer Complaints Management System) through ERP is used to register, track and resolve customer complaints in an on-going manner. The end users; OEMs can also lodge the complaints with KPCL's dealers which eventually reach the respective SBU Service teams through Regional Offices and Head Office.

Additionally, various stakeholder engagements including annual Dealer's Meet also capture issues faced by the dealers, consultants and end users / OEMs.

Customer Satisfaction Survey is carried out every alternate year through independent external agency for all SBUs. It not only highlights the satisfaction levels but also the issues faced by the customers, dealers, consultants and end users.

Monthly Feedback Meetings (MFMs) led by QA and SBUs are conducted to monitor progress on issues raised by customers. The customer complaints are a key performance parameter for every SBU and related data / actions are reviewed on a monthly basis in MORE (Management Operations Review) meetings.

KPCL's Whistle-blower Policy is applicable to its customers as well. Web link: <https://www.kirloskarpneumatic.com/documents/174996/b0ead045-b972-e7c6-6c0d-210dc4338f87>

2. Turnover of products and / services as a percentage of turnover from all products / service that carry information about:

Parameter	As a percentage to total turnover
Environmental and social parameters relevant to the product	100% of KPCL's products carry information about its responsible and safe usage.
Safe and responsible usage	KPCL provides relevant environmental, social information as well as do's and don'ts in product brochures, labels as per the requirement of national and international regulatory guidelines. The Operations & Maintenance Manuals carry a detailed guideline about safe use and end of life disposal of products.
Recycling and/or safe disposal	

3. Number of consumer complaints in respect of the following:

Category	FY 2023			FY 2022		
	Received during the year	Pending resolution at end of year	Remarks	Received during the year	Pending resolution at end of year	Remarks
Data privacy	Nil	Nil	NA	Nil	Nil	NA
Advertising	Nil	Nil	NA	Nil	Nil	NA
Cyber-security	Nil	Nil	NA	1	1	Phishing awareness emails
Delivery of essential services	Nil	Nil	NA	Nil	Nil	NA
Restrictive Trade Practices	Nil	Nil	NA	Nil	Nil	NA
Unfair Trade Practices	Nil	Nil	NA	Nil	Nil	NA
Other	Nil	Nil	NA	Nil	Nil	NA

4. Details of instances of product recalls on accounts of safety issues.

Not applicable as KPCL had no instances of either voluntary or forced product recalls on safety issues during the FY 23.

5. Does the entity have a framework / policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.

- Core Security architecture framework is in place; up-gradation of the same with latest available features, versions and tools is an ongoing process.
- Basic IT Policy which includes IT Security aspects documented is available; entire IT security landscape is undergoing uplift, including IT Cyber Security related policies.

Web-link of Information Security Policy:

<https://www.kirloskarpneumatic.com/documents/174996/4c8c7dfc-225f-afe4-cc4f-1f6303535487>

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

KPCL has taken corrective actions on issues of data privacy such as Installation of tools like Antivirus software Threat removing Software Intrusion Detection Software, Strong Passwords (End User Training / Awareness and Policies) Preventive Actions, Firewalls, Intrusion Prevention Software, Filtering Software. We have planned implementations of SOC (Security Operations Centre), NOC (Network Operations Centre) and SSO (Single Sign On) for all users.

LEADERSHIP INDICATORS**1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).**

Information relating to all the products and services provided by KPCL is available on the Company's website <https://www.kirloskarpneumatic.com/products>

2. Steps taken to inform and educate consumers about safe and responsible usage of products and / or services.

Operation, Instructions and Maintenance Manual is supplied along with the products which cover instructions / guidelines related to safe and responsible operation of products including do's & don't's and end of use disposal.

3. Mechanisms in place to inform consumers of any risk of disruption / discontinuation of essential services.

Not applicable as KPCL is not directly involved in providing essential services to consumers.

4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable) If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)

Yes, KPCL does provide basic information related to product such as Product Model No. / Sr. No, Manufacturing Year, Applicable Technical Parameters of products as well as safety do's & don't's.

KPCL carries out Customer Satisfaction Survey every alternate year through an independent external agency for all its SBUs covering dealers, consultants and end users / OEMs and last such survey was carried out in the FY 23.

5. Provide the following information relating to data breaches:**a. Number of instances of data breaches along-with impact:**

No data breaches were recorded in the FY 2023.

b. Percentage of data breaches involving personally identifiable information of customers:

No data breaches were recorded in the FY 2023.

Independent 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 31st March 2023, 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 Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2023, 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 17, 51.3.1 and 51.4.16 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 a 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.

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 thereto, Corporate Governance Report, Management Discussion and Analysis and Business Responsibility Report 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 and Board of Director's for the Financial Statements

The Company's Management and Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. 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 Indian Accounting Standards specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended.
 - e) On the basis of the written representations received from the directors as on 31st March 2023 taken on record by the Board of Directors, none of the directors are disqualified as on 31st March 2023 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 39 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 such audit procedures as considered reasonable and appropriate in the circumstances, 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.
 - v. The Company has declared and paid dividend during the year in compliance with 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 1st April, 2023 specified in notification as per notification G.S.R. 235(E) dated 31st March 2022 as issued by 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 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

sd/-

Suhas Deshpande
Partner
Membership No.: 031787
UDIN: 23031787BGYQFS5127

Pune, April 27, 2023

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 Auditor’s Report to the members of the Company on the financial statements for the year ended 31st March 2023

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.
(B) The Company has maintained proper records showing full particulars of Intangible Assets.
- (b) The Company has a program of physical verification of property, plant and equipment wherein all items of property, plant and equipment are verified once in every 3 years period, which is reasonable with regard to the size of the Company and nature of its assets. Accordingly, such verification was carried out in previous year ended March 31, 2022 in line with the fixed asset verification policy. The discrepancies noticed during such verification were not material.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of all immovable properties, as disclosed in Note 1 to the financial statements are held in the name of the Company.
- (d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not revalued its Property, Plant and Equipment (PPE) (including Right of Use assets) & 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 the 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 has 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) According to the information and explanations given to us and on the basis of our examination of the records of the Company, 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. According to the information and explanations given to us and on the basis of our examination of the records of the Company, 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, reporting 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 during the year. 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 31st March 2023 for a period of more than six months from the date they became payable, other than dues of ₹ 57,955/- towards Provident Fund Contribution in respect of left employees who did not complete the required KYC documentation for depositing the said amount.

(b) Details of dues of Income Tax, Sales Tax, Service Tax, Excise Duty and Value Added Tax which have not been deposited as at 31st March 2023 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 (₹ millions)
1	Income Tax Act, 1961	Provision for Pension scheme	High Court, Mumbai	FY 1996-97	6.97
2	Central Excise Act, 1944	Inadmissible/Excess cenvat credit	Assistant Commissioner CGST, Pune	August 2013 to July 2016	0.01
3	Customs Act, 1962	Non-compliance of conditions for availing concessional rate of duty	Assistant Commissioner (Customs)-Mumbai	FY 1997-98	1.45
4	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
5	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	0.18 0.92 0.24 - 3.9
6	Central Sales Tax Act, 1956	Demand under Works Contract Tax	Joint Commissioner Appeals, Sales Tax Tribunal	FY 1985-86 to 1987-88	0.59

* Net of amount 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 did not have any loans or borrowings from any lender during the year. Accordingly reporting under paragraph 3(ix)(a) of the order is not applicable.
- 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.

d. 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.

e. 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 moneys 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 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government 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).
 - In the group (in accordance with Core Investment Companies (Reserve Bank) Directions, 2016), there are 2 companies forming part of the promoter/promoter group of the Company which are CICs. (These are unregistered CICs as per Para 9.1 of Notification No. RBI/2020-21/24 dated 13th August 2020 of the Reserve Bank of India).
- (xvii) The Company has not incurred any cash losses during the financial year ended on 31st March 2023 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 date. 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:

- a. 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.

- b. 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

sd/-

Suhas Deshpande

Partner

Membership No.: 031787

UDIN: 23031787BGYQFS5127

Pune, April 27, 2023

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 Auditor’s Report to the members of Kirloskar Pneumatic Company Limited on the Financial Statements of even date

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 31st March 2023 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.

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 31st March 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Kirtane & Pandit LLP**

Chartered Accountants

Firm Registration No.105215W/W100057

sd/-

Suhas Deshpande

Partner

Membership No.: 031787

UDIN: 23031787BGYQFS5127

Pune, April 27, 2023

Balance Sheet

as at 31st March 2023

CIN : L29120PN1974PLC110307

₹ in Million

	Note No.	As at 31 st March, 2023	As at 31 st March, 2022
ASSETS			
(1) NON-CURRENT ASSETS			
(a) Property, Plant and Equipment (Includes ROU Asset)	1	2,179.76	2,272.55
(b) Capital work-in-progress	1A	213.80	52.11
(c) Other Intangible Assets	2	54.29	21.10
(d) Intangible Assets Under Development	2A	23.78	56.87
(e) Financial Assets			
(i) Investments	3	1,418.85	789.08
(ii) Loans		-	-
(iii) Other Financial Assets	5	48.87	25.07
(f) Other Non-Current Assets	7	5.45	1.99
TOTAL NON-CURRENT ASSETS		3,944.80	3,218.77
(2) CURRENT ASSETS			
(a) Inventories	8	1,767.90	2,027.53
(b) Financial Assets			
(i) Investments	3	1,037.69	1,265.69
(ii) Trade Receivables	4	3,291.65	2,988.28
(iii) Cash and Cash Equivalents	9	358.62	356.58
(iv) Bank Balance other than (iii) above	9	35.81	31.31
(v) Others	5	531.10	9.14
(c) Other Current Assets	7	327.68	349.07
TOTAL CURRENT ASSETS		7,350.45	7,027.60
TOTAL ASSETS		11,295.25	10,246.37
EQUITY AND LIABILITIES			
(1) EQUITY			
(a) Equity Share Capital	11	129.27	128.89
(b) Other Equity	12	7,822.45	6,455.73
TOTAL EQUITY		7,951.72	6,584.62
(2) LIABILITIES			
NON-CURRENT LIABILITIES			
(a) Financial Liabilities			
(i) Borrowings		-	-
(ii) Lease Liabilities		7.76	9.54
(iii) Other Financial Liabilities	14	0.89	0.87
(b) Provisions	15	66.41	61.14
(c) Deferred Tax Liabilities (Net)	6	131.20	54.17
(d) Other Non-Current Liabilities		-	-
TOTAL NON-CURRENT LIABILITIES		206.26	125.72
CURRENT LIABILITIES			
(a) Financial Liabilities			
(i) Borrowings		-	-
(Current Maturities of Long-Term Debt)			
(ii) Lease Liabilities		2.44	2.89
(iii) Trade Payables	13		
Total Outstanding due to Micro and small enterprises		364.40	390.86
Total Outstanding dues of Creditors other than Micro and small enterprises		1,205.37	1,312.79
(iv) Other Financial Liabilities	14	700.26	616.88
(b) Other Current Liabilities	16	778.09	1,100.39
(c) Provisions	15	72.11	84.37
(d) Current Tax Liabilities (Net)	10	14.60	27.85
TOTAL CURRENT LIABILITIES		3,137.27	3,536.03
TOTAL LIABILITIES		3,343.53	3,661.75
TOTAL EQUITY AND LIABILITIES		11,295.25	10,246.37

Notes forming part of the Financial Statements

1 - 51

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 27, 2023

Pune, April 27, 2023

Statement of Profit and Loss

for the year ended 31st March, 2023

CIN : L29120PN1974PLC110307

₹ in Million

	Note No.	2022-23	2021-22
INCOME :			
I Revenue from Operations	17	12,393.37	10,211.73
II Other Income	18	111.87	123.24
III TOTAL INCOME (I + II)		12,505.24	10,334.97
EXPENSES :			
Cost of Materials Consumed	19	6,661.20	5,916.15
Changes in Inventories of Finished Goods and Work-in-Progress	20	310.35	(313.05)
Employee Benefits Expenses	21	1,436.94	1,294.85
Finance Costs	22	0.78	21.08
Depreciation and Amortization Expense	23	335.37	352.16
Other Expenses	24	2,327.84	1,922.54
IV TOTAL EXPENSES		11,072.48	9,193.73
V Profit before Exceptional Items and Tax (III - IV)		1,432.76	1,141.24
VI Exceptional Items		-	-
VII Profit Before Tax (V-VI)		1,432.76	1,141.24
VIII Tax Expense :			
Current Tax (Net of ₹ 5.51 Million in respect of earlier years Previous Year - ₹ 1.87 Million)	44	357.78	289.94
Deferred Tax		(10.83)	2.06
		346.95	292.00
IX Profit for the Year (VII-VIII)		1,085.81	849.24
X Other Comprehensive Income (OCI)			
a) Items that will not be reclassified to profit or loss			
i) Re-measurement of net Defined Benefit Obligation		12.75	(11.60)
ii) Equity Instruments through Other Comprehensive Income		630.28	169.69
		643.03	158.09
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		(3.21)	2.92
ii) Taxes on Equity Instruments through Other Comprehensive Income		(84.66)	(19.22)
		(87.87)	(16.30)
Total Other Comprehensive Income		555.16	141.79
Total Comprehensive Income for the period (IX + X) (Comprising Profit and Other Comprehensive Income for the period)		1,640.97	991.03
Earning per Share : [nominal value per share ₹.2/-]			
(1) Basic ₹		16.82	13.19
(2) Diluted ₹		16.77	13.12
Notes forming part of the Financial Statements	1- 51		

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 27, 2023

Pune, April 27, 2023

Statement of Changes in Equity

for the year ended 31st March 2023

CIN : L29120PN1974PLC110307

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
2022-23	128.89	-	N.A.	0.38	129.27
2021-22	128.53	-	N.A.	0.36	128.89

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 2022	92.45	5,000.00	633.19	29.53	700.56	6,455.73
Profit for the year	-	-	1,085.81	-	-	1,085.81
Other Comprehensive Income for the year - Fair Valuation Net of Tax	-	-	-	-	545.62	545.62
Other Comprehensive Income for the year - Actuarial Gain/(Loss) - Net of Tax	-	-	9.54	-	-	9.54
Dividend Paid	-	-	(154.80)	-	-	(154.80)
Interim Dividend	-	-	(161.55)	-	-	(161.55)
Transfer from Share Based Payment	14.82	-	-	(14.82)	-	-
For the Year	25.16	-	-	16.94	-	42.10
Transfer from retained earnings	-	1,000.00	(1,000.00)	-	-	-
Balance as on 31 March 2023	132.43	6,000.00	412.19	31.65	1,246.18	7,822.45

(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 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	-	-	-	-	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

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
Suhas Deshpande
Partner
Membership No. 031787

K. Srinivasan
Managing Director
DIN - 00088424
Jitendra Shah
Company Secretary

Rahul C. Kirloskar
Executive Chairman
DIN - 00007319
Suhas S. Kolhatkar
Vice President & Chief Financial Officer

Pune, April 27, 2023

Pune, April 27, 2023

Cash Flow Statement

for the year ended 31st March, 2023

CIN : L29120PN1974PLC110307

₹ in Million

	2022-23	2021-22
A) Cash Flow From Operating Activities		
Profit Before Tax	1,432.76	1,141.24
Adjustments for :		
Depreciation and amortisation expense	335.37	352.16
Interest income	(15.46)	(0.29)
Unwinding of Interest on Security Deposits	(0.86)	(1.28)
Share Based Payment	16.94	14.07
Dividend income	(17.33)	(14.51)
Foreign Exchange Gain, Net	(5.67)	(15.27)
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit or Loss	(33.44)	(40.23)
Loss/(gain) on Sale of Investments	(26.56)	(31.59)
Loss/(gain) on disposal of property, plant and equipment	(4.67)	(17.22)
Finance costs	0.78	21.08
Bad Debts	3.34	17.26
Operating profit before working capital adjustments	1,685.20	1,425.42
Working capital adjustments		
(Increase)/decrease in trade receivables	(306.72)	75.45
(Increase)/decrease in inventories	259.63	(883.79)
(Increase)/decrease in other financial assets	(556.32)	28.95
(Increase)/decrease in other Current / Non Current assets	36.08	36.68
Increase/(decrease) in trade payables	(133.88)	247.02
Increase/(decrease) in financial liabilities	73.60	(86.52)
Increase/(decrease) in other Current / Non Current liabilities	(322.30)	472.97
Increase/(decrease) in provisions	5.76	33.70
Cash generated from operations	741.05	1,349.88
Income taxes paid	(343.18)	(259.16)
Net cash inflow from operating activities	397.87	1,090.72
B) Cash flow from investing activities		
Payments for property, plant and equipment, intangible assets	(424.25)	(916.96)
Proceeds from sale of property, plant and equipment, intangible assets	6.40	25.11
Sale / Redemption of Investments	688.51	719.44
Purchase of Investments	(400.00)	(300.00)
Interest income	0.18	0.29
Dividend income	17.33	14.51
Net cash outflow from investing activities	(111.83)	(457.61)
C) Cash flow from financing activities		
Proceeds from issuance of share capital	25.54	21.36
Repayment of borrowings	-	(400.00)
Finance costs	5.30	(17.33)
Lease Payments	(3.00)	(2.51)
Dividends paid (including dividend distribution tax)	(311.84)	(323.71)
Net cash outflow from financing activities	(284.00)	(722.19)
Net increase/(decrease) in cash and cash equivalents	2.04	(89.08)
Cash and cash equivalents at beginning of the financial year	356.58	445.66
Effect of exchange rate changes on cash and cash equivalents	0.24	-
Cash and cash equivalents at end of the financial year	358.86	356.58
(Refer Note No. 9)		

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. Kirtlokar
Executive Chairman
DIN - 00007319

Suhas Deshpande
Partner
Membership No. 031787

Jitendra Shah
Company Secretary

Suhas S. Kolhatkar
Vice President & Chief Financial Officer

Pune, April 27, 2023

Pune, April 27, 2023

Notes to the Financial Statements

for the year ended 31st March, 2023

NOTE 1 : PROPERTY, PLANT AND EQUIPMENT :

PARTICULARS	PROPERTY, PLANT AND EQUIPMENT										RIGHT OF USE ASSET	TOTAL	CAPITAL WORK IN PROGRESS
	FREE HOLD LAND	BUILDINGS	PLANT & MACHINERY	ELECTRICAL INSTALLATION	OFFICE EQUIPMENTS	FURNITURE & FIXTURE	VEHICLE	ASSETS UNDER OPERATING LEASE		COMPRESSION FACILITY			
								VEHICLES					
Gross Carrying Amount As at 01/04/2021	2.16	502.87	1,004.60	52.93	23.20	34.34	718.04	38.46	463.09	463.09	9.31	2,849.00	41.88
Additions	602.91	78.17	150.90	27.08	3.99	4.25	10.17	-	-	-	17.66	895.13	887.70
Deductions and adjustments	-	2.96	29.13	0.18	2.65	10.74	43.31	38.46	-	-	-	127.43	877.47
Gross Carrying Amount As at 31/03/2022	605.07	578.08	1,126.37	79.83	24.54	27.85	684.90	-	463.09	463.09	26.97	3,616.70	52.11
Accumulated Depreciation As at 01/04/2021	-	89.18	437.97	23.75	16.90	16.86	296.69	34.85	201.81	201.81	6.58	1,124.59	-
Depreciation for the year	-	14.13	113.49	6.27	2.76	3.05	95.44	1.03	99.60	99.60	3.33	339.10	-
Deductions and Adjustments	-	2.96	28.18	0.18	2.65	9.33	40.36	35.88	-	-	-	119.54	-
Accumulated Depreciation up to 31/03/2022	-	100.35	523.28	29.84	17.01	10.58	351.77	-	301.41	301.41	9.91	1,344.15	-
Net Carrying Amount as at 31/03/2022	605.07	477.73	603.09	49.99	7.53	17.27	333.13	-	161.68	161.68	17.06	2,272.55	52.11
Gross Carrying Amount As at 01/04/2022	605.07	578.08	1,126.37	79.83	24.54	27.85	684.90	-	463.09	463.09	26.97	3,616.70	52.11
Additions	-	10.57	158.53	14.08	5.04	4.44	31.49	-	-	-	-	224.15	385.84
Deductions and adjustments	-	-	4.86	2.39	0.46	-	19.71	-	-	-	-	27.42	224.15
Gross Carrying Amount As at 31/03/2023	605.07	588.65	1,280.04	91.52	29.12	32.29	696.68	-	463.09	463.09	26.97	3,813.43	213.80
Accumulated Depreciation As at 01/04/2022	-	100.35	523.28	29.84	17.01	10.58	351.77	-	301.41	301.41	9.91	1,344.15	-
Depreciation for the year	-	16.21	121.00	7.60	3.14	3.08	95.98	-	64.67	64.67	3.53	315.21	-
Deductions and Adjustments	-	-	4.60	0.98	0.46	-	19.65	-	-	-	-	25.69	-
Accumulated Depreciation up to 31/03/2023	-	116.56	639.68	36.46	19.69	13.66	428.10	-	366.08	366.08	13.44	1,633.67	-
Net Carrying Amount As at 31/03/2023	605.07	472.09	640.36	55.06	9.43	18.63	268.58	-	97.01	97.01	13.53	2,179.76	213.80
Net Carrying Amount As at 31/03/2022	605.07	477.73	603.09	49.99	7.53	17.27	333.13	-	161.68	161.68	17.06	2,272.55	52.11

₹ in Million

Title deeds of Immovable Properties are held in name of the Company. For charge on Property, Plant and Equipment - see Note 48

The Company does not hold any benami property under the Benami Transactions (Prohibition) Act, 1988 and no proceeding has been initiated or is pending against the company for holding any benami property.

Notes to the Financial Statements

for the year ended 31st March, 2023

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

i) CWIP aging schedule :

CWIP	AS AT 31 st MARCH 2023				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	189.75	0.83	-	23.22	213.80
Projects temporarily suspended	N.A.	N.A.	N.A.	N.A.	-

₹ in Million

CWIP	AS AT 31 st 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

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			
	SOFTWARES	TECHNICAL KNOW HOW	TOTAL	INTANGIBLE ASSETS UNDER DEVELOPMENT
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	
Depreciation 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
Gross Carrying Amount As at 01/04/2022	27.87	136.43	164.30	56.87
Additions	6.00	47.35	53.35	20.26
Deductions and adjustments	-	-	-	53.35
Gross Carrying Amount As at 31/03/2023	33.87	183.78	217.65	23.78
Accumulated Depreciation As at 01/04/2022	24.04	119.16	143.20	
Depreciation for the year	7.01	13.15	20.16	
Deductions and Adjustments	-	-	-	
Accumulated Depreciation up to 31/03/2023	31.05	132.31	163.36	-
Net Carrying Amount As at 31/03/2023	2.82	51.47	54.29	23.78
Net Carrying Amount As at 31/03/2022	3.83	17.27	21.10	56.87

The remaining amortisation period for Technical Know How of Compressor Technology is 47 months.

Notes to the Financial Statements

for the year ended 31st March, 2023

NOTE 2A : Intangible assets under development :

i) Intangible assets under development aging schedule :

₹ in Million

Intangible assets under development	AS AT 31 st MARCH 2023				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	14.27	1.79	3.32	4.40	23.78
Projects temporarily suspended	N.A.	N.A.	N.A.	N.A.	-

₹ in Million

Intangible assets under development	AS AT 31 st MARCH 2022				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	19.57	32.90	4.40	-	56.87
Projects temporarily suspended	N.A.	N.A.	N.A.	N.A.	-

NOTE 3 : INVESTMENTS (NON CURRENT) :

	Face Value ₹	As at 31 st March, 2023		As at 31 st March, 2022	
		Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
At Fair Value through Profit or Loss (FVTPL)					
Quoted :					
Unit Trust of India :					
UTI Hybrid Equity Fund Regular Growth Plan	10	-	-	201,988	0.05
UTI Hybrid Equity Fund Regular Dividend Plan	10	-	-	9,962,865	0.33
Reinvestment					
UTI Mastershare Unit Scheme- Regular Dividend	10	-	-	3,300	0.14
Payout			-		0.52
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 *
Total Fair Value through Profit or Loss (FVTPL)			0.00		0.52
At Fair Value through Other Comprehensive Income (FVTOCI)					
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	10.24	4,87,500	42.90
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	295.20	2,25,000	152.78
			307.99		198.23
* Value less than ₹Ten Thousand					
Carried Over ₹			307.99		198.75

Notes to the Financial Statements

for the year ended 31st March, 2023

NOTE 3 : INVESTMENTS (NON CURRENT) : (CONTD..)

	Face Value ₹	As at 31 st March, 2023		As at 31 st March, 2022	
		Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
Brought Over ₹			307.99		198.75
Quoted :					
The Mysore Kirloskar Ltd.	10	1,00,000	0.00*	1,00,000	0.00*
Kirloskar Industries Ltd.	10	200	0.48	200	0.31
Housing Development Finance Corporation Ltd.	2	46,990	123.37	46,990	112.32
Kirloskar Investment and Finance Ltd.	10	3,75,000	0.00*	3,75,000	0.00*
ICICI Bank Limited	2	55,324	48.53	55,324	40.40
Kirloskar Ferrous Industries Ltd.	5	20,00,000	930.10	20,00,000	429.70
HDFC Bank Ltd.	1	5,000	8.05	5,000	7.35
Punjab National Bank	2	7,000	0.33	7,000	0.25
			1,110.86		590.33
Total Fair Value through Other Comprehensive Income (FVTOCI)			1,418.85		788.56
Total			1,418.85		789.08
* Value less than ₹ Ten Thousand					
Aggregate Cost of acquisition of Quoted Investments			27.78		28.01
Aggregate Market Value of Quoted Investments			1,110.86		590.85
Aggregate Cost of acquisition of Un-Quoted Investments			9.59		9.59
Aggregate Fair Value of Un-Quoted Investments			307.99		198.23
Aggregate Amount of Impairment in the Value of Investments			7.40		7.40

NOTE 3 : INVESTMENTS (CURRENT) :

	As at 31 st March, 2023		As at 31 st March, 2022	
	Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
At Fair Value through Profit or Loss (FVTPL)				
Quoted :				
HDFC FMP Direct Growth Series 42	-	-	1,00,00,000.000	137.88
Axis Banking & PSU Debt Fund Growth	-	-	18,185.959	38.93
Franklin India Ultra Short Bond Fund Super Inst. Plan - Direct Growth	-	-	44,840.730	1.51
Axis Treasury Advantage Fund Direct Growth	-	-	25,979.555	67.29
IDFC Banking & PSU Debt Fund Direct Plan Growth	-	-	44,79,057.606	91.37
HDFC Liquid Fund Direct Plan Growth	65,546.018	289.92	65,546.018	274.29
SBI Liquid Fund Direct Plan Growth	35,308.559	124.40	75,031.307	250.09
ICICI Prudential Liquid Fund Direct Plan Growth	6,53,322.155	217.68	12,82,540.823	404.33
Kotak Liquid Fund Direct Plan Growth	22,726.427	103.37	-	-
UTI Liquid Cash Plan Direct Plan Growth	27,481.456	101.39	-	-
ICICI Prudential Money Market Fund Direct Plan Growth	6,19,558.073	200.93	-	-
Total		1,037.69		1,265.69
Aggregate Cost of acquisition of Quoted Investments		998.96		1,172.15
Aggregate Market Value of Quoted Investments		1,037.69		1,265.69
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 31st March, 2023

NOTE 4 : TRADE RECEIVABLES :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
Unsecured Considered Good (Refer Note 32 (2a))	3,291.65	2,988.28
Having significant increase in Credit Risk	-	-
Total	3,291.65	2,988.28
Non Current	-	-
Current	3,291.65	2,988.28
Debts due from Private Companies in which Director is a Director or a Member	-	-
For charge on Trade Receivables - see Note 48		

NOTE 5 : OTHER FINANCIAL ASSETS :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
Unsecured Considered Good		
Security Deposits (Non Current)	48.87	25.07
Security Deposits (Current)	4.69	8.00
Fixed Deposits with Banks (Current)	510.12	0.12
(Original maturity is more than 12 months)		
Other Assets	16.29	1.02
Total	579.97	34.21
Non Current	48.87	25.07
Current	531.10	9.14
Non Current Includes amount due from Related party	16.28	15.27

NOTE 6 : DEFERRED TAX ASSETS / (LIABILITY) :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
Deferred Tax Assets	30.90	27.88
Deferred Tax Liabilities	162.10	82.05
(Refer Note no. 44)		
Total	(131.20)	(54.17)

NOTE 7 : OTHER ASSETS :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
Unsecured Considered Good		
Advances to Supplier of Capital Goods (Current)	19.47	1.32
Other Assets (Non Current)	5.45	1.99
GST Balances (Current)	67.81	103.93
Other Assets (Current)	240.40	243.82
Total	333.13	351.06
Non Current	5.45	1.99
Current	327.68	349.07
Other Non Current Assets includes amount due from Related party	-	-
Other Current Assets includes amount due from Related party	-	-

Notes to the Financial Statements

for the year ended 31st March, 2023

NOTE 8 : INVENTORIES :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
Raw Materials	1,362.70	1,309.06
[Includes ₹ 0.82 Million (31st March 2022 ₹ 1.25 Million) in transit]		
Work-in-progress	240.80	625.64
Finished Goods, at cost or net realisable value whichever is lower	152.95	78.46
Stores & Spares	11.45	14.37
Total	1,767.90	2,027.53
For charge on Inventories - see Note 48		

NOTE 9 : CASH AND CASH EQUIVALENTS :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
a) CASH AND CASH EQUIVALENTS :		
Cash on hand	0.04	0.08
Balances with Banks :		
In Current Accounts	358.58	356.50
Total	358.62	356.58
b) OTHER BANK BALANCES :		
Earmarked Balances with Banks		
For Unclaimed Dividend	33.49	28.98
For Fractional Entitlement	2.32	2.33
Total	35.81	31.31

NOTE 10 : CURRENT TAX ASSET / (LIABILITY) - NET :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
Advance Tax Paid	348.68	261.04
Less : Provision for Tax	363.28	288.89
Total	(14.60)	(27.85)

Notes to the Financial Statements

for the year ended 31st March, 2023

NOTE 11 : EQUITY SHARE CAPITAL :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
AUTHORISED :		
Opening Balance :		
187.50 Million Equity Shares of ₹2/- each	375.00	375.00
Changes during the Year	-	-
Closing Balance :	375.00	375.00
ISSUED AND SUBSCRIBED :		
Opening Balance :		
64.445 Million (Previous year 64.267 Million) Equity Shares of ₹ 2/- each	128.89	128.53
Issued during the year		
0.189 Million (Previous year 0.178 Million) Equity Shares of ₹ 2/- each	0.38	0.36
Closing Balance :		
64.634 Million Equity Shares of ₹ 2/- each	129.27	128.89
PAID UP :		
Opening Balance :		
64.445 Million (Previous year 64.267 Million) Equity Shares of ₹ 2/- each	128.89	128.53
Addition during the year		
0.189 Million (Previous year 0.178 Million) Equity Shares of ₹ 2/- each	0.38	0.36
Closing Balance :		
64.634 Million Equity Shares of ₹ 2/- each	129.27	128.89

The Company has not applied for any scheme of arrangement during the year nor any such scheme is pending for approval with the competent Authority in terms of sections 230 to 237 of the companies Act, 2013.

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

	As at 31 st March, 2023	As at 31 st March, 2022
Shareholder holding more than 5%	Nos.	Nos.
	Face Value of ₹2/-	Face Value of ₹2/-
a) Mr. Rahul C. Kirloskar	749	749
	11.60%	11.63%
b) Mr. Atul C. Kirloskar	6.11	6.11
	9.45%	9.47%
c) Kirloskar Industries Limited	6.42	6.42
	9.94%	9.97%
d) Ms. Jyotsna Gautam Kulkarni	-	4.66
	-	7.24%
e) Nippon Life India Trustee Limited	4.15	4.15
	6.42%	6.44%

Notes to the Financial Statements

for the year ended 31st March, 2023

NOTE 11 : EQUITY SHARE CAPITAL : (CONTD.)

Shareholding of Promoter & Promoter group :

Sr. No	Promoter Name	Shares held by promoters at the end of the year		Shares held by promoters at the beginning 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	No of Shares	% of total shares		
1	Rahul Chandrakant Kirloskar	7,496,150	11.598	7,493,650	11.628	0.004	(0.030)
2	Atul Chandrakant Kirloskar	6,107,523	9.449	6,105,023	9.473	0.004	(0.024)
3	Jyotsna Gautam Kulkarni	-	-	4,662,637	7.235	(7.235)	(7.235)
4	Vikram Shreekant Kirloskar	-	-	31,010	0.048	(0.048)	(0.048)
5	Sanjay Chandrakant Kirloskar	3,155	0.005	3,155	0.005	-	(0.000)
6	Ambar Gautam Kulkarni	-	-	2,331,319	3.618	(3.618)	(3.618)
7	Nihal Gautam Kulkarni	-	-	2,331,319	3.618	(3.618)	(3.618)
8	Aditi Atul Kirloskar	2,068,765	3.201	2,068,765	3.210	-	(0.009)
9	Alpana Rahul Kirloskar	1,984,555	3.070	1,984,555	3.079	-	(0.009)
10	Gauri Atul Kirloskar	689,753	1.067	689,753	1.070	-	(0.003)
11	Arti Atul Kirloskar	331,134	0.512	331,134	0.514	-	(0.002)
12	Alika Rahul Kirloskar	60,760	0.094	60,760	0.094	-	(0.000)
13	Mrinalini Shreekant Kirloskar	35,935	0.056	6,080	0.009	0.046	0.046
14	Suman Chandrakant Kirloskar	4,035	0.006	4,035	0.006	-	(0.000)
15	Alok Kirloskar	2,725	0.004	2,725	0.004	-	(0.000)
16	Pratima Sanjay Kirloskar	660	0.001	660	0.001	-	(0.000)
17	Rama Sanjay Kirloskar	625	0.001	625	0.001	-	(0.000)
18	Kirloskar Industries Ltd	6,422,990	9.937	6,422,990	9.967	-	(0.029)
19	Achyut And Neeta Holdings And Finance Pvt Ltd	-	-	57,155	0.089	(0.089)	(0.089)
20	Alpak Investments Private Limited	580	0.001	580	0.001	-	(0.000)
21	Navsai Investments Private Ltd	580	0.001	580	0.001	-	(0.000)
Total		25,209,925	39.003	34,588,510	53.671	(14.554)	(14.668)

*The Company has allotted 189,400 equity shares of ₹ 2 each fully paid to its eligible employees under the ESOS scheme.

During the year, some of the members of the Promoter & Promoter group comprising of Smt. Jyotsna Gautam Kulkarni, Mr. Ambar Gautam Kulkarni, Mr. Nihal Gautam Kulkarni and M/s. Achyut And Neeta Holdings And Finance Pvt Ltd sold their respective holding to pursue their interests which were different and independent of Company's business.

As a result % share holding of the Promoter and Promoter group has undergone a change with respect to number of shares at the beginning and end of the year.

Notes to the Financial Statements

for the year ended 31st March, 2023

NOTE 12 : OTHER EQUITY :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
Securities Premium (Share Premium) Account:		
As per last Account	92.45	60.01
Add : During the year	25.16	21.00
Add : Transferred from Share Based Payment Reserve	14.82	11.44
Closing Balance	132.43	92.45
General Reserve :		
Opening Balance / As per last Account	5,000.00	4,500.00
Add: Set aside this year	1,000.00	500.00
Closing Balance	6,000.00	5,000.00
Share Based Payment Reserve :		
Opening Balance / As per last Account	29.53	26.90
Add : During the year	16.94	14.07
Less : Transferred to Share Premium	14.82	11.44
Closing Balance	31.65	29.53
Retained Earnings :		
Opening Balance / As per last Account	633.19	620.91
Add : Transferred from Statement of Profit and Loss	1,085.81	849.24
Add : Transferred from Other Comprehensive Income - Net of Tax	9.54	(8.68)
	1,728.54	1,461.47
Less :		
Transfer to General Reserve	1,000.00	500.00
Dividend Paid	154.80	225.21
Interim Dividend	161.55	103.07
	1,316.35	828.28
Closing Balance	412.19	633.19
Equity Instruments Through Other Comprehensive Income		
Opening Balance / As per last Account	700.56	550.09
Add / (Less) FVTOCI Equity Investments - Change in Fair Value	545.62	150.47
Closing Balance	1,246.18	700.56
Total	7,822.45	6,455.73

- 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. 26

Notes to the Financial Statements

for the year ended 31st March, 2023

NOTE 13 : TRADE PAYABLES :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
Total Outstanding due to Micro and small enterprises	364.40	390.86
Total Outstanding dues of Creditors other than Micro and small enterprises (Refer Note 32 (2d)	1,205.37	1,312.79
Total	1,569.77	1,703.65

NOTE 14 : OTHER FINANCIAL LIABILITIES :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
Deposit Received (Non Current)	0.89	0.87
Unpaid Dividends (Current)	33.49	28.98
Fractional Entitlement (Current)	2.32	2.33
Interest Accrued (Current)	15.12	9.04
Employee Related Liabilities (Current)	129.77	113.94
Other Trade Liabilities (Current)	250.65	202.11
Other Liabilities (Current)	268.91	260.48
Total	701.15	617.75
Non Current	0.89	0.87
Current	700.26	616.88

NOTE 15 : PROVISIONS :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
Provision for Employee Benefits		
Provision for Leave Encashment (Non Current)	66.41	61.14
Provision for Leave Encashment (Current)	36.59	33.28
Provision for Gratuity (Current)	-	26.48
Other Provisions		
Provision for Warranty (Current)	35.52	24.61
Total	138.52	145.51
Non Current	66.41	61.14
Current	72.11	84.37

During the year the company made a provision for warranty of ₹ 34.82 Million after utilizing ₹ 23.91 Million from the opening balance of ₹ 24.61 Million resulting in the closing balance of ₹ 35.52 Million.

NOTE 16 : OTHER LIABILITIES :

₹ in Million

	As at 31 st March, 2023	As at 31 st March, 2022
Advance from Customer (Current)	626.73	976.68
Other Liabilities (Current)	151.36	123.71
Total	778.09	1,100.39
Non Current	-	-
Current	778.09	1,100.39
Movement in advance from customer		
Opening Balance	976.68	395.00
Received during the year	2,410.20	2,500.28
Adjusted against receivables during the year	2,760.15	1,918.60
Closing Balance	626.73	976.68

Notes to the Financial Statements

for the year ended 31st March, 2023

NOTE 17 : REVENUE FROM OPERATIONS :

	₹ in Million	
	2022-23	2021-22
Revenue from Contracts with Customers		
Sale of Products	10,126.30	8,290.75
Sale of Services	1,924.30	1,570.09
Lease Income	242.56	290.92
	12,293.16	10,151.76
Other Operating Revenue		
Insurance Claim Received	1.61	1.58
Miscellaneous Receipts	69.14	40.44
Foreign Exchange Gain, Net	5.67	15.27
Bad Debts / Liquidated Damages Recovered	23.79	2.68
	100.21	59.97
Total	12,393.37	10,211.73

NOTE 18 : OTHER INCOME :

	₹ in Million	
	2022-23	2021-22
Dividend Income from Equity Investments designated at Fair Value through Other Comprehensive Income	17.32	14.48
Dividend Income from Mutual Fund Investments designated at Fair Value through Profit and Loss	0.01	0.03
Interest Received	15.46	0.29
Unwinding of Interest on Security Deposits	0.86	1.28
Miscellaneous Receipts	13.55	16.26
Surplus on Sale of Assets	4.67	19.08
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit and Loss	33.44	40.23
Gain on Sale of Investments	26.56	31.59
Total	111.87	123.24

NOTE 19 : COST OF MATERIALS CONSUMED :

	₹ in Million	
	2022-23	2021-22
Raw Materials (including components) consumed :		
Stocks at commencement	1,309.06	726.73
Add : Purchases	6,714.84	6,498.48
	8,023.90	7,225.21
Less : Stocks at close	1,362.70	1,309.06
Total	6,661.20	5,916.15

NOTE 20 : CHANGES IN INVENTORIES :

	₹ in Million	
	2022-23	2021-22
(Increase) / Decrease in Stocks :		
Finished Goods		
Stocks at close	152.95	78.46
Stocks at commencement	78.46	118.87
	(74.49)	40.41
Work-in-Progress		
Stocks at close	240.80	625.64
Stocks at commencement	625.64	272.18
	384.84	(353.46)
Total	310.35	(313.05)

Notes to the Financial Statements

for the year ended 31st March, 2023

NOTE 21 : EMPLOYEE BENEFITS EXPENSES :

₹ in Million

	2022-23	2021-22
Salaries, Wages, Bonus, etc.	1,181.37	1,058.41
Incentive	34.57	29.69
Share Based Payment	16.94	14.07
Contribution to Provident and Other Funds, etc.	100.02	87.38
Welfare Expenses	104.04	105.30
Total	1,436.94	1,294.85

NOTE 22 : FINANCE COSTS :

₹ in Million

	2022-23	2021-22
Interest :		
On Borrowings	-	20.64
On Lease	0.78	0.44
Total	0.78	21.08

NOTE 23 : DEPRECIATION AND AMORTISATION EXPENSE :

₹ in Million

	2022-23	2021-22
Depreciation and Amortisation	315.21	339.10
Amortisation of intangible assets	20.16	13.06
Total	335.37	352.16

NOTE 24 : OTHER EXPENSES :

₹ in Million

	2022-23	2021-22
Stores and Spares Consumed	166.01	153.68
Manufacturing Expenses (includes Cost of Services)	1,095.66	863.69
Power, Fuel and Water	148.28	126.74
Building Repairs	48.40	41.64
Machinery Repairs	77.88	70.14
Sundry Repairs	25.36	19.94
Rent	14.27	13.38
Rates and Taxes	31.58	18.15
Insurance	22.51	23.36
Commission on Sales	51.25	12.84
Royalty	31.35	25.40
Travelling Expenses	106.81	59.47
Postage, Telephones, Telex Expenses	22.21	19.17
Bank Charges	19.39	19.86
Freight Outward, Net	116.43	103.27
Vehicle Expenses	21.56	19.36
Printing and Stationery	7.51	5.77
Legal and Professional Charges	95.03	91.28
Advertisement and Publicity Expenses	18.04	25.78
Auditors' Remuneration	3.60	3.56
Directors' Fees and Travelling Expenses	15.38	15.58
Loss on Assets Sold	-	1.86
Bad Debts	3.34	17.26
CSR Expenditure	17.00	14.51
Miscellaneous Expenses	168.99	156.85
Total	2,327.84	1,922.54

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 25 : Employee benefits :

i Defined Contribution Plans :

Amount of ₹ 63.09 Million (Previous Year ₹ 56.98 Million) is recognised as an expense and included in "Employees benefits expense" in Note 21 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 :

	31 st March, 2023	31 st March, 2022
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
A. Amount to be recognised in balance sheet		
Present value of defined benefit obligation	316.75	290.07
Less: Fair value of plan assets	321.86	263.59
Amount to be recognised as liability or (asset)	(5.11)	26.48
B. Amounts reflected in the balance sheet		
Liabilities	-	26.48
Assets	5.11	-
Net liability/(assets)	(5.11)	26.48

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

	31 st March, 2023	31 st March, 2022
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
Employee benefit expenses		
Current service cost	37.02	30.63
Past service cost	-	-
Finance cost		
Net interest (income)/expenses	(0.10)	(0.23)
Net periodic benefit cost recognised in the statement of profit and loss	36.92	30.40

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

	31 st March, 2023	31 st March, 2022
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Opening amount recognised in OCI outside profit and loss account	48.10	36.50
2 Remeasurements for the year - obligation (gain)/loss	(13.04)	13.11
3 Remeasurements for the year - plan assets (gain) / loss	0.29	(1.51)
4 Total remeasurements cost / (credit) for the year recognised in OCI	(12.75)	11.60
5 Less: Accumulated balances transferred to retained earnings	(12.75)	11.60
Closing balances (remeasurements (gain)/loss recognised OCI)	35.35	48.10

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 25 : 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 :

	31 st March, 2023	31 st March, 2022
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Present value of obligation as at the beginning of the period	290.07	247.61
2 Acquisition adjustment	-	-
3 Transfer in/ (out)	-	-
4 Interest expenses	19.43	15.08
5 Past service cost	-	-
6 Current service cost	37.02	30.63
7 Curtailment cost / (credit)	-	-
8 Settlement cost/ (credit)	-	-
9 Benefits paid	(16.73)	(16.36)
10 Remeasurements on obligation - (gain) / loss	(13.04)	13.11
Present value of obligation as at the end of the period	316.75	290.07

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

	31 st March, 2023	31 st March, 2022
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Fair value of the plan assets as at beginning of the period	263.59	239.09
2 Acquisition adjustment	-	-
3 Transfer in/(out)	-	-
4 Interest income	19.53	15.31
5 Contributions	55.83	24.44
6 Mortality Charges and Taxes	(0.07)	(0.40)
7 Benefits paid	(16.73)	(16.36)
8 Amount paid on settlement	-	-
9 Return on plan assets, excluding amount recognized in Interest Income - gain / (loss)	(0.29)	1.51
10 Fair value of plan assets as at the end of the period	321.86	263.59
11 Actual return on plan assets	19.24	16.82

100% of total plan assets are managed by the insurer - Life Insurance Corporation of India.

- f) Net interest (income) / expenses :

	31 st March, 2023	31 st March, 2022
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Interest (income) / expense - obligation	19.43	15.08
2 Interest (income) / expense - plan assets	(19.53)	(15.31)
3 Net interest (income) / expense for the year	(0.10)	(0.23)

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 6.90% has been used for the valuation purpose.

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 25 : Employee benefits (Contd.)

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

Gratuity:	31 st March, 2023	31 st March, 2022
Discount rate	7.40%	6.90%
Expected return on plan assets	6.90%	6.30%
Salary growth rate*	9.00%	8.00%
Attrition rate	11.00%	9.00%
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 ₹ 35 Million towards its gratuity plan in the year 2023-24.

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 st March, 2023	31 st March, 2022
	PVO of Gratuity	
1 Discount rate		
Increase by 1%	302.19	277.13
Decrease by 1%	332.53	304.23
2 Salary increase rate		
Increase by 1%	329.32	301.30
Decrease by 1%	304.87	279.58
3 Withdrawal rate		
Increase by 1%	314.61	288.28
Decrease by 1%	318.83	291.95

k) Expected Future Benefit Payments :

	₹ in Million	
	31 st March, 2023	31 st March, 2022
	PVO of Gratuity	
Within the next 12 months	60.86	65.53
Between 2 & 5 years	127.85	132.16
Above 5 years	125.35	149.34

l) Average Duration :

Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal rate and interest rate) is 12.72 years (PY 12.24 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.

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 25 : Employee benefits (Contd.)

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.

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

	₹ in Million	
	31 st March, 2023	31 st March, 2022
A. Amount to be recognised in balance sheet		
Present value of defined benefit obligation	103.00	94.42
Less: Fair value of plan assets	-	-
Amount to be recognised as liability or (asset)	103.00	94.42
B. Amounts reflected in the balance sheet		
Current Liabilities	36.59	33.28
Non Current Liabilities	66.41	61.14
Total Liability	103.00	94.42

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

	₹ in Million	
	31 st March, 2023	31 st March, 2022
Employee benefit expenses		
Current service cost	12.19	12.86
Finance cost		
Net interest (income)/expenses	6.22	5.51
Remeasurements for the year - obligation (gain)/loss	(1.41)	(7.30)
Net cost recognised in the statement of profit and loss	17.00	11.07

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 25 : Employee benefits (Contd.)

- 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 st March, 2023	31 st March, 2022
1 Present value of obligation as at the beginning of the period	94.42	91.68
2 Acquisition adjustment	-	-
3 Transfer in/ (out)	-	-
4 Interest expenses	6.22	5.51
5 Past service cost	-	-
6 Current service cost	12.19	12.86
7 Curtailment cost / (credit)	-	-
8 Settlement cost/ (credit)	-	-
9 Benefits paid	(8.42)	(8.33)
10 Remeasurements on obligation - (gain) / loss	(1.41)	(7.30)
Present value of obligation as at the end of the period	103.00	94.42

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

Defined Benefit Plan - Compensated Absences:	31 st March, 2023	31 st March, 2022
Discount rate	7.40%	6.90%
Expected average remaining working lives	7.30	7.76
Salary growth rate*	9.00%	8.00%
Attrition rate	11.00%	9.00%
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.

- 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%)

	₹ in Million	
Change in assumptions	31 st March, 2023	31 st March, 2022
	PVO of Compensated Absences	
1 Discount rate		
Increase by 1%	99.85	91.52
Decrease by 1%	106.35	97.50
2 Salary increase rate		
Increase by 1%	105.34	96.56
Decrease by 1%	100.76	92.36
3 Availment rate		
Increase by 1%	104.21	95.51
Decrease by 1%	101.71	93.25

- f) Expected Future Benefit Payments :

	₹ in Million	
	31 st March, 2023	31 st March, 2022
	PVO of Compensated Absences	
Within the next 12 months	14.04	13.26
Between 2 & 5 years	31.94	27.74
Above 5 years	27.46	27.22

- g) Average Duration:

Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal rate and availment rate) is 5.12 years (PY 7.76 years).

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 25 : Employee benefits (Contd.) :

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.

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 26 : 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, April 29, 2021 and October 19, 2022 granted 684,000 (Six lakhs eighty four thousand only), 104,000 (One lakhs four thousand only) and 164,000 (One lakhs sixty 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		Grant date October 19, 2022	
	Vesting Date	Option Vested	Vesting Date	Option Vested	Vesting Date	Option Vested
Vesting 1	Oct. 22, 2020	1,96,500	Apr. 28, 2022	43,000	-	-
Vesting 2	Oct. 22, 2021	1,38,000	-	-	-	-
Vesting 3	Oct. 19, 2022	1,38,500	-	-	-	-

Options granted on October 19, 2022 are not yet eligible for vesting as on March 31, 2023.

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

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 26 : Employee Stock Options Scheme - Ind AS 102 : (Contd.)

Options granted on October 22, 2019

Particulars	FY - 2022 - 23		FY - 2021 - 22	
	No. of Shares	Weighted average exercise price ₹	No. of Shares	Weighted average exercise price ₹
Options outstanding at the beginning of the year	3,81,900	120.00	6,01,400	120.00
Granted during the year	-	-	-	-
Forfeited / lapsed / surrendered during the year	25,000	120.00	40,000	120.00
Options vested during the year	1,38,500	120.00	1,48,000	120.00
Exercised during the year	1,49,200	120.00	1,78,000	120.00
Expired during the year	-	120.00	1,500	120.00
Options outstanding at the end of year	2,07,700	120.00	3,81,900	120.00
Options exercisable at the end of the year	1,07,200	120.00	1,17,900	120.00
Weighted average remaining contractual life	3.05 Years		3.51 Years	

* Weighted average share price on the date of exercise is ₹ 523.62 (Previous Year ₹ 372.63)

Options granted on April 29, 2021

Particulars	FY - 2022 - 23		FY - 2021 - 22	
	No. of Shares	Weighted average exercise price ₹	No. of Shares	Weighted average exercise price ₹
Options outstanding at the beginning of the year	96,000	190.00	-	-
Granted during the year	-	-	1,04,000	190
Forfeited / lapsed / surrendered during the year	7,000	190.00	8,000	190
Options vested during the year	43,000	190.00	-	-
Exercised during the year	40,200	190.00	-	-
Expired during the year	1,500	190.00	-	-
Options outstanding at the end of year	47,300	190.00	96,000	190
Options exercisable at the end of the year	1,300	190.00	-	-
Weighted average remaining contractual life	3.18 Years		3.75 Years	

* Weighted average share price on the date of exercise is ₹ 445.19 (Previous Year ₹ NIL)

Options granted on October 19, 2022

Particulars	FY - 2022 - 23		FY - 2021 - 22	
	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	1,64,000	400.00	-	-
Forfeited / lapsed / surrendered during the year	-	-	-	-
Options vested during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Options outstanding at the end of year	1,64,000	400.00	-	-
Options exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life	4.86 Years		NA	

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 26 : Employee Stock Options Scheme - Ind AS 102 : (Contd.)

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 ₹ 16.94 Million as employee compensation cost relating to share-based payment (Previous year ₹ 14.07 Million) in the Statement of Profit and Loss.

Note 27 : Revenue from Operations :

The disaggregation of revenue such as sales of products, sale of services, revenue from composite supply & leasing is given in Note No.17 - Revenue from Operations. Further disaggregation of revenue is given in operating segment in Note No. 28. The amount stated therein are net off discount, rebates, price concessions and incentives aggregating to ₹ 347.74 Million (Previous Year ₹ 234.61 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 ₹ Nil (Previous year ₹ 93.68 Million).

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 28 : Details of Operating Segment - Ind AS 108 :

₹ in Million

Sr. No.	Particulars	2022-23			2021-22		
		COMPRESSION SYSTEMS	OTHER NON REPORTABLE SEGMENTS	TOTAL	COMPRESSION SYSTEMS	OTHER NON REPORTABLE SEGMENTS	TOTAL
A.	Information about Operating Segment (See Note below)						
1	Segment Revenue						
	Sales	11,569.44	823.93	12,393.37	9,609.46	602.27	10,211.73
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	11,569.44	823.93	12,393.37	9,609.46	602.27	10,211.73
2	Result						
	Segment Result (Net of Income)	2,086.95	(653.41)	1,433.54	1,799.45	(637.13)	1,162.32
	Operating Profit before Interest			1,433.54			1,162.32
	Less: Finance Cost			0.78			21.08
	Profit before Tax			1,432.76			1,141.24
3	Other Information						
	Segment Assets	5,961.19	5,334.06	11,295.25	6,093.78	4,152.59	10,246.37
	Total Assets			11,295.25			10,246.37
	Segment Liabilities	2,903.66	439.88	3,343.53	3,327.02	334.73	3,661.75
	Total Liabilities			3,343.53			3,661.75
4	Capital Expenditure During the year	222.96	54.53	277.49	258.28	627.59	885.87
5	Depreciation and Impairment	204.05	131.32	335.37	219.47	132.69	352.16
				335.37			352.16
B	Revenue by location						
1	In India			10,620.61			9,953.98
2	Outside India			1,772.76			257.75
	Total			12,393.37			10,211.73
	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 System: 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 31st March, 2023

Note 29 : 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. Alika Rahul Kirloskar	Daughter
	Mr. Aman Rahul Kirloskar	Son
	Mrs. Malathi Srinivasan	Wife
	Ms. Janaki Krishnaswamy	Mother
	Mr. K Ramji	Brother
	Ms. S Padmini	Sister
3) Entity controlled by a person or his close relatives where that person is either	Alpak Investment Private Limited	
	i) key management personnel of the Company or	Kirloskar Energen Private Limited
	ii) has a control or joint control over the Company or	Kirloskar Solar Technologies Private Limited
	iii) has significant influence over the Company	Navsai Investments Private Limited
		Kiara Lifespaces Private Limited
		Mindscape
		Snow Leopard Momentum II LLP
4) Post employment benefit plan of the Company	GreenTek Systems (India) Private Limited	
	Kirloskar Pneumatic Company Limited	Trust
	Employees Gratuity Fund	
	Kirloskar Pneumatic Company Limited Officers Superannuation Fund	Trust

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 29 : Disclosure of Transactions with Related Parties as required by the Ind AS -24 : (Contd.)

(B) Related Party Transactions

₹ in Million

Nature of Transaction	Year	Key management Personnel		Relatives of Key Management Personnel	Entity controlled by a person or his close relatives	Total
		Promoter Holding more than 10% (Mr. Rahul C. Kirloskar)	Other	Other	Other	
Services Received	2022-23	72.55	48.44	5.62	43.59	170.20
	2021-22	56.36	36.97	3.92	-	97.25
Short Term Employee Benefits	Refer Note No 30					
Post Employment Benefits	Refer Note No 30					
Rent Paid	2022-23	-	-	3.00	-	3.00
	2021-22	-	-	2.51	-	2.51
Dividend Paid	2022-23	36.72	0.50	39.96	-	77.18
	2021-22	38.22	0.39	41.59	-	80.20
Balance Outstanding Receivable	2022-23	-	-	-	-	-
	2021-22	-	-	-	-	-
Payable	2022-23	27.50	22.50	0.50	-	50.50
	2021-22	24.00	21.00	0.60	-	45.60
Deposit Receivable	2022-23	-	-	20.00	-	20.00
	2021-22	-	-	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 - ₹ 55.83 Million (Previous Year ₹ 24.44 Million)

Kirloskar Pneumatic Company Limited Officers Superannuation Fund - ₹ 21.17 Million (Previous Year ₹ 19.75 Million)

Receiving of services includes Remuneration paid / payable to Key Managerial Personnel as per note no 30, 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 31st March, 2023

Note 30 : Managerial Remuneration :

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

Particulars	2022-23			2021-22		
	Executive Chairman	Managing Director	Total	Executive Chairman	Managing Director	Total
Salary *	30.00	10.80	40.80	20.06	10.80	30.86
House Rent Allowance *	-	-	-	-	-	-
Commission *	27.50	22.50	50.00	24.00	21.00	45.00
Contribution to Provident Fund, Superannuation and Gratuity : #	10.60	3.44	14.04	7.92	3.44	11.36
Other perquisites *	4.45	11.70	16.15	4.38	1.73	6.11
Gross Remuneration	72.55	48.44	120.99	56.36	36.97	93.33

* 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	
	2022-23	2021-22
1 Net Profit as per Profit & Loss Account	1,432.76	1,141.24
2 ADD		
Directors Remuneration	129.94	103.58
Loss on sale of Assets	-	1.86
	1,562.70	1,246.68
3 LESS		
Profit on sale of Investments	26.56	31.59
Net Gain on Financial Instruments Measured at FVTPL	33.44	40.23
Unrealised and Notional Gains on foreign exchange	-	2.15
	60.00	73.97
Net Profit U/S 197	1,502.70	1,172.71
Maximum permissible Remuneration payable to Executive Chairman & Managing Director	150.27	117.27
Restricted to		
Executive Chairman	72.55	56.36
Executive Directors	48.44	36.97
Maximum permissible Commission payable to Non Executive Directors	15.03	11.73
Restricted to	8.95	10.25

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 31 : 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 st March, 2023	31 st March, 2022
A Financial assets		
a) Fair value through other comprehensive income (FVTOCI)		
Equity investments	1,418.85	788.56
b) Fair value through profit and loss (FVTPL)		
Mutual Fund investments	1,037.69	1,266.21
c) Amortised cost		
Trade receivables	3,291.65	2,988.28
Other financial assets	579.97	34.21
Cash and cash equivalents	358.62	356.58
Other bank balances	35.81	31.31
	6,722.59	5,465.15
B Financial liabilities		
Amortised cost		
Lease liabilities	10.20	12.43
Trade payables	1,569.77	1,703.65
Other financial liabilities	701.15	617.75
	2,281.12	2,333.83

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.

There are no borrowings as on the reporting date of the current and previous year. Borrowings are however obtained at market rates of interest available for debt on similar terms, credit risk and remaining maturities.

(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.

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 31 : Financial instruments - fair values: (Contd.)

As at 31st March 2023

a) Financial assets measured at fair value

₹ in Million

	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
Financial assets					
FVTOCI investments - quoted	1,110.86	-	-	Quoted market price	
FVTOCI investments - unquoted	-	-	307.99	Discounted cash flow / carrying value	EBIDTA, Free cash flow for 4 Years, growth rate, risk adjusted discount rate
FVTPL investments - Mutual Funds	1,037.69	-	-	Quoted market price	
	2,148.55	-	307.99		

Gain in fair value compared to previous year of the level 3 item amounting to ₹ 109.75 Million has been recognised in FVTOCI.

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

Other financial assets	-	579.97	-	Net Present Value	Maturity and prevailing interest rate
	-	579.97	-		

c) Financial liabilities measured at amortised cost

Other financial liabilities	-	701.15	-	Net Present Value	Maturity period
	-	701.15	-		

As at 31st March 2022

a) Financial assets measured at fair value

₹ in Million

	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
Financial assets					
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	
	1,856.54	-	198.23		

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

Financial assets measured at amortised cost					
Other financial assets	-	34.21	-	Net Present Value	Maturity and prevailing interest rate
	-	34.21	-		

c) Financial liabilities measured at amortised cost

Other financial liabilities	-	617.75	-	Net Present Value	Maturity period
	-	617.75	-		

During the year ended 31 March 2023, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurement.

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 32 : 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.

The management of these risks is overseen by the senior management which is advised by a team of senior officials. The Risk Management team oversees the policies and systems, on a regular basis to reflect changes in market conditions and company's activities and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The board of directors reviews and agrees policies for managing each of these risk is summarised below

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 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 33 - foreign currency sensitivity analysis.

b) Crypto Currency risk

The Company has not traded in any cryptocurrencies during the year. The Company does not hold any cryptocurrency or virtual currency as at 31 March 2023 and 31 March 2022. The Company has also not received any deposits or advances for the purpose of investing in cryptocurrencies or virtual currencies.

c) 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 31st March 2023, but has an exposure of ₹ 1,037.69 Million in its current investments. To minimise this exposure Company spreads its investment portfolio into short term and medium term maturities.

d) 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 ₹ 1,110.86 Million. A decrease/ increase of 5% in the active market could have an impact of approximately ₹ 55.54 Million on the OCI or equity attributable to the Company. These changes would not have a material effect on profit and loss.

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 32 : Financial risk management (Contd.)

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:

Unsecured Trade receivables - considered good	Not due	Outstanding from due date of payment					Total
		Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	
Gross	1,783.52	1,078.70	307.11	124.29	0.44	0.35	3,294.41
Expected credit loss	-	(0.18)	(1.39)	(0.62)	(0.22)	(0.35)	(2.76)
31 March 2023	1,783.52	1,078.52	305.72	123.67	0.22	-	3,291.65
31 March 2022	1,669.22	937.02	283.88	59.81	8.30	30.05	2,988.28

₹ in Million

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.

	31 st March, 2023					
	Carrying amount	On demand	Less than 6 months	6-12 Months	>1 year	Total
Lease Liabilities	10.20	-	1.20	1.23	7.77	10.20
Other financial liabilities	701.15	50.93	416.44	232.89	0.89	701.15
Trade payables	1,569.77	-	1,568.00	0.67	1.10	1,569.77

₹ in Million

	31 st 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	617.75	31.31	479.99	105.58	0.87	617.75
Trade payables	1,703.65	-	1,702.07	0.62	0.96	1,703.65

₹ in Million

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 32 : Financial risk management (Contd.)

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	
31 March 2023						
MSME	359.28	5.12	-	-	-	364.40
Others	1,044.11	160.16	0.52	0.14	0.44	1,205.37
Total	1,403.39	165.28	0.52	0.14	0.44	1,569.77
31 March 2022						
MSME	387.19	3.67	-	-	-	390.86
Others	1,159.32	152.51	0.51	0.28	0.17	1,312.79
Total	1,546.51	156.18	0.51	0.28	0.17	1,703.65

₹ in Million

Note 33 : Foreign currency sensitivity analysis :

(A) Exposure Hedged - Foreign Exchange Derivatives

Nature of Instrument	Currency	Sale / Purchase	31 st March, 2023	31 st March, 2022
Forward Contracts	USD	Purchase	-	-

₹ in Million

(B) Exposure Unhedged - Net

Currency	Net exposure in foreign currency in Million		Net exposure in ₹ Million	
	31 st March, 2023	31 st March, 2022	31 st March, 2023	31 st March, 2022
USD	(2.04)	0.71	(165.10)	53.93
EUR	0.14	0.15	12.77	12.36
GBP	0.17	0.08	17.60	7.70
SEK	-	0.62	-	5.22

₹ in Million

Currency	Sensitivity %	Impact on profit (Strengthen)*		Impact on profit (Weakening)*	
		31 st March, 2023	31 st March, 2022	31 st March, 2023	31 st March, 2022
USD	1.85%	3.06	(1.65)	(3.06)	1.65
EUR	2.53%	(0.32)	(0.35)	0.32	0.35
GBP	3.06%	(0.54)	(0.25)	0.54	0.25
SEK		-	(0.11)	-	0.11
Total INR		2.20	(2.36)	(2.20)	2.36

(* Strengthening / weakening of foreign currency)

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 34 : 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, 2023 and 31 March, 2022.

The Company has not been declared as a wilful defaulter by any lender who has powers to declare a company as a wilful defaulter at any time during the financial year or after the end of reporting period but before the date when financial statements are approved.

Net debt position

	₹ in Million	
	31 st March, 2023	31 st March, 2022
Borrowings (including current maturities)	-	-
Less: Cash and cash equivalents & current investments	1,396.31	1,622.27
Net debt	(1,396.31)	(1,622.27)
Total Equity	7,951.72	6,584.62

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 1st April 2022	1,622.27	-	1,622.27
Cash Flows	(259.40)	-	(259.40)
Other non-cash movement	-	-	-
Fair Value Adjustment	33.44	-	33.44
(Net Debt) / Surplus as on 31st March 2023	1,396.31	-	1,396.31

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 35 : 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 ₹ 7.94 Million (₹ 9.34 Million)
 - 2) Later than 1 year but not later than 5 years ₹ 9.09 Million (₹ 7.56 Million)
- b. There are no transaction in the nature of Sub Lease.
- c. Payments recognised as Rent in the Statement of Profit and Loss for the year ended 31st March, 2023 amounts to ₹ 14.27 Million (₹ 13.38 Million).
- d. Period of Agreement is generally for Eleven Months, in some cases extending up to five years and renewable at the option of Lessee. The lease agreements do not have any variable lease payments nor there is any residual value guarantee. There are no leases to which the company has committed and are yet to commence.

ii) Where the Lease arrangements are recognised as 'Right-of-Use Asset' under Ind AS 116

- a. Depreciation charge for right-of-use assets amounts to ₹ 3.53 Million (Previous Year ₹ 3.33 Million) Refer Note No.1 - Property, Plant & Equipment.
- b. Interest Expenses on Lease Liability ₹ 0.78 Million (Previous Year ₹ 0.44 Million) . Refer Note No.22 - Finance Cost.
- c. The expense relating to leases accounted by applying paragraph 6 are given in Note 35 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 35 A is ₹ 17.27 Million (Previous Year ₹ 15.89 Million).
- f. The carrying amount of right-of-use assets at the end of the reporting period amount to ₹ 13.52 Million (Previous Year ₹ 17.06 Million) Refer Note No.1 - Property, Plant & Equipment.
- g. For maturity profile of lease liability Refer Note No.32 (2) (C)

B The Company as a Lessor :

has entered into agreements with various customers for providing 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. 17 - Revenue From Operations. The Company has not entered into any agreements on variable lease payments.

- a. The Company has not given any assets on Financial Lease basis.
- b. The Company has examined its expected future revenue from existing leasing contracts and does not foresee any requirement for impairment as per Ind AS 36 for the underlying leased assets.
- c. Maturity Analysis based on current firm contract period.

₹ in Million

Asset under Lease	Undiscounted Lease Payments to be received in each of next 5 Years				
	Year 1	Year 2	Year 3	Year 4	Year 5
Compression Facility	144.50	-	-	-	-
Total	144.50	-	-	-	-

- d. The Company has not entered into any transaction in the nature of sale & lease back.

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 36 : Capital and other commitments :

₹ in Million

	2022-23	2021-22
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	242.69	44.58
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills & Second Charge on Fixed Assets. Amount outstanding as on 31st March 2023	2,273.48	1,879.55

Note 37 : Payment to Auditors :

₹ in Million

	2022-23	2021-22
(a) As Auditors	2.90	2.90
(b) In Other Capacity (to previous auditors)		
For Tax Audit	0.40	0.40
For GST Audit	0.23	0.23
	3.53	3.53
(c) For Expenses	0.07	0.03
	3.60	3.56

Note 38 : Dividend :

₹ in Million

	2022-23	2021-22
Interim Dividend paid per share - ₹	2.50	1.60
Dividend %	125	80
Proposed Dividend per share - ₹	3.00	2.40
Dividend %	150	120

Note 39 :

A. Contingent Liabilities not provided for in respect of :

₹ in Million

	2022-23	2021-22
Claims against the Company not acknowledged as Debts, estimated at	409.75	486.62
Income Tax Matters	6.97	6.97
Disputed Central Excise Matters	-	70.26
Disputed Customs Matters	1.97	1.97
Disputed Sales Tax Demands	0.78	0.78
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	2.08	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.

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 40 : Expenditure in Foreign Currencies (accrual basis) :

	₹ in Million	
	2022-23	2021-22
CIF Value of Imports		
Raw Materials & Components	1,143.77	1,166.15
Capital Goods	1.95	52.84
Other Expenses	71.26	43.81
Total	1,216.98	1,262.80

Note 41 : Earnings in Foreign Currencies (accrual basis) :

	₹ in Million	
	2022-23	2021-22
F.O.B. Value of Exports	1,762.69	251.69
Export of Services	10.07	6.06
Other Income	4.31	1.15
Total	1,777.07	258.90

Note 42 : 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	
	2022-23	2021-22
Profit attributable to equity shareholders (₹ in Million)	1,085.81	849.24
Weighted average number of equity shares used as denominator	6,45,45,334	6,43,61,908
	In ₹	In ₹
Basic earnings per share of nominal value of ₹ 2/- each	16.82	13.19
Diluted equity shares used as denominator	6,47,31,446	6,47,32,997
	In ₹	In ₹
Diluted earnings per share of nominal value of ₹ 2/- each	16.77	13.12

Note 43 : 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	
	31 st March, 2023	31 st March, 2022
Total outstanding to MSME suppliers	364.79	391.03
Principal Amount	364.40	390.86
Interest Amount on above	0.39	0.17
Payment made to suppliers beyond the appointed day, during the year	1,788.41	1,473.14
Interest due and payable to suppliers under MSMED Act, for the payments already made	5.70	3.65
Interest accrued and remaining unpaid for the year to suppliers under MSMED Act	6.09	3.82
Interest remaining due & payable to suppliers under MSMED Act	15.16	9.07

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 44 : Taxation :

Company has provided Income Tax for the year ended on 31st March, 2023 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 31st March, 2023	As at 31st March, 2022
Property, Plant & Equipments and Intangible Assets	(11.60)	(17.42)
Disallowance U/S 43B	27.69	27.88
Fair Value of Current and Non Current Investment	(147.29)	(64.63)
Deferred Tax Asset / (Liability)	(131.20)	(54.17)

₹ in Million

Movement in Temporary Differences	1st April 2022	Recognised in Profit & Loss & OCI in 2022-23	31st March 2023
Property, Plant & Equipments and Intangible Assets	(17.42)	5.82	(11.60)
Disallowance U/S 43 B	27.88	(0.19)	27.69
Fair Value of Current and Non Current Investment	(64.63)	(82.66)	(147.29)
Net Deferred Tax Asset / (Liability)	(54.17)	(77.03)	(131.20)

There are no items in OCI, movement of which will require recognition of Deferred Tax Asset/Liability on account of temporary differences.

Reconciliation of tax expense and tax calculated at prevailing income tax rate on the accounting profit for the year ending March 2023 & March 2022 is as under

₹ in Million

Particulars	As at 31st March, 2023	As at 31st March, 2022
Accounting Profit Before Tax	1,432.76	1,141.24
Tax on above at current rate of Income Tax	360.60	287.23
Tax Expense		
Current	357.78	289.94
Deferred	(10.83)	2.06
Total Tax Expense	346.95	292.00
Difference	(13.65)	4.77
Tax Reconciliation :		
Amounts not deductible		
Donations & CSR expenses	6.53	3.65
Others	(10.10)	4.08
Amounts not Taxable		
Carried forward claims	-	(0.13)
Others	(4.57)	(0.96)
Taxation in respect of earlier years	(5.51)	(1.87)
Total	(13.65)	4.77

"The company has not surrendered or disclosed any income during the year in the tax assessments under the Income Tax Act, 1961."

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 45 : Gross amount required to be spent by the Company on Corporate Social Responsibility during the year was ₹ 17 Million (PY ₹ 14.51 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			
Direct Expenditure	5.00	-	5.00
(Previous Year)	2.01	-	2.01
Contribution by way of Donation	12.00	-	12.00
(Previous Year)	12.50	-	12.50
Total	17.00	-	17.00
(Previous Year)	14.51	-	14.51

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.

Note 46 : Ratios :

Ratios	Numerator	Denominator	Current Period	Previous Period	% Variance
Current ratio	Total Current Assets	Total Current Liabilities	2.34	1.99	17.9%
Debt-equity ratio	Non-Current Borrowing	Total Equity	-	-	NA
Debt service coverage ratio	Profit for the year + Depreciation + Interest on Borrowing	Current Borrowing + Int. on Borrowing	NA	59.21	NA
Return on equity ratio	Profit for the year	Average of Opening & Closing (Total Equity - OCI Reserve)	17.2%	15.1%	14.0%
Inventory turnover ratio	Revenue from Operations - Other Operating Revenue	Average of Opening & Closing Inventory	6.48	6.40	1.2%
Trade receivables turnover ratio	Revenue from Operations - Other Operating Revenue	Average of Opening & Closing Trade Receivables	3.92	3.35	17.0%
Trade payables turnover ratio	Revenue from Operations - Other Operating Revenue	Average of Opening & Closing Trade Payables	7.51	6.42	16.9%
Net capital turnover ratio	Revenue from Operations - Other Operating Revenue	Total Current Assets - Current Investments - (Total Current Liabilities - Current Borrowing)	3.87	4.56	-15.1%
Net profit ratio	Profit for the year	Total Income	8.7%	8.2%	5.7%
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	23.8%	21.2%	12.0%
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	20.3%	19.0%	6.6%

As on the Balance Sheet date Company does not have any debt. As such debt equity ratio is zero. Similarly debt service coverage ratio also results in significant positive variance.

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 47 : Long term contracts :

The Company has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law/ accounting standards for material foreseeable losses on such long-term contracts (including derivative contracts) has been made in the books of accounts. As on 31st March 2023 there are no such contracts.

Note 48 : 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, Plant and Equipment in favour of consortium of banks.

The company does not have any charges or satisfaction which is yet to be registered with the ROC beyond the statutory period.

Quarterly returns or statements of current assets filed by the Company with banks are in agreement with the books of accounts.

Note 49 : Previous Years figures have been regrouped, rearranged or reclassified wherever necessary to correspond to Current Year's figures.

Note 50 : These financial statements were authorised for issue by the Board of Directors on 27th April, 2023.

Notes to the Financial Statements

for the year ended 31st March, 2023

Note 51 : NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31st MARCH 2023.

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 historical cost basis, except for certain financial instruments which are either stated at amortised cost or measured at 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 1st April, 2019. The said standard provides for certain recognition exemptions for short term leases as well as provides for certain criteria when the lease contracts are non-enforceable. The determination of lease term for the purpose of availing such exemptions and evaluation of such criteria for non-enforceability of a contract involves significant judgment.

Revenue Recognition

The company recognises revenue for each performance obligation either at a point in time or over a time.

In case performance obligation is satisfied over a period of time, either the input method or output method is used based on the type of contract and the performance obligation involved to determine the revenue to be recognised. These methods faithfully depict the company's performance towards complete satisfaction of performance obligation.

Practical expedient of "right to consideration" is also considered in respect of contracts where the satisfaction of performance is measured using the output method while recognizing revenue in the amount to which the entity has right to invoice.

In case performance obligation is satisfied at a point in time, the company generally recognises revenue when the control is transferred i.e. in case of goods either on shipment or upon delivery in domestic & on date of bill of lading in case of export. In case of services, the revenue is recognized based on completion of distinct performance obligation.

Notes to the Financial Statements

for the year ended 31st March, 2023

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 31st March, 2023

- 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

- The Company has elected to continue with the carrying value of all of its Property, plant and equipment measured as per the Indian GAAP as at 31st March 2016 and use those values as deemed cost as at the date of transition to Ind AS being 1st April 2016.

Property, plant and equipment; and capital work in progress are stated at cost of acquisition or construction net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment, borrowing costs for long term construction projects if the recognition criteria are met and net initial cost estimate of requirement of restoration of site where the asset is located. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, Plant and Equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.

- 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.
- 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.
- 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

Notes to the Financial Statements

for the year ended 31st March, 2023

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 31st March 2016 and use those values as deemed cost as at the date of transition to Ind AS being 1st April 2016.

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the

assets will flow to the Company and the cost of the asset can be measured reliably.

Expenditure on acquiring Technical Know-how (intangible asset) is amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. Depreciation on additions to Software is provided on pro-rata basis from the month of installation, over a period of one year.

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

Intangible assets are recorded at the consideration paid for acquisition.

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 31st March, 2023

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. However, trade receivables that do not contain a significant financing component are measured at transaction price.

(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

Notes to the Financial Statements

for the year ended 31st March, 2023

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

(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.

Notes to the Financial Statements

for the year ended 31st March, 2023

All derivatives are measured at fair value through the Profit and Loss. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. Hedging activities are explicitly identified and documented by the Company.

4.9 Foreign Currency Transactions

a. Initial Recognition

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

b. Conversion

Current assets and current liabilities, secured loans, being monetary items, designated in foreign currencies are revalored at the rate prevailing on the date of Balance Sheet.

c. Exchange Differences

Exchange difference arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they were adjusted in the cost of corresponding asset up to the date of transition to Ind AS. Further, exchange difference on foreign currency loans utilized for acquisition of assets, is adjusted in the cost of the asset up to transition date of Ind AS only.

4.10 Leases

The determination of whether a contract is (or contains) a lease is based on the substance of the contract at the inception of the lease. The contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

• 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

Notes to the Financial Statements

for the year ended 31st March, 2023

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Amounts due from lessees under finance leases are recorded as receivables at the company's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Where the Company is a lessor under an operating lease, the asset is capitalised within property, plant and equipment and depreciated over its useful economic life. However, if there is no reasonable certainty that the company will obtain possession of the asset upon end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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.

Notes to the Financial Statements

for the year ended 31st March, 2023

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

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

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

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

4.14 Employee Benefits

a) Short Term Employee Benefits

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

b) Employee Stock Options Scheme

The fair value of options granted on the date of grant to employees is recognised as employee benefit expense with corresponding increase in equity being the share based payment. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are required to be satisfied. At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the service and non-vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit and loss, with a corresponding adjustment to equity.

c) Post-Employment Benefits

(i) Defined contribution plan

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

(ii) Defined benefit plan

The employee's gratuity fund scheme is Company's defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan, to recognise the obligation on the net basis.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 31st March, 2023

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.

Provisions for cost of warranty obligations are recognised at the best estimate of the expenditure required to settle the Company's obligation.

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
- b) customer and the customer obtains control of the same, creating a right to payment for the performance completed, the associated costs can be estimated reliably and the amount of revenue can be measured reliably.

Revenue towards satisfaction of a performance obligation is measured at the transaction price allocated to that performance obligation 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 (unbilled revenue). 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.
- 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

Notes to the Financial Statements

for the year ended 31st March, 2023

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

The Ministry of Corporate Affairs (MCA) amended the Companies (Indian Accounting Standards) Rules on 31st March 2023 whereby certain changes to Accounting Standards apply from 1st April 2023 as below:

Ind AS 1 – Presentation of Financial Statements

The amendment requires disclosure of material accounting policies rather than significant accounting policies.

Ind AS 8 – Accounting policies, changes in accounting estimates and errors.

Ind AS 8 has been amended to distinguish between changes in accounting policies and accounting estimates.

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 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 27, 2023

Pune, April 27, 2023



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