Kirloskar Oil Engines Limited
A Kirloskar Group Company

Kirloskar Oil Engines

ANNUAL REPORT 2021-22

LIMITLESS

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Performance in FY 2021-22

Gross Sales
₹3,268 Crore

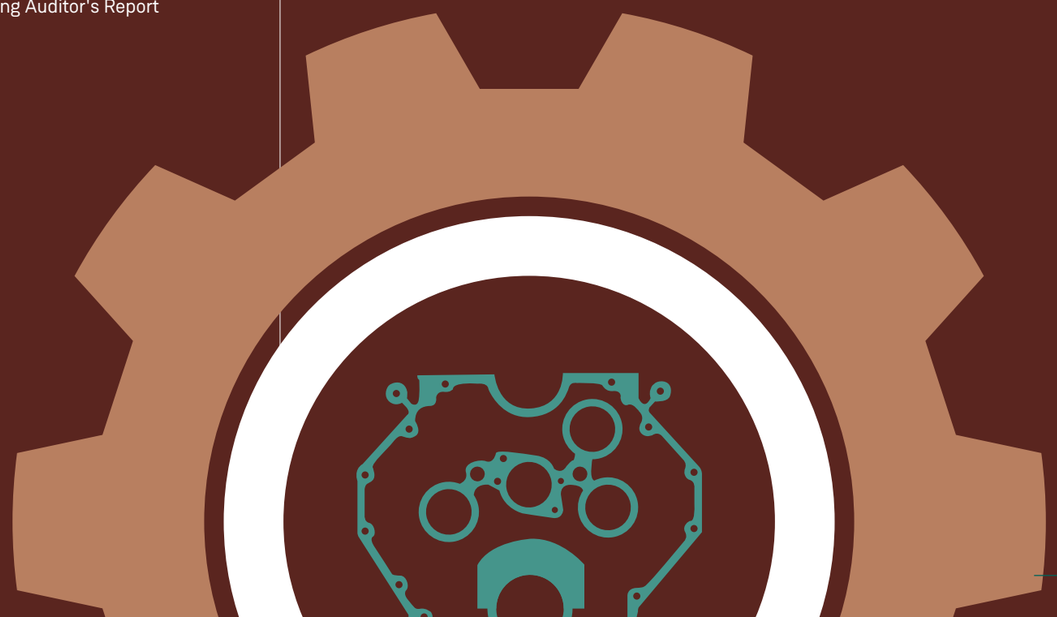
EBITDA
₹269 Crore

PBT
₹263 Crore

PAT
₹208 Crore

All numbers rounded off to the nearest rupee

For more information, please, visit our **website:**



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 endeavor 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 covers information on all business operations of Kirloskar Oil Engines Limited, including disclosures through six capitals as defined by International Integrated Reporting Council (IIRC). This report describes our business model, significant risk, opportunities and overall performance and related outcomes. The parameters for the financial capital covered in this report are in relation to "Kirloskar Oil Engines Limited" on standalone basis.

Reporting Period

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

Auditors' Reports

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

Stakeholder Feedback

Stakeholders' constructive participation and feedback are welcomed and appreciated.

Email: investors@kirloskar.com

Website: www.kirloskaroilengines.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

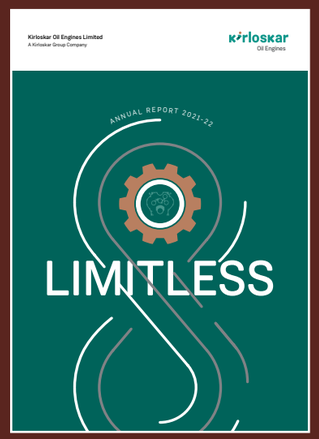
Manufactured Capital

Intellectual Capital

Human Capital

Social and Relationship Capital

Natural Capital



Corporate Information

BOARD OF DIRECTORS

Atul C. Kirloskar - Executive Chairman

Gauri Kirloskar - Non-Executive Non-Independent Director upto 19th May, 2022 and Managing Director w.e.f. 20th May, 2022

Rahul C. Kirloskar

Mahesh R. Chhabria

Vinesh Kumar Jairath

M.Lakshminarayan

Satish Jamdar

Sunil Shah Singh

Kandathil Mathew Abraham

Dr. Shalini Sarin

Yogesh Kapur - Additional Director
(Appointed w.e.f. 29th September, 2021)

Purvi Sheth - Additional Director
(Appointed w.e.f. 19th May, 2022)

Pradeep R. Rathi
(Resigned w.e.f. 9th July, 2021)

Sanjeev Nimkar - Managing Director
(Resigned w.e.f. 27th January, 2022)

Nihal G. Kulkarni - Non-Executive Non-Independent Director
(Resigned w.e.f. 9th February, 2022)

Ajay Bhushan Prasad Pandey - Additional Director
(Appointed w.e.f. 9th March, 2022 and Resigned w.e.f. 21st March, 2022)

Mrunalini Deshmukh
(Resigned w.e.f. 20th May, 2022)

CHIEF FINANCIAL OFFICER

Pawan Kumar Agarwal

COMPANY SECRETARY AND HEAD LEGAL

Smita Raichurkar

AUDITORS

G. D. Apte & Co., Chartered Accountants

BANKERS

State Bank of India

Bank of Maharashtra

HDFC Bank Limited

ICICI Bank Limited

The HSBC Limited

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. No. 020 - 26161629 / 26160084

REGISTERED OFFICE

Laxmanrao Kirloskar Road, Khadki,

Pune - 411 003, Maharashtra.

Ph. No. 020 - 25810341

www.kirloskaroilengines.com

LOCATION OF FACTORIES

Pune, Kagal, Nasik, Rajkot and Bhare

CIN: L29100PN2009PLC133351

As a part of our constant endeavor to improve shareholder services, we have initiated a shareholders' satisfaction survey. Please spare a few minutes of your valuable time to fill this questionnaire. The Link is available on the Company's website viz. https://www.kirloskaroilengines.com/shareholders-survey

Decade at a Glance

₹ in Crore, unless otherwise stated

Sr. No.	Particulars	Ind AS							Indian GAAP		
		2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
1	Gross Sales#	3,268	2,664	2,841	3,117	2,860	2,818	2,587	2,641	2,475	2,521
2	Net Sales	3,268	2,664	2,841	3,117	2,804	2,614	2,406	2,473	2,287	2,320
3	Profit Before Tax	263	231	225	336	222	252	205	205	243	271
4	Profit After Tax	208	170	170	225	150	174	165	143	178	199
5	Dividend (%)	200	200	200	250	250	250	250	250	250	250
6	Dividend per share (₹)	4	4	4	5	5	5	5	5	5	5
7	Dividend Amount	58	58	58	72	72	72	72	72	72	72
8	Earning Per Share (₹)	14	12	12	16	10	12	11	10	12	14
9	Book Value Per Share (₹)	148	137	126	123	113	112	100	93	88	80
10	Share Capital	29	29	29	29	29	29	29	29	29	29
11	Reserves and Surplus	2,111	1,954	1,801	1,746	1,608	1,588	1,415	1,313	1,238	1,125
12	Shareholders' Funds	2,139	1,983	1,830	1,775	1,637	1,617	1,444	1,341	1,267	1,154
13	Loan Funds	97	78	15	13	17	12	7	-	-	-
14	Total Capital Employed	2,236	2,061	1,845	1,788	1,654	1,629	1,451	1,341	1,267	1,154
15	Net Block	450	446	362	399	422	440	477	514	543	591

#Till 30th June, 2017 Excise duty was applicable and included in Gross sales

All numbers have been rounded off

A vision, powered by values instilled in us for over 133 years, prepares and propels us towards an exciting future. A future shaped by infinite possibilities. A future that is Limitless.

With innovation at the core of everything we do, we engineer for tomorrow, where human progress is always at the forefront. We try to see beyond challenges to the unlimited possibilities that the future unfolds.

We are transforming at a rapid pace, becoming nimbler and more adaptable to the changes around us. We are accelerating the adoption of digitisation and emerging technologies across all facets of our operations, which will hold us in good stead for the foreseeable future.

Our innate resilience enabled us to put up an encouraging performance in FY 2021-22, despite a subdued demand scenario across national and overseas markets, high input costs and supply chain bottlenecks.

Notwithstanding the odds, our strategic direction is well thought through. We are advancing towards cleaner and greener products and processes and reducing our environment footprint. We are expanding our market share in some of our existing businesses, and also foraying into new market segments, where the possibilities are enormous.

LIMITLESS

We are here to grow sustainably with all our stakeholders, because together we are Limitless.

Innovators for tomorrow

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

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

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

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

133+ Years
Of engineering excellence

05
Listed companies

₹10,533 Cr
Combined market cap*

₹7,158 Cr
Combined net worth of the Group*

6,500+
Employees across the group companies

*Market cap based on closing market price of 31st March, 2022.

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

*ISMT effective acquisition date 10th March, 2022.

Embracing transformation

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

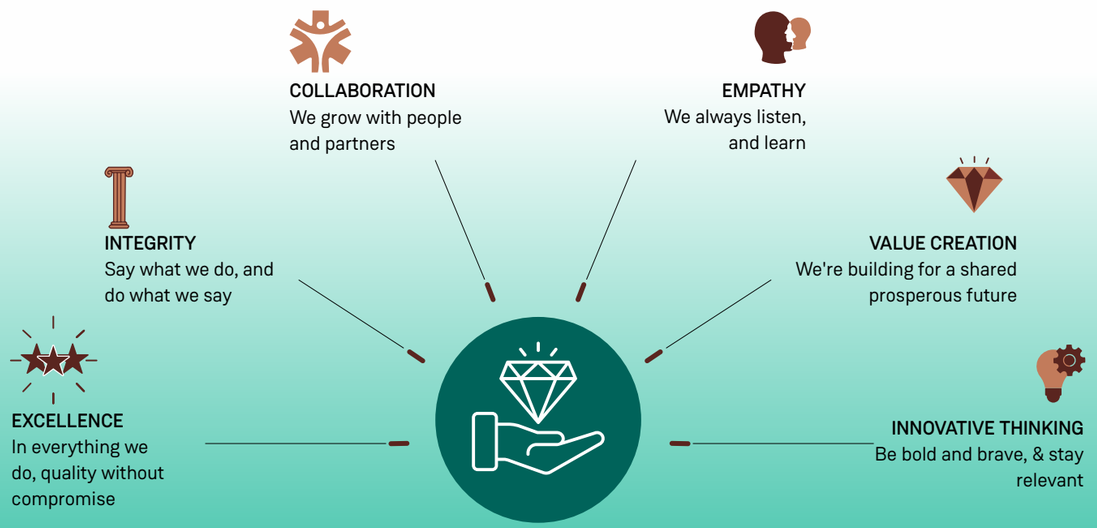
The Group, with a firm focus on the future, is evolving to deliver solutions that are driven by innovation and create new growth avenues. Being at the forefront of building products and solutions that bring engineering excellence to our customers, the Group is aware of its responsibility to conserve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

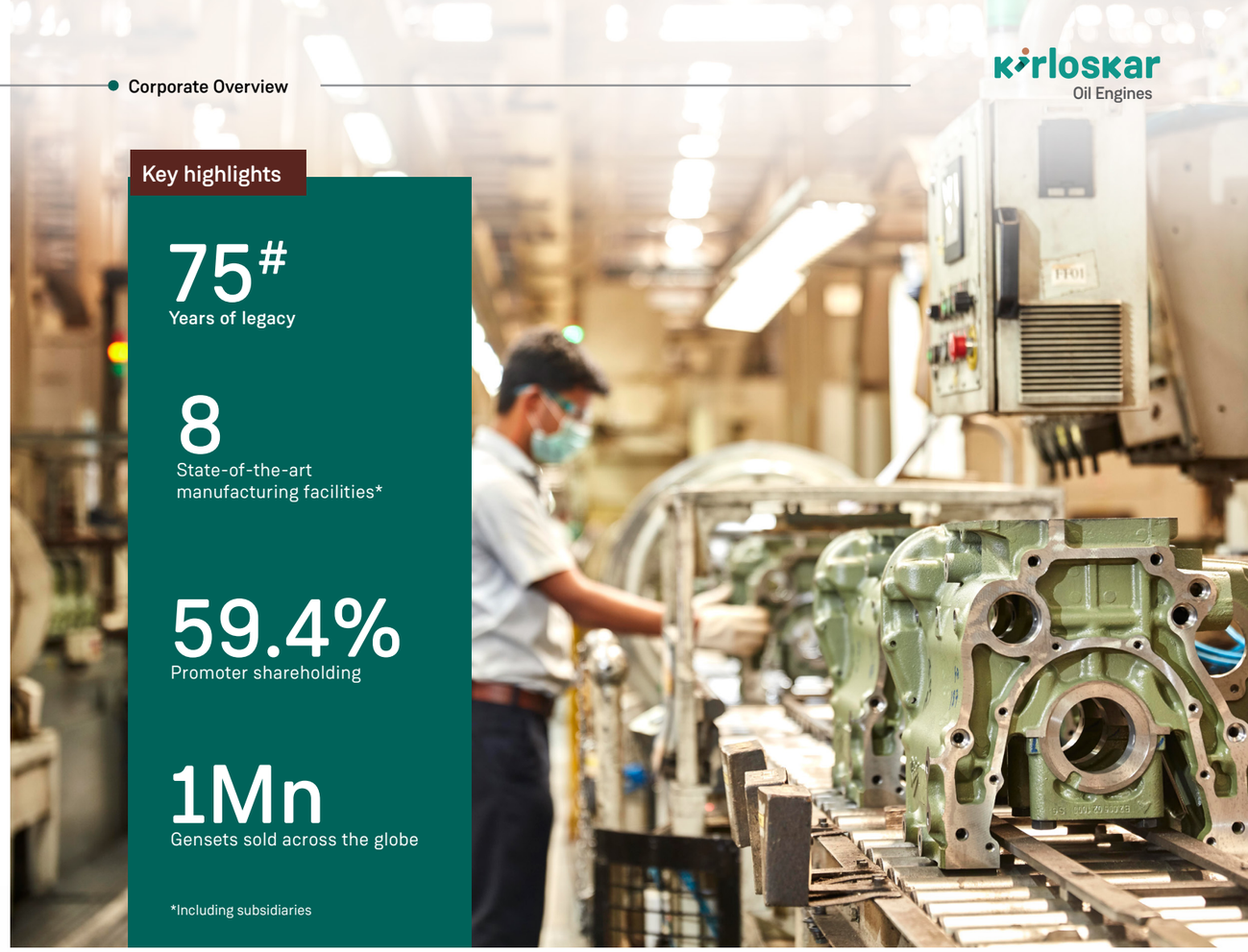
KOEL at a Glance

Harnessing limitless potential

Kirloskar Oil Engines Limited (KOEL) is one of the world's largest genset manufacturers, specialising in products that cater to a diverse pool of customers.

As a flagship company of the Kirloskar Group, we are one of India's largest diesel genset manufacturers with dominant market leadership. We develop and offer indigenous engines for agriculture, genset and industrial off-highway equipment segments. Our wide range of products, from 2.5HP to 740HP engines to diesel gensets with a power output of 5kVA to 1,500kVA, serve a large set of customers. Our strong engineering capability is built on the foundation of our state-of-the-art research centre, enabling us to create unique value for our customers through new products.





Key highlights

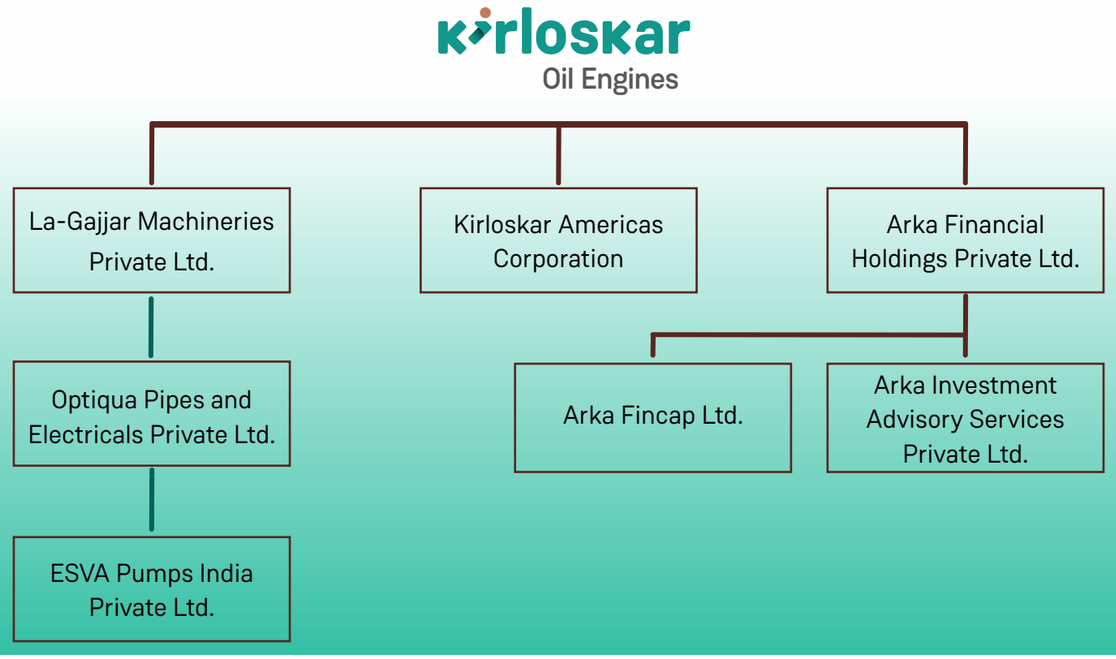
75#
Years of legacy

8
State-of-the-art manufacturing facilities*

59.4%
Promoter shareholding

1Mn
Gensets sold across the globe

*Including subsidiaries



Including merger and de-merger

Our Businesses at a Glance

Diverse and differentiated solutions

We offer a range of diverse and customised products and solutions to meet our consumers' requirements. Our solutions include power generation, industrial engines, fire fighting systems, farm mechanisation and water solutions. We are known in the industry for the functionality, durability and performance of our products. Our business segments are categorised under five strategic business units.

Prime power solutions

The segment consists of power generation, industrial engine segments and associated customer support services. We manufacture both air-cooled and liquid-cooled engines (Diesel, Petrol and Natural Gas) and gensets. The segment caters to 35+ sectors with quality diesel engines powering more than 85 applications.

Our offerings

- Gensets (2kVA – 1500 kVa)
- Emission Compliant Diesel Engines
- Corporate AMC, Bandhan – Retail AMC

Water management solutions

Our water management solution unit offers a wide array of products for domestic, commercial and agricultural use. Over the years, we have established a strong brand name in the agricultural pump segment with a significant market share. We manufacture and supply quality diesel engines used for powering various agricultural applications. We also manufacture and sell an electric variant of the pump sets.

Our offerings

- Electric Pumps
- Diesel engine based pumps
- Diesel Engines for general engineering applications
- Alternators
- Cables for agriculture applications
- Winding Wires, Cables and Pipes

Farm mechanisation solutions

Our farm mechanisation range is created to realise the Company's vision of empowering the world's small and marginal farmers, with innovative farm machines. We design products based on consumer insight, thus making them more ergonomic and efficient, which help farmers to improve the productivity. Our products are designed to meet farmers' unmet demands for safety, comfort, and affordable productivity.

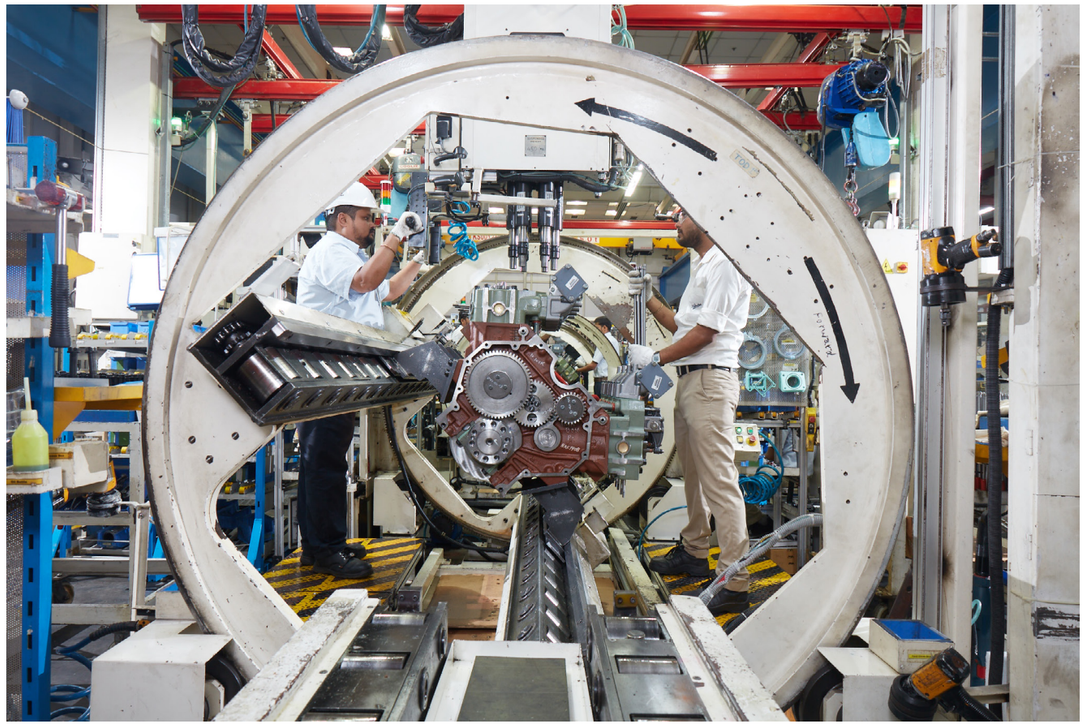
Our offerings

- Power Tillers
- Power Weeder
- Rotary Tiller
- Implements (harvester, thresher, plough, digger and hopper)
- Handheld Tools

Our Businesses at a Glance

Institutional and project solutions (IPS)

Through IPS, formerly known as the large engine business, we supply a range of products to the defence (Army, Airforce and Navy) and commercial marine sector including energy systems, gensets, vehicle repowering and propulsion engines. We operate as the system integrator and provide end-to-end solutions to our key customers.



International business

We offer our products and services to more than 30 countries across the globe. We have seen significant organic growth in the business in the last five years and expect our new products to further drive business growth.

Our offerings

- Industrial Diesel Engines
- Gensets
- Fire Fighting Engines (FM/UL)
- Agri Pump Sets
- Power Tillers
- Spare parts

ARKA FINCAP

Financial services business

Through the financial service business, we focus on providing structured-term financing solutions to corporates and financial loans to Micro, Small and Medium Enterprise (MSME) borrowers in India. This business comes under Arka Financial Holdings Private Limited. Arka Fincap Limited (Formerly known as Kirloskar Capital) is licensed by the RBI as a Systemically Important Lending NBFC (Non-Banking Finance Company). The growth of the business is built on robust digital credit assessment and concrete digital onboarding for a faster TAT (Turn Around Time) and a fast tracked disbursement process.

Our commitment

Partnering Atmanirbhar Bharat

At KOEL, we have always strived to align ourselves with the grand initiative of nation-building with indigenous technologies and expertise. We have been manufacturing large engines in India for decades and are valued partners of our armed forces.

Powering systems for defence

Products manufactured at our Nasik plant serve the Indian Army, Air Force and Navy. We provide the powering systems for the missiles and RADAR for the Army, Air Force and the Navy. Through our wide range of customised offerings, we cater to their critical requirements. Through our R&D expertise, we are able to provide critical engines to our armed forces which can withstand extreme temperatures of -30 degrees Celsius in Leh and Ladakh to 55 degrees Celsius in Rajasthan and are easy to carry. We have also been repowering many military vehicles and tanks through our engines. We have been trusted partners of the armed forces and have delivered value with each of our solutions.

Providing diesel generators for nuclear plants

Energy is a critical component of the Indian economy and nuclear energy, being the fourth largest source, is an important aspect of the energy mix. We are serving the nuclear power segment through our emergency diesel generators for nuclear power plants.

Providing power solutions

Our forward integration efforts have enabled us to not only be a diesel genset supplier but also a systems integrator by providing a complete power solution.

Modernising surveillance system

We are one of the system integrators in modernizing the naval surveillance system.

Assam inland water transport project

We have also been working on a project with Assam Inland Water Transport Project (AIWTP) as Propulsion system provider. We repowered more than 300 boats with new engines, gear boxes and propellers for inland water transportation.

Engines for naval application

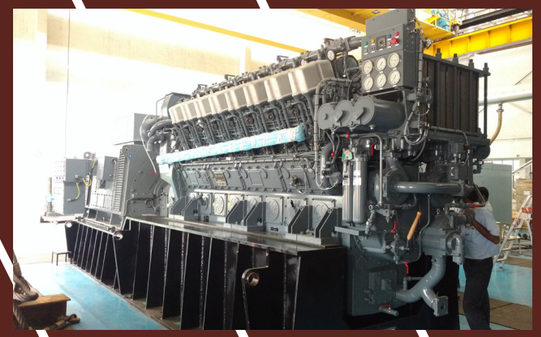
Our indigenously developed Kirloskar large engine fleet is onboard with many Indian Naval Ships and Indian Coast guard ships, which includes front line warships, survey class, and offshore patrol vessels.

Engines for fishery segment

Our offerings for fishery business have achieved an important milestone of having crossed 1,000+ engines being supplied and commissioned. Out of the supplied engines, 46 engines crossed 10,000 running hours each. Overall engines cumulatively have crossed 4.5 Mn running hours.

More than 5,000 KOEL gensets are powering various applications along the Indian border

Our engines being used in various defence applications, infrastructure projects and fishery sector



Our journey

Our evolution through the decades

1946
Engines' company was established for manufacturing diesel engines

1979
Established collaboration with SEMT Pielstick, France

1992
Received ISO 9001 for manufacturing operations

1998
Received QS 9000 certificate

1999
Received ISO 14001 certificate for environment-friendly manufacturing facilities

2004
Received TS16949 accreditation

2010
Inauguration of Kirloskar Oil Engines, Kagal Plant

2011
KOEL launches its first Corporate Sustainability Report

2012
KOEL enters the residential genset business with the launch of Chota Chilli

2013
KOEL enters Limca book of records for 7 consecutive times for 'in time wage agreement' signing since 1995 before its expiry

2014
- KOEL Green, the new brand identity for KOEL gensets was launched
- WINgineering, KOEL's first CPCB II compliant Genset launched
- Mega T, multipurpose farm equipment was launched

2015
- Signed MOU with MTU Friedrichshafen for the supply of engines to cater the future requirements from NPCIL
- Launch of Kirloskar KMW-MEGA-T Power Tiller
- Consolidated alternator and battery sales under the subsidiary Kirloskar Generator Technologies (KGT)
- CII EXIM Bank award for Business excellence
- International IMS certification from ABS
- EEPC exports the Star Performer Award for the 7th consecutive time in a row

2016
- Forayed into Genset electrical space with the launch of control panels and a complete range of switchgear products for Genset application.
- Launch of HHP/UHP range 750, 910 and 1010kVA KOEL green Gensets
- Incorporated KOWL Americas Corporation in the United States
- KWM Mega T Power Tiller received the prestigious Japan's Good Design Award and India Design Mark Award

2018
- Launch of technologically advanced intelligent KOEL iGreen gensets
- KMW receives Clarivate Analytics India innovation award
- Unveiling of 3,000 rpm FM/UL range of firefighting engine

2019
- Mega T Power Tiller receives 'Golden Peacock Innovative Product/Service Award' for the second consecutive year
- The Company was bestowed the prestigious CII Exim Bank Award for Business Excellence, becoming the FIRST Indian Diesel Engines / Gensets manufacturing company to bag this prestigious recognition.

2020
Consecutively second year Golden Peacock Award – 2020 for Energy Efficiency by Institute of Directors' (IOD). This award is regarded as a benchmark of Corporate Excellence worldwide and recognition of a world-class organisation promoting and implementing energy efficiency and energy conservation measures.

2021
- Brand refresh to Limitless
- New product launch- Organic Waste Decomposter
- Launch of Kirloskar Firefighting Pumpset
- Bharat Stage (BS) IV Transition
- Environment Protection Agency (EPA) Tier IV Final

2022
- Launch of 3 phase Induction Electric Motors

Message from the Chairman

With a strong balance sheet, healthy cash position, great set of products, and an experienced team to capitalise on opportunities, we are well positioned to unlock the opportunities in domestic and international markets.

Dear Shareholders,

It is my pleasure and privilege to present our Annual Report for FY 2021-22. The year gone by was marked by several challenges, ranging from repeated waves of the pandemic, simmering geopolitical tensions in Europe, runaway inflation, supply chain constraints and a rather subdued demand scenario in India and other parts of the world.

Notwithstanding these headwinds, we continued our resilient journey forward. For this ultimate test of resilience, we are grateful to our loyal customers and committed teams who have made this possible.

FY 2021-22 also witnessed the refresh of our Kirloskar brand with a new logo and a new business vision: Limitless. We wanted to highlight the insight that has been at the core of our group for over 133 years. It's something our founders always believed in, and this perspective has been passed down to the current generation. It continues to inspire us to perform for the benefit of all stakeholders and for societal progress.

Resilient Performance

During the year, we continued our progress in the strategic growth areas such as exports of our power generation segment, focus on engines upto 1000kVA range, industrial engines for OEMs, pumps for firefighting segment in chosen export markets. Since the second half of the year, we witnessed good traction in the healthcare segment for our power back up solutions, infrastructure projects for our industrial engines segment and schemes such as Jal Jeevan Mission for our water management solutions. Bharat Stage IV (BSIV) transition and ramp-up has also been executed smoothly.

Despite the near-term margin pressures, Kirloskar Oil Engines continued its focus on long-term priority projects such as low emission engines, gas-based products and new platform products, Our team is gearing with the upcoming CPCB IV plus emission norms for the next year roll out to ensure smooth transition for our customers.

Overall, our performance was encouraging in FY 2021-22, and we maintained healthy cash flows. On a standalone basis, net sales at ₹ 3,268 Crore for FY 2021-22 registered 23% increase Y-o-Y and the net profit at ₹ 208 Crore for FY 2021-22 grew by 23%. On the consolidated side, net sales were higher by 22% at ₹ 3,979 Crore.

Our encouraging financial performance, despite of the challenging environment, is a testament to our efforts to keep moving ahead to unlock our limitless dreams. With a strong balance sheet already in place, we further aim to continue to strengthen it progressively while generating free cash flow.

We have also made some notable improvisations in different business verticals. Such as, our newly developed models of power tillers and improvements in Internet of Things (IoT) activations in our market-leading i-Green generator sets. Keeping our dreams in focus, we are expanding our market share in some of our existing businesses and diversifying into new market categories with significant potential.

Nurturing A Green Legacy

'Kirloskar' as a brand has always nurtured the legacy of being an environmentally-conscious organisation. We focus on building a sustainable business, with the support of all stakeholders. Our largest manufacturing plant in Kagal is **carbon neutral**. Additionally, we have remained focused on all the elements of the Environment, Social and Governance parameters to continue our journey as a responsible Company.

With our broad strategies in place, we are aligned in fulfilling our sustainable journey, leaving a legacy for generations to come.

Tapping Limitless Opportunities

Despite challenging external factors, we remain enthusiastic and optimistic about our market opportunity. Our efforts in new product development, productivity gains, deeper penetration of our brand, and channel expansion present opportunities to scale up our business further and enhance the key business and financial performance indicators.

As we enter the new fiscal year, our focus is on long-term growth opportunities. We will continue to work hard to strengthen the Kirloskar brand, build scale, expand our distribution network and product range, drive innovation and digitisation and strengthen organisational capabilities at all levels.

With a strong balance sheet, healthy cash position, a great set of products, and an experienced team to capitalise on opportunities, we are well positioned to unlock the opportunities in domestic and international markets.

I want to take this opportunity to thank my colleagues for their tireless efforts and steadfast dedication towards the company. It is their contribution that has shaped our journey over the years. I would like to conclude by expressing my gratitude to you, our shareholders, for being a source of inspiration for us. I look forward to many more such engagements, as we work together to chart new frontiers of growth.

Atul Kirloskar

Our business model

Value with prudence

Inputs

Financial Capital
Shareholders' Fund: ₹ 2,139 Crore
Loan Funds: ₹ 97 Crore

Manufactured Capital
Manufacturing plants: 8*
Countries of market presence: 30

Human Capital
Employees: 2,184
Average training hours per employee: 3.64 hours
Total safety training programmes conducted 22

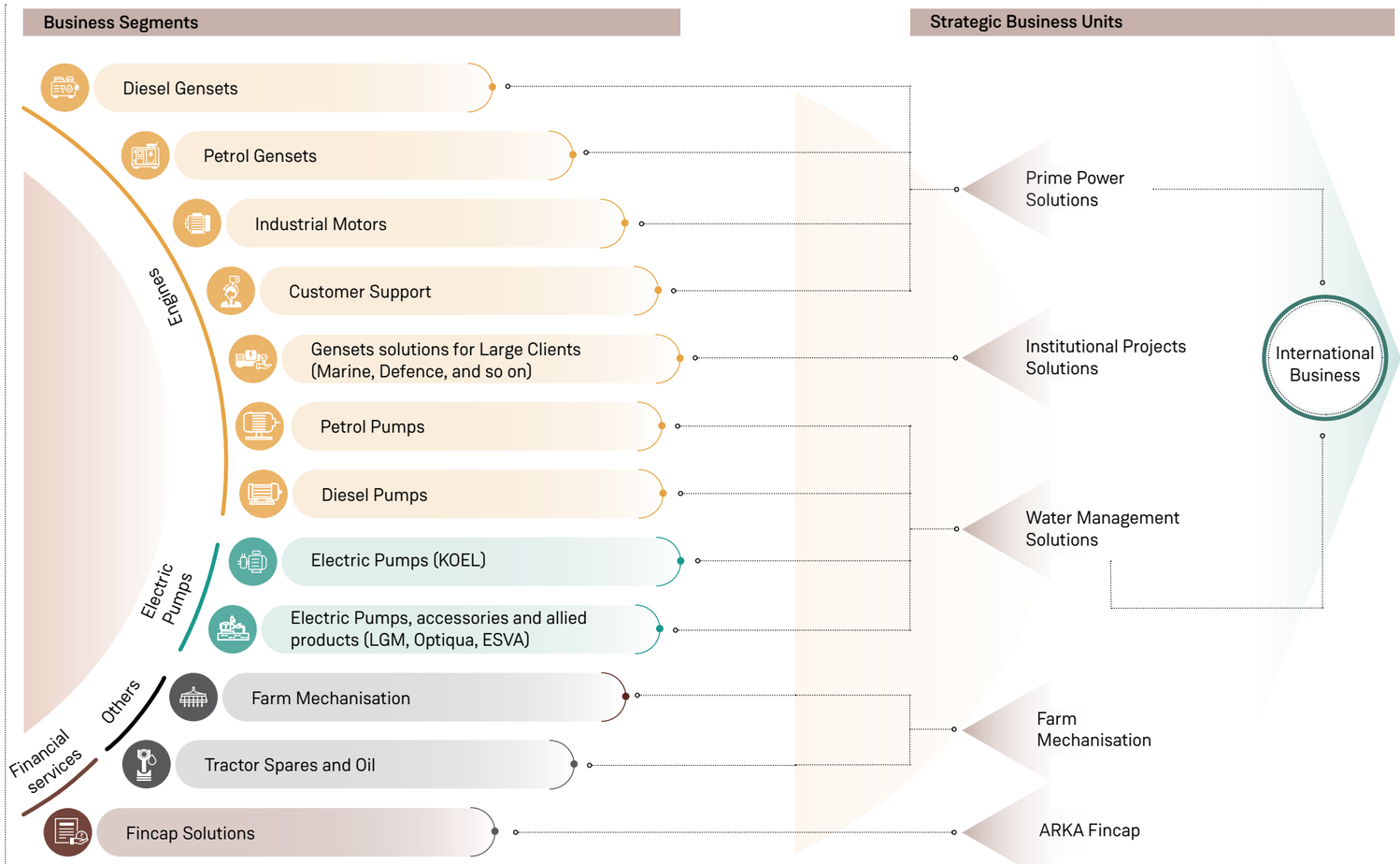
Intellectual Capital
R&D expenditure: ₹ 100 Crore
R&D employees: 177

Natural Capital
Total energy consumption: 1,87,159 GJ
Specific water consumption: 1,60,820 kilolitres

Social and Relationship Capital
CSR expenditure: ₹ 5.29 Crore
Strengthening partnerships with our stakeholders through engagement activities.

*Including subsidiaries

What we offer



Industries served

Healthcare, Hospitality, IT, Food and Beverage, Manufacturing, Infrastructure and Construction, Real Estate, Agriculture, Commercial Marine, Fisheries, Defence

Outcomes

Sales: ₹ 3,268 Crore
Revenue: ₹ 3,300 Crore
EBITDA: ₹ 269 Crore
PAT: ₹ 208 Crore

Division wise sales:
Power Generation Business : ₹ 1,318 Crore
Industrial Engine Business: ₹ 529 Crore
Customer Support Business: ₹ 438 Crore
Crop Irrigation Business: ₹ 352 Crore
Farm Mechanisation Solutions Business: ₹ 183 Crore
International Business: ₹ 298 Crore
IPS Segment: ₹ 150 Crore

Zero accidents across all plants
Increased employee productivity

Patents Granted : 7
Patents filed and in process: 7

New products and initiatives*
- R-550
- I-Green 2.0
- Mega T 12 and 15 LV power tiller
- Mini T 8 I (Teeder)
- Min T power weeder
- Firefighting engines
- Power nodes of BS IV engine
- Organic waste decomposter
- High Efficiency 3-Phase L.V. Electric Motor

Energy Intensity: 0.027 (GJ/BHP); 3% lower vs FY 2021
Water Intensity: 0.023 (kL/BHP); 8% lower vs FY 2021
Share of Solar Energy in total energy consumption: 34% in Kagal plant

Growing relationships that are mutually beneficial for all of our stakeholders

GJ- Gigajoule, BHP - Brake horsepower

UN SDGs

*Indicative list

Stakeholder engagement

Insightful interactions to co-create value

Creating long-term value for all our stakeholders is an essential component of our business strategy. KOEL has identified employees, customers, suppliers and distributors, business partners, investors and regulators as key stakeholders.

We strive to maintain effective communication with stakeholders through various channels to identify their needs and expectations.

Stakeholder group	Whether identified as vulnerable and marginalised group (Yes/No)	Channels of communication	Frequency of engagement	Purpose and scope of engagement including key topics and concerns raised during such engagement
Employees	No	• Town Hall meetings • Quarterly appraisals • Performance Review forums • Employee Engagement Survey • External consultants' interactions • Annual Operating Plan deployment meets • Feedback from unions • Apex Committees • IR Committee / Grievance handling committee / Dept. Safety Committee • Intranet	Ongoing	To stay in touch with the employees, listen to their needs and to address their concerns **Key topics** • Job satisfaction • Career Growth • Training and Development • Motivation and job satisfaction • Reward and Recognition
Shareholders / Investors	No	• Annual General Meetings • Analyst meets • Media Releases • Website	Ongoing, at least quarterly	To stay abreast of developments in the Company; To apprise of quarterly and annual results **Key topics** • Sustainable growth in revenues and profits • Alternative fuel options • Higher Dividend • Higher P/E ratio • Quick resolution of complaints
Customers	No	• One-on-one interaction • CSS (yearly) • Helpdesk • Customer events • Melas • Camps and Exhibitions	Ongoing, at least annual for the important customers	To develop relationships, anticipate short-term and long-term needs and expectations, to capture day-to-day requirements and to enhance the KOEL experience for them **Key topics** • Timely availability of products and Services • Legally complaints regarding products and services • Competitive products and **Services** • High Quality, Range, Low cost, on-time delivery • Meeting customer's specific needs • Prompt pre and post sales and service
Dealers and Distributors	No	• One-on-one interaction • Monthly/ Quarterly reviews • Helpdesk • Dealer conferences and meets	Ongoing, at least quarterly	To understand mutual expectations, to apprise of KOEL's policies and process communication, to understand market conditions and development and to know customer expectations and experience **Key topics** • Training needs • Cost reduction avenues • KOEL expectations and needs sharing • Market conditions and requirements • Customer expectations and experience
Technical Collaborators	No	• Meetings	Annual	To strengthen relationships by creating win-win situations **Key topics** • Business opportunities • Utilising the mutual strengths
Banks	No	• Consortium Meetings: Periodical meetings/ interactions with members of the Banks in the consortium	Ongoing, at least quarterly	To approve funding and non-funding limits for the Company **Key topics** • Funding and non-funding limits
Suppliers and Vendors	No (except a few small enterprises)	• One-on-one interaction • Supplier meets /conference (yearly) • Quality audit • SQI visit • Supplier 'A' Panel Meet • Technology Day • Quality contests (yearly) • Supplier Satisfaction Survey • BPR (Buffer Penetration Report) • Supplier Web Portal • Supplier Performance index • Joint improvement activities • Samvardhan programme • Value Engineering exercises	Ongoing, at least quarterly	To mutually share needs and expectations and to develop strategic partnerships, create value and share technology **Key topics** • Quality, cost and delivery improvement • EHS and process improvement • Technology sharing • Fair commercial terms • Minimal fluctuations in delivery schedules • On-time payment • Growth in business avenues and improved ROI
Society / Local Communities	Yes	• Interaction with society/NGO for the WASH initiative • Vasundhara Film festival • CSR committee meetings • CSR survey • Society Perception Survey	Ongoing and need-based	To contribute back to society by implementing various initiatives, to spread awareness on environmental and social issues **Key topics** • Needs and Perception • Employment • Education • Health • Social responsibility
Regulator / Government	No	• Economic Publication in journals/seminars/ media reports • Interaction with District and State Authorities / Central Govt./ PCB meetings with Direct/Indirect Tax officials	Ongoing and need-based	To discussions various regulations and amendments, inspections, approvals **Key topics** Good corporate citizenship (Compliance with regulations, regular tax payments, employment generation, social responsibility , and so on.)

Financial Capital

Financial capital enables us to pursue our growth ambitions and seek new horizons of opportunity. We allocate our financial resources with prudence, which is supervised by our leadership team and the Board. Our consistent focus is to strengthen our balance sheet progressively and generate free cash flow. We also review our investments to safeguard the interests of all stakeholders.

Dividend policy

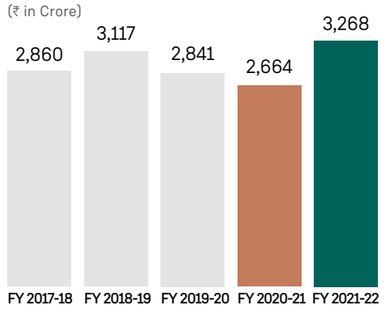
We have a board-approved dividend policy of distributing at least 10% of Post Tax profits including interim dividends for a financial year. We have a consistent track record of sharing our profits with shareholders.

Capital allocation

Our constant goal is to maximise shareholder value through an effective capital allocation approach. The key focus is to ensure the Company's long-term sustainability and consistent cash flow generation.

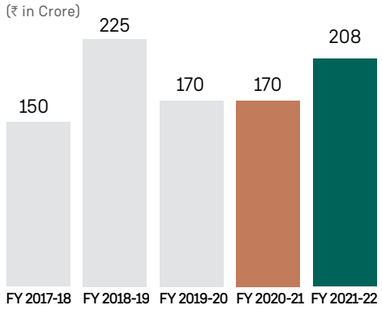
Gross Sales

(₹ in Crore)



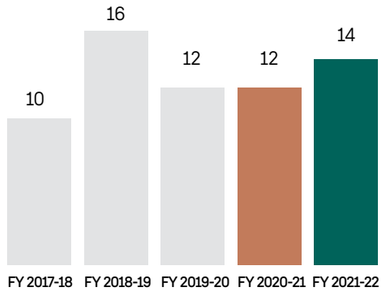
PAT

(₹ in Crore)



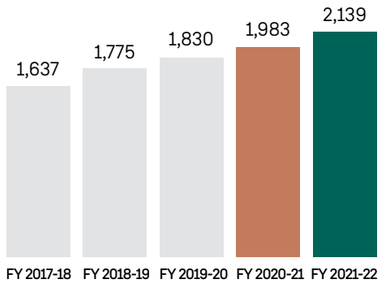
EPS

(₹)

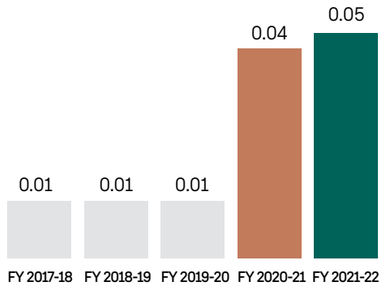


Shareholders' Fund

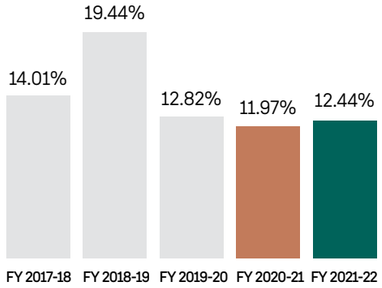
(₹ in Crore)



Debt Equity Ratio



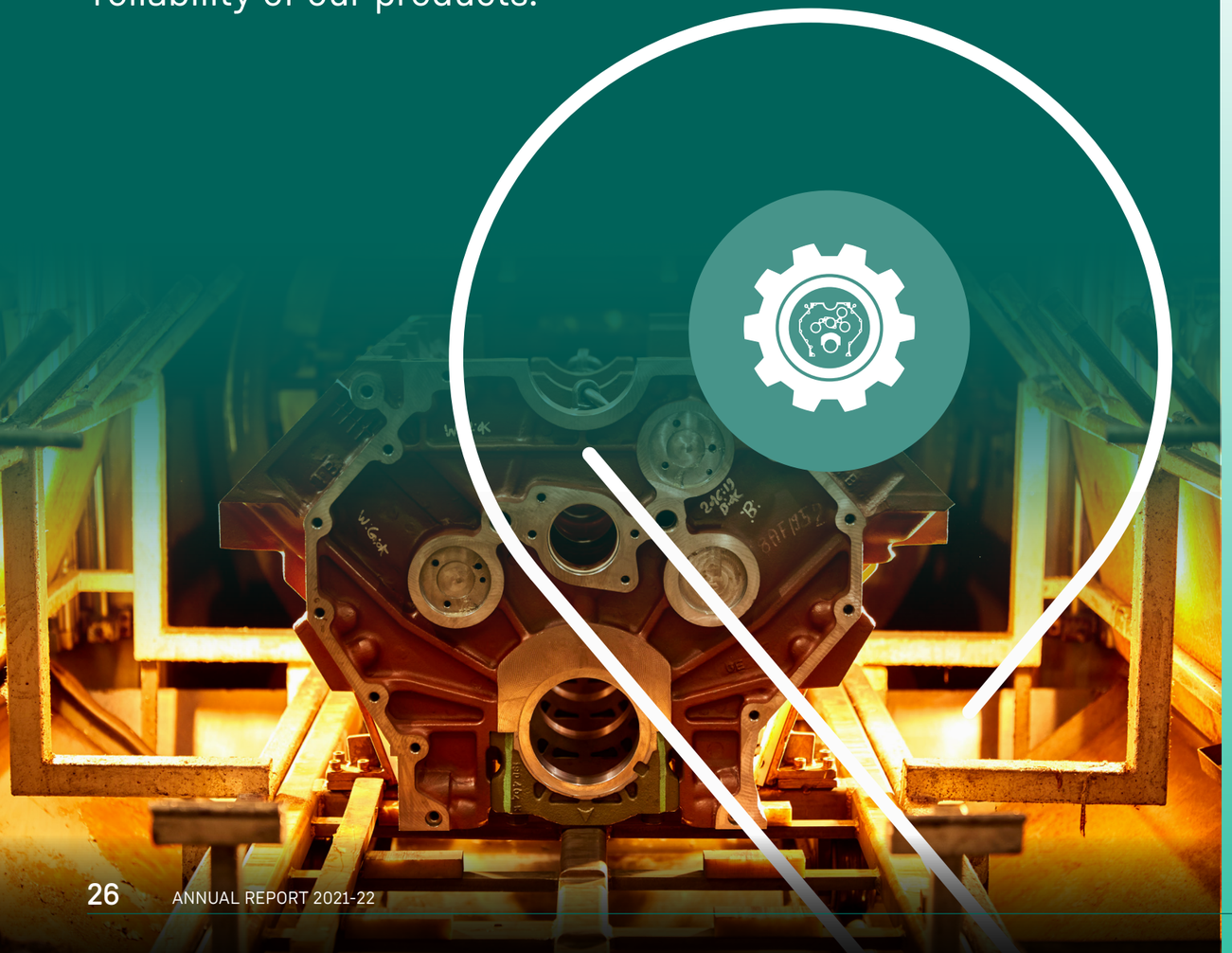
RoCE



All numbers have been rounded off
Numbers represent standalone numbers

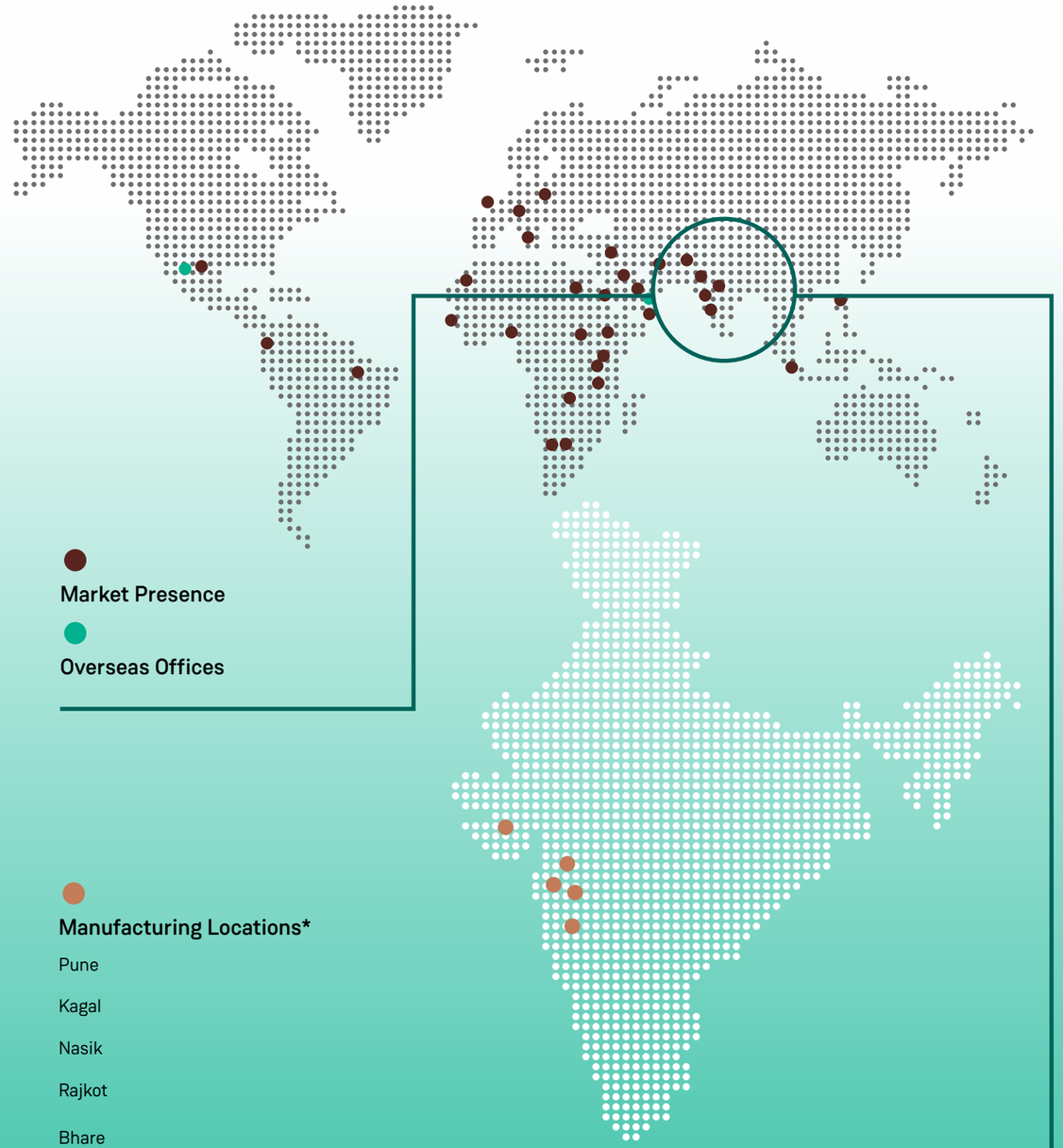
Manufactured Capital

Our best-in-class manufacturing facilities and the technologies that empower our assets represent our manufactured capital. Our processes are tech-driven and digitalised to improve efficiency, safety, sustainability and reliability of our products.



Our manufacturing facilities

Our state-of-the-art manufacturing units are located in Pune, Kagal, Nasik, Rajkot and Bhare. Our units produce a range of products, from engines to gensets (diesel and petrol) to pumpsets (diesel and electric).



*Standalone business

Map not to scale. Only for representation purpose

Elevating manufacturing expertise

Kagal facility

Located near the culturally rich city of Kolhapur, Maharashtra, popularly known as the sugar belt of Maharashtra, the Kagal manufacturing plant is the tower of strength for our business operations in India and abroad. The total plant area measures around 160 acres out of which 1.4 million square feet of built-up area is for production and warehousing. It is equipped with modern machining centres and was executed in the record time of 19 months. The manufacturing facility consists of three plants dedicated to the manufacturing of engines and gensets.

1.4Mn
Square feet
Built area

- Engine plant 1
- Engine plant 2
- Genset plant

United Nations
Framework Convention on Climate Change

VOLUNTARY CANCELLATION CERTIFICATE

Presented to:

Reason for cancellation:

Number and type of units cancelled

4,648 CERs

Carbon Neutral Certification

First in India

For engine testing on AC regenerative dynamometer

Manufacturing excellence

The entire facility is equipped with modern technology and in-built quality systems to ensure the precision manufacturing of components. The engine plant is equipped with the latest CNC machines for critical components which include crankcase, crankshaft, camshaft, cylinder head and connecting rods. The Genset plant is equipped with automated machining systems that ensure high-quality products.

130,000
Annual engine production capacity

Quality culture

The plant has achieved efficiency through the implementation of the Toyota Production System (TPS) and has streamlined its system, processes and standards by the use of the Integrated Management System (IMS). The plants have adopted Kaizen and Six Sigma to enhance operational efficiency and also follow the 5S principles for a clean and safe work environment.

Certifications:

ABS-QE	ISO 9001
ISO 14001	

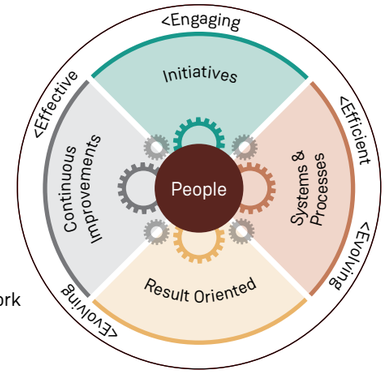
Integrating sustainability

With environmental sustainability at the core, Kagal facility leads in implementing green initiatives. The solar power plant of capacity 5.5 MW, Rainwater ponds, Bio Gas plants, Solar Heating and Pumping systems, and Online Energy Monitoring systems are the major green initiatives already executed at the Kagal Plant. The plant is bestowed with the prestigious Golden Peacock Award for Energy Efficiency for the third consecutive time in 2021 and is also a winner of the Excellence in Energy Management and National Energy Leader awards.

5.5 MW
Solar capacity

Kagal Plant

Kaizen
SMED
Karakuri Kaizen
Autonomous
Maintenance
Standardised work
5S



ENCON
Watercon
Quality Circle
Six Sigma
VSM
3M
Safety

Nasik facility

A dedicated plant measuring 40,000 square meters has been set up in the industrial area of Nashik city, located in Northern Maharashtra. The plant has the capability of manufacturing large size engines and gensets required for the customised needs of the Defence industry and power plants needs. The plant is also equipped with testing facilities including type testing and rain testing.

The plant is complaint with stringent quality requirements of the Nuclear Power Corporation of India (NPCIL). Nashik plant has been awarded as Most Energy Efficient Unit from confederation of Indian industry (CII) as a result of cautious efforts by the plant team in energy conservation in all activities they perform.

Most of the projects are handled from the Concept to Commissioning stages by the project management team which includes application engineering, contract management, manufacturing, testing and after-sales service of engines and gensets and is aimed at Customer Satisfaction through Quality, Performance and Reliability.

Strategic acquisition

During the year, Optiqua Pipes and Electricals Private Limited, subsidiary of La-Gajjar Machineries Private Limited acquired the business of pipes, cables & wires of Optiflex Industries, on a slump sale basis. This acquisition is in line with our strategy of expanding market opportunities in the allied segments in the water management solution vertical.

Further Optiqua entered into a joint venture with ESVA Pumps India Private Limited by obtaining 49% equity stake in the company during October, 2021.

Kirsloskar Americas

In 2016, Kirloskar Oil Engines established Kirloskar Americas in Houston, Texas while developing a line of US EPA Certified diesel engines for its international business. The subsidiary now markets diesel engines to North America, plus other products to Latin America including Mexico, South America and the Caribbean. We have set up a large engine, generator set and parts warehouse in the US for meeting requirements of customers in the Americas region.

International business

Our international presence extends across 30 countries, backed by offices and operational presence in key countries. Markets like UAE, South Africa and the USA have a team of application engineers and customer support team, who enrich our end-user experience and support our 'go-to-market' strategy. This is backed by a strong after-sales service and excellent inventory management of spare parts, that are tracked and delivered in record time. Going forward, we continue to add new OEMs backed by new product development that largely cater to international markets.

Our Mega T Power tillers have displayed their agrarian effectiveness through the ease of operation, safety and comfort, making them a favourite among the South Sudanese farmers. With our last delivery of power tillers, our authorised distributor, M/s Doshi Motors, organised a customer training and product demonstration to further empower the farmers of ZOA County, Juba, making long strides to nurture a limitless future.

30

Countries of market presence

₹ 325 Crore.

Of sales recorded in exports – highest ever

**New products.
Sustained growth.**

We received EPA approvals on two models of our recently introduced R550 engines, opening up avenues of business growth. We also introduced Industrial Power Packs, for our industrial and genset OEM customers. We partnered with leading gas engine manufacturers in international market for supplying long blocks – an integral part of gas engines.

Pioneering 'Make in India' for many decades

Since 1980s, we have been the first the Company to manufacture large size engines in India. Leveraging our deep domain knowledge, we are today manufacturing engines, transformers, power systems, panels, cables, gear box, propulsion system and gensets for critical downstream industries like defence, nuclear and marine. Under our IPS and international business, we are today exporting new-age products to several countries, making the brand 'Make in India' truly global.

CII Centre of Excellence for Competitiveness for SMEs

CII Confederation of Indian Industry

14TH CII NATIONAL COMPETITIVENESS & CLUSTER SUMMIT 2021

25-26 November 2021 | CII Virtual Platform

This is to certify that KIRLOSKAR OIL ENGINES LIMITED, KOLHAPUR is position holder (as per below details) in 14th CII National Competitiveness & Cluster Summit 2021 held from 25 - 26 November 2021 ON CII's Virtual platform.

Competition : Kaizen Awards
Award : Silver
Stream : 3M (Muda Mura Muri)
Category : Large

Issuing Date: 26 November 2021
Certificate No. MI-COM-D0125-025

Pikender Pal Singh
Executive Director, Confederation of Indian Industry
Head, CII – Centre of Excellence for Competitiveness for SMEs

Kaizen-3M Silver Award - Kagal

Quality assurance

Our standard manufacturing procedure helps us maintain uniform quality products across our manufacturing units. All our processes conform to ISO standards for Quality, Environment and Health and Safety. In the reporting period, the systems were further upgraded to meet requirements of different standards like ISO 45001, while the R&D laboratory at Pune was certified with National Accreditation Board for Testing and Calibration Laboratories accreditation. During the year we undertook the following initiatives :

- Journey Towards Zero Defect
- Six Sigma Clusters for Suppliers
- Application of different Quality tools like Six Sigma and Failure mode and effects analysis
- VDA 6.3 (Verband der Automobilindustrie - German Quality Management Standard) audits conducted across the plants
- Develop and train internal pool of people to perform assessments as per various standards and quality tools
- Application Solutions for customers
- Digitisation towards paperless Quality Systems

These initiatives have resulted in continuous improvement of quality across our manufacturing processes, reflected in high levels of Net Promoter Score and Customer Delight Index. Despite challenges put forward by COVID-19 pandemic, the efforts were realigned and the strategy was put in place to a deliver products of the highest quality.

Operational excellence

The Kirloskar Remote Monitoring (KRM) system helps in monitoring critical generator parameters using smart devices. KRM integration with generators helps in the effective utilisation of generators and hence reduces the operational cost for customers.

Uncompromised quality

We are India's only genset manufacturer with standardised quality for all our products across the markets we operate. This is backed by our ability to manufacture gensets with materials and components sourced from suppliers of consistent quality. Before dispatch, each product is tested and inspected on several parameters to live up the 'Kirloskar' brand.

Our value chain is run on theory of constraints through IT enabled system where in the entire process from sales to material supply is automised. The system is designed based on historical sales trend and the dispatch on one unit triggers the system for replenishment.

Our system-based tracking of KPIs helps us improve customer confidence and service satisfaction. Some of the KPIs, include:

- Service response (Reaching site)
- FTR (First Time Right)
- FVR (First Visit Resolution)
- Customer Delight Index (CDI) score
- Maximum Time to Restore (MaxTTR)

We strive to keep our service response time within 4 hours and our MaxTTR is 24 hours. Our efforts in customer service has resulted in CDI scores of 94+ consistently.

Supply chain management

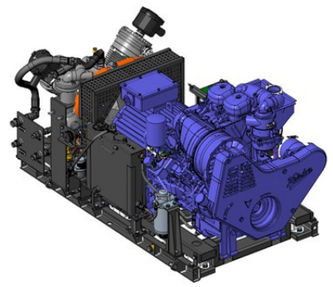
Our 'Lean Cluster' deployment has helped improve productivity of supplier base by helping them augment their capacity. We are building an efficient supply chain to increase our reach into rural India for expansion of engines, pump sets, oil and allied products business. We are planning to make our supply chain future ready and are aligning to the concepts of Internet of Things (IoT).

Intellectual Capital

Our expertise and experience honed for decades represent our intellectual capital. This helps us expand our portfolio and diversify our revenue streams. We transform and innovate to compete in a dynamic operating environment. We also empower our talent pool to drive various operational improvements in our state-of-the-art plants.

Experience and expertise

We are leveraging our decades of knowledge and experience in manufacturing products that enrich our customers' operations. For decades, we have sustained our market leadership in key products. Over the years, as technology and end-user requirements have evolved, we have introduced products and solutions that live up to the 'Kirloskar Promise.'



Research and development

Research and development has always played an important role in driving growth and building our market leadership. Our Corporate Research and Engineering (CRE) and Application Engineering (AE) team are focused on expanding the product range with emission upgrades and providing sustainable solutions for long-term growth. New and existing platforms are being constantly upgraded to set new benchmarks to enhance the fuel economy and reduce power consumption at optimum cost.

₹100 Crore
R&D expenditure in FY 2021-22

177
Employees in the R&D team

Key R&D focus areas

Key focus area	Description	Achievement
Emission solution	• Sustaining the existing product portfolio • Expand to new geographical regions where different emission standards are applicable	• Complete in-house development of emission solutions to meet BSIV emission norms • In-house design and development of power generation specific emission solutions to meet upcoming CPCB IV emission norms
Range expansion	• Expanding the horsepower range for the new engine platforms • Expanding the range with alternate fuel technology, biodiesel, biogas, PNG • Expanding the application range of products	• Design, development and validation of 32 ltr and 53 ltr diesel engines. Largest engines developed in India with complete in-house resources • Design and development of a global compact engine platform with IoT features. Special focus on Noise, vibration and harshness (NVH) and capable of meeting global emission standards
Custom engineering	• Development of special products and applications based on customer requirements • Custom engineering solutions for defence and marine	• Special marine Genset solution for underwater application • Custom solution for APU application

Fully Complainant products

When Bharat Stage IV emissions norms were made applicable in India for construction equipment sector, We started serving our OEM partners with fully complaint products from the very first day.

The R&D team developed power nodes and upgrades for the following during last year:

- Bharat Stage IV (BSIV) emission compliant engines for wheeled construction equipment
- Bharat Stage III (BS III) emission compliant engines for tracked construction equipment
- Bharat (TREM) Stage III A emission norm compliant engines for tractor application, Power Tiller and Power Weeder
- CPCB II emission compliant gas genset models

Innovating for a sustainable future

Through the newly launched i-Green gensets in low and medium kVA ranges of IoT-enabled Genset, we have gained market share in the High Horse Power (HHP) genset category. The i-Green range remains the market leader with significant improvements in IoT activations and is receiving an encouraging response from customers. As India's only digital back-up solution, the low-emission, high efficiency engines are robust and hassle free to operate. Some industry-first features include:

- Auto Main Failure Panel, specifically designed to switch on and off automatically on mains power failure / restoration
- Monitoring genset on finger tips
- QR code enabled
- Real-time status indicator
- Aesthetically designed

Being Future Ready

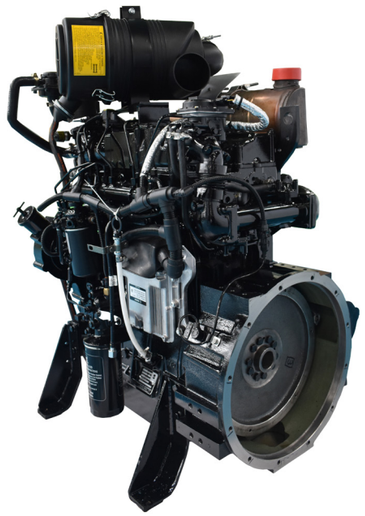
We always believe in being a step ahead to fullfill our customers' needs. Anticipating the further changes in emission norms, our research & development and production teams are already in a process of gearing up for BS V & CPCB IV+ emission norms. We are committed to deliver products which will adhere to the upcoming emission norms without any lag, thus ensuring smooth transition for our customers.

4,300+

BS IV Engines supplied as on 30th June, 2022

100,000

Cumulative engines hours clocked by out BS IV engines as on 30th June, 2022



Collaboration

We continue to work closely with leading association bodies, collaborating on several technical and innovative ideas. Some of the legislative bodies that we partner include the Petroleum Conservation Research Association (PCRA) and The Central Pollution Control Board (CPCB), Bureau of Indian Standards. We are also in specific technical collaboration with the research institutes such as The Automotive Research Association of India, TheVehicle Research and Development Establishment and Indian Institute of Technology. Some industry associations including the Indian Diesel Engine Manufacturers' Association and Confederation of Indian Industry have also become partners to create value in new product development. These partnerships along with feedbacks of OEMs, customers and suppliers, help us identify opportunities to innovate, design, develop and improve our products.

New products and initiatives

Prime Power Solutions

We developed R-550 and I-Green 2.0 products in the genset segment during the year. The R-550 genset is a compact power pack with 30% volumetric reduction without compromising on performance.

Farm Mechanisation

In FY 2021-22, we continued our innovation and introduced new 'k Cool' product range to address the market requirement in 12 HP, 15 HP segments and power weeder segment.

Mega T 12 and 15 LV power tiller

We introduced a new range of power tillers with K Cool engine technology. These tillers have high endurance and have unique ability to run-operate for 24 hours.

Mini T 8 I (Teeder)

This product includes features of both the power tiller and power weeder. This light weight machine can operate in any terrain due to its unique ability to work as both tiller and weeder.

Power weeder

The Min T petrol series includes several lightweight machines that are easy to transport to mountainous and hilly areas. The 2 HP variant is ideal for tight spaces for inter-cultivation on dry soil. K Cool engine series in 15, 12, 8, and 5 HP are now available. KCool 12 and 15 HP has nonstop operation capacity of 24 hours, a flexi balancing system, and an oil cleaner, all of which contribute to lower maintenance and longer engine life. Farming, irrigation, industrial uses, and construction equipment all benefit from K Cool engines.

Firefighting engines

We added several OEMs during the year in the fire-fighting sector, where we indigenously developed & manufactured FM & UL approved engines for this sector. We currently cater this product to OEMs in the Middle East, Europe, SE Asia, North & South America and we expect to drive growth from this business further from international markets.

Industrial business

We have developed multiple power nodes of BS IV engine models to cater to a vast range of equipment across Construction Equipment Vehicles including power nodes in the range from 74 hp to 130 hp. This engine platform is capable of meeting BS V emission norms which are expected to be effective from 1st April, 2024.

Water management solutions

We introduced several stock keeping units (SKUs) in the reporting period for electric pump business. This will assist the Company in strengthening its position in major consumer areas and contribute considerably towards rapid growth within the electric pump industry.

Organice Waste Decomposter

It is an organic waste decomposter that combines biotechnology and intelligent engineering in a unique way. Within 24 hours, the organic waste is recycled into nutrient-rich soil. It's a fully automated, odourless, and noiseless decomposter that decreases organic waste volume by 80-90 percent. It is also extremely energy and cost efficient.

Electric Motors

With its vision to make a positive impact in the Customers' lives by launching new products and services, we proudly launched High Efficiency 3-Phase L.V. Electric Motors, that will power machines in all applications across industries.

To ensure top class performance and efficiency, these motors are manufactured with high grade copper wires. With a range of quality products, backed by an excellent Sales and Service network, KOEL makes a grand entry in the Electric Motors market with the mission to – "perform beyond expectations".

Information technology

We have introduced digital transformation in every aspect of the business to improve efficiency and enhance the consumer experience. Being a customer-centric company, we focus on achieving customer delight through industry-leading business operations.

Sales

Using IT tools makes our products available in the right place at the right time

Customer service

The digital transformation enables a faster and better service experience to customers Standardised efficient processes customer satisfaction measurement

Spares

Updating availability become easy due to the seamless flow of Point of sale data for replenishing channel partner inventory

Analytics

Used for sales and marketing strategy, last-mile performance and business Analytics

IT-enabled customer support

Electronic Financial Statement Reporting (FSR)

It is a Tablet based application integrated with main Enterprise resource planning (ERP) which is error-free, tamper-proof service record. This is a big differentiator as it showcases real time visibility of service execution on ground.

KOEL Connect

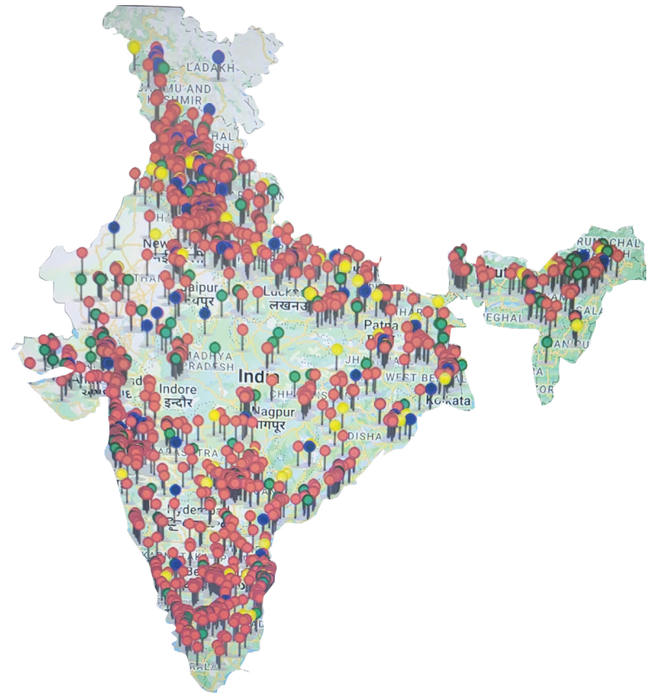
KOEL Connect is a self service application that helps customers remotely monitor their assets. This facilitates booking service request and checking status on finger tips.

Electronic Spare Parts Catalog (eSPC)

eSPC is an online spare parts catalog which provides ease of access to the customers. This also provides accurate data across many generations of products.

Kirloskar remote monitoring

The Kirloskar Remote Monitoring (KRM) system helps in monitoring critical genset parameters with IoT. It is the world's first IoT enabled gensets that sense abnormality and sends alarms to service center and KOEL care center through text message. This also helps create digital performance reports and data that provides insights for analytics and preventive action. KRM integration with gensets helps in the effective utilisation of gensets and hence reduces the operational cost for customers.



Human Capital

Our empowered talent pool are our true brand ambassadors. Our teams deliver on the expectations of our customers with dedication and perseverance. Our HR policies focus on attracting, nurturing and retaining talent, while promoting inclusivity, diversity and transparency across hierarchies.

2,184
Employees

35.7
Average age of employees

3.64
Average training hours per employee

Our people are an integral part ofour business ecosystem. Attracting,training and retaining talented dividuals,enables us to respond more effectively to changes in the market. We invest in the development of employees through various training and learning programmes. We also create a safe and engaging working environment, curating specific training and education modules for the team.

Aligned to the 'limitless' philosophy, we continue to build our work culture centered around immersive programs on multiple facets of skill and technical development, that will contribute to creating value for business.

Recruiting the best

At KOEL, we believe that hiring the right individuals and nurturing them is pivotal to our business excellence. Our brand equity and rich legacy attracts individuals with the right qualifications to join us. We induct fresh and experienced individuals at multiple locations, empowering lives across the markets we are present. We ensure no employee is discriminated based on their caste, creed, color, religion, age, sexual orientation, gender, disability, marital status or other such distinguishing factors.

Employees hired by age group

Age Group	FY 2021-22	FY 2020-21	FY 2019-20
<30 years	100	44	115
30-50 Years	113	41	62
>50 Years	2	1	2
Total	**215**	**86**	**179**

Diversity and inclusion

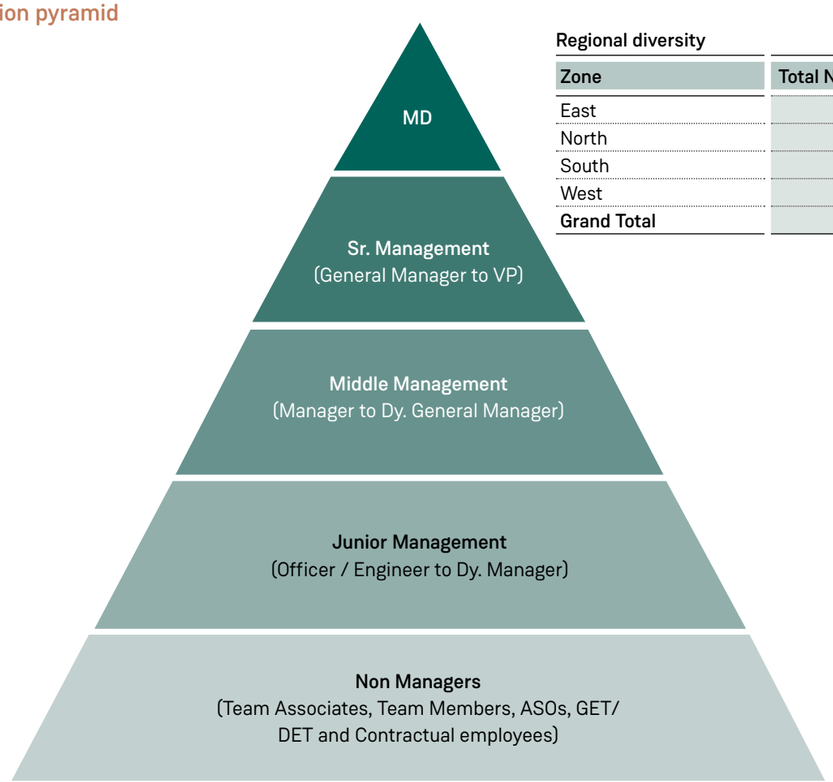
We recognise the values and benefits that diversity brings to our business. An inclusive work culture ensures better decision making to deliver insights to business and enrich end-user experience. Our inclusive approach is defined to include all stakeholders with fairness, dignity and respect. We also focus on gender diversification, as this remains one of the most challenging factors in the manufacturing industry, like ours. During the year, we have increased our efforts to recruit women into our business and empower them to progressively grow with the Company. We also organise e-learning modules for awareness on the prevention of sexual harassment at the work place for our employees.

Total employees by designation

Region	FY 2021-22		FY 2020-21		FY 2019-20	
	Men	Women	Men	Women	Men	Women
Sr. Management	73	2	78	2	94	1
Middle Management	268	7	260	6	268	7
Junior Management	483	25	449	28	489	27
Non Manager	1,235	32	1,278	33	1,356	35
Trainee	58	1	74	1	87	2

777
Employees enrolled in e-learning module on sexual harassment in the workplace

Organisation pyramid



Regional diversity

Zone	Total No. of Employees
East	101
North	93
South	98
West	1,892
Grand Total	**2,184**

Learning and development

At KOEL, we have developed programmes that support our employees to upgrade their skills on various technical/ functional and behavioural aspects. A year-long training module is in place, focusing on multiple technical and behavioural aspects that enables employees to perform better. In addition, competency-based assessment programmes are also conducted for employees across each department. Leadership competency training camps are also conducted for manager-level employees.

We conducted awareness programmes on whistle-blower mechanism and employee code of conduct through e-learning modules.

Training snapshot

	FY 2021-22	FY 2020-21	FY 2019-20
Number of programmes	35	19	43
Hours per employee	**3.64**	**4.23**	**4.88**

Health and safety

We continue to maintain healthy and harmonious industrial relations across our manufacturing plants with all our employees (including contract employees). We provide a safe workplace environment and impart safety training learnings to all our employees on a regular basis. A defined framework is in place to explain the existing manuals, which cover safety and machine handling aspects at all plant sites to the employees.

There are also formal occupational health and safety courses and trainings that have been one of our major focus areas. We have implemented Integrated Management System (IMS), which combines ISO 9001, ISO 14001 and OHSAS 18001 management system. During the year, virus sanitising devices were installed at multiple locations, protocols for movement of workers at plant site were set out, fire alarm and fire prevention devices were improved and COVID-19 vaccination camps were set up for permanent and contractual employees for first and second dose of vaccines. There are formal agreements with the trade union covering Health and Safety topics such as responsibility of the workers for using Personal Protective Equipment (PPE), compliance with provisions of the Factories Act and so on.

22

Health and safety training programmes conducted

17%

Employees covered in Health and safety training programmes

0

Accidents reported across all plants

Employee engagement

Over the year, we engage employees by conducting several programs, designed to bring together all employees, irrespective of their diverse backgrounds. We conduct an 'Employee Engagement Survey' (EES) to measure employee perceptions and have a SAY, STAY and STRIVE policy that empowers employee engagement. Trends and results emanating from the EES survey are carefully analyzed and worked upon for remedial and improvement actions.

We organised the Kirloskar Premier League, a tournament that brings the fun and frolics out of 25 teams starring 275 players. Unified by cricket, all for the love of one family.

Rewards and recognition

We believe in the value of innovation; therefore we have developed a number of incentive and recognition programmes to help inspire people to keep innovating.

Ace awards

The Ace Awards are a monthly programme in which all managers are eligible to be awarded. By rewarding under the category 'Exemplary progress in QCD and Innovation,' we primarily focus on innovation.

Team awards

Team awards are a bi-annual programme meant to recognise projects that include two or more employees. Through this platform, we promote our company's value of collaboration as well as team effectiveness. We have several awards for recognising innovation, such as 'Process Improvement', 'Product Certification', and 'Enhancing Organizational Capability.' More crucially, the team evaluates nominees by requiring them to present in front of an esteemed panel of senior executives.

Leadership awards

The Leadership Awards are an annual programme established exclusively for the company's senior executives. We have five separate leadership awards, one of which, "Leader of Innovation," is dedicated to honouring those leaders who have introduced innovation in their products, processes, or systems.

Natural Capital

We depend on various resources of nature for the continuity of our operations. We utilise these resources with prudence. We believe in doing business responsibly in line with the overarching sustainability strategy of our Group. Our emphasis is always on the conservation of natural resources to grow sustainably.

At KOEL, we are conscious of the environment and are constantly working to improve our green footprint through strategic measures. We have adopted Environmental Management System (EMS) and all major manufacturing units are certified for ISO 14001 Environmental Management Systems. We have undertaken several initiatives towards environmental stewardship, creating awareness amongst employees and nearby villages. We remain committed to managing our use of resources and proactively managing our environmental impact, through ongoing ESG initiatives.

Energy management

Our primary focus is to optimise the energy in the manufacturing operations and employ low carbon solutions. We have a prudent energy policy that is aimed at reducing specific energy consumption, and promoting and increasing the use of renewable energy resources. Elimination of electrical heaters, use of regenerative load banks and dynamometers for product testing, energy efficient lightings and appliances, energy efficient compressed air systems and ventilation systems, use of natural daylight has contributed to keeping the energy consumption at optimum levels across our operations.

Outcomes of energy conservation projects and the energy policy adopted are as follows

- 13% reduction in Specific Energy Consumption (SEC) over FY 2020-21
- More than 5800 MWh electrical units of renewable energy utilised in FY 2021-22 for manufacturing activity, contributing to benefit of worth Rs. 3.9 Crore.
- Installation of additional 2.68 MW in to existing 5.5 MW of captive solar plant.
- Consecutive three years winner of prestigious Golden peacock award for Energy efficiency.
- Certification of Kagal manufacturing plant as a carbon neutral for consecutive two years.

Energy monitoring system

We have a Centralised Online Energy Management System (CEMS) which helps us track various parameters. The CEMS delivers real-time online energy monitoring of various energy parameters. The CEMS also helps in the descriptive analysis of the energy consumption data and communicates the daily consumption reports. The use of CEMS assists the energy conservation team to take proactive action to reduce energy consumption.

- Online monitoring and measurement of energy consumption
- Real time monitoring the power quality
- Helps us to identify the energy guzzlers and monitor deviations in energy consumption
- Segregation and in-depth analysis of various energy data

Renewable energy

In alignment with guidelines in Energy Policy, we have installed captive solar power plants in FY 2018-19 and FY 2021-22 respectively which contributes to the generation of more than 25000 MWh since commissioning. Apart from this, we are sourcing renewable energy through third-party open access based on feasibility. Also, there are several renewable installations which include a biogas plant, solar pumping system, solar steam generator, solar streetlights, solar lighting, solar fountain, solar water heating system and water turbine. The renewable energy share for our Kagal manufacturing plant is around 34% for FY 2021-22.

2.68 MWp

Solar plant capacity under installation at Kagal plant

5.5 MWp

Captive solar plant at Kagal plant

34%

Renewable energy share at Kagal facility

We have implemented a Supervisory control and data acquisition (SCADA) system for our captive solar power plant. This helps in continuous monitoring of the system critical parameters and optimise the power generation through timely decision making. The system sends daily SMS alerts pertaining to the performance of the solar installations.

GHG reduction

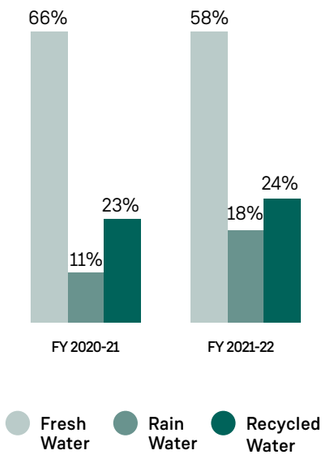
We are actively working towards climate change mitigation with implementation of various strategies to be carbon neutral. For two consecutive years, the factory located at Kagal, Kolhapur has been awarded a certification for a 'Carbon neutral factory' aligning to PAS 2060:2014 specification for the demonstration of carbon neutrality. Kagal factory is also awarded as 'National Energy Leader' by the Confederation of Indian Industry for its consistent performance in energy management.

We have established organisational boundaries for GHG emissions inventorisation as per World Business Council for Sustainable Development (WBCSD) protocol/ ISO14064. We have identified the sources of direct and indirect GHG emissions within the boundary. LPG, forklifts, HSD and FO DG sets, engine test beds and CO2 fire extinguishers are the major sources of scope-1 GHG emission and consumption of MSEDCL electricity is the major source for scope-2 GHG emission.

Water management

Water is one of the most important resources for our operations as well as the community we serve. We make conscious efforts to minimise usage of water and have undertaken initiatives to conserve it. We monitor water consumption through water meters and also conduct internal as well as external water audits to identify opportunities for water conservation.

Sourcewise water contribution



Our long-term water management commitment includes:

- Gradually move towards water self-sufficiency by year 2040
- Year on year increase in percentage of harvested rain water and recycled water
- Conduct regular internal water audits along with timely external audits
- Adoption of new technologies in Water Management
- Online water consumption monitoring system
- Install advanced domestic effluent treatment plant for warehouse and fabrication shop
- Enhancement in harvested rainwater storage capacity by 20%
- 100% irrigation for plantation through drip irrigation system

We have constructed rainwater harvesting structures at the Kagal factory and the storage capacity for it was increased by 20% during the current year. We also have state of the art waste water treatment plants at all manufacturing locations. The treated effluent is being recycled and used for various purposes such as urinals, toilet flushing and irrigation system.

Waste management

We are certified for ISO 14001 under Integrated Management System for all our locations. The sound implementation enables us to ensure going beyond compliance levels as prescribed by state authority for all related equipment, systems and processes. We have an efficient waste management mechanism through which we monitor plant-wise hazardous and non-hazardous waste generation.

We have a dedicated Waste Storage Yard, where the hazardous and non-hazardous waste is scientifically stored and segregated. The waste is disposed of in accordance with the guidelines prescribed by the State pollution control board for the respective plant. The hazardous waste such as paint sludge, e-waste, empty containers, used oil and lead acid batteries are sent to authorised recyclers. Also, non-hazardous waste such as plastic, paper waste and metal scrap are recycled through authorised scrap vendors. The waste plastic bags are recycled to convert into fuel which is used for powering material handling equipment. Waste water is recycled through an advanced wastewater treatment plant to utilise for various purposes.

Food waste is used to generate electricity for powering illumination lamps. One of the major initiatives towards reduction in packaging waste is the usage of reusable packing for products as well as raw materials.

Biodiversity and carbon sequestration

We have carried out tree plantation drives at all the KOEL manufacturing locations, building a greener ecosystem. We have also undertaken several initiatives that protect and promote the multiple species within the ecosystem of our environment. In a survey of carbon sequestration at Kagal factory, a carbon stock of 61.47T was recorded through tree plantation. The next bio-diversity survey is planned in FY 2022-23

61.47 Ton

Carbon sequestrated in Kagal plantation

We carried out a biodiversity and carbon sequestration survey through renowned ecological experts in year 2019-20. During this survey evidence of prospering bio-diversity was found in The Kagal plant premises through 61 species of birds, 7 species of reptiles, 8 species of insects and Butterflies and 4 species of mammals.

Striving towards a zero-plastic future

The Maharashtra government issued a notification* emphasising the accumulation of plastic waste in landfills, water bodies, and natural habitats, as well as the physical difficulties caused by plastic ingestion in wild animals and the leaking of harmful chemicals from plastic products. As a result, our top management made the decision to build a pilot-scale plastic waste recycling facility inside the business, which uses plastic trash as raw material and transforms it to fuel oil.

- Recycling plastic waste with - Thermal Catalytic Depolymerization technology
- recycling plant utilises plastic waste as raw material and converts it into fuel oil
- This fuel will be utilised for material handling equipment and paint booth burners

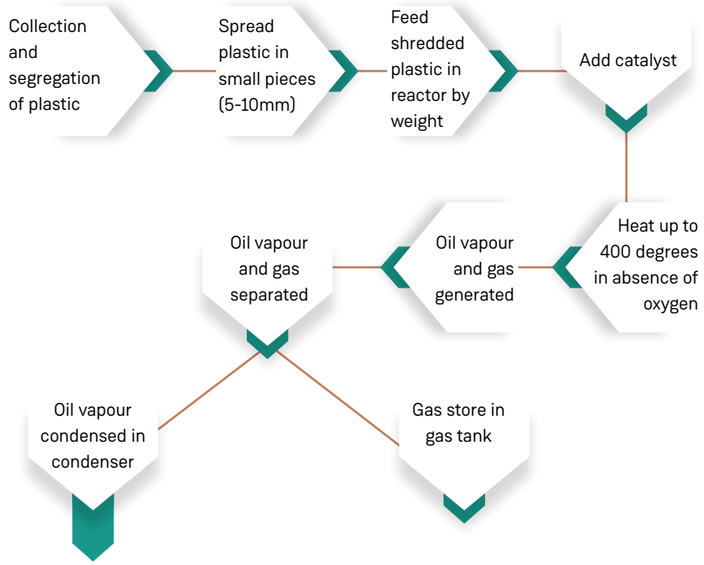
125 Kg/Day

Plant capacity

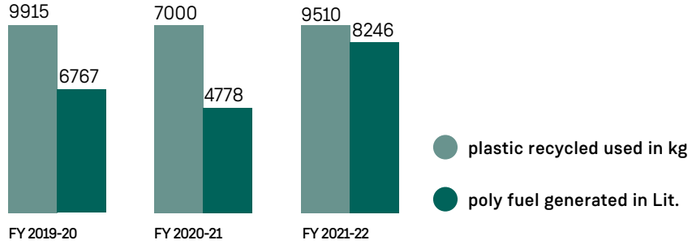
Advantages of Thermal Catalytic Depolymerisation

- Self-sufficiency for fuel consumption (typically for industrial/commercial) fuel requirement)
- Available in both continuous and batch operations
- Energy-efficient technology
- Captive energy generation for continuous and higher capacity plants
- Well-engineered plants ensure superior quality of product fuel
- Can be designed for fully automated/ highly instrumented plants, virtually eliminating human error.
- The plant can suitably be operated up to 50 % turndown
- Eco-friendly Process, no harmful gases/effluent produced

Process flow diagram



Plastic to fuel plant waste processing data



*The Maharashtra Plastic & Thermocol products (manufacture, use, sale, transport, handling & storage)

Social and Relationship Capital

Our esteemed customers, communities, technology partners and suppliers are critical for our business growth and sustainability. We believe long-term, trusted and transparent relationships with stakeholders are crucial for shared value creation.

Customer engagement

Customer support

KOEL CARE is an authorised service brand for KOEL gensets and engines, providing enhanced customer xperience. This helps the customers effectively manage the products throughout their lifecycle with our promise of 'KOEL CARE'. KOEL CARE service network has over 430 dedicated service outlets with over 3,000 service engineers across the country serving our customers 24X7. A dedicated control room helps monitor and log the customer request with quick response time and faster resolution.

420+

Service outlets

Bandhan

We also provide a cost-efficient and unique service offering through 'Bandhan' - an annual service package designed for KOEL Green genset. Through the programme, we provide preventive maintenance visits per year based on the running hours and criticality of genset application. The service scope also includes unlimited breakdown complaints, labour charges for all major and minor repairs, including overhauls.

Suppliers

We have a sustainable supply chain that focuses on local sourcing of materials. Our structured supply chain policy recommends procurement of materials from suppliers within the radius of 300 kilometres. Our initiative 'Samvardhan' is aimed to improve the business competency of suppliers to manage the external challenges in business.

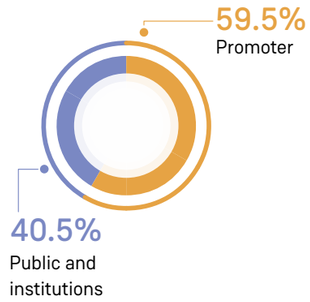
Shareholders

To meet with shareholder expectations, we remain committed to delivering steady business performance, strong free cash flows and build a robust balance sheet. The shareholders remain confident of our market leadership across key products, reflecting our brand equity driven by operational excellence.

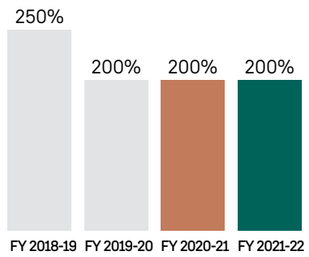
₹1,908 Crore.

Market capitalisation as on 31st March, 2022

Shareholder mix



Creating shareholder wealth – Dividend payout (%)



Community

At KOEL, we have always believed in working for the betterment and upliftment of the society. We strive to create value for the underserved people, contributing for the collective good. The focus areas of our CSR activities include education, health and hygiene, environment, disaster management and rural management.

Kirloskar Vasundhara International Film Festival

Protecting the Earth and preserving it for generations to come is at the forefront of our minds. Kirloskar Vasundhara, the international film festival that showcases films with an environmental conscience, is now a movement of its own.

KVIFF is an innovative attempt to explore nature and analyze topical issues related to the environment. It presents an opportunity to evolve on a common platform, to work towards providing effective and meaningful communication material; for preserving our great natural heritage. The message of the festival is to preserve, protect and save the earth for generations to come.

During the festival, National and International films on environment, wildlife and energy are screened coupled with allied activities such as discussions on the subject with experts, policy makers and society at large.

Kirloskar Water and Sanitation Hygiene (WaSH) Initiative

WaSH initiative is aimed at creating awareness and soft-skills in school children on healthy and hygienic practices. The initiative was conducted in 15 schools in Pune city and adjoining taluka places. The focus areas of the initiative have been (a) No-spitting habits, (b) Consumption of clean water, (c) Domestic waste segregation habits (d) Hand-washing habits and (e) Clean habits during adolescence. About 3,000 students partook in the initiative.

Board of Directors

Atul C. Kirloskar
Executive Chairman

Rahul C. Kirloskar
Non Executive Non Independent Director

M. Lakshminarayan
Non Executive Independent Director

Dr. Shalini Sarin
Non Executive Independent Director

Gauri A. Kirloskar
Non Executive Non Independent Director
upto 19th May, 2022 and Managing Director w.e.f. 20th May, 2022

Mahesh R. Chhabria
Non Executive Non Independent Director

Satish Jamdar
Non Executive Independent Director

Kandathil Mathew Abraham
Non Executive Independent Director

Vinesh Kumar Jairath
Non Executive Non Independent Director

Purvi Sheth
Additional Independent Director

Yogesh Kapur
Additional Independent Director

Sunil Shah Singh
Non Executive Independent Director

NOTICE

Notice is hereby given that the 13th Annual General Meeting ("AGM") of the Members of Kirloskar Oil Engines Limited ('the Company') will be held on Thursday, the 11th day of August 2022 at 11.30 AM (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. 02/2021 dated 13th January 2021, the General Circular No. 19/2021 dated 8th December 2021, the General Circular No. 21/2021 dated 14th December 2021 and the General Circular No. 2/2022 dated 5th May 2022 issued by the Ministry of Corporate Affairs (herein after referred as "Circulars") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with the SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January 2021 and SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated 13th May 2022, to transact the businesses as mentioned below:

ORDINARY BUSINESS

ITEM NO.1

To receive, consider and adopt:

(a) the Audited Standalone Financial Statements of the Company for the Financial Year ended 31st March 2022, together with the Reports of the Board of Directors and the Auditors' thereon; and

(b) the Audited Consolidated Financial Statements of the Company for the Financial Year ended 31st March 2022 and the Report of the Auditors thereon.

ITEM NO.2

To declare final dividend of Rs. 2.50/- per equity share (125%) and to confirm the Interim Dividend of Rs. 1.50/- per equity share (75%) already paid during the year for the Financial Year ended 31st March 2022.

ITEM NO.3

To appoint a Director in place of Mr. Vinesh Kumar Jairath (DIN 00391684) who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

ITEM NO. 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 other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder (including any statutory amendment, modification(s) or re-enactment thereof, for the time being in force) and based on the recommendation of the Audit Committee, the remuneration of Rs. 8,00,000/- per annum (Rupees Eight Lacs only) plus applicable taxes thereon, other certification charges and the reimbursement of out of pocket expenses on actual basis as approved by the Board of Directors of the Company, payable to M/s. Parkhi Limaye and Co., Cost Accountants, (Firm Registration No. 191) for conducting the audit of the Cost records maintained by the Company for the financial year ended 31st March 2023, be and is hereby ratified and confirmed."

ITEM NO. 5

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of section 196, 197, 203 read with schedule V and other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Articles 167 (A), 167 (B) and 167 (C) of the Articles of Association of the Company and subject to such other approvals as may be necessary, and based on the recommendation of the Nomination and Remuneration and Board of Directors, Mr. Atul C. Kirloskar (DIN 00007387) an exsisting Director of the Company, be and hereby continues to be the Whole Time Director with designation as the Executive Chairman of the Company to hold office till 31st March 2023 with retrospective effect from 26th January 2022, upon the terms and conditions as set out in the agreement to be entered into between the Company and Mr. Atul C. Kirloskar, and on the existing remuneration and other terms, as set out below:

I. SALARY:

Rs. 15,00,000/- (Rupees Fifteen Lacs only) per month.

II. PERQUISITES:

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

a) Fully furnished residential accommodation. Where no accommodation is provided by the Company, house rent allowance of Rs. 1,50,000/- (Rupees One Lac Fifty Thousand only) per month in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities shall be borne by the Company.

b) Reimbursement of all medical expenses incurred for self and family.

c) Leave travel assistance for self and family not exceeding Rs. 2,00,000/- (Rupees Two Lacs only) per annum.

d) Fees of clubs, which will include admission and life membership fees.

e) Personal accident insurance, premium whereof does not exceed Rs. 25,000/- (Rupees Twenty Five Thousand only) per annum.

f) A car with driver.

g) Telephone, mobile, internet, fax facilities including at residence.

h) Contribution to provident fund, superannuation fund or annuity fund and National Pension Scheme to the extent that these contributions either singly or put together shall not exceed 27% of basic salary.

i) Gratuity at the rate not exceeding 30 (Thirty) days' salary for each completed year of service, and

j) Leave at the rate of 1 (One) month for every 11 (Eleven) months of service. Leave not availed of may be encashed.

"Family" for the above purpose means wife, dependent children and dependent parents of the Executive Chairman.

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

III. COMMISSION:

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

IV. MINIMUM REMUNERATION:

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

RESOLVED FURTHER THAT based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors be and is hereby authorised to consider and revise the remuneration payable to Mr. Atul C. Kirloskar during his term as the Executive Chairman, subject to the ceiling laid down in Section 197 including rules made thereunder and Schedule V of the Companies Act, 2013 without further approval of the members of the Company but with such other approvals, sanctions or permissions, if any, required for such revision in the remuneration.

RESOLVED FURTHER THAT Mr. Atul C. Kirloskar shall be a non-retiring Director.

RESOLVED FURTHER THAT the Board of Directors and the Company Secretary be and are hereby severally authorised to do all such acts, deeds and things as may be necessary from time to time to give effect to the above resolution."

ITEM NO. 6

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 149, 150 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, Regulation 16(1)(b) and 25(8) including such other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory amendment, modification(s) or re-enactment thereof for the time being in force) and based on the recommendation of Nomination and Remuneration Committee, Mr. Yogesh Kapur (DIN 00070038), who was appointed as an Additional Director by the Board of Directors of the Company with effect from 29th September 2021 and who holds office of Director up to the date of ensuing Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 and Rules thereof including amendments thereunder read with Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 and Rules thereof including amendments thereunder, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a first term of five (5) consecutive years with effect from 29th September 2021."

ITEM NO. 7

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 149, 150 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, Regulation 16 (1) (b), 17 (1C), 25 (2A) and 25(8) including such other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory amendment, modification(s) or re-enactment thereof for the time being in force) and based on the recommendation of Nomination and Remuneration Committee, Mrs. Purvi Sheth (DIN 06449636), who was appointed as an Additional Director by the Board of Directors of the Company with effect from 19th May 2022 and who holds office of Director up to the date of ensuing Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 and Rules thereof including amendments thereunder read with Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 and Rules thereof including amendments thereunder, proposing her candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a first term of 5 (Five) consecutive years with effect from 19th May 2022."

ITEM NO.8

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, Regulation 16(1)(b), 25(2A) and 25(8) including such other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory amendment, modification(s) or re-enactment thereof for the time being in force) based on the recommendation of Nomination and Remuneration Committee and Board of Directors, Mr. Satish Jamdar (DIN 00036653) whose period of office is liable to expire on 3rd August 2022, and in respect of whom the Company has

received a notice in writing from a member under Section 160 of the Companies Act, 2013 and Rules thereof including amendments thereunder, proposing his candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company to hold office for a second term of 4 (four) consecutive years with effect from 4th August 2022."

ITEM NO.9

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of section 196, 197, 203 read with schedule V and other applicable provisions if any of the Companies Act, 2013, and the Rules made thereunder, (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Articles of Association of the Company and, subject to such other approvals as may be necessary and based on the recommendation of Nomination and Remuneration Committee and Board of Directors, Ms. Gauri Kirloskar (DIN: 03366274) an existing Director of the Company, be and is hereby appointed as a Whole Time Director with the designation as the Managing Director of the Company to hold office for a period of 3 (three) years commencing from 20th May 2022, upon the terms and conditions as set out in the agreement to be entered into between the Company and Ms. Gauri Kirloskar (DIN: 03366274), on the remuneration and other terms, set out below:

BASIC SALARY:

Rs. 6,00,000/- (Rupees Six Lacs Only) per month.

PERQUISITES:

In addition to the aforesaid salary, Ms. Gauri Kirloskar as the Managing Director shall be entitled to the following perquisites:

a) In lieu of fully furnished residential accommodation, house rent allowance of Rs. 1,50,000/- (Rupees One Lac Fifty Thousand Only) per month be paid. Additional expenses on furnishings upto Rs. 15,000/- (Rupees Fifteen Thousand Only) per month, gas, electricity, water and other utilities and repairs shall be borne by the Company at actuals.

b) Reimbursement of all medical expenses incurred for self and family.

c) Leave travel assistance for self and family upto the limit of Rs. 2,50,000/- (Rupees Two Lacs Fifty Thousand Only) per annum.

d) Fees of clubs, subject to a maximum of 2 (Two) clubs, which will include admission fee but will not include life membership fees.

e) Personal accident insurance, premium whereof does not exceed Rs. 25,000/- (Rupees Twenty Five Thousand Only) per annum.

f) A car with driver.

g) Telephone, fax and other communication facilities at residence.

h) Contribution to provident fund, superannuation fund or annuity fund and National Pension scheme to the extent that these contributions either singly or put together shall not exceed 27% of basic salary.

i) Gratuity at the rate of 30 (Thirty) days' salary for each completed year of service as Managing Director

j) Leave at the rate of 1 (One) month for every 11 (Eleven) months of service. Leave not availed of may be encashed at the end of the tenure.

k) Education allowance for the education of her children as per Company's Rules.

"Family" for the above purpose means husband, dependent children and dependent parents of the Managing Director.

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

COMMISSION:

Commission shall be decided by the Board of Directors based on criteria as defined under Nomination and Remuneration Policy and on the net profits of the Company each year subject to the condition that the aggregate remuneration of the Managing Director shall not exceed the limit laid down under Section 197 including rules made thereunder and Schedule V of the Companies Act, 2013.

MINIMUM REMUNERATION:

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

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to consider and revise the remuneration payable to Ms. Gauri Kirloskar during her 3 (Three) years' term of appointment as the Managing Director, subject to the ceiling laid down in Section 197 including Rules made thereunder and Schedule V of the Companies Act, 2013, including amendments thereof without further approval of the members of the Company but with such other approvals, sanctions or permissions, if any, required for such revision in the remuneration.

RESOLVED FURTHER THAT no sitting fees shall be payable to Ms. Gauri Kirloskar (DIN: 03366274) during her tenure as the Managing Director.

RESOLVED FURTHER THAT Ms. Gauri Kirloskar shall be non-retiring director."

By Order of the Board of Directors

Sd/-
Smita Raichurkar
Company Secretary and Head Legal

Place: Pune
Date: 19th May 2022

NOTES

1. In view of massive outbreak of the COVID 19 pandemic, social distancing is a norm to be followed, the Ministry of Corporate Affairs allowed conducting Annual General Meeting through Video Conferencing (VC) or other audio visual means (OAVM) and dispensed personal presence of the members at the meeting.

   Pursuant to 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. 02/2021 dated 13th January 2021, the General Circular No. 19/2021 dated 8th December 2021, the General Circular No. 21/2021 dated 14th December 2021 and the General Circular No. 2/2022 dated 5th May 2022 issued by Ministry of Corporate Affairs and Circular number SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020, Circular number SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January 2021 and SEBI/HO/CFD/CMD 2/CIR/P/2022/62 dated 13th May 2022 issued by the Securities and Exchange Board of India (SEBI) (herein after referred as "Circulars") prescribing the procedures and manner of conducting the Annual General Meeting through VC/OAVM. In terms of the said Circulars, the 13th Annual General Meeting (AGM) of the members of the Company will be held through VC/OAVM only.

   For detailed procedure for participating in the AGM through VC/OAVM please refer point no. 27 below.

2. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

   Only a member of the Company will be entitled to attend and vote at the Annual General Meeting of the Company which will be held through VC or OAVM and no member will be entitled to appoint a proxy to attend and vote instead of himself/herself.

3. Corporate Member(s) intending to appoint their authorized representative(s) to attend the Annual General Meeting (AGM) through VC/OAVM are requested to send a duly certified copy of their Board Resolution authorizing their representatives to attend and vote at the AGM, pursuant to Section 113 of the Companies Act, 2013 and rules thereof including amendments thereunder, to the Scrutinizer by e-mail at csmsp.office@gmail.com with a copy marked to voting@nsdl.co.in.

4. The facility for participation at the AGM through VC/OAVM is limited and on first come first serve basis. The same shall open 15 minutes before the time scheduled for the AGM and closed after 15 minutes from scheduled time for AGM. However, the participation of members 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 is not restricted on account of first come first serve basis.

5. The attendance of the Members attending the AGM through VC / OVAM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013 and Rules thereunder, including amendments thereof.

6. The statement pursuant to Section 102 of the Companies Act, 2013 and rules thereof, including amendments thereunder relating to the special business to be transacted at the meeting is annexed hereto.

7. Details pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder, in respect of directors seeking appointment/re-appointment at Annual General Meeting forms part of this Notice.

8. The Register of Members and Share Transfer Books of the Company will remain closed from **5th August 2022, Friday** to **11th August 2022, Thursday** (both days inclusive) for the purpose of AGM and declaration of final dividend, if any.

9. The dividend, if declared at the AGM, will be paid to those members:

   a. whose name appear as Beneficial Owners as at the end of the business hours on 4th August 2022, in the list of Beneficial Owners to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of equity shares held in electronic form; and

   b. whose name 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 4th August 2022.

10. In case members wish to ask for any information about accounts and operations of the Company, they are requested to send their queries by providing full name, DP ID and Client ID / Folio Number and contact number at email address viz. investors@kirloskar.com at least 7 days in advance of the date of this meeting so that the information can be made available at the time of this meeting.

11. Pursuant to the provisions of Sections 124 and 125 of the Companies Act, 2013 and rules thereunder, including amendments thereof, any money transferred to the unpaid dividend account, which remains unpaid or unclaimed for a period of 7 years from the date of such transfer is required to be transferred to the 'Investor Education and Protection Fund (IEPF)'.

    Pursuant to the provisions of IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016 and its amendments thereon, all shares in respect of which the dividend has not been paid or claimed for 7 consecutive years or more, are required to be transferred to IEPF.

Accordingly, the unpaid / unclaimed dividend for the years 2009 – 10, 2010-11, 2011-12, 2012-13 and 2013-14 along with equity shares has been transferred to the said Fund, after following the prescribed procedure.

Members are requested to send their claims to the Company/ R & T Agent, if any, before the amount becomes due for transfer to the above Fund. Members are requested to encash the dividend warrants immediately on their receipt by them.

The details of unclaimed and unpaid amount of Dividend are available on the Company's website viz. www.kirloskaroilengines.com.

Members(s) can claim the unclaimed dividend and the shares transferred to the IEPF including all benefits accruing on such shares, if any, from IEPF Authority after following the procedure prescribed by the Rules.

12. **Register National Electronic Clearing Service (NECS) Mandate**

Regulation 12 and Schedule I of SEBI Listing Regulation, 2015, including amendments thereunder requires all companies to use the facilities of electronic clearing services for payment of dividend. In order to get your dividend through electronic mode or NECS, members who are holding shares in physical form are requested to inform their Bank account details such as the name of the Bank, branch, its address, account number, 9 digit MICR code, IFSC code and type of account i.e. Savings or Current or Cash Credit etc. to **Link Intime India Private Limited, R & T Agent** of the Company having its office at 'Akshay' Complex, Block No. 202, 2nd Floor, Off Dhole Patil Road, Near Ganesh Temple, Pune – 411 001. (**Ph. No. 020-26161629**).

Members holding shares in dematerialised form are requested to inform their bank account particulars to their respective Depository Participant (DP) and not to the R & T Agent of the Company. Those Members who do not opt for NECS facility may inform only bank account number and bank name for printing the same on the dividend warrant to ensure safety.

As per SEBI vide circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated 20th April 2018, unpaid/unclaimed dividend will be processed through electronic mode only.

13. The payment of Interim Dividend for FY 2021-22, as declared by the Board of Directors of the Company in its meeting held on 9th February 2022, is processed on 8th March 2022 for the members of the Company (holding equity shares as on 22nd February 2022, the Record Date fixed for the purpose of said Interim Dividend) through National Electronic Clearing System (NECS) or any other electronic mode or by dividend warrant, as the case may be.

The aforesaid interim dividend was paid after deducting the TDS at the applicable tax rate.

14. In terms of the provisions of the Income-tax Act, 1961, ("the Act") as amended by the Finance Act, 2020, dividend paid or distributed by a Company on or after 1st April 2020 shall be taxable in the hands of the shareholders. Therefore, the Company shall be required to deduct tax at source ("TDS") at the time of payment of dividend at the applicable tax rates.

Tax rate applicable to a shareholder depends upon residential status and classification as per the provisions of the 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)

For the prescribed rates for various categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof.

In this regard, the Company has availed the facility for online submission of Tax Exemption forms online from RTA, Link Intime India Private Limited wherein the shareholders can submit their tax-exemption forms along with other required documents.

The requisite form for claiming tax exemption can be downloaded from RTA's website at web link https://www.linkintime.co.in/client-downloads.html under the General Tab. All the forms are available under the head "Form 15G/15H/10F".

The aforementioned documents duly completed and signed are required to be uploaded on the URL https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html by selecting the Company Name - Kirloskar Oil Engines Limited and following the process as guided therein.

In case tax on dividend is deducted at a higher rate in the absence of receipt of the specified details/documents, you would still have the option of claiming refund of the excess tax paid at the time of filing your income tax return. No claim shall lie against the Company for such taxes deducted.

Please note that the upload of documents (duly completed and signed) on the website of Link Intime India Private Ltd. should be done in order to enable the Company to determine and deduct appropriate TDS / Withholding Tax.

Incomplete and/or unsigned forms and declarations will not be considered by the Company.

15. **Permanent Account Number (PAN)**

Securities and Exchange Board of India (SEBI) has mandated the submission of PAN by every participant in securities market. Members are requested to submit their PAN to their DPs (in case of shares held in dematerialised form) or to the Company / R & T Agent (in case of shares held in physical form).

16. Members are requested to immediately notify the R & T Agent (DP in case of shares held in dematerialised form) of any change in their correspondence address or email address.

17. **Dematerialisation of Shares**

Trading in the shares of the Company can be done in dematerialized form only. Members are requested to avail the facility of dematerialisation by opening Depository accounts with the DPs of either National Securities Depository Limited or Central Depository Services (India) Limited and get the equity share certificates held by them dematerialised to ensure safe and speedy transaction in securities.

18. Securities and Exchange Board of India has amended relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder, to disallow listed companies from accepting request for transfer of securities which are held in physical form, with effect from 1st April 2019. The Members who continue to hold shares of listed companies in physical form even after this date, will not be able to lodge the shares with Company / its R & T Agent for further transfer. They will need to convert them to demat form compulsorily if they wish to effect any transfer.

In addition to above, pursuant to SEBI Circular no. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated 25th January 2022 regarding 'Issuance of Securities in dematerialized form' which is effective from 25th January 2022, in case of Investor Service Requests viz. Issue 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, the listed companies shall issue the securities in dematerialized form only. Accordingly, the Company has processed the aforementioned requests by issuance of Letter of Confirmation to the shareholders, for converting their shares to demat form.

19. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.

20. Members having multiple folios are requested to intimate to the Company / R & T Agent such folios, to consolidate all shareholdings into one folio.

21. **Nomination**

Members are requested to submit Nominations in prescribed Form SH-13 to R & T Agent in case of holding of shares in physical form and with their respective DPs, in case of shares held in dematerialised form. The Nomination Form SH-13 is available with R & T Agent of the Company and also on the website of the Company www.kirloskaroilengines.com.

22. **Register E-mail Address**

To support Green Initiative, Members are requested to register their e-mail addresses with R & T Agent viz. Link Intime India Private Limited in case of holding of shares in physical form and with concerned DPs in case of shares held in dematerialised form.

In order to receive the correspondence / dividend, if any from the Company in a timely manner, Members are requested to register their e-mail addresses / Bank Account details, the details of which as under:

For shares held in Physical Form	Visit the link https://linkintime.co.in/emailreg/email_register.html > select the Company Name - Kirloskar Oil Engines Limited and follow the registration process as guided therein. Members are requested to provide details such as Name, Folio Number, Share Certificate Number, PAN, Mobile Number and Email ID and also upload the image of Share Certificate / Aadhaar / valid Passport in PDF or JPEG format (up to 1MB) alongwith supporting documents. In case of any query, Member can contact the R&T Agent at telephone numbers +91 (020) 26160084 / 26161629 or send email to pune@linkintime.co.in. On submission of details, an One Time Password (OTP) will be received by the Member, which needs to be entered in the link for verification.
For shares held in Dematerialized Form	Kindly contact your Depository Participant (DP) for registration or updation of email address (es).

The Members (in case of holding shares in physical form) who have not updated their bank account details for receiving the dividend, if any, directly in their bank accounts through electronic mode, may update their bank account details through the aforesaid link by uploading the necessary documents. The Members (in case of holding shares in dematerialized form) are requested to contact DPs for updating bank account details.

SEBI vide its Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated 3rd November 2021 and clarification on the same dated 14th December 2021, on Common and Simplified Norms for processing Investor's Service Request by RTAs, has mandated the furnishing of PAN, Address with PIN code, Email address , Mobile No., Bank Account details , Specimen Signature & Nomination by holders of physical securities and that "From 1st January 2022, RTAs shall not process any service requests or complaints received from the holder(s)/claimant(s), till PAN, KYC and Nomination documents/ details are received". For more details please visit the web link: https://web.linkintime.co.in/KYC-downloads.html.

23. In compliance with the aforesaid MCA Circulars and SEBI Circulars dated 12th May 2020, 15th January 2021 and 13th May 2022 Notice of the AGM along with the Annual Report 2021-22, is being sent only through electronic mode to those Members whose email addresses are registered with the Company / Depositories.

Members may note that the Notice and Annual Report 2021-22 will also be available on the Company's website www.kirloskaroilengines.com, on the websites of Stock Exchanges, i.e., BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com, respectively, and on the website of NSDL https://www.evoting.nsdl.com.

24. **Inspection Documents**

Electronic copy of relevant documents referred to in the Notice and Explanatory Statement will be made available through email for inspection by the Members. A Member is requested to send an email to investors@kirloskar.com for the same.

Electronic copies of necessary statutory registers and auditors' reports / certificates will be available for inspection by the Members at the time of AGM.

25. Since the AGM will be held through VC in accordance with the Circulars, the route map, proxy form and attendance slip are not attached to this Notice.

26. National Securities Depositories Limited (NSDL) will be providing facility for voting through remote e-Voting, for participation in this AGM through VC / OAVM facility and e-Voting during this AGM.

27. Instructions for e-voting and procedure for joining the AGM through VC/OAVM

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

I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and as amended from time to time, Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, including amendments thereunder and the circulars issued by the Ministry of Corporate Affairs viz. Circular No. 14/2020 dated 8th April 2020, Circular No. 17/2020 dated 13th April 2020, Circular No. 20/2020 dated 5th May 2020, Circular No. 02/2021 dated 13th January 2021, Circular No. 21/2021 dated 14th December, 2021 and Circular No. 2/2022 dated 5th May 2022 the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the 13th Annual General Meeting.

For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-voting system as well as voting on the date of the AGM will be provided by NSDL.

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

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

The remote e-voting period commences on **8th August 2022 (9:00 am) (IST)** and ends on **10th August 2022 (5:00 pm) (IST)**. During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of **4th August 2022**, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

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

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

Step 1: Access to NSDL e-Voting system

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

In terms of SEBI circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 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.	1. If you are already registered for **NSDL IDeAS facility**, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "**Beneficial Owner**" icon under "**Login**" which is available under "**IDeAS**" section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "**Access to e-Voting**" under e-Voting services and you will be able to see e-Voting page. Click on options available against company name or **e-Voting service provider - NSDL** and you will be re-directed to NSDL e-Voting website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 2. If the user is 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 3. 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 options available against company name or **e-Voting service provider - NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 4. 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** App Store Google Play
Individual Shareholders holding securities in demat mode with CDSL	1. Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. 2. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of **e-Voting service provider** i.e. **NSDL**. Click on **NSDL** to cast your vote. 3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration 4. Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a link in 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 provided links for the respective ESP i.e. NSDL where the e-Voting is in progress.
Individual Shareholders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on options available against company name or **e-Voting service provider-NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

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

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 toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 or 022-23058542-43

B. Login Method for e-voting and joining the 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 and a Verification Code as shown on the screen.

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

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

5. Password details for shareholders other than Individual shareholders are given below:
   a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
   c) How to retrieve your 'initial password'?
      (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
      (ii) If your email ID is not registered, please follow steps mentioned below **in process for those shareholders whose email ids are not registered**
6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:
   a) Click on "**Forgot User Details/Password?**"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
   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.

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

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to investors@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 investors@kirloskar.com . If you are an Individual shareholder holding securities in demat mode, you are requested to refer to the login method explained at step 1 (A) i.e. Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.
3. Alternatively member may send an e-mail request to evoting@nsdl.co.in for obtaining User ID and Password by proving the details mentioned in Point (1) or (2) as the case may be.
4. Please follow all steps from Sr. No. III (A) above, to cast vote.
5. In terms of SEBI circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 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.

General Guidelines for shareholders

a) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail at csmsp.office@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.

b) 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.

c) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members who need assistance before or during the AGM and remote e-voting user manual for members available on the website www.evoting.nsdl.com under the 'Downloads section'. You can also contact Ms. Sarita Mote, Assistant Manager via e-mail at evoting@nsdl.co.in or call on toll free no. 1800 1020 990 and 1800 22 44 30

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

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

5. In case any Member casts the vote through e-voting to be conducted at the time of AGM in addition to the remote e-voting, the voting through remote e-voting shall be considered as final and vote casted through e-voting at the time of the AGM shall be considered as invalid.

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

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for Access to NSDL e-Voting system. After successful login, you can see link of "VC/OAVM link" placed under "Join 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.

   Facility of joining the AGM through VC / OAVM shall open 15 minutes before the time scheduled for the AGM and closed after 15 minutes from scheduled time for AGM (except for the members holding more than 2%).

5. Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in or contact Ms. Sarita Mote, Assistant Manager – NSDL or call on toll free no. 1800 1020 990 and 1800 22 44 30.

6. Members who would like to express their views/ ask questions during the AGM may register themselves as a speaker and may send their request mentioning their name, demat account number/folio number, email id, mobile number at email address viz. investors@kirloskar.com at least 4 days before date of the meeting. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM.

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

28. You can also update your mobile number and e-mail ID in the user profile details of the Folio, which may be used for sending future communication(s).

29. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on **4th August 2022**.

30. Any person, holding shares in physical form and non-individual shareholders who acquires shares of the Company and becomes member of the Company after the notice is send through e-mail and holding shares as of the cut-off date i.e. **4th August 2022**, 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" or option available on www.evoting.nsdl.com or call on toll free no. 1800 1020 990 and 1800 22 44 30. In case of Individual Shareholders holding securities in demat mode who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date i.e. 4th August 2022 may follow steps mentioned in the Notice of the AGM under "Access to NSDL e-Voting system"

31. 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 i.e. **4th August 2022** only shall be entitled to avail the facility of remote e-voting as well as e- voting at the AGM.

32. A person who is not a member as on the cut-off date should treat this notice for information purpose only.

33. Manasi Paradkar, Practicing Company Secretary, Pune, (Membership No. FCS 5447 CP No. 4385) has been appointed as the Scrutinizer to scrutinize the voting at the AGM and remote e-voting process in a fair and transparent manner.

34. 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.

35. The Scrutinizer shall after the conclusion of e-voting at the Annual general meeting, will unblock the votes cast through remote e-voting/e-voting at the time of AGM, not later than 2 working days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

36. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.kirloskaroilengines.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 Exchanges viz. BSE Limited and National Stock Exchange of India Limited.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 & RULES THEREOF INCLUDING AMENDMENTS THEREUNDER AND REGULATION 36 OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 INCLUDING AMENDMENTS THEREUNDER

ITEM NO. 3 OF THE NOTICE

Mr. Vinesh Kumar Jairath (DIN 00391684) retires by rotation and being eligible offers himself for re-appointment.

He does not hold any shares in the Company.

Mr. Vinesh Kumar Jairath (age 63 years) served in the Indian Administrative Service from 1982 till his voluntary retirement in March 2008. Amongst various posts during service, he also served as Secretary to Governor, MD SICOM and Principal Secretary Industries in Government of Maharashtra. He has over 38 years of experience in Public Administration, Industry, Finance, Infrastructure Planning, Development and Financing, Urban Development and Environmental Management. Post voluntary retirement he is working as Consultant and is also an Independent Director on Boards of various companies.

He is a member of the Audit Committee of the Company.

He is also director in the following other companies:

The Bombay Dyeing and Manufacturing Company Limited@	Go Airlines (India) Limited@#
Wockhardt Limited@#	Avante Spaces Limited
Kirloskar Industries Limited@	Bombay Burmah Trading Corporation Limited@

@Audit Committee - Member
Stakeholders Relationship Committee - Member

He has attended 6 meetings of the Board of Directors of the Company during the Financial Year 2021-22.

He has resigned as Director from the Board of Tata Motors Limited, TML Distribution Company Limited, TML Business Services Limited and Tata Motors Finance Solutions Limited during last three years.

Mr. Vinesh Kumar Jairath is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 read with rules thereunder including amendments thereof and has given his consent to act as a Director.

Except Mr. Vinesh Kumar Jairath and his relatives to the extent of their shareholding, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise in this resolution.

Based on the recommendation of the Nomination and Remuneration Committee the Board of Directors of the Company, recommends the ordinary resolution set out in item no. 3 of the notice for approval of the members of the Company.

ITEM NO. 4 OF THE NOTICE

The Board of Directors on the recommendation of Audit Committee has approved the appointment of M/s. Parkhi Limaye and Co., Cost Accountants (Firm Registration No. 191) to conduct the audit of the cost records of the Company for Financial Year ended 31st March 2023, at the remuneration of Rs. 8,00,000/- per annum (Rupees Eight Lacs Only) plus applicable taxes thereon, other certification charges and reimbursement out of pocket expenses on actual basis.

Pursuant to provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the remuneration payable to the Cost Auditor is required to be ratified by the members of the Company.

M/s. Parkhi Limaye and Co, Cost Accountants have furnished certificate regarding their eligibility for appointment as Cost Auditors of the Company.

The Board recommends the ordinary resolution set out in item no. 4 of the notice for approval and ratification by the members of the Company.

None of the Directors and Key Managerial Personnel of the Company or their relatives are concerned or interested in the resolution.

ITEM NO. 5 OF THE NOTICE

Mr. Atul C. Kirloskar was designated as the Executive Chairman of the Company on a whole-time basis, with effect from 26th January 2017 for a term of 5 (five) years i.e., till 25th January 2022. Subsequently, the Board of Directors, at its meeting held on 28th October 2021 approved change in designation of Mr. Atul C. Kirloskar from Executive Chairman to Non-Executive Chairman with effect from 26th January 2022 for a term of 5 (five) years. However, in view of the sudden change in the executive leadership of the Company on account of the resignation of Mr. Sanjeev Nimkar on 27th January 2022, who was the Managing Director of the Company, and considering the complexity of the Company's business, and the vast experience, vision, advice, guidance and mentorship that will be required by the Company's executive management, the Board of Directors at its meeting held on 27th January 2022 based on the recommendation of the Nomination and Remuneration Committee, considered and approved that Mr. Atul C. Kirloskar (DIN 00007387) shall continue to be a Whole Time Director with designation as Executive Chairman of the Company to hold office till 31st March 2023 with retrospective effect from 26th January 2022, on the terms and remuneration as set out in item no. 5 of the notice. Mr. Atul C. Kirloskar has been a director of the Company since 12th January 2009. He is a non-retiring director of the Company.

The continuation of Executive Chairmanship and remuneration payable to Mr. Atul C. Kirloskar as the Executive Chairman is also subject to the approval of the members as required by provisions of Section 196 read with Schedule V and other applicable provisions of the Companies Act, 2013, including amendments thereof.

Mr. Atul C. Kirloskar is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and Rules thereunder including amendments there of and has given his consent to act as a director of the Company.

Mr. Atul C. Kirloskar, (Age 66 years), began his career in manufacturing processes and dealership management with the erstwhile Kirloskar Cummins Limited (now Cummins India) in the year 1978. In 1984, he moved to Kirloskar Oil Engines Limited and worked in various leadership positions and is currently the Executive Chairman of the Company. He was a member of the World Economic Forum and was the President of the Mahratta Chamber of Commerce, Industries and Agriculture (MCCIA), Pune from 2000-2002. He served as the chairman of the CII National Committee of Defence from 2000 - 2008.

He holds 1,46,70,947 (10.14%) equity shares in the Company.

He is neither a Member nor Chairman in any Committees of the Company.

He is a director in the following other companies:

Kirloskar Ferrous Industries Limited#	Asara Sales & Investments Private Limited
Kirloskar Industries Limited	Navsai Investments Private Limited
Kirloskar Pneumatic Co. Limited	GreenTek Systems (India) Private Limited
Kirloskar Proprietary Limited	Kirloskar Energen Private Limited
Kirloskar Solar Technologies Private Limited	Samarth Udyog Technology Forum
S.L. Kirloskar CSR Foundation	

Stakeholders Relationship Committee - Chairman

He has resigned as a Director from the Board of Toyota Kirloskar Motor Private Limited during last 3 (Three) years.

Mr. Atul C. Kirloskar has attended 6 meetings of the Board of Directors of the Company during Financial Year 2021-22.

Mr. Atul C. Kirloskar may be deemed to be concerned or interested, financially or otherwise, to the extent for his shareholding in respect of his continuation as Whole Time Director with designation as Executive Chairman of the Company. Mr. Rahul C. Kirloskar, Director of the Company, being the brother of Mr. Atul C. Kirloskar and Ms. Gauri Kirloskar, Managing Director of the Company, being the daughter of Mr. Atul C. Kirloskar, respectively and other relatives of Mr. Atul C. Kirloskar, to the extent of their shareholding in the Company, may be deemed to be concerned or interested financially or otherwise in this resolution.

Except above, none of the other Directors or Key Managerial Personnel of the Company including their relatives are in any way concerned or interested, financially or otherwise, in the proposed resolution, except to the extent of their shareholding interest in the Company, if any.

Based on the recommendation of the Nomination and Remuneration Committee the Board of Directors of the Company, recommends the ordinary resolution set out in item no. 5 of the notice for approval of the members of the Company.

ITEM NO. 6 OF THE NOTICE

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and Rules thereof including amendments thereunder the Articles of Association of the Company and based on the recommendation of Nomination and Remuneration Committee, the Board of Directors of the Company appointed, Mr. Yogesh Kapur (DIN 00070038) as an Additional Director of the Company with effect from 29th September 2021.

In terms of the provisions of Section 161(1) of the Companies Act, 2013 and Rules thereof including amendments thereunder, Mr. Yogesh Kapur would hold office up to the date of this Annual General Meeting.

He is also proposed to be appointed as an Independent Director for first term of 5 (Five) consecutive years with effect from 29th September 2021, pursuant to Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and Rules thereof including amendments thereunder, SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, including amendments thereunder and based on the recommendation of Nomination and Remuneration Committee. The Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 and Rules thereof including amendments thereunder, proposing the candidature of Mr. Yogesh Kapur for the office of Director of the Company.

Mr. Yogesh Kapur, (Age 64 years), is Fellow Chartered Accountant (FCA) with over 38 years' experience in financial services sector. He started his career in 1983 with Housing Development Finance Corporation Ltd. (HDFC). In 1991 he switched to Investment banking with HSBC and then joined Enam Securities Pvt. Ltd. a leading Investment banking /brokerage house in 1994. In 2012 with Axis Bank taking over the Investment Banking business of Enam Securities P. Ltd., he moved to Axis Capital Ltd. a wholly owned subsidiary of Axis Bank.

In 2014 he joined Axis Bank as Head- Strategic Relationship Group-Wholesale banking for north India. Post his superannuation in July 2017, he rejoined Axis Capital on a contract as Managing Director – special coverage. This contract is currently for period up to 31st July 2022.

During his tenor as investment banker, he has worked with companies both in private and public sectors as these companies prepared to list on public markets. In addition he has been engaged in advising companies on strategic initiatives, reorganisation, business /corporate restructuring etc. He has very closely engaged during this period with DIPAM to manage initial listings and further divestments in listed public sector companies in accordance with Government's directives/ decisions on the subject.

During his career positions with different organizations he has worked on number of international assignments including for USAID and World Bank in Sri Lanka and Ghana. He also served on committees set up by SEBI/ Government of India - Ministry of Finance to examine ADR/GDRs as well as Bonds regulations.

He is currently serving on the board of companies including HDFC Education and Development Services Ltd (HEADS) , a 100 pct subsidiary of HDFC Ltd, SSIP Ltd a multibrand retailer of footware and apparel and has recently joined the Board of Greenlam Industries Ltd., a leading manufacturer of laminates.

He does not hold any equity shares in the Company.

He is a member of Stakeholders Relationship Committee of the Company with effect from 27th January 2022.

He is a director in the following other companies:

SSIPL Retail Limited	Greenlam Industries Limited@*
HDFC Education and Development Services Private Limited	

@Stakeholders Relationship Committee - Member

*Audit Committee – Member

He has not resigned from the Board of any Company as Director during last three years.

Post his appointment as Additional Director in the capacity as Independent Director with effect from 29th September 2021, he has attended 4 meetings of the Board of Directors of the Company during Financial Year 2021-22.

Mr. Yogesh Kapur is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and Rules thereof including amendments thereunder and has given his consent to act as director.

The Company has also received declaration from Mr. Yogesh Kapur that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and Rules thereof including amendments thereunder and Regulation 16 (1)(b) and 25(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder.

The Board is of the opinion that Mr. Yogesh Kapur fulfills the conditions specified in the said Act and the Rules made thereunder and also possess appropriate balance of skills, requisite expertise and experience (including the proficiency) and knowledge and he is a person of high integrity and repute so as to enable the Board to discharge its functions and duties effectively. In the opinion of the Board of Directors, Mr. Yogesh Kapur is independent of the management of the Company and fulfils the conditions specified in the Act, and the rules made thereunder for appointment as an Independent Director.

The Board considers that his experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Mr. Yogesh Kapur as an Independent Director for first term of 5 (Five) consecutive years with effect from 29th September 2021.

The draft letter for the appointment of Mr. Yogesh Kapur as an Independent Director setting out the terms and conditions is available for inspection by the members.

Pursuant to regulation 17(1C) and 25(2A) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 including amendments thereunder, with effect from 1st January 2022, the approval of members is required to be obtained for appointment of a director at the next general meeting or within a period of 3 months from the date of appointment, whichever is earlier, by way of a special resolution.

Considering, the appointment of Mr. Yogesh Kapur prior to 1st January 2022, the provisions of obtaining approval of members of the Company by way of special resolution is not applicable. The Company is voluntarily proposing the members' approval by way of special resolution.

Mr. Yogesh Kapur is not inter-se related with any other Director or Key Managerial Personnel of the Company.

Except Mr. Yogesh Kapur and his relatives, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise in this resolution.

Based on the recommendation of the Nomination and Remuneration Committee the Board of Directors recommends the special resolution set out in item no. 6 of the notice for the approval of members of the Company.

ITEM NO. 7 OF THE NOTICE

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and Rules thereof including amendments thereunder the Articles of Association of the Company and based on the recommendation of Nomination and Remuneration Committee, the Board of Directors of the Company appointed, Mrs. Purvi Sheth (DIN 06449636) as an Additional Director of the Company with effect from 19th May 2022.

Pursuant to regulation 17(1C) and 25(2A) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 including amendments thereunder, with effect from 1st January 2022, the approval of members is required to be obtained for appointment of a director at the next general meeting or within a period of 3 months from the date of appointment, whichever is earlier, by way of a special resolution.

In terms of the provisions of Section 161(1) of the Companies Act, 2013 and Rules thereof including amendments thereunder, Mrs. Purvi Sheth would hold office up to the date of this Annual General Meeting. She is also proposed to be appointed as an Independent Director for first term of 5 (five) consecutive years with effect from 19th May 2022, pursuant to Section 149, 150, 152 (including other applicable provisions if any) of the Companies Act, 2013 and Rules thereof including amendments thereunder, SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, including amendments thereunder and based on the recommendation of Nomination and Remuneration Committee. The Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 and Rules thereof including amendments

thereunder, proposing the candidature of Mrs. Purvi Sheth for the office of Director of the Company.

Mrs. Purvi Sheth (Age 49 years) has completed her Bachelor of Arts Economics & Political Science from St. Xavier's College, Bombay (Stood First in Department of Economics & Political Science), CPD holder in Business Strategy & Leadership Management from Wharton Business School, USA. She is Certified to be Board Director by IICA & Directors Club, Hunt Partners. She is also a Certified POSH Practitioner (NDIM).

She is trained in Writing & Journalism from Xavier Institute of Communication, Bombay and is the Youngest Certified Leadership Grid Trainer (Blake & Mouton) and Youngest Certified GE (General Electric) Recruiter.

Purvi Sheth is CEO of Shilputsi Consultants with an uncommonly strong talent for building and cultivating trusting relationships with high level corporate executives along with outstanding analytical, strategic and problem solving skills. She has the superlative ability to translate solutions into practical and profitable application. She is well known as an expert in the identification, analysis, and resolution of diverse operational HR issues, while simultaneously maintaining cultural context, offering superior solutions/ services. A Skilled presenter, communicator, and trainer, she has had great success impacting organizational & leadership performance. This, combined with her focus on adhering to organizational missions and philosophy while positively impacting team and individual growth, make her a distinguished leader in the HR ecosystem. A second-generation entrepreneur and an accomplished leader, she is responsible for overall business growth and long term development of Shilputsi Consultants. She has been with the firm for over 25 years and is based in Mumbai, India. As an expert consultant and advisor to some of the most prestigious companies, boards and CEOs, her offering has proven value in business growth, leadership development and execution of complex strategic engagements repeatedly contributing to intellectual capital & organizational enhancement.

She is the Chief Curator & Mentor of two Leadership Mentoring franchises of Shilputsi Consultants viz. LICENSE TO LEAD: Online Leadership Development mentoring program for WOMEN leaders and ASCENDENCY: Online Leadership Development mentoring program for high potential young leaders.

Her achievements are viz. Abhyudaya Award Winner for HR Strategist of the year 2022, Executive Council member of Bombay Management Association, Mentor at Acsent Foundation & member of the Women's Forum. She is a speaker at various industry forums, management institutes and conventions as well as a Guest Columnist at multiple leading publications in India and abroad.

She has in the past been the Youngest Member of jury panel for eight consecutive years to judge Business Today's "India's Under 40 Leaders", Mentor at India Connect, an initiative of Tie (The Indus Entrepreneurs), Mumbai, Committee member of Women Leaders at TIE Stree Shakti, Mentor & Advisor to Entrepreneurship Cell at IIT, Mumbai & Kharagpur, Mentor & Advisor to Entrepreneurship Cell at Jamnalal Bajaj Institute of Management, Mumbai, Jury member and mentor at NEN (National Entrepreneurship Network), Jury & panel Member at TATA INNOVISTA (A Tata group wide innovation contest) for two consecutive years, Advisor to XED GLOBAL, a website for global Executive Education and a three time contributor to UK published INDIA BUSINESS GUIDE.

She does not hold any equity shares in the Company.

She is neither a Chairman nor Member on any committee of the Company.

She is a director in the following other companies:

Deepak Nitrite Limited	Imagine Marketing Limited
Lastaki Advisors Private Limited	Nirigyan Information Consulting and Services Private Limited

She does not hold any committee positions in other Public Limited Companies.

She has not resigned as Director from the Board of any Company during last three years.

She was not entitled to attend any meeting of the Board of Directors of the Company during the Financial Year 2021-22.

Mrs. Purvi Sheth is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and Rules thereof including amendments thereunder and has given her consent to act as director.

The Company has also received declaration from Mrs. Purvi Sheth that she meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and Rules thereof including amendments thereunder and Regulation 16 (1)(b) and 25(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder.

Pursuant to amendment to Schedule II, Part D Para A(1A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 effective from 1st January 2022, for every appointment of an Independent Director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an Independent Director.

The Board is of the opinion that Mrs. Purvi Sheth fulfills the conditions specified in the said Act and the Rules made thereunder and also possess appropriate balance of skills, requisite expertise and experience (including the proficiency) and knowledge and she is a person of high integrity and repute so as to enable the Board to discharge its functions and duties effectively. In the opinion of the Board of Directors, Mrs. Purvi Sheth is independent of the management of the Company and fulfils the conditions specified in the Act, and the rules made thereunder for appointment as an Independent Director.

Mrs. Purvi Sheth meets the following skills and capabilities required for the role as an Independent Director, as have been identified by the Board of Directors of the Company:

1. Human Resource, Communication and Interpersonal Skills and Corporate Restructuring – Leadership and strategic mentoring in elevating organizational performance through skilful Leadership management and HR restructuring. Cultivating talent engagement through advanced leadership processes and their implementation.

2. Strategic Planning and Knowledge of business sector – Contributed towards value creation in developing large scale engagements, leading teams in executing complex strategic engagements, and repeatedly contributing to intellectual capital.

The Board considers that her experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Mrs. Purvi Sheth as an Independent Director for first term of 5 (five) consecutive years with effect from 19th May 2022.

The draft letter for the appointment of Mrs. Purvi Sheth as an Independent Director setting out the terms and conditions is available for inspection by the members.

Mrs. Purvi Sheth is not inter-se related with any other Director or Key Managerial Personnel of the Company.

Except Mrs. Purvi Sheth and her relatives, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise in this resolution.

Based on the recommendation of the Nomination and Remuneration Committee the Board of Directors recommends the special resolution set out in item no. 7 of the notice for the approval of members of the Company.

ITEM NO. 8 OF THE NOTICE

The members of the Company in its meeting held on 4th August 2018, appointed Mr. Satish Jamdar (DIN 00036653) as an Independent Director for a term of 5 (five) consecutive years. His term is valid upto 3rd August 2022. Mr. Satish Jamdar as a Board Member, made significant contribution towards guiding the Company on various strategic, financial and business issues and that the Company benefited immensely because of his vast experience.

Mr. Satish Jamdar (age 70 years), B. Tech, IIT Mumbai, Management studies in USA and UK, held leadership positions in several reputed organizations. He retired as Managing Director at Blue Star. Earlier he was with Siemens, Voltas, GEC Alstom and BPL Sanyo. He was actively involved with CII, as Chairman of the Maharashtra State Council and a few Western Region Sub-Committees. He is currently on the Board of a few leading Organisations as a Non-Executive Director.

Pursuant to regulation 17(1C) and 25(2A) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 including amendments thereunder, with effect from 1st January 2022, the approval of members is required to be obtained for appointment of a director at the next general meeting or within a period of 3 months from the date of appointment, whichever is earlier, by way of a special resolution.

The Board of Directors based on recommendation of Nomination and Remuneration Committee, and subject to the approval of members of the Company, considered re-appointment of Mr. Satish Jamdar (DIN 00036653) as an Independent Director of the Company for a second term of 4 (four) consecutive years with effect from 4th August 2022, pursuant to Section 149 and 152 (including other applicable provisions if any) of the Companies Act, 2013 and Rules thereof including amendments thereunder and Regulation 17(1A), 25 (2A) (including other applicable provisions if any) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, including amendments thereunder.

Mr. Satish Jamdar is not disqualified from being re-appointed as director in terms of Section 164 of the Companies Act, 2013 and Rules thereof including amendments thereunder and has given his consent to act as director.

The Company has also received declaration from Mr. Satish Jamdar that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and Rules thereof including amendments thereunder and Regulation 16 (1)(b) and 25(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder. The Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 and Rules thereof including amendments thereunder, proposing the candidature of Mr. Satish Jamdar for the office of Director of the Company.

He does not hold any equity shares in the Company.

He is a Chairman of Nomination and Remuneration Committee and Member of Risk Management Committee and Audit Committee of the Company.

He is a director in the following other companies:

Kirloskar Industries Limited*	Avante Spaces Limited*
V-Nova Business Growth Services Private Limited	Prolynx Foundation

* Audit Committee – Chairman

He has not resigned as Director from the Board of any Company during last three years.

Mr. Satish Jamdar has attended 6 meetings of the Board of Directors of the Company during Financial Year 2021-22.

Pursuant to amendment to Schedule II, Part D Para A(1A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 effective from 1st January 2022, for every appointment of an Independent Director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an Independent Director.

The Board is of the opinion that Mr. Satish Jamdar fulfills the conditions specified in the said Act and the Rules made thereunder and also possess appropriate balance of skills, requisite expertise and experience (including the proficiency) and knowledge and she is a person of high integrity and repute so as to enable the Board to discharge its functions and duties effectively. In the opinion of

the Board of Directors, Mr. Satish Jamdar is independent of the management of the Company and fulfils the conditions specified in the Act, and the rules made thereunder for re-appointment as an Independent Director.

Mr. Satish Jamdar meets the following skills and capabilities required for the role as an Independent Director, as have been identified by the Board of Directors of the Company:

Management, Industry Experience, Strategic Planning, Finance and Corporate Restructuring - Engaged in skill development and inclusive growth programs as mentor and business strategy advisor for start-ups. Vast experience in the areas of Manufacturing, Product Development, Supply Chain, Product Service, International Business operations, HR, Corporate Governance and General Management.

The Board considers that his experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Mr. Satish Jamdar as an Independent Director for second term of 4 (Four) consecutive years with effect from 4th August 2022.

The draft letter for the re-appointment of Mr. Satish Jamdar as an Independent Director setting out the terms and conditions is available for inspection by the members.

Mr. Satish Jamdar is not inter-se related with any other Director or Key Managerial Personnel of the Company.

Except Mr. Satish Jamdar and his relatives, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise in this resolution.

Based on the recommendation of the Nomination and Remuneration Committee the Board of Directors recommends the special resolution set out in item no. 8 of the notice for the approval of members of the Company.

ITEM NO. 9 OF THE NOTICE

Pursuant to Sections 196, 197, 203 read with Schedule V and other provisions of the Companies Act, 2013, read with rules thereunder including amendments thereof, the Company is required to appoint a Managing Director or a Chief Executive Officer or manager and in their absence, a Whole-Time Director, on the recommendation of the Nomination and Remuneration Committee, subject to the approval of the members at the ensuing general meeting of the Company.

Mr. Sanjeev Nimkar (DIN: 07869394), Managing Director of the Company tendered his resignation vide letter dated 27th January 2022 which was accepted by the Board at the meeting held on 27th January 2022.

Pursuant to Section 203 (4) of the Act read with rules thereunder including amendments thereof, if the office of any Whole-Time Key Managerial Personnel is vacated, the resulting vacancy shall be filled-up by the Board at a meeting of the Board of Directors within a period of 6 (Six) months from the date of such vacancy.

Accordingly, the Board of Directors in its meeting held on 27th January 2022 based on the recommendation of the Nomination and Remuneration Committee considered that in view of the sudden change in the executive leadership of the Company on account of the resignation received from Mr. Sanjeev Nimkar, and considering the complexity of the Company's business, and the vast experience, vision, advice, guidance and mentorship that will be required by the Company's executive management which Mr. Atul C. Kirloskar has always brought to the Board and the Company, it would be beneficial for the Company that Mr. Atul C. Kirloskar continues to be designated as the Executive Chairman of the Company till 31st March 2023. Simultaneously, the Board entrusted Ms. Gauri Kirloskar, an existing director of the Company to facilitate and assist Mr. Atul C. Kirloskar, Executive Chairman and the Board in supervising the affairs of the Company with immediate effect for a period of 6 (six) months or till the appointment of the new Managing Director of the Company by the Board of Directors whichever is earlier. Ms. Gauri Kirloskar has been a non-executive director on the Board of the Company since 17th June 2014.

At the same Board meeting, the Board of Directors, based on the recommendation of the Nomination and Remuneration Committee also constituted a Search Committee consisting of 3 (Three) independent directors of the Company ("Search Committee"), to identify a suitable candidate to be considered for appointment as the Managing Director of the Company. The said Search Committee intimated the Nomination and Remuneration Committee that they had undertaken meetings with various candidates (internal and external) for the position of Managing Director of the Company and had also interacted with various stakeholders of the Company. The Search Committee received positive feedback in respect of Ms. Gauri Kirloskar's performance and contribution in the past few months in facilitating the affairs of the Company. Based on the overall structure being proposed for the Company and the feedback received, the Search Committee came to a conclusion that Ms. Gauri Kirloskar would be the best suited to be appointed as the Managing Director of the Company. The Search Committee accordingly recommended the name of Ms. Gauri Kirloskar to be considered as the new Managing Director of the Company.

In view of the aforesaid and based on the recommendation of Nomination and Remuneration Committee, the Board of Directors at its meeting held on 19th May 2022 have appointed Ms. Gauri Kirloskar (DIN: 03366274) existing director of the Company, as a Whole Time Director with the designation as Managing Director of the Company with effect from 20th May 2022 for a term of 3 (Three) years subject to the approval of members of the Company on the terms and conditions as set out in the agreement to be entered between the Company and Ms. Gauri Kirloskar. The remuneration payable to Ms. Gauri Kirloskar is stated in the resolution at item no. 9 of this notice.

She holds 57,53,580 (3.98%) equity shares in the Company.

Ms. Gauri Kirloskar (Age 38 Years) received a BSc. in Business Administration with a concentration in Finance from Carnegie Mellon University, USA. After graduation, she worked as an investment banking analyst at Merrill Lynch in their Mergers and Acquisitions group. She then moved to Pearson's Corporate Finance and Strategy group where she looked at bolt on acquisitions for their education business. Since moving back to India in 2010, she has been focusing her efforts on strategic initiatives for the Kirloskar Group into infrastructure and investments as well as functioning as a director at several Kirloskar Group companies.

As a board member of Kirloskar Oil Engines Limited since 2014, she is involved in regular compliance and performance reviews and is also an active member of the committee that looks at new investments initiatives in the energy space. She is a member of the boards of Kirloskar Oil Engines' subsidiaries, viz La-Gajjar Machineries Pvt. Ltd., a pumps manufacturing company and Arka Fincap Ltd., the group's foray into the financial services business. At Arka Fincap Ltd., she is involved in team hiring and business planning and was an active participant in filing for the RBI license for the business.

She has also played a primary role in establishment of the Group's real estate business in Pune. This involves strategic alternatives analysis of value creation opportunities around the sale and development of the group's land banks. She has been involved in title clearance and land approvals, building up of the design brief, working closely with the IPCs and engaging with potential clients.

She also leads at a Group level, efforts in HR, branding, corporate communications, and shared services and also leads the Group's CSR efforts in the environmental area under "Kirloskar Vasundhara".

She is a member of the Stakeholders Relationship Committee of the Company.

She is a director in the following other companies:

The Bombay Burmah Trading Corporation Limited*	The Bombay Dyeing and Manufacturing Company Limited*
Arka Fincap Limited	Avante Spaces Limited
Navsai Investments Private Limited	Indo Global Hinjewadi Software Park Private Limited
La-Gajjar Machineries Private Limited	Optiqua Pipes and Electricals Private Limited
Arka Financial Holdings Private Limited	Kirloskar Integrated Technologies Private Limited
GreenTek Systems (India) Private Limited	Beluga Whale Capital Management Pte. Limited
Kirloskar Americas Corporation, USA	

* Audit Committee - Member

She has not resigned from the Board of any Company as Director during last 3 (Three) years.

Ms. Gauri Kirloskar has attended 6 meetings of the Board of Directors of the Company during Financial Year 2021-22.

Ms. Gauri Kirloskar and Mr. Atul C. Kirloskar, being daughter and father, are related to each other.

The draft agreement for the appointment of Ms. Gauri Kirloskar (DIN: 03366274) as the Managing Director setting out the terms and conditions is available for inspection by the members.

Ms. Gauri Kirloskar may be deemed to be concerned or interested, financially or otherwise, to the extent for her shareholding in the Company, in respect of her appointment as Whole Time Director with designation as Managing Director of the Company. Mr. Atul C. Kirloskar, Director of the Company being the father of Ms. Gauri Kirloskar and other relatives of Ms. Gauri Kirloskar, to the extent of their shareholding in the Company, may be deemed to be concerned or interested financially or otherwise in this resolution.

Except above, none of the other Directors or Key Managerial Personnel of the Company including their relatives are in any way concerned or interested, financially or otherwise, in the proposed resolution, except to the extent of their shareholding interest in the Company, if any.

Based on the recommendation of the Nomination and Remuneration Committee the Board of Directors of the Company, recommends the ordinary resolution set out in item no. 9 of the notice for approval of the members of the Company.

By Order of the Board of Directors

Sd/-
Smita Raichurkar
Company Secretary and Head Legal

Place: Pune
Date: 19th May 2022

Report of the Directors

TO THE MEMBERS
OF KIRLOSKAR OIL ENGINES LIMITED

The Directors are pleased to present the 13th Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2022 of Kirloskar Oil Engines Limited ("KOEL" or the "Company").

1. COMPANY'S FINANCIAL PERFORMANCE

Your Company posted sales of Rs. 3,267.59 Crores, an increase of 23% as compared to the previous year of Rs. 2,663.62 Crores. Profit before tax and exceptional item was Rs. 210.05 Crores as against Rs. 239.77 Crores in the previous year.

The Profit After Tax was Rs. 208.01 Crores as against Rs. 169.74 Crores in the previous year.

2. FINANCIAL RESULTS (STANDALONE)

(Rs. in Crores)

Particulars	2021-22	2020-21
Total Income	3,324.42	2,718.92
Profit before exceptional items and tax	210.05	239.77
Exceptional Items	52.65	(8.37)
Profit before tax	262.70	231.40
Tax Expense (Current & Deferred Tax)	54.69	61.66
Net Profit for the Period	208.01	169.74
Other Comprehensive Income	3.06	4.57
Total Comprehensive Income for the year, net of tax	211.07	174.31
Profit Brought Forward	1,345.31	1,192.73
Profit Available for Appropriation	1,553.32	1,362.47
Transfer to General Reserve	-	-
Dividend and Dividend Distribution Tax	57.84	21.69
Balance of the Profit carried forward	1,495.65	1,345.31

3. DIVIDEND

The Directors have declared an interim dividend of 75% (Rs. 1.50/- per share) and also recommended a final dividend of 125 % (Rs. 2.50/- per share) for the year ended 31st March 2022. (Previous Year Interim Dividend 75% , Rs. 1.50/- per share and Final Dividend 125%, Rs. 2.50/- per share).

Total dividend payout for the financial year was Rs. 57.84 Crores. The payment of dividend subject to deduction of TDS at the applicable tax rate.

In terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 including amendments thereunder, the Dividend Distribution Policy of the Company is available on the Company's website (https://www.kirloskaroilengines.com/documents/541738/0a36d92a-4450-1010-8a11-d92ec5426c7c).

4. DETAILS OF SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (the Regulations) including amendments thereunder:

a) ***Details of Key Financial Ratios of the Company as under:**

Sr. No.	Particulars	Ratio as on 31st March 2022	Ratio as on 31st March 2021	Reason for significant change (more than 25%)
i.	Debtors' Turnover*	8.7	7.4	-
ii.	Inventory Turnover*	8.1	6.2	Higher sales with similar level of Inventories
iii.	Interest Coverage Ratio	55.5	47.2	-
iv.	Current Ratio*	1.8	1.7	-
v.	Debt Equity Ratio*	0.05	0.04	-
vi.	Operating Profit Margin (%)	5.8%	7.9%	Commodity price increase put pressure on operating margins
vii.	Net Profit Margin* (%)	6.4%	6.4%	-

* Calculated in accordance with the Guidance Note issued by ICAI on Ind AS and Schedule III of the Companies Act 2013. Previous year numbers are restated accordingly.

There are no sector specific equivalent ratios for disclosure by the Company.

b) **Return on Net Worth:**

Details of change in Return on Net Worth as compared to the immediately previous Financial Year as follows:

Sr. No.	Particulars	As on 31st March 2022	As on 31st March 2021	% of change	Reason for significant change more than 25%
1	Return on Net worth	10.1%	8.9%	13.4%	-

5. SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

On a consolidated basis for the year ended 31st March 2022, your Company posted Revenue from Operations of Rs. 4,021.98 Crores (Previous year: Rs. 3,296.10 Crores), Profit before tax and exceptional item was Rs. 231.88 Crores (Previous year: Rs. 278.05 Crores) and Profit After Tax was Rs. 170.87 Crores (Previous year: Rs. 197.40 Crores).

The consolidated financial statements of the Company and its subsidiaries, prepared in accordance with IND-AS 110, issued by Ministry of Corporate Affairs, forms part of this Annual Report. A statement containing the salient features of the financial statements of the subsidiary company is attached to the Financial Statements of the Company in Form AOC-1.

Pursuant to the provisions of Section 136 of the Companies Act, 2013 & Rules thereof including amendments thereunder, the financial statements along with relevant documents of the Company and its subsidiaries are available on the Company's website.

The annual accounts of the subsidiaries and related detailed information will be available for inspection in electronic form based on the members' request raised by them on the dedicated email id of the Company at investors@kirloskar.com.

a) **The details of financial performance of subsidiaries including step down subsidiaries and associate company of subsidiary as on 31st March 2022 are as under:**

Sr. No.	Name of the Company	Category	Turnover / Revenue (Rs. in Crs.)		Profit after Tax (Rs. in Crs.)	
			FY 2021-22	FY 2020-21	FY 2021-22	FY 2020-21
1	Kirloskar Americas Corporation, USA (earlier known as KOEL Americas Corporation - KAC)	Subsidiary Company	30.27	28.24	2.00	0.53
2	La-Gajjar Machineries Private Limited, Ahmedabad (LGM)	Subsidiary Company	531.98	509.10	(3.88)	19.51
3	Arka Financial Holdings Private Limited, Mumbai (AFHPL)	Subsidiary Company	0.00	-	(2.57)	-
4	Optiqua Pipes and Electricals Private Limited, Ahmedabad (OPEPL)	Step-down Subsidiary Company	38.96	-	(1.84)	0.00

Sr. No.	Name of the Company	Category	Turnover / Revenue (Rs. in Crs.)		Profit after Tax (Rs. in Crs.)	
			FY 2021-22	FY 2020-21	FY 2021-22	FY 2020-21
5	Arka Fincap Limited, Mumbai (AFL)	Step-down Subsidiary Company	201.73	101.89	32.52	16.88
6	Arka Investment Advisory Services Private Limited, Mumbai (AIASPL)	Step-down Subsidiary Company	AIASPL was incorporated on 30th March 2022, as wholly owned subsidiary of AFHPL and there are no commercial operations carried out as on 31st March 2022.			
7	ESVA Pumps India Private Limited, Coimbatore (ESVA)*	Associate Company of OPEPL	55.62	-	1.44	-

* ESVA becomes Associate Company from 4th October 2021, hence only current year Financials given in above table.

b) Operational Highlights of subsidiaries including step down subsidiaries and associate company of subsidiary during FY 21-22 are as under:

i. Kirloskar Americas Corp., USA (previously known as KOEL Americas Corp. – "KAC")

- All the 4 intended engine models certified by Environment Protection Agency (EPA) were commercially available in the Financial Year 2021-22, however, the lack of engineering budgets and resources at the OEMs due to the pandemic, has affected the growth of these products. We expect the sales to pick up in FY2022-23.
- Two new engine families in the range <25hp segment were approved for EPA Tier 4 Final certification in this Financial Year. Now, the proto engines are under the phase of testing and validation. These new platform of engines will be a major growth driver in the coming years.
- The Company's efforts of exploring market for Natural gas engines in North America is also progressing well and expected to make it commercially viable in the later part of Financial Year 2022-23.

ii. La-Gajjar Machineries Private Limited ("LGM")

- In financial year 2021-22, the Company has acquired land for the purpose of the long-term strategy of consolidation of all the manufacturing facilities and completed the legal formalities for acquisition of land also. Considering the current situation wherein the manufactured output of the Company is at a lower capacity utilization, and profitability of the Company is under pressure, any further investments on the project plant consolidation is not recommended and therefore its being put on hold. This can be reviewed once the financial performance of the Company improves significantly and capacity utilization of the existing plant(s) nears its peak.
- Your Company continued to expand its network both in domestic and international markets and geographies.
- During the year under review, your company focusing on solar pump-sets business in KUSUM & JJM schemes through successful bidders.

iii. Optiqua Pipes and Electricals Private Limited ("OPEPL")

- The business of pipes, cables & wires of M/s. Optiflex Industries, Partnership Firm, based in Ahmedabad, has been transferred (on a slump sale basis as a going concern) to the Company and accordingly the business operations commenced from 16th April 2021.
- OPEPL has commenced the business of manufacturing & sales of Winding Wires, Cables and Pipes in Quarter 1 of FY 2021-22 and added trading of Pump sets sales in Quarter 2 of FY 2021-22.
- The entire FY 2021-22 was highly volatile as far as the commodity rates movement is concerned. These prices of the products are directly linked to movement in the rates of the major Raw Materials i.e. Copper in case of Wires & Cables and PVC Resin in case of Pipes, which covers the major sales of the Company. The Price rise of Raw Materials has widened the gap between organized and unorganized brands. The Company is positioned closer to organized brands; hence the gap between the Company and unorganized players was higher.

iv. ESVA Pumps India Private Limited ("ESVA")

- The Joint Venture cum Shareholders Agreement was executed on 31st August 2021 between OPEPL, Mr. V Bharanitharan, Mrs. C. Shanthi, ESVA Pumps India Private Limited Coimbatore, Vahinie Engineering and V Tech and the Share Purchase Agreement was also executed on 31st August 2021 between Mr. V Bharanitharan, Mrs. C. Shanthi, OPEPL and ESVA Pumps India Private Limited based on the approval of the Board of Directors of OPEPL, for acquisition of 49% Equity Stake at a consideration as mutually agreed between OPEPL and Target Entity not exceeding Rs. 4.5 Crores. This acquisition was in view of business expansion & capacity securitization of mini mono bloc (MMB) pumps.
- Post completion of acquisition of 49% Equity stake, ESVA Pumps India Private Limited has become an 'Associate Company' of OPEPL with effect from 4th October 2021 pursuant to Section 2(6) of the Companies Act, 2013 and rules made thereunder.

v. Arka Financial Holdings Private Limited ("AFHPL")

- The Company has promoted and incorporated a wholly owned subsidiary, namely, Arka Financial Holdings Private Limited on 13th July 2021 in order to enhance the strategic flexibility to build vibrant robust platform for the financial service business.
- During the year under review the Company invested Rs. 837 Crores towards Rights Issue of AFHPL, increasing Equity Capital to Rs. 837 Crores including securities premium.

vi. Arka Fincap Limited ("AFL") - Step Down Subsidiary

- During the year under review the Company invested Rs. 50 Crores towards Rights Issue of AFL, increasing Equity Capital to Rs. 701.31 crores including securities premium.
- Further the members of the Company in the Annual General Meeting held on 12th August 2021 had given its consent to transfer all equity shares (including existing and proposed investment if any) having face value of Rs. 10/- each held by the Company in Arka Fincap Limited to Arka Financial Holdings Private Limited, in one or more tranches.
- Accordingly, the Company has transferred 685,422,231 equity shares of face value of Rs. 10/- each held in Arka Fincap Limited to Arka Financial Holdings Private Limited in tranches. Consequently, Arka Fincap Limited has become step down subsidiary of the Company instead of subsidiary company w.e.f. 4th March 2022.
- **SME/MSME Lending:** The SME division continued to grow on all three product fronts namely Loan Against Property, Supply Chain Finance and Unsecured Loans through digital lending. From 3 branches and ~15 people in the beginning of the year to 10+ locations with over 60 people. Your Company also entered into partnerships for Colending with other smaller NBFCs and with various other fintech to expand its market reach and acquire maximum customers from the market. Going forward, the SME division intends to grow robustly in the next financial year and the principal focus would be on secured business loans (LAP).
- **Digital Lending:** The use of Digital in this space signifies the use of technology to give a superior client experience. The objective has been to complete the loan sourcing through Fintech partners, application evaluation and disbursal within minutes aided by APIs, Configurable Loan Origination System (LOS) and embedded Business Rule Engine (BRE) for automated credit evaluation as per credit policy. This year, we integrated with four NBFC/ Fintech partners for offering Personal Loans. In addition, we partnered with two NBFCs under Colending partnership for offering Business Loans. Overall, we now have 7 partnerships in the Digital Lending space and have emerged as a preferred partner for some of these fintech players as we are able to offer preservation of client journey and better experience based on our technology, which is essential for them. Going forward, in Digital Lending, we plan to scale up monthly disbursals with these partners as well look at adding a few more partnerships so that we have a significant play in this space.
- **Corporate Lending:** Corporate Lending division designs lending solutions to medium and large corporations by providing them bespoke loans to meet specific requirements of their business. Product offerings in the division include long working capital loans, funding for capital expenditure, and special situation financing. With bank funding continuing to be regulatorily restricted to funding capex and working capital requirements of corporates, the non-bank channels continue to see strong viability for value added lending. This was further aided by the withdrawal of Credit Risk Mutual Funds given their own redemption pressure challenges. Going forward alternate corporate credit will increasingly be played through close ended patient capital private fund formats. This is adequately demonstrated by the rapid increase in performing credit and special situation Alternate Investment Funds. The coming year is expected to see an increase in capex spends by leading players in the commodity and industrial sectors, as well as inorganic growth opportunities especially through the IBC mechanism.
- **Real Estate and Allied Lending:** The focus of the Real Estate, Allied division has been on risk adjusted returns, while operating within the

defined underwriting policy of the Company. During the year, the division has been successful in achieving sectoral and geographical diversification on the portfolio while foraying into new sectors such as Education & Hospitality. The target shall be to continue the existing business with a clear focus on existing client base as well as addition of pedigreed and financially strong clients on a PAN-India basis across each sub-sector. The primary criteria of emphasizing on risk over returns shall continue as well. Further, the business has seen an overall yield compression in line with the market and the focus shall be to deal in structured products with the existing clients to maintain the overall yields, while operating within the overall risk based underwriting framework.

vii. Arka Investment Advisory Services Private Limited

- Considering the Company's plan for enhancing the strategic flexibility to build vibrant robust platform for the financial service business, the Board of Directors in the meeting held on 9th February 2022 had given its in-principle approval for formation of Private Company as a wholly owned subsidiary of AFHPL to act as Investment Manager and also formation of Trust to act as Alternative Investment Fund for the purpose of Management of funds and undertaking Advisory Business. Further, Arka Financial Holdings Private Limited will be acting as a sponsor to the Alternative Investment Fund.

- AFHPL has promoted and incorporated a wholly owned subsidiary, namely, Arka Investment Advisory Services Private Limited (AIASPL) on 30th March 2022 to act as Investment Manager for the purpose of Management of funds and undertaking Advisory Business. As such AIASPL is a wholly owned subsidiary of AFHPL and is step down subsidiary of the Company and there are no commercial operations carried out as on 31st March 2022.

6. KIRLOSKAR OIL ENGINES LIMITED – EMPLOYEE STOCK OPTION PLAN 2019 (KOEL ESOP 2019) –

The members of the Company at the Annual General Meeting of Kirloskar Oil Engines Limited held on 9th August 2019, passed a resolution for introducing Employees Stock Option Plan 2019 – (KOEL ESOP 2019), for the benefit of employees of the Company. The resolution also accorded approval to the Board of Directors, to formulate the plan as per broad parameters outlined in the resolution, either directly or through a Nomination and Remuneration Committee.

The Members of the Company at the Annual General Meeting of Kirloskar Oil Engines Limited held on 12th August 2021, passed a resolution amending the Kirloskar Oil Engines Limited – Employee Stock Option Plan 2019 in terms of coverage of the KOEL ESOP 2019 to the eligible employees of its subsidiary company, in or out of India except such subsidiary company(ies) which are formed and engaged in financial service business including without limitation to the Arka Fincap Limited and also authorized the Board of Directors or the Nomination and Remuneration Committee of the Company to grant the Options to such employees of the Subsidiary Company(ies) from time to time.

The Securities and Exchange Board of India ("SEBI") notified the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SEBI SBEB Regulations") by repealing and merging the SEBI (Share Based Employee Benefits) Regulations, 2014 and the SEBI (Issue of Sweat Equity) Regulations, 2002 (collectively referred to as "Erstwhile Regulations") with appropriate modifications which came into force from 13th August 2021. The Nomination and Remuneration Committee in its meeting held on 27th October 2021 further amended the KOEL ESOP 2019 to align and comply the requirements of the SEBI SBEB Regulations along with to bring flexibility provided under the SEBI SBEB Regulations.

The Company had obtained in-principle approval from BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) for listing of 14,00,000 equity shares under KOEL ESOP 2019, pursuant to Regulation 12 of the Chapter II of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

The Nomination and Remuneration Committee at its meeting held on 5th March 2021, approved the grant of 9,40,000 stock options exercisable into 9,40,000 Equity Shares of Rs. 2/- each of the Company to its specified employees of the Company. Further the Nomination and Remuneration Committee at its meeting held on 27th October 2021, approved the grant of 50,000 stock options exercisable into 50,000 Equity Shares of Rs. 2/- each of the Company to the specified employees of La-Gajjar Machineries Private Limited, a subsidiary company.

KOEL ESOP 2019 is in compliance with the applicable provisions of the Companies Act, 2013 and the Rules issued thereunder, the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SEBI SBEB Regulations") and other applicable regulations, if any.

The disclosures as required under Companies (Share Capital and Debentures) Rules, 2014, including amendments thereunder as on 31st March 2022 is as under:

Options granted during the financial year 2021-22	50,000*
Options vested during the financial year 2021-22	2,01,115
Options exercised during the financial year 2021-22	Nil
The total number of shares arising as a result of exercise of option during the year 2021-22	Nil
Options lapsed during the year 2021-22	2,25,087
Exercise Price	103.14-128.88
Variation of terms of options during the year 2021-22	No variation
Money realized by exercise of options during the year 2021-22 (In. Rs.)	Nil
Total number of options in force during the year 2021-22	7,64,913
Employee wise details of options granted to during FY 2021-22 :	
1. Key Managerial Personnel:	Nil
2. Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during the year 2021-22	Nil
a) Mr. Dilip Thakkar	7,600
b) Mr. C.S. Satish	3,000
c) Mr. Anit Kumar Chhabra	4,000
d) Ms. Anju Vithal Kadam	4,000
e) Mr. Joginder A. Makkad	2,500
3. Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant during the year 2021-22.	Nil

* Granted to the specified employees of La-Gajjar Machineries Private Limited, a subsidiary company.

Note: As on 31st March 2022, the exercise money for 1571 equity shares is accounted as Share application money. The Company had allotted 1,571 equity shares of Rs. 2/- each on 10th May 2022.

There have been no material changes to the KOEL ESOP 2019 during the Financial Year.

The certificate from Mr. Mahesh J. Risbud, Practicing Company Secretary [PCS No. 185] 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 Members of the Company at its Annual General Meetings held on 9th August 2019 and 12th August 2021, would be placed before the Members at the ensuing Annual General Meeting. A copy of the same will be available for inspection at the Company's website viz. www.kirloskaroilengines.com.

The disclosures on 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 SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SEBI SBEB Regulations") and can be accessed on the weblink https://www.kirloskaroilengines.com/investors.

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

7. CAPITAL STRUCTURE

The Company had allotted 1,571 equity shares of Rs. 2/- each on 10th May 2022, upon exercise of options vested to the eligible employees of the Company pursuant to KOEL ESOP 2019. As on 31st March 2022, the exercise money for 1,571 equity share is accounted as Share application money. Thereafter consequent to allotment on 10th May 2022, Issued Capital and Subscribed Capital of the Company was increased from 14,46,14,326 equity shares of Rs. 2/- each to 14,46,15,897 equity shares of Rs. 2/- each and Paid-up Capital was increased from 14,46,13,861 equity shares of Rs. 2/- each to 14,46,15,432 equity shares of Rs. 2/- each.

8. DIRECTORS

a) Changes in Composition of the Board of Directors

During the year under review,

i. Mr. Pradeep R. Rathi (DIN 00018577) tendered his resignation as Independent Director of the Company due to likelihood of conflict of interest with effect from 9th July 2021. Further, the Company has received confirmation from Mr. Pradeep R. Rathi that there is no other material reason for his resignation other than those mentioned in his resignation letter dated 9th July 2021. The said confirmation was filed with BSE Limited and National Stock Exchange of India Limited on 9th July 2021.

ii. In compliance with Section 149 of the Companies Act, 2013 & Rules thereof including amendments thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder, based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company appointed Mr. Yogesh Kapur (DIN 00070038) as an Additional Director of the Company

in the capacity of "Non-Executive Independent Director" with effect from 29th September 2021. In accordance with Section 161 of the Companies Act, 2013 & Rules thereof including amendments thereunder, he will hold office of Director up to date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing his candidature for the office of Director. The resolution seeking approval of the Members by special resolution for the appointment of Mr. Yogesh Kapur for a first term of 5 (five) consecutive years, has been incorporated in the Notice of the forthcoming Annual General Meeting of the Company.

iii. Mr. Sanjeev Nimkar (DIN: 07869394) has tendered his resignation as Managing Director of the Company due to personal reasons and pre-occupation with effect from 27th January 2022.

iv. In compliance with Section 196, 197, 203 read with schedule V and other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder, based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company continued the appointment of Mr. Atul C. Kirloskar (DIN 00007387), existing Director of the Company, as Whole Time Director with designation as the Executive Chairman of the Company to hold office till 31st March 2023 with retrospective effect from 26th January 2022, which is subject to approval of the Members. The resolution seeking approval of the Members for the continuation of the appointment of Mr. Atul C. Kirloskar (DIN 00007387), existing Director of the Company, as Whole Time Director with designation as the Executive Chairman of the Company to hold office till 31st March 2023 with retrospective effect from 26th January 2022, has been incorporated in the Notice of the forthcoming Annual General Meeting of the Company.

v. In compliance with Section 149 of the Companies Act, 2013 & Rules thereof including amendments thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder, based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company appointed Dr. Ajay Bhushan Prasad Pandey (DIN 07939197) as an Additional Director of the Company in the capacity of "Non-Executive Independent Director" with effect from 9th March 2022 to hold office of Director up to the date of ensuing General Meeting. His appointment as an Independent Director of the Company was for a first term of five (5) consecutive years with effect from 9th March 2022, subject to approval of the shareholders in the ensuing Annual General Meeting. However, Dr. Ajay Bhushan Prasad Pandey has tendered his resignation as an Additional Director in the capacity as an Independent Director of the Company to avoid any potential conflict of interest on account of his joining as Chairperson of National Financial Reporting Authority (NFRA) with effect from 21st March 2022. Further, the Company has received confirmation from Dr. Ajay Bhushan Prasad Pandey that there is no other material reason for his resignation other than those mentioned in his resignation letter dated 21st March 2022. The said confirmation was filed with BSE Limited and National Stock Exchange of India Limited on 21st March 2022.

vi. Mr. Nihal Kulkarni (DIN 01139147), has tendered his resignation as Non-Executive Director of the Company as he is desirous of pursuing his own ambitions and interests which arc different and independent of the Kirloskar group businesses, with effect from 9th February 2022. The Board of Directors in its meeting held on 9th February 2022, has accepted his resignation with immediate effect which was filed with BSE Limited and National Stock Exchange of India Limited on 9th February 2022. On 9th February 2022, Mr. Nihal Kulkarni and his family also conveyed their intension of discontinuation as 'Promoter' of the Company or otherwise directly / indirectly participate in the management of the Company and also sale of their equity shares in compliances with applicable laws/regulations.

vii. In compliance with Section 149 of the Companies Act, 2013 & Rules thereof including amendments thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder, based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company appointed Mrs. Purvi Sheth (DIN 06449636) as an Additional Director of the Company in the capacity of "Non-Executive Independent Director" with effect from 19th May 2022. In accordance with Section 161 of the Companies Act, 2013 & Rules thereof including amendments thereunder, she will hold office of Director up to date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing her candidature for the office of Director. The resolution seeking approval of the Members by special resolution for the appointment of Mrs. Purvi Sheth for a first term of 5 (five) consecutive years, has been incorporated in the Notice of the forthcoming Annual General Meeting of the Company.

viii. In compliance with Section 149 of the Companies Act, 2013 & Rules thereof including amendments thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder, the Board of Directors of the Company re-appointed Mr. Satish Jamdar (DIN 00036653) as "Non-Executive Independent Director" with effect from 4th August 2022. The Company has received requisite notice in writing from a member proposing his candidature for office of Director. The resolution seeking approval of the Members by special resolution for the re-appointment of Mr. Satish Jamdar for a second term of 4 (four) consecutive years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.

ix. Mr. Vinesh Kumar Jairath (DIN 00391684) retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

x. In compliance with Section 196, 197, 203 read with schedule V and other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder, based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company appointed Ms. Gauri Kirloskar (DIN 03366274), existing Director of the Company, as a Whole Time Director with the designation as Managing Director of the Company with effect from 20th May 2022 for a term of 3 years, which is subject to approval of the Members. The resolution seeking approval of the Members for the appointment of Ms. Gauri Kirloskar (DIN 03366274), existing Director of the Company, as a Whole Time Director with the designation as Managing Director of the Company with effect from 20th May 2022 for a term of 3 (Three) consecutive years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.

xi. Mrs. Mrunalini Deshmukh (DIN 07092728) tendered her resignation as Independent Director of the Company due to pre-occupation with effect from 20th May 2022 vide resignation letter dated 19th May 2022. Further, the Company has received confirmation from Mrs. Mrunalini Deshmukh that there is no other material reason for her resignation other than those mentioned in her resignation letter dated 19th May 2022. The said confirmation was filed with BSE Limited and National Stock Exchange of India Limited on 19th May 2022.

The brief resumes and other details relating to the Directors who are proposed to be appointed / re-appointed, as required to be disclosed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder, forms part of the Notice of Annual General Meeting.

b) Changes in Key Managerial Personnel

i. Mr. Atul C. Kirloskar (DIN 00007387), Executive Chairman, has continued as a Key Managerial Personnel of the Company with effect from 26th January 2022.

ii. Mr. Sanjeev Nimkar (DIN: 07869394) has tendered his resignation as Managing Director of the Company with effect from 27th January 2022. Consequent to this, he ceased as the Key Managerial Personnel of the Company with effect from 27th January 2022.

iii. Mr. Aseem Srivastav, the Chief Executive Officer of the Company, is appointed as the Key Managerial Personnel of the Company, with effect from 20th May 2022.

iv. Ms. Gauri Kirloskar (DIN 03366274), the Managing Director of the Company, is appointed as the Key Managerial Personnel of the Company, with effect from 20th May 2022.

Other than the above, there are no other changes in Key Managerial Personnel of the Company in the Financial Year 2021-22.

c) Declarations from the Independent Directors

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149 (7) of the Companies Act, 2013 & Rules thereof including amendments thereunder and Regulation 16(1)(b) & 25(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder.

The Company has also received declarations from all the Independent Directors of the Company confirming that they have complied with the Code for Independent Directors as prescribed in Schedule IV to the Companies Act 2013 including amendments thereunder. The said Code is available on the Company's website.

All the Independent Directors of the Company have enrolled themselves in the data bank with the 'Indian Institute of Corporate Affairs', New Delhi, India and eligible Independent Directors have also completed the proficiency test.

d) A statement regarding opinion of the Board with regard to Integrity, Expertise and Experience (including the proficiency) of the Independent Directors appointed during the year

The Board of Directors considered that Mr. Yogesh Kapur (DIN 00070038), Mrs. Purvi Sheth (DIN 06449636) and Mr. Satish Jamdar (DIN 00036653) possess the requisite expertise and experience (including the proficiency) and they are persons of high integrity and repute and accordingly approved their appointment/re-appointment as Independent Director(s) which is, subject to approval of the members of the Company.

Other than the above, there are no other appointment / re-appointment of Independent Directors of the Company in Financial Year 2021-22.

e) **Board Evaluation**

The Board of Directors carried out a formal review of the performance and effectiveness of the Board, Committees of the Board and of the individual directors including the Chairman of the Board for the Financial Year 2021-22.

The performance of the Board was evaluated on the basis of criteria such as the board composition and structure, effectiveness of Board processes, participation in organization strategy including Long Range Plan and Annual Operating Plan, inorganic growth opportunity evaluation, Enterprise Risk Management etc.

Using appropriate criteria the performance of the various Committees was separately evaluated by the Board.

In a separate meeting of Independent Directors, performance of non-independent directors, performance of the Board as a whole, performance of the Chairman, taking into account the views of executive directors and non-executive directors, was evaluated and inter alia discussed the issues arising out of Committee Meetings and Board discussion including the quality, quantity and timely flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties. The outcome of the meeting was presented to the Board along with the course of actions taken for implementing the observations.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as achievement against key performance objectives, attendance at meetings, time devoted for the Company, contribution in the Board process etc.

Feedback was sought by way of a structured questionnaire covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance and the evaluation was carried out based on responses received from the Directors.

The Independent Directors shared their inputs on effectiveness of the Board processes with the Chairman of the Board.

The Directors expressed their satisfaction with the evaluation process.

The result of evaluation was satisfactory and meets the requirements of the Company.

f) **Nomination and Remuneration Policy**

The Board of Directors, on the recommendation of the Nomination & Remuneration Committee, has adopted a policy that lays guidelines for selection and appointment of Directors, Key Managerial Personnel and Senior Management personnel together with their remuneration. The Nomination and Remuneration Policy is available on the website of the Company. (Web – link https://www.kirloskaroilengines.com/documents/541738/2bd3cfb1-7d20-f25a-1163-3a003fd96c15).

g) **Number of meetings of the Board**

During the period under review, six (6) Board Meetings were held, the details of which form part of the Report on Corporate Governance.

h) **Composition of Audit Committee and other Committees of the Board**

The Composition of Committees of the Board viz. Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and Stakeholder Relationship Committee forms part of the Report on Corporate Governance.

The Composition of Corporate Social Responsibility Committee forms part of **Annexure A** of this report.

During the year under review, the Board has accepted all the recommendations given by the Committees of the Board, which are mandatorily required.

9. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, the Company has invested in equity shares of Arka Financial Holdings Private Limited, Wholly Owned Subsidiary of the Company and Arka Fincap Limited (earlier known as Kirloskar Capital Limited), step down Subsidiary of the Company. Further the Company has transferred its entire shareholding in Arka Fincap Limited to Arka Financial Holdings Private Limited. The details are given in the Financial Statements. The Company has not granted any Loans and Guarantees covered under Section 186 of the Companies Act, 2013 & Rules thereof including amendments thereunder.

10. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered into during the Financial Year 2021-22 were on an arm's length basis and in the ordinary course of business. Hence, there are no transactions to be reported in Form AOC-2. None of the related party transactions entered into by the Company, were materially significant, warranting members' approval under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder. All Related Party Transactions are routinely placed before the Audit Committee for approval after being duly certified by the Independent Chartered Accountant. The Audit Committee had granted the omnibus approval for the proposed transactions other than approved by the Audit Committee from time to time with Related Party during financial year 2021-22, which are reviewed on quarterly basis by the Audit Committee after being duly certified by the Independent Chartered Accountant.

During the year, the policy on Related Party Transactions was amended in order to cover the provision of omnibus approval by the Audit Committee and to align with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021. The amended policy on Related Party Transactions is uploaded on the Company's website.

The disclosures as per IND-AS 24 for transactions with related parties are provided in the Financial Statements of the Company.

11. RISK MANAGEMENT, INTERNAL AUDIT AND INTERNAL CONTROL FRAMEWORK

The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance. The Board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders. All material decisions of the Board take into relevant consideration the nature and extent of risks which the Company is willing to take in achieving its strategic objectives and value creation.

In line with the commitment of a high standard of compliance with accounting, financial reporting, internal controls, corporate governance and auditing requirements and any legislation relating thereto, the Company has a Code of Business Conduct applicable to Company personnel covering a wide range of business practices and procedures. This includes, but is not limited to, compliance with laws, rules and regulations, conflicts of interests, insider trading, competition and fair dealing, discrimination and harassment, health and safety, environmental matters, record-keeping, financial controls and disclosures, confidentiality, protection and proper use of company assets, financial reporting and compliance.

The Company's internal control system is commensurate with the nature of the business, size and complexity of operations covering all businesses and functions of the organization. The internal control system maintains a repository of internal controls which is tested and updated through its internal audits to ensure adequacy and effectiveness of all major internal controls.

A risk based audit plan on a yearly basis is approved by the Audit Committee. The audit plan covers all businesses and functions across all locations. Significant observations and progress of implementation of action plan are reported to and reviewed by the Audit Committee.

In addition to this, control self-assessment framework complements the internal audits and helps the employees to monitor the internal controls they are responsible for. This system aids in building robust control environment across the organization. Both, the internal audit and control self-assessments processes are automated to promote efficient tracking of open audit issues without manual intervention.

The enterprise risks and their mitigation plans are presented by the risk owners to the Risk Management Committee. The Enterprise Risk Management ('ERM') framework is aimed at effectively mitigating the business and enterprise risks through strategic actions. The mitigation plans for enterprise and business risks are reviewed and updated on a periodic basis to the Risk Management, Audit Committee and the Board of Directors of the Company.

The Company's risk management process is designed to facilitate identification, evaluation, mitigation and review of risks which may affect achievement of objectives. It is aligned with the strategy deployment processes of the organization.

The Risk management process which has been established across the Company, addresses major types of risks, including cyber security, which are at enterprise and business level. The risks are reviewed with respect to the likelihood and impact following a balanced bottom-up and top-down approach covering all businesses and functions of the Company. The review of the risks is done based on changes in the external environment, which have a significant bearing on the risks.

The Risk Management Policy developed by the Company guides the risk management processes which is in line with size, scale and nature of the Company's operations. The risk management process works at various levels across the organization. It is an ongoing process and forms an integral part of Management focus.

The Risk Management Committee oversees risk management standards, practices, and systems. The Risk Management Committee periodically reviews the effectiveness of the Enterprise Risk Management system within the Company and evaluates the adequacy and effectiveness of administrative, operating, and accounting controls used by the Company.

The enterprise risks and mitigation plans are reviewed by the Risk Management Committee, Audit Committee and the Board of Directors periodically.

12. INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Company has in place adequate internal financial controls with reference to the Financial Statements commensurate with the size, scale and complexity of its operations.

13. CORPORATE SOCIAL RESPONSIBILITY

The Company has always believed in working for the betterment and upliftment of society. Corporate Social Responsibility (CSR) has been practiced and ingrained over the years in the Company. The focus areas under CSR have remained consistent over the years and include education, health and hygiene, environment, Disaster Management and Rural development etc.

The Company has adopted the Corporate Social Responsibility (CSR) policy which is further amended in lines with the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.

The Composition of CSR Committee of the Board and Report on CSR activities is annexed herewith as **Annexure A**.

14. VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has adopted a Vigil Mechanism / Whistle Blower Policy. The Policy provides a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee any instance of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or leakage of Unpublished Price Sensitive Information (UPSI), by any person, who is in possession of UPSI, to any other person in any manner whatsoever, except as otherwise permitted under the SEBI (Prohibition of Insider Trading) Regulations or any other instance. The e-learning and awareness on whistleblower policy is made available to the employees of the Company.

No person has been denied access to the Audit Committee in this regard. There were no complaints filed / pending with the Company during the year.

The Policy is uploaded on the Company's website (Web – link https://www.kirloskaroilengines.com/documents/541738/e498c5bb-651b-a713-d93e-25ed9b52136a).

15. EXTRACT OF ANNUAL RETURN

As required under Section 92(3) read with section 134(3)(a) of the Companies Act 2013 read with rule 12 of the Companies (Management and Administration) Rules, 2014 including amendments thereunder, the Annual Return filed with the Ministry of Corporate Affairs (MCA) for the Financial Year 2020-21 is available on the (Web – link https://www.kirloskaroilengines.com/documents/541738/a8dd6316-4a06-6f95-8015-4cc860f14c01) and the Annual Return for Financial Year 2021-22 will be made available on the website of the Company once it is filed with the MCA.

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

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 134 (3)(m) of the Companies Act, 2013, & Rules thereof including amendments thereunder, are provided in **Annexure B** to this report.

17. PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 including amendments thereunder, are annexed in **Annexure C** of this report.

The particulars of employees pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 including amendments thereunder, forms part of this report. In terms of Section 136 (1) of the Companies Act, 2013 & Rules thereof including amendments thereunder, the Directors' report is being sent to the shareholders without this Annexure. A copy of this annexure will be made available in electronic form to the members on request raised by them on the dedicated email id of the Company at investors@kirloskar.com.

18. POLICY ON PREVENTION OF SEXUAL HARRASSMENT (POSH)

The Company has in place a Policy for prevention of sexual harassment at workplace. This inter alia provides a mechanism for the resolution, settlement or prosecution of acts or instances of Sexual Harassment at work and ensures that all employees are treated with respect and dignity. The Company has complied with the provisions relating to the constitution of internal complaints committee under the Sexual Harassment of Women at work place (Prevention, Prohibition and Redressal) Act, 2013.

Awareness programs are conducted on the POSH during the Financial Year 2021-22. Also, all new joinees at the Company undergo separate induction on POSH policy. Online modules and courses on POSH are introduced which includes details of regulatory requirements, Incidents that constitutes sexual harassment, dealing with sexual harassment etc.

There were no complaints filed / pending with the Company during the year.

19. GENERAL

During Financial Year 2021-22:

a. There were no public deposits accepted by the Company pursuant to provisions of the Companies Act, 2013 & Rules thereof including amendments thereunder.

b. Mr. Sanjeev Nimkar (DIN: 07869394), Whole – Time Director designated as Managing Director of the Company upto 27th January 2022, had received the commission of Rs. 5,30,000/- during Financial Year 2021-22 from La-Gajjar Machineries Private Limited, Subsidiary Company.

c. There was no instance of fraud during the year under review, which required the Statutory Auditors to report to the Audit Committee and / or Board under Section 143(12) of Act & Rules thereof including amendments thereunder.

d. The Company has maintained cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 & Rules thereof including amendments thereunder.

e. The Company has complied with all applicable mandatory Secretarial Standards issued by the Institute of Company Secretaries of India, New Delhi.

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

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

h. Neither any application has been made nor any proceeding has been pending against the Company under the Insolvency and Bankruptcy Code, 2016.

20. AUDITORS

a) Statutory Auditors

The Members of the Company in their meeting held on 5th August 2016, had re-appointed P G BHAGWAT LLP Chartered Accountants, Pune, (Firm Registration Number 101118W/W100682) as Statutory Auditors of the Company for a second term of 5 (five) consecutive years to hold office from Annual General Meeting held on 5th August 2016 till the conclusion of the Annual General Meeting to be held in the year 2021. Accordingly, the second term of re-appointment of P G BHAGWAT LLP Chartered Accountants, Pune, (Firm Registration Number 101118W/W100682) as Statutory Auditors of the Company was valid till 12th August 2021.

The members of the Company in their meeting held on 12th August 2021, appointed G.D. Apte, Chartered Accountants, Pune, (Firm Registration Number 100515W) as Statutory Auditors of the Company for a first term of 5 (five) consecutive years to hold office from Annual General Meeting held on 12th August 2021 till the conclusion of the Annual General Meeting to be held in the year 2026.

The Company has received from them the requisite certificate pursuant to Section 139 of the Companies Act, 2013 & Rules thereof including amendments thereunder.

The Report given by the Auditors on the Standalone and Consolidated financial statements of the Company for the Financial Year 2021-22 is part of this report. There are no qualifications, reservations, adverse remarks or disclaimer given by the Auditors in their report.

b) Cost Auditors

M/s. Parkhi Limaye & Co, Cost Accountants (Firm Registration No. 191) carried out the cost audit during the year. The Board of Directors has appointed M/s. Parkhi Limaye & Co. as Cost Auditors of the Company for the Financial Year 2022-23 as required under section 148 of the Companies Act, 2013 & Rules thereof including amendments thereunder.

c) Secretarial Audit Report

The Board of Directors has appointed Mr. Mahesh J. Risbud, Practicing Company Secretary [PCS No. 185] to conduct Secretarial Audit of the Company under section 204 of the Companies Act, 2013 & Rules thereof including amendments thereunder.

The Secretarial Audit Report is annexed herewith as **Annexure D-1**.

There are no adverse remarks / qualifications of Secretarial Auditors in the Secretarial Audit Report for the year ended 31st March 2022.

Mr. Mahesh J. Risbud, Practising Company Secretary, Pune, has submitted 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 of all applicable SEBI Regulations and circulars / guidelines issued thereunder, for the Financial Year 2021-22.

d) Secretarial Audit of Material Unlisted Subsidiary

La-Gajjar Machineries Private Limited (LGM), is a material unlisted subsidiary of the Company. The Secretarial Audit of LGM for the Financial Year 2021-22 was carried out pursuant to Section 204 of the Companies Act, 2013 & Rules thereof including amendments thereunder read with Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder. The Secretarial Audit Report of LGM has been submitted by Mr. Mahesh J. Risbud, Practicing Company Secretary for the Financial Year 2021-22.

The Secretarial Audit Report is annexed herewith as **Annexure D-2**.

There are no adverse remarks / qualifications in the Secretarial Audit Report of LGM for the the Financial Year 2021-22.

21. MANAGEMENT DISCUSSION & ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

The Management Discussion and Analysis and the Report on Corporate Governance as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder, forms part of this Annual report.

A Certificate from the Statutory Auditors of the Company regarding compliance with conditions of corporate governance as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder, also forms part of this Annual Report.

22. BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT (BRSR)

Pursuant to Regulation 34 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, including amendment thereunder, the annual report shall contain a Business Responsibility Report (BRR) describing the initiatives taken by the listed entity from an environmental, social and governance perspective. In terms of amendment to regulation 34 (2) (f) of said Regulations vide Gazette notification no. SEBI/LAD-NRO/GN/2021/22 dated 5th May 2021, new reporting requirements on Environmental, Social and Governance (ESG) parameters called the Business Responsibility and Sustainability Report (BRSR) has been introduced which is applicable to the top 1000 listed entities (by market capitalization). The BRSR reporting is on voluntary basis for the Financial Year 2021-2022 and mandatory from the Financial Year 2022-2023. Considering the ESG Framework adopted by the Company, on voluntary basis the Company has adopted the Business Responsibility and Sustainability Report (BRSR) for the Financial Year 2021-2022, which is forming part of this Annual Report.

23. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 of the Companies Act, 2013, including rules made thereof and amendments thereunder, the Directors, based on the representations received from the Operating Management, confirm that:

a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

b) They have selected such accounting policies, and applied them 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 2022 and of the profit of the Company for the year ended on that date;

c) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, including rules made thereof and amendments thereunder, for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities;

d) They have prepared the annual accounts on a going concern basis;

e) They have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively; and

f) They have devised proper systems to ensure compliance with provisions of all applicable laws and such systems are adequate and operating effectively.

24. CAUTIONARY STATEMENT

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

25. ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to pay tribute to the following groups of people whose support has helped us, in one way or other, in navigating through the difficult year.

I am grateful to our customers for returning and trusting us following the reopening of the economy. Our top priority of providing quality products and services to all our customers remains unchanged in these difficult times.

Thank you to our employees for their professionalism as they responded and adapted to the changes to their work and workplace brought about by the pandemic. Our people rose to the challenge of ensuring the continued delivery of products and services to customers in all circumstances.

On behalf of the Directors, I would like to extend our sincere gratitude to our shareholders, investor community, bankers and suppliers for their continuous support and commitment.

I would like to express my appreciation to the Board of Directors for their invaluable guidance, wisdom, and support in guiding the Company through this rather difficult year. I look forward to working with them to drive KOEL to greater heights in coming years.

For and on behalf of the Board of Directors

Sd/-
ATUL C. KIRLOSKAR
EXECUTIVE CHAIRMAN
DIN: 00007387

Date: 19th May 2022
Place: Pune

ANNEXURE 'A' TO THE DIRECTORS' REPORT

Annual Report on Corporate Social Responsibility (CSR) activities for Financial Year 2021-22

[Pursuant to clause (o) of sub-section (3) of section 134 of the Companies Act 2013 including amendments thereof and Rule 8 of the Companies (Corporate Social Responsibility) Rules, 2014 read with Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021]

1. Brief outline on CSR Policy of the Company:

The Company has adopted the Corporate Social Responsibility (CSR) policy which is further amended in lines with the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021. Eligible funds for CSR activities will be expended in the areas of education, health and hygiene, environment, Disaster Management and Rural development etc. through one or more trusts or directly. These CSR activities will be carried out through various programs or projects specified in the CSR policy.

2. Composition of CSR Committee:

Sr. 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, Non-Executive Director	Chairman	2	2
2	Mr. Nihal G. Kulkarni, Non-Executive Director (Member upto 9th February 2022)	Member	2	2
3	Mr. Pradeep R. Rathi, Independent Director (Member upto 9th July 2021)	Member	2	NA
4	Dr. Shalini Sarin, Independent Director (Member with effect from 24th July 2021)	Member	2	1
5	Mrs. Mrunalini Deshmukh, Independent Director (Member with effect from 24th July 2021)	Member	2	2

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company:

- For Composition of CSR Committee - (web link - https://www.kirloskaroilengines.com/documents/541738/79210b84-4f13-0fa4-1512-ce22885f2931)
- For CSR Policy - (web link - https://www.kirloskaroilengines.com/documents/541738/781c6697-a239-c2d6-afdb-36fc8306ddfb)
- CSR projects approved by the Board – (web link – https://www.kirloskaroilengines.com/documents/541738/b95f40de-9175-f555-d08a-dfbc80fd8b0c)

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

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

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in Rs.)	Amount required to be set-off for the financial year, if any (in Rs.)
1	2020-21	886	-
	TOTAL	886	-

6. **Average net profit of the company as per section 135(5).: Rs. 264.32 Crs.**

7. a. **Two percent of average net profit of the company as per section 135(5) :** Rs. 5.29 Crs.

   b. **Surplus arising out of the CSR projects or programmes or activities of the previous financial years.:** NIL

   c. **Amount required to be set off for the financial year if any:** NIL

   d. **Total CSR obligation for the financial year (7a+7b- 7c).:** Rs. 5.29 Crs.

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

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount.	Date of transfer
5,29,00,000	NA	NA	NA	NA	NA

(b) **Details of CSR amount spent against ongoing projects for the financial year:** NA

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Project duration	Amount allocated for the project (in Rs.).	Amount spent in the current financial Year (in Rs.).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.).	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State.	District.						Name	CSR Registration number
1												
	TOTAL											

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

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Amount spent for the project (in Rs. In Crs.)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through implementing agency	
				State.	District.			Name	CSR Registration number
1.	Financial Assistance for Education	VII (ii) - Promoting Education	Yes	Maharashtra	Pune	5.265	No	Kirloskar Institute of Advance Management and Studies	CSR00004586
2.	Community Development Project – (Rural)	VII (x) – Rural Development	Yes	Maharashtra Maharashtra	Kagal, Kolhapur Pune	0.01 0.005	No No	Dr. V. T. Patil Foundation Work for Equality	CSR 00005167 CSR 00009788
3.	Community Development Project (Urban)	VII (ii) - Livelihood enhancement	Yes	Maharashtra	Kagal, Kolhapur	0.005	No	Dr. V. T. Patil Foundation	CSR 00005167
4.	Health	VII (i) - Preventive health care and sanitation	Yes	Maharashtra	Kagal, Kolhapur	0.005	No	Dr. V. T. Patil Foundation	CSR 00005167
	TOTAL					5.29			

(d) **Amount spent in Administrative Overheads:** NIL

(e) **Amount spent on Impact Assessment, if applicable:** NIL

   i. **Total amount spent for the Financial Year (8b+8c+8d+8e):** Rs. 5.29 Crs.

(f) **Excess amount for set off, if any:**

Sr. No.	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135(5)	5,29,00,000
(ii)	Total amount spent for the Financial Year	5,29,00,000
(iii)	Excess amount spent for the financial year [(ii)-(i)]	0.00
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	0.00
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	0.00

9. (a) **Details of Unspent amount for preceding 3 Financial years:** Nil

Sr. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)	Amount spent in the Reporting Financial Year (in Rs.).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in Rs.)
				Name of the Fund	Amount (in Rs).	Date of transfer.	
1.							
	TOTAL						

(b) **Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):** NA

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in Rs.).	Amount spent on the project in the reporting Financial Year (in Rs).	Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project - Completed /Ongoing.
1.								
	TOTAL							

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year(**asset-wise details**).: NA

    (a) Date of creation or acquisition of the capital asset(s).

    (b) Amount of CSR spent for creation or acquisition of capital asset.

    (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.

    (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5). NA

Sd/-
Rahul C. Kirloskar
Chairman CSR Committee
DIN: 00007319

Sd/-
Atul C. Kirloskar
Executive Chairman
DIN: 00007387

ANNEXURE 'B' TO THE DIRECTORS' REPORT

A. Conservation of Energy

Over the years, KOEL has been on a remarkable journey towards energy and environment conservation by formulating and following policy regulations for Energy Conservation. This prompt start has allowed KOEL to refine manufacturing processes and enhance its product portfolio, in turn being a leader in energy and environment conservation from concept to commissioning.

KOEL across all its manufacturing locations and business operations has already begun optimization of energy usage by employing innovative and efficient low-carbon solutions to its bouquet of products and operations. The company is committed to bringing about continuous improvement in processes and products through the use of energy efficiency interventions and renewable energy technologies.

The factory located at Kagal, Kolhapur, strongly supported the Government mission on Renewable energy by installing 5.5 MWp Solar Power Plant in the premises. The factory awarded with a certification for "Carbon neutral factory" aligning to PAS 2060:2014 "Specification for the demonstration of carbon neutrality" for consecutive two years, Hat-trick of "Golden Peacock award for energy efficiency by Indian institute of Directors, Awarded with "Energy Efficient Unit" at National level by CII and is also certified with highest "Platinum" rating for GreenCo certification awarded by CII.

I. The steps taken for energy conservation and its impact

Main Kagal Plant

- Installation of 2.68MWp Solar Power plant to maximize use of renewable energy
- Utilization of special purpose solar panel cleaning solution to improve the solar plant performance
- Installation of Solar street lights instead of conventional lighting
- Conversion of HSD operated forklift to battery operated forklift
- Installation of small hydro turbine
- Implemented projects from External Energy Audit Report
- Celebrated Energy conservation week 2021

Khadki, Pune Plant

- As a continual improvement measure, replaced office lights by LEDs
- Modified chiller pipeline at Pune utilities to eliminate two pumps & to achieve saving of electricity
- Celebrated Energy Conservation Week from 14th December 2021 to 20th December 2021 to bring more awareness in employees

KMW Kagal Plant

- Energy Efficient LED lights installed for street lights
- Interface the DG set with MSEB for auto working

Nasik Plant

- Installation of Energy Efficient LED lights
- Installation of transparent roof sheets to maximize usage of daylight

Bhare Plant

- Installation of Energy Efficient LED lights
- Arresting compressed air leakages

II. Steps taken by the company for utilizing alternate sources of energy

During the year under review, 34% of total electricity energy consumption at Kagal plant, with an approximate savings of Rs. 3.87 Crores was through units generated from Solar Captive Power Plant installed.

III. The capital investment on energy conservation equipment

The Company made a capital investment of Rs. 51.35 Lacs on energy conservation equipment.

B. Technology absorption

i. Efforts made towards technology absorption

The Company continues to work closely with legislative bodies such as Petroleum Conservation Research Association (PCRA), Central Pollution Control Board (CPCB), Bureau of Indian Standard, research institutes such as Automotive Research Association of India, Vehicle Research and Development Establishment, Indian Institute of Technology, industry associations such as Indian Diesel Engine Manufacturers' Association and Confederation of Indian Industry. It also continues to work with OEMs and end customers and suppliers to identify opportunities for design, development and improvements of products.

ii. Benefits derived and results of above efforts, product improvements, cost reduction, product development, import substitution etc.

- Product development for 'Make In India' initiative
- FM/UL certified product range launched in global market
- EPA certification for Tier 4F emission norms
- Enhancing features of products for domestic PG market
- New application development in High Horse Power (HHP) power segment like power car, fire pump
- Import substitutes developed for Fuel Injection Pump, Injector etc.
- Developing engine technologies for alternate fuels

iii. In case of imported technology (imported during the last three years reckoned from the beginning of the Financial Year) NIL

iv. The expenditure incurred on Research and Development

(Rs. In Crores)

Sr. No.	Particulars	2021-22	2020-21
1	Revenue Expenditure	69.38	60.57
2	Capital Expenditure	30.75	68.53
3	Total R & D expenditure	100.13	129.10
4	Total R&D expenditure as % to sales	3.1%	4.8%

C. Foreign exchange earnings and outgoes

Total foreign exchange used and earned

(Rs. In Crores)

Particulars	2021-22	2020-21
Used	92.24	88.22
Earned	282.71	227.50

ANNEXURE 'C' TO THE DIRECTORS' REPORT

INFORMATION PURSUANT TO RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 INCLUDING AMENDMENTS THEREUNDER

Sr. No.	Information Required	Input
1	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the Financial Year	Please refer Annexure 'C-1'
2	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year;	Please refer Annexure 'C-2'
3	The percentage increase in the median remuneration of employees in the Financial Year	7.57%
4	The number of permanent employees on the rolls of company	2184
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last Financial Year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average percentile increase in salaries of managerial personnel: 10.13 percentile Average percentile increase in salaries of non-managerial personnel: 16.40 percentile The salary increases are a function of various factors like individual performance vis-à-vis individual KRAs set and achieved, industry trends, economic situation, future growth prospects etc. besides Company performance. There are no exceptional circumstances for increase in the managerial remuneration.
6	Affirmation that the remuneration is as per the remuneration policy of the company.	The remuneration paid to the Directors is as per the Nomination and Remuneration policy of the company.
7	Particulars of employees posted and working in a country outside India, not being Directors or their relatives, drawing more than sixty lakh rupees per Financial Year or five lakh rupees per month.	There are no such cases.

ANNEXURE 'C-1' TO THE DIRECTORS' REPORT

Sr. No.	Name of the Director	Ratio of remuneration of each director to the median remuneration of the employees of the Company
1	Mr. Atul C Kirloskar	120.40
2	Mr. Sanjeev Nimkar (upto 27th January 2022)*	NA
3	Mr. Nihal G. Kulkarni (upto 9th February 2022)*	NA
4	Mr. Rahul C. Kirloskar	2.21
5	Mr. M. Lakshminarayan	12.96
6	Mr. Mahesh R. Chhabria	8.43
7	Ms. Gauri Kirloskar	10.58
8	Mr. Pradeep R. Rathi (upto 9th July 2021)*	NA
9	Mr. Vinesh Kumar Jairath	9.17
10	Mr. Satish Jamdar	4.58
11	Mr. Sunil Shah Singh	2.89
12	Mrs. Mrunalini Deshmukh	1.70
13	Dr. Shalini Sarin	1.87
14	Mr. K. M. Abraham	3.06
15	Mr. Yogesh Kapur (w.e.f. 29th September 2021)*	NA
16	Dr. Ajay Bhushan Prasad Pandey (w.e.f. 9th March 2022 to 21st March 2022)*	NA

Note:

1. Median is computed on the basis of permanent employees on the rolls of the Company for the full Financial Year 2021-22.
2. * Directors were appointed/resigned during the year ended 31st March 2022. As such the remuneration of these Directors is not considered.

ANNEXURE 'C-2' TO THE DIRECTORS' REPORT

Sr. No.	Name of the Director/KMP	Designation	% Increase/(decrease) in the Remuneration
1	Mr. Atul C. Kirloskar	Director & KMP	25.11%
2	Mr. Sanjeev Nimkar (upto 27th January 2022)*	Director & KMP	NA
3	Mr. Nihal G. Kulkarni (upto 9th February 2022)*	Director	NA
4	Mr. Rahul C. Kirloskar	Director	39.29%
5	Mr. M. Lakshminarayan	Director	68.38%
6	Mr. Mahesh R. Chhabria	Director	(57.18)%
7	Ms. Gauri Kirloskar	Director	47.83%
8	Mr. Pradeep R. Rathi (upto 9th July 2021)*	Director	NA
9	Mr. Vinesh Kumar Jairath	Director	7.28%
10	Mr. Satish Jamdar	Director	44.64%
11	Mr. Sunil Shah Singh	Director	183.33%
12	Mrs. Mrunalini Deshmukh	Director	66.67%
13	Mr. K. M. Abraham	Director	25.58%
14	Dr. Shalini Sarin	Director	32%
15	Mr. Yogesh Kapur (w.e.f. 29th September 2021)*	Director	NA
16	Dr. Ajay Bhushan Prasad Pandey (w.e.f. 9th March 2022 to 21st March 2022)*	Director	NA
17	Mr. Pawan Kumar Agarwal	CFO & KMP	25.32%
18	Ms. Smita Raichurkar	CS & KMP	7.02%

Note:

* Directors/KMP were appointed / resigned during the year ended 31st March 2022. As such the remuneration of these Directors/KMP is not considered.

ANNEXURE 'D-1' TO THE DIRECTORS' REPORT

SECRETARIAL AUDIT REPORT

[Pursuant to Section 204(1) of the Companies Act, 2013 read with Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014] including amendments thereunder and pursuant to Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder]

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2022

To,
The Members of
KIRLOSKAR OIL ENGINES LIMITED
13, Laxmanrao Kirloskar Road, Khadki,
Pune - 411 003.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **KIRLOSKAR OIL ENGINES LIMITED,** (CIN L29100PN2009PLC133351) hereinafter called the Company. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2022 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2022 according to the provisions of:

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

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

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

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

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

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

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

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

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 r/w 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 Debt Securities) Regulations, 2008; [No incidence during the audit period, hence not applicable]

(f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009/2021; [No incidence during the audit period, hence not applicable]

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; [No incidence during the audit period, hence not applicable]

(vi) No other law is applicable specifically to the Company.

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) Listing Agreement under the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations) entered into by the Company with the BSE Ltd. & National Stock Exchange of India Ltd.;

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

I further report that,

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

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance (except for Board Meeting held on 27th January 2022 with shorter notice) and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

I further report that during the audit period,

a) During the year based on special resolution passed by the members of the Company pursuant to Section 180(1)(a) and Section 110 of the Companies Act, 2013, including rules made thereunder read with Regulation 24(5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has transferred all equity shares held by the Company in Arka Fincap Limited to its a wholly owned subsidiary company viz. Arka Financial Holdings Private Limited.

b) Mr. Nihal Kulkarni resigned as a Non-Executive Director of the Company vide letter dated 9th February 2022. The Board of Directors in its meeting held on 9th February 2022, accepted his resignation with immediate effect and took the same on record. The Board of Directors in the same meeting also noted the intention of Mr. Nihal Kulkarni and his family members of exiting as promoters and shareholders of the Company in due course, as communicated in their Letter dated 9th February 2022. The same was filed with the Stock Exchanges viz. BSE Limited and National Stock Exchange of India Limited.

My report should be read along with the annexed Disclaimer letter of even date forming part of this report.

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

Date: 19th May 2022
Place: Pune
PR – 1089/2021
UDIN: F000810D000341194

To,
The Members
Kirloskar Oil Engines Limited
Pune

My report of even date is to be read along with this annexure:

1. Maintenance of record is the responsibility of the management of the Company. My responsibility is to express my opinion on these records based on my audit.

2. The compliance of the provisions of Corporate and other applicable laws, Rules, Regulations, standards, is the responsibility of the management. My examination was limited to the verification of procedures on test basis.

3. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the records. The verification was done on test basis/check lists basis to ensure that correct facts are reflected in records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.

4. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

5. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

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.

Sd/-
Mahesh J. Risbud
FCS No.: 810
C. P. No.: 185
UCN: S1981MH000400

Place: Pune
Date: 19th May 2022

ANNEXURE 'D-2' TO THE DIRECTORS' REPORT

SECRETARIAL AUDIT REPORT

[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] including amendments thereunder and pursuant to Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder]

FOR THE PERIOD ENDED 31ST MARCH, 2022

To,
The Members,
LA-GAJJAR MACHINERIES PRIVATE LIMITED
NAGARWEL HANUMAN ROAD,
ACIDWALA ESTATE OPP.SUKHRAMPURA
AMRAIWADI, AHMEDABAD
GUJRAT - 380026.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **LA-GAJJAR MACHINERIES PRIVATE LIMITED,** (CIN U17110GJ1981PTC004263), a material subsidiary of a listed public limited company (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed, reports and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the year ended on 31st March, 2022, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2022, according to the provisions of:

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

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

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

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; (**Not applicable for the period as no such event occurred during the year**)

(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, 1992 and SEBI (Prohibition of Insider Trading) Regulations, 2015;

(c) *The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

(d) *The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 r/w 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 Debt Securities) Regulations, 2008;

(f) *The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) *The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and

(h) *The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

(vi) There are no sectoral laws as applicable specifically to the Company.

I have also examined compliance with the applicable clauses of the following:

(vii) Secretarial Standards issued by The Institute of Company Secretaries of India.

(viii) *The Listing Agreement under SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations);

*These Acts, Rules, Regulations, Guidelines, bye-laws are not applicable to the Company since its securities are not listed on any Stock Exchange.

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

I further report that:

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

All the decisions at the Board/Committee meetings have been taken unanimously.

I further report that as per the information derived by me and provided to me, the Company has in place the systems and processes which are commensurate with the size and operations of the Company to monitor and ensure strict compliance with applicable laws, rules, regulations and guidelines.

I further report that:

In the financial year 2019-20, the Board of Directors had approved the long-term strategy of consolidation of all the manufacturing facilities of the Company in and around Ahmedabad, Gujarat. The Company has identified land for this purpose and is in process of completing the legal formalities for acquisition of land for the same. The said project will be funded through a combination of long term bank borrowings and internal accruals. The project implementation is still in process.

The above decision of the Company might have a major bearing on the company's affairs in the years to come.

My report should be read along with the attached Disclaimer letter of even date forming part of this report.

Sd/-
Mahesh J. Risbud
FCS No. 810
C P No.: 185
UCN – S1981MH000400

Date: 7th May 2022
Place: Pune
PR – 1089/2021
UDIN: F000810D000281046

To,
The Members
LA-GAJJAR MACHINERIES PRIVATE LIMITED
Ahmedabad

My secretarial audit report for FY 2021-22 of even date is to be read along with this annexure:

1. Maintenance of record is the responsibility of the management of the Company. My responsibility is to express my opinion on these records based on my audit.

2. The compliance of the provisions of Corporate and other applicable laws, Rules, Regulations, standards is the responsibility of the management. My examination was limited to the verification of procedures on test basis.

3. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the records. The verification was done on test basis/check lists basis to ensure that correct facts are reflected in records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.

4. I have not verified the correctness and appropriateness of financial records, Books of Accounts and other statutory records of the Company. Under the COVID – 19 impacted situation, I adopted modified system & have totally relied on the electronic records submitted to me for verification. In view of above, there could be some discrepancy which might arise in future as far as actual records are concerned.

5. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

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.

Sd/-
Mahesh J. Risbud
FCS No.: 810
C. P. No.: 185
UCN: S1981MH000400

Place: Pune
Date: 7th May 2022

Management Discussion and Analysis

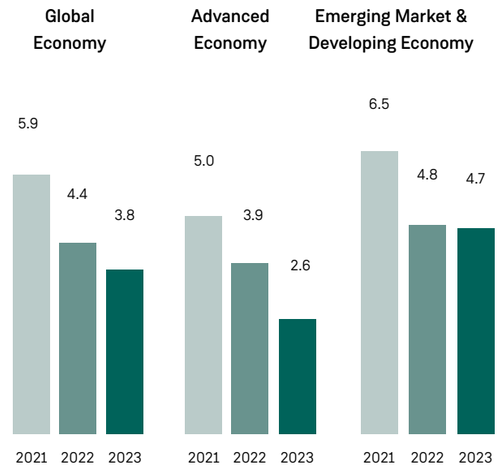
Economy Overview and Outlook

Global Economy:

According to the International Monetary Fund's (IMF) report dated 19th April 2022 on World Economic Outlook, the global economic output grew by 6.1% in CY2021, which can be owed to the significant rise in the global economic activity in the first half of the year. Following the upswing of 6.1%, the global economy is expected to moderate by 3.6% in both CY2022 and CY2023[1]. Beyond 2023, global growth is forecast to decline to about 3.3 percent over the medium term.

The Ukraine-Russia conflict and China's stringent zero-covid policy (>40% of GDP in lockdown) have prolonged the supply-side challenges, causing multi-decade high inflation in many parts of the world, while growth has started to moderate. In the developed markets (DM), the labour market conditions remain buoyant (lower unemployment), creating stained wage pressures; thus, the central banks of DM are resorting to aggressive monetary tightening.

A stagflation environment and tightening of global monetary conditions is expected to create challenges for asset prices and induce higher market volatility. With the surge in global bond yields, the debt returns of April have been one of the worst since GFC. This trend may continue if inflationary risk persists for long.



Source: International monetary fund

Indian Economy :

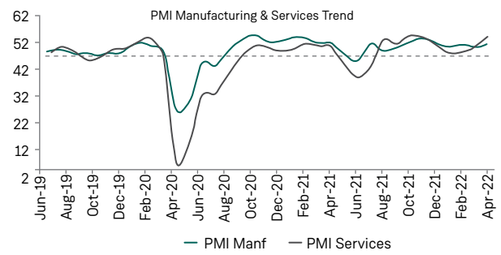
India is at the start of a multi-year capex cycle. The cycle is being initially driven by the government capex, to be followed by real estate and exports, and finally by PSU and private capex accelerating growth beyond FY24.

Despite of the rising commodity prices and global supply chain uncertainties, India is set to withstand the macro-economic challenges and grow at a steady pace among the large economies, with the manufacturing and construction sectors driving growth. This will be fuelled by the Government's focus on capital investment and exports, which will boost production capacity and aggregate demand. The Government's increased spending and the RBI's accommodative interest rate policy will aid in the recovery of the economy.[2]

The macroeconomic indicators for Indian economy so far indicate a healthy economic activity.

Aggregate economic activity at 20% above the pre-pandemic levels

Uptick in PMI Service index & modest growth in PMI Manf.



Source: Bloomberg, RBI, AMC, JBWA

[1]https://www.imf.org/-/media/Files/Publications/WEO/2022/April/English/text.ashx

[2]https://economictimes.indiatimes.com/news/economy/indicators/economic-survey-2022-pegs-gdp-growth-in-the-range-of-8-8-5-for-fy23/articleshow/89240526.cms?from=mdr

The union budget's strong emphasis on asset creation is expected to accelerate government as well as private sector investments. The Production Linked Incentive (PLI) schemes in 14 sectors will further encourage private investment in order to boost export growth and allow for feasible import substitution in the country.

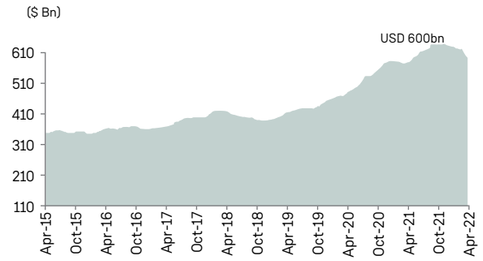
This investment is expected to have a huge multiplier effect boosting inclusive and sustainable growth. Consumption will rise up once the uncertainty and worry caused by the COVID-19 virus have passed, and the demand rebound will allow the private sector to step in with investments to boost production to satisfy the rising demand. This scenario should play out for the Indian economy in 2022-23, barring geopolitical and economic surprises.

RBI Monetary Policy –

The Monetary Policy Committee (MPC) of the Reserve Bank of India at its meeting held on 4 May 2022 decided to hike the repo rate by 40 basis points (bps) to 4.40 percent in a bid to contain inflation, which has remained stubbornly above the target zone of 6 percent since January 2022. The RBI committee further indicated that it would ensure adequate liquidity in the system to support credit offtake and economic growth. The focus of the MPC is on anchoring inflation and inflationary expectation to preserve financial stability and strengthen the medium-term growth prospects. Despite the RBI going into an overdrive mode by hiking the Repo and the CRR rate, the policy stance remains accommodative.

India's foreign exchange reserves have already dipped by USD40bn from their all-time highs, pursuant to the strengthening bias of the USD and the persistent FPI selling in the Indian markets. Further, the normalization of monetary policy in major advanced economies is gaining pace – both in terms of rate increases and unwinding of quantitative easing, as well as the rollout of quantitative tightening.

FX reserves down by approx. USD 40 bn from its peak



Source: Bloomberg, Cogencis

More importantly, RBI is reviewing the dynamic and fast-changing situation and assured the policy to be tailored accordingly.

Industry and business overview

Prime power solutions

Power generation

Power sector is one of the most critical industries for India's economic growth. Natural disasters that cause power outages are becoming more common, necessitating the use of standby generators. The generator sets market is expected to grow at a CAGR of more than 6.5% from 2020 to 2027.[3] The manufacturing industry's increasing energy demands, warehousing facilities & speciality retail expansion are likely to generate more market prospects for generators. With the increase in power crisis Gensets are moving beyond standby.

Key market trends

- Unreliable and restricted power access has been a primary driver of high demand for generators, particularly in rural regions.
- The market for generator sets is predicted to increase tremendously as they are employed in the telecom sector for backup power in grid-connected locations as the primary power source in off-grid areas.
- Due to current government programmes such as smart cities and green building initiatives, urbanisation and subsequent demand for portable generators will rise.

Business overview

Every major product under this business experienced a healthy double-digit sales increase Y-O-Y and the overall sales performance showcased a considerable growth. The overall Genset retail market (excluding Telecom) witnessed 28% growth, while telecom segment gained by 70%. The Company grew by 29.7% with respect to Financial Year 2020-21 and continues to improve its market leadership. The Company further improved its market share in the Low and Medium kVA segments with of its strong product portfolio and grew faster than market in the Ultra High Horse Power (HHP) kVA segment.

The Company's revenue in FY22 from Power Generation business stood at ₹ 1,318 crore, as compared to ₹890 crore in FY21.

Future outlook

The Company is continuously improvising its products with the changing needs of the market and is restructuring its operations to manufacture products inhouse, sourcing major components and materials locally, thereby supporting the government's

[3]https://www.mordorintelligence.com/industry-reports/generator-sets-market

mission of 'Atmanirbhar Bharat'. With the Company enhancing its range to 1500kVA along with its foray into HHP solutions, the power generation business is poised to grow strongly. In addition to this, the new emission norms for power generating sets are expected to be implemented in the next Financial Year 2023-24 and the Company is fully geared up for this transition, supporting Government of India's drive for a greener tomorrow. With rising costs of diesel and the move towards sustainability the Company is also prepared for the alternate fuel engines market.

Industrial engines business

By the end of 2027, the global Industrial Engines market is estimated to have grown at a CAGR of 3.9% from 2021 to 2027.[4]

Kirloskar Oil Engines Limited (KOEL) is India's premier independent engine manufacturer and the preferred choice by major construction equipment OEMs, both at local and international markets. The Company's longstanding relationships with key stakeholders, such as original equipment manufacturers (OEMs), end-users across operational segments, suppliers, workers and communities, remained strong throughout the year.

The Company was able to enhance its market share across operating categories in the Industrial business by supplying the proper 'fit for market' product with assured deliveries at a competitive price, supported by Kirloskar CARE's robust after-sales service network across India.

Business overview

Slow growth marked the beginning of FY22 due to the impact of second wave of COVID-19, however it picked up pace in the second half of the fiscal. This year also marked the change to BS-IV emission norms with successful transition by us at Kirloskar oil engines. In-spite global crises of ECUs Industrial business could support its OEM with 4000 plus units in short span enabling OEM's to commission 2500 plus equipment to end customers. There was overall a strong demand for Off highway equipment especially the construction equipment, where in earth moving & tractors witnessed some slowdown towards the end of year owing to various reasons affecting the overall economy.

The Company's revenue in FY22 from Industrial Engine business stood at ₹529 crore, as compared to ₹502 crore in FY21.

Future outlook

The Company has collaborated with major equipment manufacturers and continues to leverage its ability to develop technology to sustain market leadership. The Company will be focusing on adding new applications by working alongside OEMs and meeting their requirements for machines under development & upcoming emission norms BS-V. Increasing government spends, focusing mainly on road construction and infrastructure projects to bring the economy on track is continue to fuel the growth in this segment.

The Company will also seek to add new industrial OEM's as customers, taking advantage of the China+1 strategy which has come to focus given the global macro environment.

Customer support

The Kirloskar CARE brand provides after-sales services and support for Kirloskar product. The Company has 425 plus service outlets in India connected digitally and has 2500+ trained service teams setting an industry benchmark.

Recognising all market expectations and needs, such as increasing usage for industrial engines as well as changing Diesel Genset utilisation patterns, the Company is trying to expand service reach and long-term customer retention via preventative maintenance, which is critical for revenue development.

The Company's customers directly connect and engage with the brand; therefore, enlisting OEMs for after-sales services has been favourable in the corporate, institutional and government sectors.

The Company's innovative service offerings, such as Bandhan and Anubandh (AMCs) and Extended Warranty, are backed by a strong Customer Retention 'CRI' measurement process, allowing the Company to build long-term relationships with individual customers. Most of these goods are industry standards and represent a major selling point for Kirloskar.

Despite high inflation and a volatile market, the Company's strong systems and processes, combined with proactive service support, enabled the customer support business to generate revenue of ₹438 crore in FY22, a 13% increase as compared to ₹ 384 crore in FY21.

Future outlook

In addition to the introduction of new products including BS-IV engines in the industrial domain and the Organic Waste Composter (Kirloskar i-Land), the Company also released new products in the Power generation market, the K4300 and R550 series in FY22. The Company has taken concrete steps to create field capabilities to market these new products. It is actively working on comprehensive service preparedness for the new emission norm, namely CPCB IV technology, through a defined project charter and year-round service training.

The organisation also intends to launch new service products as part of the Bandhan initiative, which will be reinforced by solid digital procedures and measurement systems and a strong CRM to ensure long-term client involvement with Kirloskar CARE.

Water Management Solutions – Crop irrigation

The pump sector is expected to increase at a compound annual growth rate (CAGR) of 3.4% from 2021 to 2027.[5] The global agricultural pumps market size is projected to reach USD 6.1 billion by 2025. [6]

[4] https://southeast.newschannelnebraska.com/story/46190790/industrial-engines-market-size-to-reach-39-cagr-and-usd-51910-million-by-2028-offer-growth-opportunities-to-the-top-vendors-types-applications-122-pages-report

[5] https://www.gminsights.com/industry-analysis/pumps-market

[6] https://www.marketsandmarkets.com/Market-Reports/agricultural-pump-market-223029062.html

The demand for energy-efficient pumps and the growth of the agriculture and allied sectors are some driving forces that contribute to the growth of the pump market.

The year was marked by rising raw material prices and other input costs, inflation, and prolonged unseasonal rains in most regions in India. The Company has been concentrating on expanding its channel reach and addressing product gaps. Due to robust development in the electric pump-set market, electric pump sales surpassed diesel engine sets for the first time during the year.

Business overview

The Crop Irrigation business contributed ₹352 crore to the total revenue in FY22, compared to ₹342 crore in FY21.

Although sales of diesel engines and pump sets fell by 20% year-over-year (YoY), the Company increased its market share in the engines area to 52%. Electric pump sales increased by 38% YoY, passing many milestones along the way. Compared to the previous year, KOEL Electric Pumps has improved its position in the household and CMB farm product segments.

Future outlook

Given the Indian government's efforts to jumpstart the economy, the availability of low-cost finance for the housing industry, and the Company's continuous efforts to engage and build its channel, KOEL electric pumps will continue to grow. The Company's primary focus will be on increasing brand awareness in order to gain a considerable market share in the electric pump area. The diesel pump set sector will continue to decline, but the engine segment will stabilise its market position as the focus shifts to OEM engines, and new product availability is simplified following the supply chain interruption.

Farm mechanisation solutions

COVID-19 induced lockdowns and extraordinarily high raw material prices impacted the current financial year. The demand for the power tiller, the division's most popular product, is seasonal and is influenced by government subsidies. The government subsidy remained the most crucial factor in power tiller sales in India in FY22. The total power tiller market remained unchanged in comparison to the previous fiscal year, but traders and import-dependent manufacturers found no acceptance from the market as a result of the Government's restriction on power tiller imports.

Dealership margins have been reduced as a result of the Government's delay in revising the subsidised retail prices. However, due to the fact that imports are still permitted in power weeders, the category has experienced a rise in the number of participants in this area during the year.

Business overview

In FY 22, combined effect of rising Raw Material, covid shutdown at the beginning of the season and delay in subsidy price revision impacted sales numbers. On product front, a cross over product that combines tillers and weeders features (named as 'Teeder') was introduced in the market. The 15 HP KCool Diesel and 12HP KCool Diesel engines were also introduced in the market for agricultural applications. Two OEMs were brought on board, and the tillers and weeder product range was introduced in their channel. Product seeding completed in export markets.

The Company's revenue in FY22 from Farm Mechanisation Solutions business stood at ₹182 crore, as compared to ₹178 crore in FY21.

Future outlook

Following the COVID-19 epidemic, agriculture and allied sector continues to be focus areas for the Government and policymakers, most likely assisting the broader farm mechanisation industry.

For farm mechanisation, a return to normalcy, preferably before the height of the Kharif season in June-July, is crucial. In 2022-23, government subsidies will significantly drive power tiller sales. The majority of the Company's existing power tiller and power weeder models are now registered in subsidy schemes across India. New models that are still undergoing testing and those which got delayed due to the COVID-19 effect, will be enrolled in the early part of the following financial year. In FY23, the Company will continue to work on creating new product lines in the farm mechanisation market, which will be a significant driver of growth.

International business

Business overview

The growth of the firm through new products in international markets is proceeding as per long-term strategy. The international business mainly covers power generation, industrial, firefighting and agriculture segments. In FY22, the business and the business witnessed growth in all its segments except Industrial. We have made promising beginning during the year for exporting power tillers and marine engines.

The Company was successful in creating new engine models that met Tier 4 Final certification in the United States. In North America, the Company released two more engine long-blocks for gas applications. In the Industrial segment, the Company launched four new power-pack engines in Africa and Latin America. With new product sales steadily increasing, the Company continues to place a premium on innovative advancements.

The Company concentrated on leveraging its capabilities to take advantage of growth prospects in the power generation, fire-fighting and agribusiness segments. Over the previous year, overall sales increased by 24.5%, with the power generation section growing by 50%, the fire-fighting segment by 26%, and the agricultural segment by 12%. Due to a slowdown in several regions, such as the United Arab Emirates and Algeria, sales in the Industrial segment fell by 5%.

Growth in the fire-fighting engines segment is being enhanced with new OEMs from the Middle East, North America, Europe and China coming on board. Extending the spectrum of engines in this area is also being worked upon. The Company has maintained and strengthened its dominant position in the UAE in FM/UL certified engines.

The Company was successful in getting its engines approved by mines for smoke opacity in South Africa. The Company's expansion was fuelled by supplies to new OEMs in the industrial and power generation segments. During the year, new 4 and 6 cylinder power pack engines for industrial and pump applications were released. The market response has been encouraging, with OEMs promising bigger volumes and increased acceptability. This year, sales in South Africa increased by more than 30%.

GOEMs have given positive feedback on the prototype R550 series engines from the United States. These engines have been designed and certified to satisfy Tier 4 Final standards in the United States. So far, two models have received certification. With the R550 series, the business hopes to expand rapidly in the US market, with plans to introduce more variants.

Service synergy conversations with all the major markets improved service activity. Several procedures have been automated to help with faster and more effective after sales service. In order to achieve its goal, the Company effectively digitised its processes through several modules such as order, remittance, and EWAP for GOEMs, providing end-to-end transparency for all stakeholders. The Company intends to continue on this path throughout the coming year, with the ambition to digitise and automate the ordering module completely. Electronic modules for training and competence enhancement in the field are also being developed.

The Company's revenue in FY22 from International Business stood at ₹298 crore, as compared to ₹ 239 crore in FY21.

Future outlook

The Company intends to expand in the focus areas, including the United States, South Africa (Industrial), and the United Arab Emirates (Fire-fighting). After registering and offering a wide product portfolio, OEMs in the United States are projected to increase their demand for FM/UL approved engines for fire pump applications. The UAE is likely to see a similar boost in activity in the same category. In addition, the business intends to significantly increase its sales of engine long blocks for the gas market in the United States. Almost 75% of the range has been developed, and testing is under underway. New models such as R550 engines and generating units are also expected to drive the company's business.

Institutional Project Solutions (IPS) Business - Large Engines Business

Business overview

IPS is a project business unit that specialises in specialist markets such as defence and marine projects. The Company's revenue in FY22 from the IPS segment stood at ₹150 crore as compared to ₹129 crore in FY21, registering a growth of approximately 16% YoY.

KOEL provides complete energy solutions to the defence industry as a systems integrator including energy systems and power sources for radars and communication systems. Engines for repowering defence vehicles were also created by KOEL. The Company emerges as a propulsion system provider in the marine industry. It also provides generators to the Navy, Coast Guard, and Commercial Ships.

The Company has engaged in a Business Association Agreement to create lightweight and compact DG sets for defence projects. In addition, the Company won a large order for propulsion kits for inland water ferry boats and a refurbishment project. Specific product nodes were designed to fulfil class requirements, and most ferry boats were successfully commissioned to the customer's satisfaction.

Future outlook

The Company will continue to work on diverse projects as a propulsion system provider and system integrator while expanding the product offering. The business will also concentrate on high-horsepower and high-speed engines for propulsion and marine gensets for the Navy and Coast Guard. The Company is focusing on large engines division and preparing for contracts involving emergency DG sets.

New products

The Company has been working to enhance customer experiences through new product launches across its business units. Strategic partnerships with industry leading bodies and in-house research and development drives new product development at KOEL.

[For more details on new products refer to the intellectual capital section of the report on page 35]

Supply Chain

The Company is actively working towards building a future ready supply chain. The external market conditions coupled with the commodity prices scenario in the previous financial year have been very turbulent leading to challenges in keeping the price equilibrium. The strong collaborative and congenial business relationships with our supplier base, helped us in minimizing the impact of supply chain challenges.

The transition to meet the BS-IV Engines demand in the Industrial segment has been smooth and the Company is expected to meet the requirements of the growing Infrastructure segment. The Company has also initiated the developments of products for the next set of environment norms and is working actively to meet the deadline.

The Company has come with various initiatives to strengthen its partnership with suppliers. The Company is engaged in the creation of Six Sigma Clusters which has enabled the Supplier Partners to acquire the knowledge of Six Sigma tools to qualify as Green Belts. This is being deployed to build a data driven analytics culture across the supplier base along with improving product reliability. The Company has formulated a detailed Supplier engagement program to meet the objective of building a future ready supply chain.

Semiconductor availability was one of the many input materials challenges that companies faced during the year. The Supply Chain Management team managed the situation well with very minimal impact on the business. Agility was been demonstrated in working out alternatives to ensure supply continuity. Also considering the overall impact of commodity prices increase, the company worked on Value Engineering and cost optimization programs to minimize the impact on product cost.

With an active integrated approach with suppliers, new products development is being put in place. The market requirements of product aesthetics is implemented from the product design stage and carried forward in the process design leading to globally acceptable products with high reliability.

The Company has formulated the Suppliers' Code of Conduct and a detailed engagement program.

The Company also conducts vendor satisfaction survey periodically and the outcome of the same including suggestions are reviewed by the Management of the Company.

During the pandemic the supply chain team ensured a seamless material availability and further enabled ideation of many aspects of conducting business offline. The Supplier Quality Contest has been one of them. Like last year, the annual event was conducted in Nov'21 and it witnessed a participation of over 140 Supplier Partners.

Focus remains on the deployment of Internet of Things (IoT) and Artificial Intelligence (AI) in operations at supplier's end which are the future of the Company's connected supply chain.

Human resource

The Company believes that its people are vital for its success and has launched a number of programmes relating to safety, health, and engagement.

The Company maintains healthy and cordial labour relations in all of its production units and offices. The Company signed the 10th Wage Settlement Agreement for their plant at Pune, prior to expiry of the earlier settlement, without losing a single man-day.

The Company has a dedicated human capital of over 2,184 employees spread across locations in the organization.

[For more details on learning and development, health, safety and wellbeing of employees, rewards and recognition, refer to the human capital section of the report on page 40]

ENVIRONMENT, HEALTH AND SAFETY (EHS)

EHS is one of the most crucial areas that requires constant focus and attention. During the year the Company undertook various initiatives to maintain a healthy and inclusive workspace for its human capital. The Company undertook a number of initiatives to reduce adverse effects on environment & society such as innovative energy conservation projects, environment-friendly disposal of hazardous material etc. To ensure efficient control of all processes in quality management, environmental protection, occupational health and safety, KOEL has implemented IMS, which integrates ISO 9001, ISO 14001 and OHSAS 18001 management systems. KOEL is now IMS certified by ABS QE.

During the year, numerous initiatives were undertaken at the Company's plants and offices in the areas of Environment, Occupational Health and Safety (EHS).

The 'Occupational Health & Safety Policy' is adopted for all factory locations of the Company and 'Annual Safety Plan' is in place.

The Company undertook multiple environmental initiatives across all its plants. Activities like celebrating World Environment Day, for awareness creation amongst employees and nearby villages, celebration of Kirloskar Vasundhara International Film Festival for society environmental awareness and plantation of trees were conducted during the year. As a part of Occupational Health, organization the Company organized Blood donation camps, Eye check-up camps, health awareness sessions and periodical medical check-up for employees. With regards to safety the Company conducted programs like Behavioural based safety awareness, road safety awareness, mock drills for safety awareness, firefighting training for employees etc.

Some of the key initiatives are listed below:

Environment initiatives

A. Kagal Plant

- Utilisation of recycled water from ETP for toilets and urinal flushing of all EP1 toilets
- Modification in sewerage system at Fabrication shed, Genset section and Warehouse for smooth distribution of domestic effluent.
- In-house organic farming for providing organic vegetables to central kitchen
- Celebration of World Environment day
- Expansion of Plastic to fuel plant
- Separate pipeline for rain water pumping till fire water storage tank
- Recycling of Scrap batteries through authorized recycler
- Recycling of Grinding Dust through authorized recycler

B. Khadki Plant

- Treated water used at toilet flush and gardening
- Roof sheets of stores shed replaced by GI sheets

Safety Initiatives

- Installation of virus Attenuation Device that effectively neutralizes the Coronavirus & Influenza family of viruses by 99.9% as shown in the virology lab test reports.
- Installation of Staircase at Genset plant & EP-II for providing safe access to upcoming new solar plant
- Increase in capacity of Fire Water storage tank
- Maintained register of authorized personnel going on roof top, Lock & key arrangement for limited entry access at staircase, Display boards for restriction of entry on roof top, capturing unsafe acts & other movements on roof top
- Installation of "Earthing monitoring system" at EP-I EP-II diesel storage tank
- New fire hydrant system & Fire alarm system installed at Khadki plant

Other than above initiatives, COVID-19 Vaccination Camp was conducted for all company & contractual employees, Celebration of Safety week, mock drills as a part of emergency preparedness program, external safety audit and training on fire-fighting was organized at all locations.

At KOEL, Sustainability management is a journey and not a destination. In this journey, the company strives for balance amongst various stakeholder expectation, Sustainable Development Goals (UN SDGs) and the business growth. In tracking KOEL's contribution to the three pillars of the Sustainability - Economic, Environment and Social Development, the 10th Annual Corporate Sustainability Report as per the Global Reporting Initiative (GRI), for the year 2020-21 was released in April 2022.

[For more details on EHS refer to the human capital and natural capital section of the report on page 41 and page 43]

FINANCE, LEGAL AND SECRETARIAL

The Financial Year 2021-22 continued to be full of challenges on account of lockdown because of the outbreak of COVID-19 second wave. The Company has built a strong compliance management system and has automated the compliance management process. Adherence to statutory and regulatory compliance has always been given the highest importance. The Finance, Legal and Secretarial functions have played the role of business partners and have led several digital initiatives that ensured improved efficiency.

AWARDS, RECOGNITIONS AND CERTIFICATIONS

Some of the other recognitions received for our relentless efforts of quality delivery and operational excellence included for Kagal Plant:

- Consecutively for the third year "Golden Peacock Award" – 2021 for Energy Efficiency by Institute of Directors' (IOD). This award is regarded as a benchmark of Corporate Excellence worldwide and recognition of a world-class organization promoting and implementing energy efficiency and energy conservation measures.
- Consecutively for 8th year "Excellent Energy Efficient Unit" National Award by Confederation of Indian Industry (CII)
- "Platinum Award" and "Sliver Award" at National, State and Chapter level on Quality Control Circles in categories viz. Quality Assurance, 3M and Kaizen

RISKS, OPPORTUNITIES AND THREATS

Risks

- The world is recovering from the COVID 19 pandemic, which has posed hurdles in economic recovery, while also creating challenges on inflation and supply chain. These macroeconomic conditions remain critical to business growth of the Company.
- The pandemic has resulted in release of funds and postponement of projects at institutional level. Such delays might impact business growth
- Ensuring worker safety remains a critical operational risk across our plants
- Changing technology paradigm and dynamic customer needs are important to remain relevant and sustain business growth
- With rising shortage of skilled labour, retaining workers remains a risk for the Company to mitigate

Opportunities

- The government has developed numerous programmes to help manufactures, such as the Production Linked Incentive (PLI) Scheme, which is a cornerstone of the government's endeavour to achieve an Atmanirbhar Bharat. The scheme's goal is to stimulate domestic manufacturing in strategic and emerging areas, improve the cost competitiveness of domestically made goods, and increase local capacity and economies of scale.
- As technology advances, more and better machines are invented, increasing the efficiency of farm land. Farmers are seeking modern machines to help them enhance revenues.
- The Indian government has been attempting to mechanise the country's agricultural sector. They support this process by providing different subsidies on farm equipment and gasoline. Various credit schemes have also been established to provide credit to farmers.
- Domestic producers are given a preference in the defence sector which will provide new opportunities to the industry.

Threats

- Supply chain disruptions caused by geopolitical instability
- Semi-conductor shortages will play a spoilsport to the growth of the sector.
- Owing to repeated waves of COVID-19, the delivery and commissioning of projects might cause delays and impact site installations.
- Several new companies are entering the market, and existing rivals in adjacent product categories are also increasing their offerings.

Outlook

The domestic market is poised to grow with strong investments announced by the government in infrastructure and defence, and the Company holds a position of strength as a "Make in India" partner. Domestic demand is expected to be strong with the shortage of power that is already being seen due to geopolitical and climate effects.

As a part of the Company's global expansion strategy, it continues to explore opportunities to further expand in newer markets as well as strengthen its standing in the existing market with a strong focus on US market. The Company is also positioned to be a strong partner for international companies looking for a manufacturing partner in India in their China+1 strategy and will pursue these opportunities. KOEL continues to invest towards understanding the changing market dynamics and requirements of its customers with the endeavour to stay ahead of the industry. Furthermore, it is also focusing on continuously improving balance-sheet health, maintaining strong liquidity position and increasing its profitability and margin. The current geopolitical instability can cause supply chain disruptions, but the Company is well poised to handle them and carry out its operations in an efficient manner.

KOEL's management continues to constantly monitor the developments of the pandemic events, in order to be able to react promptly, taking all action necessary to ensure employee safety and business continuity. The evolution of operations in FY 2023 will mainly still depend on exogenous factors connected with both the conclusion of the pandemic, with the elimination of consequent restrictions and the start towards "normal" and the evolution of the war in the Ukraine and correlated general economic impacts, heightened by the inflation generated by the diffused increase in the price of commodities and, in particular, energy products. If this market situation, which currently has no direct impact on KOEL, in so far as it provides products and services and does not operate in either Ukraine or Russia, it may have indirect fallout. Indeed, some of its customers/suppliers may suffer greater difficulties brought about by the war, with possible impact on the purchase of the goods and services offered by KOEL. Considering the results achieved in FY 2022 and the current state of business progress in the early months of FY 2023, save for any further aggravating factors which cannot currently be predicted, it is believed that KOEL expects to continue its organic growth and increase efficiency in FY 2023.

Despite the uncertainties caused by geopolitical tensions KOEL remains focused on the pursuit of medium/long-term initiatives. Growth, resilience, development and sustainability were the drivers of KOEL's operations in FY 2022 and will underpin its strategies again in FY 2023 together with a move towards digitalisation. This will allow us to be well placed with our customary enthusiasm to take on the tough challenges facing us in the coming quarters and years. In addition, the scarcity of raw materials and electronic materials seen in FY 2022 continues to be an issue although its severity cannot yet be defined. This generalised uncertainty is exacerbated by the recent international tensions generated by the conflict between Russia and Ukraine, which could have very worrying repercussions on the global economies including India. It is extremely complicated to make reliable forecasts: geopolitical tensions, the evolution of contagions, the dynamics of the prices of materials and services, make the future scenario highly uncertain. In any case, KOEL Group's consolidated revenues are expected to grow in FY 2023 and the consolidated economic result is expected to be positive.

IMPLICATIONS OF THE COVID-19 PANDEMIC

In the FY 2022, the COVID-19 pandemic remained a dominant issue as the Delta variant spread and the rate of infection further increased in the early part of calendar year 2021 with the spread of the Omicron variant. The response of healthcare authorities throughout the year was effective and led to a significant reduction in health consequences compared to the previous year, thanks to the administration of vaccines and related boosters and to new therapies for infected patients, who can now count on effective pharmaceuticals. KOEL has continued to monitor the development of the COVID-19 outbreak, keeping in place all prevention, control and containment measures introduced in early 2020 throughout all our operating locations so as to protect the health of our employees and partners, including extended remote working, access to company locations only by those strictly required for organisational processes, the changing of production layouts, personnel hygiene and office cleaning/sanitation measures, personal protective equipment, temperature monitoring using thermal cameras, social distancing rules, and verification of vaccination status when entering the workplace. Thanks to the strictest attention placed on observance of healthcare regulations, no major health impacts among employees have been recorded, and peak periods of absence in conjunction, in particular, with the spread of the Omicron variant have been managed effectively. KOEL continues to monitor the real and potential impact of the COVID-19 emergency on the Company's various business activities, financial position, credit risk, liquidity risk and overall operating performance. Specifically, it may be stated that the continuation of the health crisis has not had significant impact on the year's results, nor has it generated particular difficulties with regards to the above-mentioned risks.

FY 2022 was a year of strong contrast: on the one hand, the widespread vaccination campaign against COVID-19 helped avoid any further shut-downs of industrial and production sites, facilitating an upswing in the economy. However, the scarcity of raw materials, especially electronic parts, impacted industrial growth which was already struggling to deal with inflationary pressures

The upturn in demand continued throughout the year, although it was held back by the obvious and generalised tensions and difficulties of the supply chain. However, the counter measures introduced by KOEL improved its flexibility and resilience enabling it to narrow (although not eliminate) the gap between demand and delivery.

Russia-Ukraine military conflict

KOEL does not operate directly in the countries involved in the Russia-Ukraine conflict. However, in this context, various types of risk become important, in particular those connected with: the development of the business of KOEL's direct customers in these countries;

- macroeconomic and financial factors, such as the volatility of the price of energy commodities, volatility of the prices of raw materials in general, volatility envisaged on the global financial markets, in exchange rates and interest rates;
- cyber crime, e.g. direct attacks against the assets of companies operating in neighbouring countries, or the intensification of such with a potential impact on the interruption of service and critical infrastructures.

KOEL has equipped itself with processes and procedures that support the identification, management and monitoring of events with potential significant impacts on resources and the business. These processes seek to maximise a timely and effective response.

Cautionary statement

This report contains forward-looking statements relating to future business developments and economic performance. While these forward-looking statements represent the Company's judgments 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 judgment in assessing various risks associated with the Company and also the effectiveness of the measures being taken by KOEL to mitigate them, as those enumerated in this Report are only as perceived by the Management.

Report on Corporate Governance

[Pursuant to Regulation 34 (3) read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder. (hereinafter referred as SEBI Listing Regulations)]

1. Company's philosophy on Code of Corporate Governance

Your Company is proud of the high standards it has set for exemplary governance and continues to lay strong emphasis on transparency, accountability and integrity. The Company firmly believes that good Governance is an essential ingredient of any business, a way of life rather than a mere legal compulsion. Responsible corporate conduct is integral to the way your Company conducts its business. The actions are governed by the values and principles of the Company, which are reinforced at all levels within the Company.

The Company's Code of Business Conduct, its Risk Management Framework together with its well-structured internal control systems which are subjected to regular assessment for its effectiveness, reinforces integrity of Management and fairness in dealing with the Company's stakeholders. This, together with meaningful Corporate Social Responsibility activities and sustainable development policies followed by the Company has enabled your Company to earn the trust and goodwill of its investors, business partners, employees and the communities in which it operates.

The Company's philosophy of good Corporate Governance aims at establishing a system which will assist the management to fulfill its corporate objectives as well as to serve the best interest of the stakeholders at large viz. Shareholders, Customers, Employees, Environment, Society, Suppliers, Lenders etc. This philosophy has been strengthened by adoption of a Code of Conduct for Board of Directors and Senior Management, adoption of CII's Business Excellence framework, Code for prevention of Insider Trading and also re-enforcing our commitment towards Corporate Sustainability and adoption of the GRIs guidelines on Triple Bottom Line reporting.

2. Code of Conduct

The Company has adopted the Code of Conduct for the Board of Directors and Senior Management of the Company in accordance with provisions of the SEBI Listing Regulations and the Companies Act, 2013, including Rules made thereof and amendments thereunder. The same is available on the Company's website (Web – link https://www.kirloskaroilengines.com/investors/for-share-holders/code-of-conduct)

a. To enhance the standards of ethical conduct, which are based on Kirloskar Group core values.

b. To evolve as good corporate citizens by implementing highest degree of transparency, integrity, accountability and corporate social responsibility.

c. To further achieve good corporate governance by complying with all laws, rules, and regulations applicable to the company and fulfilling responsibilities towards stakeholders.

d. To set standards of professional conduct for Independent Directors on the Board of the Company, with the aim of promoting confidence of the investment community, minority shareholders, regulators and companies in the institution of Independent Directors.

The Company has received confirmations from the Directors as well as Senior Management Personnel regarding compliance of the Code during the year under review.

In addition to this, the Company has also adopted the separate Code of Conduct for employees of the Company. Online modules and courses on the same are made available to the employees of the Company for awareness and ensuring compliances.

3. Code of Conduct for Prevention of Insider Trading

The Securities and Exchange Board of India (SEBI) as a regulatory authority has issued regulation governing prohibition of 'Insider Trading' known as the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (the 'Regulations') which is amended from time to time. Further the Companies Act, 2013 has also prescribed the provisions on 'Prohibition on Insider Trading of Securities'.

In terms of said Regulations, the Board of Directors of Kirloskar Oil Engines Ltd. (KOEL) has adopted the following Codes viz.

1. Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI) to include Policy on determination of Legitimate Purpose and Policy and Procedure for Inquiry in case of Leak or Suspected Leak of UPSI (Code of Fair Disclosure);

2. Code of Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and immediate relatives of Designated Persons of Kirloskar Oil Engines Limited (Code of Conduct);

4. Board of Directors

a) Composition of the Board

The Board composition is in conformity with Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder (hereinafter referred as SEBI Listing Regulations). The Board comprised of 12 directors as on 31st March 2022. The composition of the Board was as under:

Category of Directors	No. of directors
Executive (including Promoter Executive Chairman)	1
Non-Executive and Independent (including 2 Women Directors)	7
Non-Executive and Non Independent (including 1 Woman Director)	4
Total	12

The Company's Board includes eminent professionals having sound knowledge, relevant expertise and experience in the areas of manufacturing, engineering, finance, legal, sales, marketing, technology, human resources and general business management. The Company has established systems and procedures to ensure that the Board of Directors are well informed and well equipped to fulfil their overall responsibilities and to provide management with strategic direction needed to create long-term shareholder value.

The detailed profile of all Directors of the Company is available on website of the Company. (Web-link: https://www.kirloskaroilengines.com/about/board-of-directors)

During the year under review, the Nomination and Remuneration Committee and the Board of Directors reviewed and are satisfied with Succession Planning for the Board of Directors and Senior Management Personnel of the Company.

b) Meetings held

The annual calendar of the Board and Committee Meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. The gap between the two meetings did not exceed one hundred and twenty days.

During Financial Year 2021-22, the Board met 6 times on 13th May 2021, 11th August 2021, 28th October 2021, 27th January 2022, 9th February 2022 and 9th March 2022. In the wake of COVID-19 pandemic and to adhere to the lockdown and social distancing norms, the directors participated in the meetings of the Board and Committees through video conferencing / other audio visual means. The meetings and agenda items taken up during the meetings complied with the Companies Act, 2013 and SEBI Listing Regulations read with various circulars issued by Ministry of Corporate Affairs (MCA) and Securities and Exchange Board of India ("SEBI") due to COVID 19 pandemic.

The Annual General Meeting (AGM) of the Company was held on 12th August 2021, due to the COVID-19 pandemic, by electronic means in due compliance with the provisions of the Companies Act, 2013 and rules made thereunder including circulars issued thereof by the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI) and the Secretarial Standards as members of the Company were not allowed to attend AGM in person. The Company had dispatched the annual report for FY 2021-22 well ahead of the AGM and invited shareholders to submit their questions ahead of the AGM. Questions raised by the shareholders were addressed at the AGM. The Annual General Meeting was attended by the Chairman of Audit Committee, Chairman of Stakeholders Relationship Committee, representatives of Statutory Auditors and Secretarial Auditors of the Company.

c) Board Procedure

The Agenda is circulated well in advance to the Board members. The items in the Agenda are backed by comprehensive background information to facilitate meaningful discussions and enable the Board to take appropriate decisions. As part of the process of good governance, the agenda also includes the progress on the decisions taken by the Board in its previous meeting(s). A board portal is made available that allows Board of Directors to securely access board documents and collaborate with other board members electronically. In case any Director(s) seeks additional information, which is not part of the information earlier provided, such requests are tracked till the actions on such request are addressed to the satisfaction of the Director(s) seeking additional information.

The Board also, inter-alia, reviews quarterly / half yearly / annual results, the strategy of business including corporate restructuring plans if any, Annual Operating Plan (AOP), capital expenditure budgets, update on new business, market share of businesses, digital & sustainability viz. Environment Social & Governance initiatives, reports for all laws applicable to the Company, review of major legal cases, Minutes of Meetings of Committee of the Board and of Board Meeting of Subsidiary Companies, financials of subsidiary companies, review of internal control framework and risk management etc. The Directors receive regular updates on changes in the relevant laws and regulations which are relevant to KOEL at the Board meetings. The required information as enumerated in Part A of Schedule II of SEBI Listing Regulations, 2015 is made available to the Board of Directors for discussions and consideration at Board Meetings. Draft Minutes of the Board and Committee meetings of the Company are circulated to all the Directors for their comments within 15 days of the meeting.

The Board is also kept informed of major events / items and approvals are taken wherever necessary. As a part of corporate governance the Board Charter has been drawn up setting out roles / terms of references and processes of functioning of the Board including Committees of the Board.

The Company has put in place relevant systems and processes to ensure compliance with the provisions of applicable laws. In accordance with the compliance procedures of the Company, relevant Heads of the Departments confirm compliances with applicable regulations and a presentation detailing list of applicable laws/rules/regulations, summary of non-compliances if any including action plan for the same and a certificate duly signed by Managing Director/Executive Chairman is placed before the Board on a quarterly basis.

d) Category and Attendance of Directors

The names and categories of the Directors on the Board, their attendance at the Board Meetings (BM) held during the financial year 2021-22 and at the last Annual General Meeting (AGM) and also the Directorships, Committee positions held by them in other public limited companies and shareholding of Non-Executive Directors as at 31st March 2022 are given in **Table A** and the names of the other listed entities in which the Directors hold directorship and category thereof as at 31st March 2022 are given in **Table B**:

I. Table A

Sr. No.	Name of Director	No. of Directorships in other Public Ltd. Cos.	No. of Committee positions held in other Public Ltd. Cos.		Attendance at meetings		No. of shares held by Non-Executive Directors
			Chairman	Member	BM	AGM	
	Executive Directors						
1	Mr. Atul C. Kirloskar *^	4	1	-	6	Yes	NA
2	Mr. Sanjeev Nimkar #	-	-	-	3	Yes	NA
	Non-Executive and Non Independent Director						
3	Mr. Rahul C. Kirloskar *	5	-	3	6	Yes	1,77,82,902
4	Ms. Gauri Kirloskar *	4	-	3	6	Yes	57,53,580
5	Mr. Nihal G. Kulkarni *##	-	-	-	4	Yes	66,52,472
6	Mr. Mahesh R. Chhabria	6	2	-	6	Yes	11,552
7	Mr. Vinesh Kumar Jairath	6	-	7	6	Yes	-
	Non-Executive and Independent Directors						
8	Mr. M. Lakshminarayan	6	2	5	5	Yes	-
9	Mr. Pradeep R. Rathi ###	-	-	-	1	Yes	-
10	Mr. Satish Jamdar	2	2	-	6	Yes	-
11	Mrs. Mrunalini Deshmukh	1	-	-	6	Yes	-
12	Mr. Sunil Shah Singh	2	2	1	6	Yes	-
13	Mr. Kandathil Mathew Abraham	-	-	-	6	Yes	-
14	Dr. Shalini Sarin	4	-	2	6	Yes	-
15	Mr. Yogesh Kapur ^^	2	-	2	4	NA	-
16	Dr. Ajay Bhushan Prasad Pandey ^^^	-	-	-	1	NA	-

II. Table B

Sr. No.	Name of Director & Age as on 31st March 2022	Name of the other Listed entities in which Director holds Directorship	Category of Directorship
1	Mr. Atul C. Kirloskar, Age - 66	Kirloskar Industries Limited	Non-Independent Non-Executive Director
		Kirloskar Ferrous Industries Limited	Non-Independent Non-Executive Director
		Kirloskar Pneumatic Company Limited	Non-Independent Non-Executive Director
2	Mr. Rahul C. Kirloskar, Age – 58	Kirloskar Ferrous Industries Limited	Non-Independent Non-Executive Director
		Kirloskar Pneumatic Company Limited	Non - Independent Executive Director
		ISMT Limited	Non-Independent Non-Executive Director
3	Ms. Gauri Kirloskar, Age - 38	Bombay Burmah Trading Corp. Ltd	Independent Non -Executive Director
		Bombay Dyeing and Manufacturing Company Limited	Independent Non -Executive Director
4	Mr. Mahesh R. Chhabria Age - 57	Kirloskar Industries Limited	Non- Independent Executive Director
		Kirloskar Ferrous Industries Limited	Non-Independent Non-Executive Director
		ZF Commercial Vehicle Control Systems India Limited (earlier known as WABCO India Ltd.)	Independent Non - Executive Director
		Kirloskar Pneumatic Company Limited	Non-Independent Non-Executive Director
5	Mr. Vinesh Kumar Jairath Age – 63	Kirloskar Industries Limited	Non-Independent Non-Executive Director
		Bombay Dyeing and Manufacturing Company Limited	Independent Non-Executive Director
		Wockhardt Limited	Independent Non-Executive Director
		Bombay Burmah Trading Corp. Ltd	Independent Non -Executive Director
6	Mr. M. Lakshminarayan Age – 75	ZF Commercial Vehicle Control Systems India Limited (earlier known as WABCO India Ltd.)	Independent Non-Executive Director
		TVS Electronic Limited	Independent Non-Executive Director
		ASM Technologies Limited	Independent Non-Executive Director
		Wendt (India) Ltd	Independent Non-Executive Director
		Suprajit Engineering Limited	Independent Non-Executive Director
		Sansera Enginering Limited	Independent Non-Executive Director
7	Mr. Satish Jamdar Age – 69	Kirloskar Industries Limited	Independent Non-Executive Director
8	Mrs. Mrunalini Deshmukh Age – 64	Kirloskar Industries Limited	Independent Non-Executive Director
9	Mr. Sunil Shah Singh Age – 75	Kirloskar Pneumatic Company Limited	Independent Non-Executive Director
		ITD Cementation India Limited	Independent Non-Executive Director
10	Mr. Kandathil Mathew Abraham Age – 64	-	-
11	Dr. Shalini Sarin Age – 56	Linde India Limited	Independent Non -Executive Director
		Automotive Axles Limited	Independent Non -Executive Director
		ISMT Limited	Independent Non -Executive Director
12	Mr. Yogesh Kapur Age - 64	Greenlam Industries Limited	Independent Non -Executive Director

Notes:

1) Committee Positions includes only Audit Committee and stakeholders Relationship Committee as per Regulation 26 of the SEBI Listing Regulations, 2015.

2) Directorships held in Foreign Companies, private limited companies, one person companies and companies under Section 25 of the Companies Act, 1956/ under Section 8 of the Companies Act, 2013 & rules thereof including amendments thereunder have not been considered.

3) * Deemed as Promoters within the meaning of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011.

4) ^ Mr. Atul C. Kirloskar (DIN 00007387) term of re-appointment as the Whole-Time Director with designation as the 'Executive Chairman' which was valid upto 25th January 2022, extended till 31st March 2023.

5) # Mr. Sanjeev Nimkar (DIN 07869394) resigned as the Managing Director of the Company, with effect from close of working hours of 27th January 2022.

6) ## Mr. Nihal G. Kulkarni (DIN 01139147) resigned as the Non-Executive Director of the Company with effect from close of working hours of 9th February 2022. On 9th February 2022, Mr. Nihal G. Kulkarni and his family conveyed their intention of discontinuation as 'Promoter' of the Company or otherwise directly / indirectly participate in the management of the Company and also sale of their equity shares in compliance with applicable laws/regulations.

7) ### Mr. Pradeep R. Rathi (00018577) resigned as an Independent Director of the Company with effect from 9th July 2021.

8) ^^ Mr. Yogesh Kapur (DIN 00070038), was appointed as an Additional Director in the capacity of an Independent Director, with effect from 29th September 2021 subject to approval of shareholders.

9) ^^^ Dr. Ajay Bhushan Prasad Pandey (DIN 07939197), was appointed as an Additional Director in the capacity of an Independent Director with effect from 9th March 2022, who subsequently tendered his resignation as an Independent Director of the Company with effect from 21st March 2022.

10) None of the Directors on the Board of the Company is a Director nor an Independent Director of more than 7 listed entities as at 31st March 2022.

11) None of the Directors on the Board of the Company is a Member of more than 10 Committees and Chairperson of more than 5 Committees in all public limited Companies whether listed or not in which he/she is director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other public limited Companies.

12) Mr. Atul C. Kirloskar and Mr. Rahul C. Kirloskar, being brothers, are related to each other. Mr. Atul C. Kirloskar and Ms. Gauri Kirloskar, being father and daughter, are related to each other. None of the other Directors are related to any other Director of the Company as defined under Companies Act, 2013 & Rules thereof including amendments thereunder.

e) Familiarization Programme for Independent Directors

The Company has familiarization programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company etc. A structured induction programme for new Directors is also organised where they get to meet and interact with all senior leaders of the Company and On-Boarding Manual is provided for their information and awareness. A detailed Letter of Appointment is also issued to them.

The Company's management makes business presentations periodically at the Board meetings to familiarise Independent Directors with the strategy, operations and functioning of the Company. These interactions provide them with a holistic perspective of the Company's business and regulatory framework.

The details of familiarization programme imparted to the Independent Directors are available on the website of the Company. (Web-link https://www.kirloskaroilengines.com/documents/541738/e6f5a223-f548-b43d-a5f5-861050d64f32)

f) The list of core skills / expertise / competencies required and available with the Board and names of Directors who have such skills / expertise / competencies in the context of business of the Company for its effective functioning is as follows [Pursuant to Schedule V, Part C (2)(h) of SEBI Listing Regulations, 2015]

Sr. No.	List of Core skills / expertise / Competencies	Atul Kirloskar	Rahul Kirloskar	Vinesh Kumar Jairath	Mahesh Chhabria	Gauri Kirloskar	M Lakshminarayan	Sunil Shah Singh	Satish Jamdar	Mrunalini Deshmukh	Shalini Sarin	K M Abraham	Yogesh Kapur
A	**Technical**												
1	Finance			✓	✓	✓	✓		✓			✓	✓
2	Law			✓	✓					✓		✓	✓
3	Management	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
4	Sales & Marketing	✓					✓	✓					
5	Manufacturing & Operations	✓					✓						
6	Research & Development	✓					✓					✓	
7	Human Resource	✓				✓	✓				✓	✓	
8	Information Technology											✓	✓
B	**Industry**												
1	Knowledge about Economy	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
2	Industry experience	✓					✓	✓	✓		Energy Industry		
3	Knowledge of business sector	✓	✓		✓	✓	✓		✓				✓
C	**Governance**												
1	Compliance Management	✓		✓	✓		✓	✓			✓		✓
2	Knowledge about statutory / regulatory laws			✓	✓					✓		✓	✓
3	Experience in developing and implementing Risk Management	✓		✓	✓		✓	✓	✓		✓		✓
4	Strategic Planning	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓
D	**Others**												
1	Communication and Interpersonal Skills	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2	Public Relations	✓		✓	✓		✓			✓	✓	✓	✓
3	Corporate Restructuring				✓		✓		✓		✓		✓

g) Criteria of Performance Evaluation of Independent Directors

The Nomination and Remuneration Committee lays down the criteria for performance evaluation of Director. A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as achievement against key performance objectives, attendance at meetings, time devoted for the Company, contribution in the Board process etc.

h) Confirmation on declarations given by Independent Directors

The Board of Directors, after due assessment of veracity of the declarations received from the Independent Directors, confirm that the Independent Directors fulfill the conditions specified in the Regulation 25(8) of SEBI Listing Regulations, 2015 and they are independent of the management.

i) Reasons for the resignation of Independent Directors during the Financial Year 2021-2022, if any:

1. Mr. Pradeep R. Rathi (DIN 00018577), Independent Director, whose term of re-appointment was upto 6th August 2025, resigned from the Board of the Company with effect from 9th July 2021, due to likelihood of conflict of interest. He also confirmed that there was no other material reason for his resignation other than those mentioned in his resignation letter dated 9th July 2021.

2. Dr. Ajay Bhushan Prasad Pandey (DIN 07939197), Additional Independent Director, whose term of appointment was upto 8th March 2027, resigned from the Board of the Company with effect from 21st March 2022, to avoid any potential conflict of interest on account of joining as the Chairperson of National Financial Reporting Authority (NFRA). He also confirmed that there was no other material reason for his resignation other than those mentioned in his resignation letter dated 21st March 2022.

j) Separate meeting of Independent Directors

The Independent Directors met twice in Financial Year 2021-22 on 6th January 2022 and 7th March 2022 without the presence of Executive Directors or Management representatives. The Chairman of the Board discussed the issues and concerns, if any. The Independent Directors inter alia discuss the issues arising out of Committee Meetings and Board discussion including the quality, quantity and timely flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The outcome of the meeting was presented to the Board along with the course of actions taken for implementing the observations/suggestions received from Independent Directors.

B. BOARD COMMITTEES

1. Audit Committee

The Audit Committee comprises of 6 Non-Executive Directors, out of which 4 are Independent Directors. The composition is in conformity with Regulation 18 of SEBI Listing Regulations, 2015.

During Financial Year 2021-22, 5 meetings of the Committee were held on 13th May 2021, 11th August 2021, 28th October 2021, 9th February 2022 and 9th March 2022. All the meetings were conducted through Video Conferencing mode.

The composition of the Committee and attendance at its meetings as at 31st March 2022 are given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Mr. M. Lakshminarayan (Chairman)	Non-Executive and Independent	5
2	Mr. Mahesh R. Chhabria	Non-Executive and Non Independent	5
3	Mr. Vinesh Kumar Jairath	Non-Executive and Non Independent	5
4	Mr. Pradeep R. Rathi	Non-Executive and Independent (Member upto 9th July 2021)	1
5	Mr. Satish Jamdar	Non-Executive and Independent	5
6	Mr. Kandathil Mathew Abraham	Non-Executive and Independent	5
7	Mr. Sunil Shah Singh	Non-Executive and Independent (Member with effect from 24th July 2021)	4

The Company Secretary acts as the Secretary to the Audit Committee. The Executive Directors and the Chief Financial Officer attended the Audit Committee Meetings. The representatives of the Internal Auditor, Statutory Auditors, Cost Auditors and Business Unit / Operation Heads whenever required were invited to the Audit Committee meetings.

The role/terms of references of Audit Committee broadly include:

i. Reviewing with the management, the quarterly / annual financial statements before submission to the Board for approval;

ii. Recommendation for appointment of statutory and cost auditor and their remuneration;

iii. Review of Internal audit reports relating to internal control weaknesses and discussion with internal auditors any significant findings and follow up there on and

iv. Reviewing with the management, the annual financial statements before submission to the Board for approval , with particular reference to:

a. 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.

b. Changes, if any, in accounting policies and practices and reasons for the same.

c. Major accounting entries involving estimates based on the exercise of judgment by management.

d. Significant adjustments made in the financial statements arising out of audit findings.

e. Compliance with listing and other legal requirements relating to financial statements.

f. Disclosure of any related party transactions.

g. Modified opinion(s) in the Draft Audit Report.

v. All other terms/role as specified under Section 177 of the Companies Act, 2013 rules thereof including amendments thereunder, SEBI Listing Regulations, 2015, and SEBI (Prohibition of Insider Trading) Regulations, 2015 including amendments thereunder.

The Independent Directors of the Audit Committee had a separate independent interaction on 8th February 2022 through video conferencing with the Statutory Auditors and Internal Auditors of the Company without the presence of Executive Directors, Non-Executive Non-Independent Directors and Management representatives. The key points of their interactions were briefed by the Chairman of the Audit Committee to the Board of Directors and also the Chairman informed the Board that the Independent Directors were satisfied with the outcome of interaction with the Statutory Auditors and Internal Auditors of the Company.

2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of 3 Non-Executive Directors, out of which 2 are Independent Directors. The composition is in conformity with Regulation 19 of SEBI Listing Regulations, 2015.

During Financial Year 2021-22, 5 meetings of the Committee were held on 13th May 2021, 11th August 2021, 27th October 2021, 27th January 2022 and 7th March 2022.

The composition of the Committee and attendance at meeting as at 31st March 2022 is given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Mr. Satish Jamdar (Chairman)	Non-Executive and Independent	5
2	Mr. M. Lakshminarayan	Non-Executive and Independent	5
3	Mr. Mahesh R. Chhabria	Non-Executive and Non-Independent	5
4	Mr. Rahul C. Kirloskar	Non-Executive and Non Independent (Member upto 28th October 2021)	3

The role/terms of reference of the Nomination and Remuneration Committee broadly include:

i. To identify persons who are qualified to become directors in accordance with the criteria laid down in the Companies Act, 2013 read with rules made thereunder including amendments thereunder and SEBI Listing Regulations, 2015, and recommend to the Board their appointment and removal;

ii. To make recommendations to the Board concerning suitable candidates for the role of independent director;

iii. To formulate policy relating to the remuneration for the directors, key managerial personnel and other employees;

iv. Evaluation of performance of each Director;

v. Recommendation of appointment and remuneration of senior management one level below the Board;

vi. Review succession planning mechanism and recommend changes/modifications thereto, if required, to the Board for its consideration;

vii. To seek professional guidance in succession planning mechanism, if required and to set terms and conditions, including as to remuneration, in this regard, in consultation with the Chairman of the Board;

viii. Constitute a panel comprising of such members of the Nomination and Remuneration committee and external experts if any as it deems fit, for identifying candidates to fill vacancies at senior management level and to recommend appointment of senior management personnel, as and when required and set the terms and conditions, including as remuneration of panelists, in consultation with the Chairman of the Board;

ix. All other terms/role as specified under Section 178 of the Companies Act, 2013 rules thereof including amendments thereunder and SEBI Listing Regulations, 2015 and assigned by the Board of Directors of the Company from time to time.

3. Stakeholders Relationship Committee

The Stakeholders Relationship Committee comprises of Directors out of which the Chairman is an Independent Director. The composition is in conformity with Regulation 20 of SEBI Listing Regulations, 2015.

During the financial year 2021-22, the Committee met on 7th March 2022.

The role / terms of references of the Committee are as specified under Section 178 of the Companies Act, 2013 read with rules thereof including amendments thereunder and SEBI Listing Regulations, 2015. The Committee has been constituted including but not limited to specifically look into shareholders'/ investors' complaints / grievances like share transfer by way of transmission or name deletion etc., non-receipt of Balance Sheet, non-receipt of declared dividends etc. and redressal thereof and evaluating performance and service standards of the Registrar and Share Transfer Agent of the Company.

The composition of the Committee and attendance at its meetings as at 31st March 2022 are given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Mr. Pradeep R. Rathi (Chairman)	Non-Executive and Independent (Chairman upto 9th July 2021)	NA
2	Mr. Sunil Shah Singh (Chairman)	Non-Executive and Independent (Chairman with effect from 24th July 2021)	1
3	Mr. Sanjeev Nimkar	Executive Director and Non Independent (Member upto 27th January 2022)	NA
4	Ms. Gauri Kirloskar	Non-Executive and Non Independent	1
5	Mr. Yogesh Kapur	Non-Executive and Independent (Member with effect from 9th February 2022)	1

Status of Investor's Complaints as on 31st March 2022 and reported under Regulation 13 of SEBI Listing Regulations, 2015 is as under:

Complaints as on 1st April 2021	0
Received during the year	1
Resolved during the year	1
Pending as on 31st March 2022	0

The above Complaint was resolved within 7 days from the date of receipt of the same by the Company.

Name, designation and address of Compliance Officer

Ms. Smita Raichurkar, Company Secretary & Head Legal
Kirloskar Oil Engines Limited (Secretarial Department)
Laxmanrao Kirloskar Road,
Khadki, Pune - 411 003
Tel: 91 - 20 25810341 (Extn. - 4461) Fax: 91- 20 25813208 and 25810209
E-mail: Smita.Raichurkar@kirloskar.com

Designated email ID for Investors: investors@kirloskar.com

The Company has displayed same email ID on its website for the reference of shareholders.

4. Risk Management Committee

The Risk Management Committee of the Company comprises 3 Independent Directors. The composition is in conformity with Regulation 21 of SEBI Listing Regulations, 2015.

During Financial Year 2021-22, 4 meetings of the Committee were held on 12th May 2021, 11th August 2021, 27th October 2021 and 8th February 2022.

The composition of the Committee and attendance at meetings as at 31st March 2022 is given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Mr. M. Lakshminarayan (Chairman)	Non-Executive and Independent	4
2	Mr. Satish Jamdar	Non-Executive and Independent	4
3	Mr. Pradeep R. Rathi	Non-Executive and Independent (Member upto 9th July 2021)	1
4	Dr. Shalini Sarin	Non-Executive and Independent (Member with effect from 24th July 2021)	2

The Role / Terms of References of the Committee are as specified under SEBI Listing Regulations, 2015 which specifically covers review of cyber security of the Company.

Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 which was effective from 5th May 2021, the terms of references of the Committee was amended to include review of sustainability particularly Environment, Social and Governance (ESG) Risks and Business Continuity Plan.

During the year under review, the Committee had periodically reviewed the Business Continuity Policy of the Company including its implementation for different business verticals and functions of the Company and also recommended the same to the Audit Committee and the Board of Directors of the Company.

The Committee also reviewed 'As-Is' analysis of various initiatives taken by the Company in terms of ESG and the Committee is also in process of analyzing risks if any associated with ESG.

C. REMUNERATION TO DIRECTORS

The Company has adopted a Nomination and Remuneration Policy for the Directors, Key Managerial Personnel and Senior Management Personnel which is uploaded on website of the Company.

The Board of Directors, based on the recommendation of Nomination and Remuneration Committee, approved all remuneration in whatever form including increment / promotions based on appraisals, payable to Key Managerial Personnel and Senior Management Personnel of the Company.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Executive Directors. The Board based on recommendation of Nomination and Remuneration Committee, decides the commission payable to the Executive Directors on determination of the profits for the Financial Year, within the ceilings prescribed under the Companies Act, 2013 rules thereof including amendments thereunder. Agreements have been separately entered into with the Executive Directors setting out the terms and conditions of appointment and tenure as recommended by the Committee and approved by the Board and the members. There is no notice period and no severance fees prescribed in the agreement(s).

The Board of Directors based on recommendation of Nomination and Remuneration Committee decides the remuneration payable to Non-Executive Directors by way of Commission, based on parameters for performance evaluation given under the Nomination and Remuneration Policy. The members at the Annual General Meeting of the Company held on 12th August 2014, approved the payment of commission to the Non-Executive Directors, at the rate of 1% of the net profits of the Company computed in the manner laid down in the Companies Act, 2013 rules thereof including amendments thereunder.

Sitting fees of Rs. 50,000/- per Director per meeting of the Board & Audit Committee and Rs. 25,000/- per meeting for Corporate Social Responsibility Committee, Nomination and Remuneration Committee, Risk Management Committee and Stakeholder Relationship Committee is payable to Non-Executive Directors for the meetings attended.

The Company has obtained Directors' and Officers' liability insurance coverage in respect of any legal action that might be initiated against Directors / Officers of the Company and its subsidiary companies.

During the year, there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors apart from payment of sitting fees and commission and reimbursement of expenses incurred by them for the purpose of attending meetings of the Board / Committee of the Company.

Following are the details of the remuneration paid / payable to Directors during Financial Year 2021-22:

Amount in Rs.

Sr. No.	Name of director	Basic Salary	Allowances	Statutory Contributions	Perquisites*	Commission	Sitting Fees	Total
	Executive Directors							
1	Mr. Atul C. Kirloskar	1,80,00,000	47,12,419	48,60,000	6,28,285	2,50,00,000	-	5,32,00,704
2	Mr. Sanjeev Nimkar (upto 27th January 2022)	90,00,000	80,69,336	21,05,000	85,533	-	-	1,92,59,869
	Non- Executive Directors							
3	Mr. Nihal Kulkarni (upto 9th February 2022)	-	-	-	-	3,00,000	2,50,000	5,50,000
4	Mr. Rahul C. Kirloskar	-	-	-	-	5,50,000	4,25,000	9,75,000
5	Ms. Gauri Kirloskar	-	-	-	-	43,50,000	3,25,000	46,75,000
6	Mr. Mahesh R. Chhabria	-	-	-	-	30,50,000	6,75,000	37,25,000
7	Mr. Vinesh Kumar Jairath	-	-	-	-	35,00,000	5,50,000	40,50,000
8	Mr. M. Lakshminarayan	-	-	-	-	50,00,000	7,25,000	57,25,000
9	Mr. Pradeep R. Rathi upto 9th July 2021	-	-	-	-	2,00,000	1,25,000	3,25,000
10	Mr. Satish Jamdar	-	-	-	-	12,50,000	7,75,000	20,25,000
11	Mrs. Mrunalini Deshmukh	-	-	-	-	4,00,000	3,50,000	7,50,000
12	Mr. Sunil Shah Singh	-	-	-	-	7,50,000	5,25,000	12,75,000
13	Mr. Kandathil Mathew Abraham	-	-	-	-	8,00,000	5,50,000	13,50,000
14	Dr. Shalini Sarin	-	-	-	-	4,50,000	3,75,000	8,25,000
15	Mr. Yogesh Kapur with effect from 29th September 2021	-	-	-	-	2,50,000	2,25,000	4,75,000
16	Dr. Ajay Bhushan Prasad Pandey with effect from 9th March 2022 and upto 21st March 2022	-	-	-	-	50,000	50,000	1,00,000
	Total	**2,70,00,000**	**1,27,81,756**	**69,65,000**	**7,13,818**	**4,59,00,000**	**59,25,000**	**9,92,85,574**

Notes:

- Allowances include house rent and leave travel allowance.
- Statutory Contributions include Company's contribution to provident fund and superannuation fund/Annuity Fund/National Pension Scheme.
- * Perquisites includes House rent paid, reimbursement of medical, gas and electricity expenses, perquisite value as per Income Tax Rules for furniture at residence but excludes motor car. The above figures do not include provision for leave encashment and gratuity as actuarial valuation of such provision for the Key Management Personnel is included in the total provision for gratuity and leave encashment.

D) Employee Stock Option Plan

No options granted to Independent Directors of the Company during the year under review in terms of Kirloskar Oil Engines Limited – Employee Stock Option Plan 2019. The further details are forming part of Board's Report for the year ended 31st March 2022.

E) DETAILS ON GENERAL BODY MEETINGS

The details of General Meetings of the shareholders, held during previous 3 years are as under:

During FY	Date	Time	Type of Meeting	Venue	Special Resolutions passed
2019-20	9th August 2019	12.15 p.m.	Annual General	Sheraton Grand Pune Bund Garden Hotel, RBM Road, Pune – 411 001	1. Appointment of Mr. Sunil Shah Singh [DIN: 00233918] as Independent Director of the Company and continuation of his first term of appointment. 2. Re-appointment of Mr. M. Lakshminarayan [DIN: 00064750] as an Independent Director for second term of 3 years 3. Approval for 'Kirloskar Oil Engines Limited - Employees Stock Option Plan 2019'
2020-21	28th August 2020	11.30 a.m.	Annual General	Through Video Conferencing Mode, 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 and the General Circular No. 20/2020 dated 5th May 2020 issued by the Ministry of Corporate Affairs (herein after referred as "Circulars") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with the SEBI Circular No. SEBI/HO/CFD/ CMD1/ CIR/P/2020/79 dated 12th May 2020	1. Continuation of directorship of Mr. M. Lakshminarayan (DIN 00064750) as an Independent Director of the Company who will be attaining the age of 75 years during his present second term of re-appointment. 2. Re-appointment of Mr. Pradeep R. Rathi (DIN 00018577) as an Independent Director for a second term of 5 consecutive years 3. Alteration to the Main Object Clause of Memorandum of Association ('MOA') of the Company

During FY	Date	Time	Type of Meeting	Venue	Special Resolutions passed
2021-22	12th August 2021	11.30 a.m.	Annual General	Through Video Conferencing Mode, 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 and General Circular No. 02/2021 dated 13th January 2021 issued by the Ministry of Corporate Affairs (herein after referred as "Circulars") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with the SEBI Circular No. SEBI/HO/CFD/ CMD1/ CIR/P/2020/79 dated 12th May 2020 and SEBI/HO/ CFD/CMD2/CIR/P/2021/11 dated 15th January 2021	1. Amendment and revision of "Kirloskar Oil Engines Limited - Employees Stock Option Plan 2019" ("KOEL ESOP 2019"). 2. Approval under section 180(1)(a), 110 of the Companies Act, 2013, and Regulation 24(5) of SEBI Listing Regulations, 2015 and authority to the Board of Directors to transfer Equity Shares held in Arka Fincap Limited to the proposed wholly owned subsidiary of the Company in one or more tranches at a price not less than the fair Market Value

No resolution was passed through the postal ballot during the Financial Year 2021-22.

The Board of Directors had given approval to conduct Postal Ballot by electronic mode (i.e. through remote e-voting) for obtaining members' approval inter alia for appointment of Dr. Ajay Bhushan Prasad Pandey (DIN 07939197) as an Independent Director of the Company with effect from 9th March 2022 for first a term of consecutive 5 years.

The Board of Directors had decided for withdrawal of the proposal of conducting the said Postal Ballot, consequent to resignation by Dr. Ajay Bhushan Prasad Pandey with effect from 21st March 2022.

F) PARTICULARS OF APPOINTMENT / RE-APPOINTMENT OF DIRECTORS

The particulars of appointment / re-appointment of directors are given in the explanatory statement of notice of the Annual General Meeting.

G) MEANS OF COMMUNICATION

a. Quarterly results

The Quarterly and Half Yearly results are published in national and local dailies such as Financial Express (English all quarters) and Loksatta (Marathi – all quarters), having wide circulation. Since the results of the Company were published in the newspapers, half yearly reports were not sent individually to the shareholders. The Company's results, Press Release on results and official news releases are displayed on the Company's website www.kirloskaroilengines.com and also available on the websites, viz. www.bseindia.com and www.nseindia.com.

b. Presentations to Institutional Investors / Analysts

Presentations are made to analysts on a quarterly basis. The presentations are displayed on Company's website www.kirloskaroilengines.com under Investors' Relations section and also disseminated to the BSE Limited and National Stock Exchange of India Limited where Company's equity shares are listed.

In addition, investor interactions one-to-one and participation in various Group investors are also organized during the year.

c. NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre

The NEAPS and the Listing Centre of BSE are web based application designed by National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) respectively for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, quarterly results, Corporate Announcements etc. are filed electronically on NEAPS and the Listing Centre of BSE.

H) GENERAL INFORMATION FOR SHAREHOLDERS

a. Annual General Meeting

Corporate Identification Number (CIN)	L29100PN2009PLC133351 (Registrar of Companies, Pune)
Annual General Meeting	Date and Day : 11th August 2022, Thursday Time : 11.30 am Venue : Through Video Conferencing (VC) / Other Audio Visual Means (OAVM)
Financial Year ended	31st March 2022
Book Closure	5th August 2022 to 11th August 2022 (Both days inclusive)
Last date of receipt of proxy forms	The requirement of accepting Proxy Forms has been dispensed with as per MCA Circular No. 20/2020 dated 5th May 2020, as it is directed to conducting Annual General Meeting through VC / OAVM.
Financial Calendar 2021-22	During Financial Year 2021-22 the results were announced as under: First quarter : 11th August 2021 Second quarter : 28th October 2021 Third quarter : 9th February 2022 Fourth quarter : 19th May 2022
International Security Identification Number (ISIN)	INE146L01010
Name & address of Stock Exchange and Stock Code	1. BSE Limited (BSE) – 533293 Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. 2. National Stock Exchange of India Limited (NSE) – KIRLOSENG Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.
Listing fees	The Annual Listing fee for FY 2021-22 has been paid to BSE and NSE, where the Company's shares are listed.

b. Shareholding Pattern as on 31st March 2022

Category	No. of shares of Rs. 2/- each	% of Share holding
Promoter and Promoter Group	8,59,62,905	59.44
Foreign Institutional Investors (FII)	15,10,166	1.04
Foreign National	1,132	0.00
Individuals	2,80,96,199	19.43
Insurance Companies	48,12,164	3.33
Financial Institution and Banks (FI & Banks)	56,118	0.04
Mutual Fund	1,92,76,189	13.33
Bodies Corporate	28,88,370	2.00
Non Resident Indians	9,55,645	0.66
Investor Education and Protection Fund	7,80,717	0.54
Others	2,74,256	0.19
TOTAL	14,46,13,861	100.00

c. **Distribution of shareholding as on 31st March 2022**

Range of Shares	No. of shareholders	No. of Shares	% to total shares
1- 500	44,956	42,21,798	2.91
501-1000	3,897	28,52,050	1.97
1001-5000	4,084	86,44,232	5.97
5001-10000	519	37,10,384	2.56
10001-20000	225	31,11,327	2.15
20001-30000	74	18,24,752	1.26
30001-40000	31	10,91,849	0.75
40001-50000	26	11,75,628	0.81
50001-100000	31	23,15,730	1.60
100001-Above	42	11,56,66,111	79.98
Total	53,885	14,46,13,861	100.00

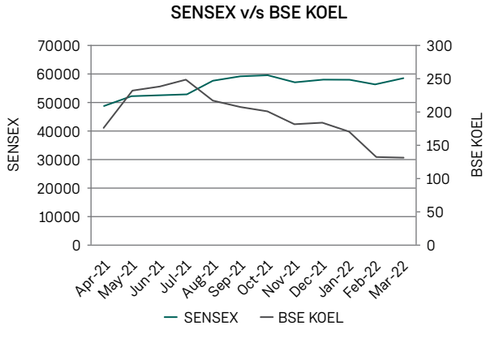
Dematerialization of shares and liquidity (as on 31st March 2022)	13,97,22,208 Equity Shares (96.62%)
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.

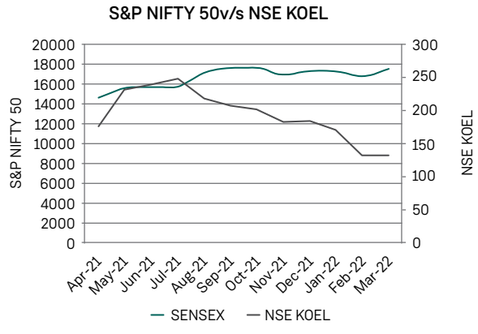
d. **Market Price Data**

Monthly high/low share prices during the year 2021-22 on the BSE and NSE are as below:

BSE			NSE		
Month	High Price	Low Price	Month	High Price	Low Price
Apr-21	181.55	145.00	Apr-21	181.85	155.60
May-21	251.00	171.50	May-21	246.95	171.00
Jun-21	263.00	221.05	Jun-21	263.00	223.05
Jul-21	277.80	235.50	Jul-21	277.70	236.80
Aug-21	255.00	204.55	Aug-21	253.85	204.30
Sep-21	219.40	199.00	Sep-21	219.75	203.00
Oct-21	238.55	195.75	Oct-21	239.00	196.30
Nov-21	208.00	177.05	Nov-21	208.00	176.45
Dec-21	207.15	166.30	Dec-21	207.55	166.30
Jan-22	197.70	163.00	Jan-22	198.00	163.00
Feb-22	180.00	125.00	Feb-22	179.25	125.00
Mar-22	151.15	122.60	Mar-22	151.40	122.55

Performance of monthly close price of the Company's Scrip on the BSE and NSE as compared to the monthly close S&P SENSEX and S & P Nifty 50 for the year 2021-22





e. **Share Transfer System**

Pursuant to the directive of the Securities and Exchange Board of India (SEBI), physical transfer of shares has been dispensed with. Equity shares of the Company can only be transferred in dematerialised form. In reference to SEBI Circular dated 25th January 2022, the Security holder / Claimant shall submit duly filled up Form ISR-4 for processing of service request related to transmission, transposition, consolidation / sub-division / endorsement of share certificate, issue of duplicate share certificate along with requisite documents. The Company / RTA shall issue letter of confirmation after processing the service requests which shall be valid for a period of 120 days from the date of its issuance, within which the securities holder / claimant shall make a request to the Depository Participant for dematerializing the said securities.

The Form ISR-4 is available on the website of the Company and can be downloaded from the website of the Company.

Pursuant to the SEBI Listing Regulations, 2015, a certificate on yearly basis is issued by the Practicing Company Secretary for compliance with share transmission/ deletion/sub-division, consolidation, renewal, exchange formalities etc. by the Company.

The information on procedures and forms, which are being asked for by the members frequently, viz. Indemnity/Affidavit etc. for issue of duplicate certificates, transmission procedure, change of address, NECS form, Nomination Form, information about shares allotted pursuant to the Scheme of Arrangement for Demerger/ Composite Scheme etc. are uploaded on the Company's website under Investors' section.

f. **List of all credit ratings obtained by the Company during the financial year for all debt instruments or any fixed deposit programme or any scheme or proposal involving mobilization of funds, whether in India or abroad**

Not Applicable

g. **Address for correspondence**

Registrar and Share Transfer Agent

The Company had appointed Link Intime India Private Limited as Registrar & Share Transfer Agent (R & T Agent). All physical transfers, transmission, transposition, issue of duplicate share certificate(s), issue of demand drafts in lieu of dividend warrants, change of address etc. as well as requests for dematerialisation / rematerialisation are being processed at Link Intime India Private Limited.

The contact details are as follows –

Link Intime India Private Limited	Block No. 202, 2nd Floor, 'Akshay' Complex, Off Dhole Patil Road, Pune – 411 001 Tel: 91- 20 26161629 / 26160084 Email: - pune@linkintime.co.in

h. **Shareholders' Satisfaction Survey**

As a part of our constant endeavor to improve shareholder services, we have initiated a shareholders' satisfaction survey. Please spare a few minutes of your valuable time to fill this questionnaire. The Link is available on the Company's website viz. https://www.kirloskaroilengines.com/shareholders-survey

i. **Investor Education and Protection Fund (IEPF)**

In accordance with the provisions of sections 124 and 125 of the Companies Act and Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules") dividends which remain unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account are required to be transferred by the Company to the Investor Education and Protection Fund ("IEPF"). The Members whose dividend/ shares are transferred to the IEPF Authority can claim their shares/dividend from the IEPF Authority following the procedure prescribed in the Rules.

In accordance with the said IEPF Rules and its amendments, the Company had sent notices to all the Shareholders whose shares were due for transfer to the IEPF Authority and simultaneously published newspaper advertisements. The Company had frequently sent communication to these shareholders by email whose email address are available with R&T / DP and also through various other modes viz. notice of general meeting or notice regarding deduction of tax at source (TDS) for dividend payment etc.

The voting rights on these shares shall remain frozen until the rightful owner claims the shares.

The Company has appointed a Nodal Officer under the provisions of IEPF, the details of which are available on the website of the Company https://www.kirloskaroilengines.com/documents/541738/602740/Investor+Contact.pdf/afcc53ff-d850-31d4-f2da-8651c7a85feb?t=1647842882083. Further, the Company has also appointed Deputy Nodal Officer to assist the Nodal Officer to inter alia verify the claim(s) and co-ordinate with the IEPF Authority.

The Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 31st March 2021 on the Company's website and on the website of the Ministry of Corporate Affairs at www.iepf.gov.in.

j. **Plant Locations**

Sr. No.	Location	Address	Products manufactured
1	Pune	Laxmanrao Kirloskar Road, Khadki, Pune, Maharashtra – 411 003	Engines
2	Kagal	Plant I - Plot No. D1, 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District – Kolhapur Maharashtra-416236	Diesel Engines and Gensets
		Plant II - Plot No. A-262, Phase I, 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District - Kolhapur Maharashtra – 416236	Diesel Engines
		Plant III - (KMW Unit) Plot No. E-18, Opposite M/s. Soktas India Ltd., 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District-Kolhapur Maharashtra– 416236	Manufacturing of Power Tiller
3	Nasik	A-11/1, MIDC, Ambad, Nasik Maharashtra - 422 010	Engines and Gensets
4	Bhare	Plot No. 10 A, Gat No. 405, Village – Bhare, Tal. Mulshi, Dist. Pune – 412115	Gensets, Pumpsets and Power Weeder Engines
5	Rajkot	Plot No 2315/16, 2330/31,GIDC, Lodhika Industrial Estate, Rajkot, D4 Almighty Gate Road, Village Metoda, Rajkot, Gujarat-360021	Centrifugal pumps, Engine Pump sets, Engines for Agricultural and general purpose

I) DISCLOSURES

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of SEBI Listing Regulations.

This Corporate Governance Report of the Company for the FY 2021-22 is in compliance with the requirements of Corporate Governance under SEBI Listing Regulations, 2015.

a. **Related Party Transactions**

There were no materially significant related party transactions during the financial year that have a potential conflict with the interests of the Company. Suitable disclosure as required by the Indian Accounting Standards (Ind AS 24) has been made in note no. 41.5.11 to the Financial Statements in the Annual Report.

The Board of Directors had formulated a policy for dealing with related party transactions which is available on the website of the Company. (Web-link – https://www.kirloskaroilengines.com/documents/541738/d9b5f018-1534-d0c4-8d29-1991aab5fefe)

b. **Details of capital market non-compliance, if any**

There have been no instances of non-compliances by the Company on any matters related to capital markets in the last three (3) years. Neither penalties have been imposed nor any strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter related to capital markets.

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

The Company has a Vigil Mechanism / Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement etc. This Policy has been amended with effect from 1st April 2019 to include instances of leakage of Unpublished Price Sensitive Information. This would inter alia provide a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee any instance of unethical behavior, actual or suspected fraud or violation of the Company's code of conduct. No person has been denied access to the Audit Committee in this regard. The policy is uploaded on the website of the Company. The e-learning and awareness on whistleblower policy is made available to the employees of the Company.

Additionally, during the year under review, the Board of Directors formulated a Policy on Prevention of Fraud with an intention to prevent, detect and investigate fraud that may take place in the day-to-day business of the Company and to provide direction to all employees who are dealing with the actual or suspected fraud or corruption cases. The policy is available on the website of the Company.

d. **Policy on material subsidiary**

The Board of Directors had formulated a material subsidiary policy which is available on the website of the Company.

(Web-link-https://www.kirloskaroilengines.com/documents/541738/5741ea16-e481-5f8e-0c3e-68f30f15c1b9).

During the year under review, as per the audited Consolidated Financial Statements of the Company for Financial Year 2020-21, La-Gajjar Machineries Private Limited and Arka Fincap Limited were "material subsidiaries" of the Company as per Regulation 16(1)(c) of the SEBI Listing Regulations, 2015.

During the year under review, the Board of Directors based on recommendations of the Kotak Committee for listed entity has a large number of unlisted subsidiaries which has also adopted the 'Group Governance Policy' to further strengthen governance framework.

e. **Dividend Distribution Policy**

Pursuant to Regulation 43A of SEBI Listing Regulations, 2015, the Board of Directors had formulated a Dividend Distribution Policy which is available on the website of the Company.

(Web-link-https://www.kirloskaroilengines.com/documents/541738/0a36d92a-4450-1010-8a11-d92ec5426c7c).

f. **Policy on Preservation of Documents**

Pursuant to the Regulation 9 of the SEBI Listing Regulations 2015, the Board of Directors has approved the Policy for Preservation of Documents.

g. **Disclosure of commodity price risk, foreign exchange risk and commodity hedging activities**

The Company does not have any significant direct exposure in commodities for hedging through commodity derivatives. The Company manages the foreign exchange risk and hedge to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports, as and when required. The details of foreign currency exposure are disclosed in Note No. 41.5.15 to the financial statements in the Annual Report.

h. **CEO/CFO Certification**

The CEO/CFO Certificate signed by Mr. Atul C. Kirloskar, Executive Chairman and Mr. Pawan Kumar Agarwal, Chief Financial Officer was placed before the meeting of the Board of Directors held on 19th May 2022, stating that the financial results do not contain any false or misleading statement or figures and do not omit any material fact, which may make the statement, or figures contained therein misleading and also that no transaction has taken place which is illegal/ violative to company's conduct.

i. **Disclosure with respect to unclaimed shares**

The Company has sent two reminders to those shareholders, whose share certificates have returned undelivered by the postal authorities due to insufficient / incorrect information and are lying with the Company. The Company will be sending third reminder letter in due course.

As on 31st March 2022, the total unclaimed equity shares are 4,84,387

j. **Certificate from the Practicing Company Secretary**

The certificate from Mr. Mahesh Risbud, Practicing Company Secretary, [Registration No. 185] stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board / Ministry of Corporate Affairs or any such statutory authority has been obtained.

k. **Recommendations of Committee of Board of Directors**

During the year under review, the Board has accepted all the recommendations given by the Committees of the Board, which are mandatorily required.

l. **Statement of fees paid by the Company along with its Subsidiary Company to Statutory Auditors**

Fees of Rs. 43.8 Lacs paid by the Company and Fees of Rs. 3.10 Lacs paid by Arka Financial Holdings Private Limited, Subsidiary Company to G.D. Apte, Chartered Accountants, Statutory Auditors of the Company during the Financial Year 2021-22.

m. **Disclosure of Sexual Harassment at Workplace**

The Company is committed to maintain an environment in which all its employees can work together in an environment free from prejudice or harassment or any form of intimidation or exploitation including, gender violence, sexual harassment and discrimination on the basis of gender.

The Company has an Internal Complaints Committee (ICC) constituted for each location, all committee members and their contact details are available on the Company's internal portal along with the Policy on Prevention of Sexual Harassment (POSH), which is accessible to all employees of the Company.

Awareness programs are conducted on the POSH during the Financial Year. Also, all new joinees at the Company undergo separate induction on POSH policy. Online course on POSH is made available to employees which includes details of regulatory requirements, Incidents that constitutes sexual harassment, dealing with sexual harassment etc.

There were no complaints filed / pending with the Company during the year in relation to sexual harassment of women at workplace.

n. **Loans and advances in the nature of loans to firms/ companies in which directors are interested by name and amount**

NIL

o. **Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) –**

Not Applicable

p. **Non-Mandatory / discretionary requirements**

The extent of adoption of non-mandatory / discretionary requirements is as follows:

i. The Board

The Chairman of the Company is an Executive Director. He maintains his office at the Company's expense and is also allowed reimbursement of expenses incurred in performance of his duties.

ii. Audit qualifications

There are no audit qualifications on the financial statements of the Company.

iii. Shareholder Rights

Since the Company publishes its quarterly results in newspapers (English and Marathi) having wide circulation, and the results are also displayed on the website of the Company and the Stock Exchanges, the Company does not send any declaration of half yearly performance to the shareholders.

iv. The position of Chairperson and Managing Director or Chief Executive Officer is separate.

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

The members of Kirloskar Oil Engines Limited

I hereby declare that all Board members and senior management personnel have affirmed compliance with the Code of Conduct, applicable to them as laid down by the Board of Directors in terms of provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendment thereunder.

For Kirloskar Oil Engines Limited

Sd/-
Atul C. Kirloskar
Executive Chairman

Place: Pune
Date: 19th May 2022

Independent Auditor's Certificate on Compliance with the Corporate Governance

requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Members
Kirloskar Oil Engines Limited

1. We have examined the compliance of conditions of Corporate Governance by Kirloskar Oil Engines Limited ('the Company'), for the year ended March 31, 2022, as stipulated in Regulations 17 to 27 and clauses (b) to (i) of regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as amended from time to time.

Management's Responsibility

2. The Management is responsible for ensuring that the Company complies with the conditions of Corporate Governance. This responsibility also includes the design, implementation and maintenance of internal controls 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 the compliance of 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 purpose of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

5. We conducted our examination in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India ("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 issued by ICAI.

Opinion

7. Based on our examination as above and to the best of the information and explanations given to us and representations provided by the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46 (2) and paragraphs C, D and E of Schedule V of the Listing Regulations during the year ended March 31, 2022.

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

Restriction on Use

9. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this Certificate for any events or circumstances occurring after the date of this Certificate.

For G. D. Apte & Co.
Chartered Accountants
Firm Registration Number: 100 515W
UDIN: 22017532AJFWLZ7996

Sd/-
C M Dixit
Partner
Membership Number: 017532
Pune, 19th May 2022

Business Responsibility & Sustainability Report

SECTION A: GENERAL DISCLOSURE

I. Details of the Listed Entity

1	Corporate Identity Number (CIN) of the Listed Entity	L29100PN2009PLC133351
2	Name of the Listed Entity	Kirloskar Oil Engines Limited
3	Year of incorporation	2009
4	Registered office address	Laxmanrao Kirloskar Road, Khadki, Pune – 411003
5	Corporate address	Laxmanrao Kirloskar Road, Khadki, Pune – 411003
6	E-mail	sustainability@kirloskar.com
7	Telephone	020 – 25810341
8	Website	www.kirloskaroilengines.com
9	Financial year for which reporting is being done	2021-22
10	Name of the Stock Exchange(s) where shares are listed	BSE Limited and National Stock Exchange of India Limited
11	Paid-up Capital	28.92 Crores
12		Contact Person
	Name of the Person	Ms. Smita Raichurkar
	Telephone	020 - 25810341
	Email address	Smita.Raichurkar@kirloskar.com
13		Reporting Boundary
	Type of Reporting	Standalone Basis
	If selected consolidated:	Not Applicable as Reporting is Standalone

II. Product/Services

		S.No.	Description of Main Activity	Description of Business Activity	% Turnover of the Entity
14	Details of business activities	1	Power Generation	Kirloskar Oil Engines Limited (KOEL) offers a wide range of Petrol and Diesel power generating sets ranging from 2 to 1010 kVA that provide power backup in industrial, residential, and commercial establishments.	40%
		2	Industrial Engines / Diesel Engines	KOEL is India's top independent engine producer and manufactures a variety of quality diesel engines, powering more than 85 Industrial applications across sectors such as: • Construction • Material handling • Firefighting and other pump sets • Agriculture • Other niche applications	16%
		3	Farm Mechanization	KOEL's farm mechanization solutions are focused on technologies that can enrich the lives of India's hardworking farming community. The company designs and develops farm machines like tillers, brush cutters and power weeders.	6%
		4	Water Solutions	The water solutions business vertical offers two basic product lines: Diesel Engines & Pump Sets and Electric Pump Sets.	11%
		5	Institutional Project Business	This vertical handles niche segments like defence and marine. It makes energy supply systems for radar, vehicle repowering, propulsion engines and gensets for the marine segment.	5%
		6	Customer Support	This vertical handles customer requests and complaints.	13%
		7	International Business	The company's international business has a multitude of projects including diesel engines, generating sets, power tillers, pump sets and spare parts required for these products.	9%

		S.No.	Product/Service	NIC Code	% of Total Turnover contributed
15	Products/Services sold by the entity	1	Engines	281	72.7%
		2	Gensets	271	24.5%

III. Operations

		Location	Number of Plants	No. of Offices	Total
16	Number of locations where plants and/or operations/offices of the entity are situated:	National	4	14	18
		International	0	0	0

	Market served by the entity	Locations	Numbers
17	a. No. of Locations	National (No. of States) International (No. of Countries)	India and select countries in North America, Europe, South America, Asia and Africa
	b. What is the contribution of exports as a percentage of the total turnover of the entity?	9%	
	c. A brief on types of customers	Based on the business activities outlined in question 14, KOEL's key customers are spread across the following sectors: a) Power Generation - Retail, Hospitality, Education, Hospitals, Real Estate, Infrastructure b) Industrial, Original Equipment Manufacturers (OEMs) - Industrial, Tractors, Construction, Material Handling, Earthmoving, Firefighting c) Farm Mechanization and Water Management - Agriculture & Allied Sectors, Residential, Commercial d) Institutional - Industrial, Power Plants, Power for National Power Portal (NPP), Critical, Emergency, Defence and Marine, Commercial Marine, Fishing Boat Engines e) International - Construction, Hospitality, Agricultural Pump sets, Mining	

IV. Employees

18. Details as at the end of Financial Year:

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
a. Employees and workers (including differently abled)						
		Employees				
1	Permanent Employees (A)	858	824	96%	34	4%
2	Other than Permanent Employees (Trainees) (B)	59	58	98%	1	2%
3	Total Employees (A+B)	917	882	96%	35	4%
		Workers				
4	Permanent (C)	1,267	1,235	97%	32	3%
5	Other than Permanent (D)	0	0	NA	0	NA
6	Total Workers (C+D)	1,267	1,235	97%	32	3%
b. Differently abled employees and workers						
		Differently abled Employees				
7	Permanent Employees (E)	0	0	NA	0	NA
8	Other than Permanent Employees (F)	0	0	NA	0	NA
9	Total Differently abled Employees (E+F)	0	0	NA	0	NA
		Differently abled Workers				
10	Permanent (G)	0	0	NA	0	NA
11	Other than Permanent (H)	0	0	NA	0	NA
12	Total Differently abled Workers (G+H)	0	0	NA	0	NA

19. Participation/Inclusion/Representation of women

S. No.	Category	Total (A)	No. and % of females	
			No. (B)	% (B/A)
1	Board of Directors	12	3	25%
2	Key Management Personnel	3	1	33%

20. Turnover rate for permanent employees and workers (Disclose trends for the past 3 years)

Category	FY 2021-22* (Turnover rate in current FY)			FY 2020-21* (Turnover rate in previous FY)			FY 2019-20* (Turnover rate in the year prior to previous FY)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees and Workers	11%	16%	11.4%	11%	1%	10%	8%	8%	8%

*Formula used for turnover rate: (No. of persons who have left the employment of the entity in the FY) / (No. of persons employed in the category on the last day of the FY)*100

V. Holding, Subsidiary and Associate Companies (including joint ventures)

21. (a) Name of the holding / subsidiary / associate companies / joint ventures

S. No.	Name of the holding / subsidiary / associate companies / joint ventures	Indicate whether it is a holding / Subsidiary / Associate / or Joint Venture	% of shares held by listed entity	Does the entity indicated at column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No)
1.	Kirloskar Americas Corporation, USA (KAC)	KOEL Subsidiary	100%	No
2.	La-Gajjar Machineries Private Limited, Ahmedabad (LGM)	KOEL Subsidiary	76%	No
3.	Optiqua Pipes and Electricals Private Limited, Ahmedabad (OPEPL)	LGM Subsidiary	-	No
4.	ESVA Pumps India Private Limited, Coimbatore (ESVA)	Associate of OPEPL	-	No
5.	Arka Financial Holdings Private Limited, Mumbai (AFHPL)	KOEL Subsidiary	100%	No
6.	Arka Fincap Limited, Mumbai (AFL)	Subsidiary of AFHPL	-	No
7.	Arka Investment Advisory Services Private Limited, Mumbai (AIASPL)	Subsidiary of AFHPL	-	No

VI. CSR Details

	a. Whether CSR is applicable as per section 135 of Companies Act, 2013:	Yes
22	Turnover (in Rs.)	3,267.59 Crores
	Net worth (in Rs.)	2,120.17 Crores

VII. Transparency and Disclosures Compliances

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

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/No)	If Yes, then provide web-link for grievance redress policy	FY 2021-22 Current Financial Year			FY 2020-21 Previous Financial Year		
			Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Communities Investors (other than shareholders) Shareholders Employees and workers Customers Value Chain Partners Other (please specify)	KOEL has a Grievance Redressal Mechanism in place for shareholders, employees, workers, customers, and value chain partners	Some of the policies guiding KOEL's conduct with its stakeholders, including grievance mechanisms are placed on the Company's website. The hyperlink is https://www.kirloskaroilengines.com/investors/for-share-holders/policies Additionally, there are internal policies placed on the company's intranet.	During the reporting year, one complaint was received from shareholder. The complaint was satisfactorily resolved during the reporting year. There were no complaints related to child labour, forced labour, involuntary labour or sexual harassment in the current Financial Year.			During FY 2020-21, two complaints were received from investors, which were both resolved. There were no complaints related to child labour, forced labour, involuntary labour or sexual harassment in the previous Financial Year.		

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

Material Issue Identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
Transparency	Opportunity	Regulatory bodies and investors are increasingly focusing on transparent disclosure by organizations. Being transparent at all levels helps the organization in breeding trust with stakeholders. Additionally, KOEL welcomes feedback from its stakeholder groups which helps in making better business decisions.	Organizational integrity, transparency and accountability are the bedrock of any successful business, and KOEL acknowledges this as critical to its success. KOEL on a regular basis discloses its financial and non- financial information through an annual report, sustainability report, Business Responsibility Report and other mediums.	Positive
Spending on Local Suppliers	Opportunity	Local sourcing helps the organization not only in reducing its supply chain costs but also gives KOEL flexibility in choosing suppliers, provides greater control in implementing organizational goals in supply chain, further helps in reducing the supply chain carbon footprint and helps in developing the capacity of local vendors.	The company has taken deliberate efforts to guarantee that it is able to do business with small and local producers. According to the company's well-structured Supply Chain policy, materials should be purchased from suppliers within a 300-kilometre radius. This important category of supplier partners accounts for around 60% of all purchases. To boost its business in engines, pump sets, oil, and linked items, the company has continued to focus on expanding its reach into rural India and on creating an efficient supply chain.	Positive
Human Rights	Risk	Human rights violations can impact the business across the value chain internally and externally from procurement of raw materials to distribution of product. It may also impact the reputation of the Company.	The due diligence process at KOEL evaluates the adherence to the code of conduct periodically and ensures strict conformity to all statutory laws, human rights directives, and other regulations. In the current reporting period, 100% of operations were subjected to human rights reviews. All employees have been provided specialized training on human rights policies and procedures.	Negative
Talent retention	Risk	An organization's success is determined by its people. Therefore, the company has identified human capital management as a material topic and is working towards reducing the attrition rate and increasing the retention rate by providing adequate employee benefits and improving employee satisfaction.	KOEL has defined a roadmap to employ and retain a high amount of talent for the long term. This roadmap is also reflected in the action of the company to mobilize and streamline employee-specific carrier requirements through performance review systems and engagement surveys. Through its Human Resource Management Systems, KOEL employs digital channels to log HR data. Every year, KOEL's HR partner prepares a Long-Range Plan (LRP) by integrating the talent requirement inputs from Business Heads and Departmental Heads of each functional unit.	Negative
Promoting health and wellness	Opportunity	Employee health & well-being is critical to business operations and productivity. Moreover, it is the overall responsibility of the company to manage the well-being aspects of this critical stakeholder.	KOEL provides occupational health services functions to ensure worker well-being. Occupational health centers, ambulance services, first aid boxes, trained first aiders, and firefighters are some of the services provided. New hires are subjected to pre-employment health check-ups and periodic health camps are conducted for all internal stakeholders. KOEL also encourages worker consultation and participation for maintaining safety across all manufacturing units.	Positive

Material Issue Identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
Promoting Innovation	Opportunity	Due to the nature of the business, KOEL's products consume fossil fuels and release emissions into the atmosphere there by increasing the greenhouse gas footprint. To reduce this impact, innovations in energy efficiency, emission reduction and alternate fuel product technologies is crucial.	KOEL believes that innovation is its hallmark and research is its foundation. The company's R&D team which aims to build technological leadership in engine research, design, and development, and help sustainably deliver customized engineering solutions, is one of the main reasons that KOEL remains the industry leader in various market segments. Innovations by the R&D department is not only focused on growing product lines, but also on improving products to minimize emissions and create solutions for long-term, sustainable growth. KOEL imbibes the innovation mindset in its employees by conducting skill enhancement and innovative thinking workshops, where best in class training is provided to an identified section of employees using case studies. KOEL recognizes its employees who perform exemplarily and brings innovation into product development through On-The Spot-Awards and monthly awards.	Positive
Environmental Education for internal and external stakeholders	Opportunity	KOEL focuses on sensitizing internal and external stakeholders on environmental aspects, related impacts and opportunities that will help the organization achieve its business objectives while reducing its negative footprint.	At KOEL, training and awareness on safety, health and environmental issues are provided to various groups of stakeholders including top management, employees, suppliers, and customers.	Positive

Material Issue Identified	Indicate whether risk or opportunity	Rationale for identifying the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
Ethical Behavior	Risk	Ethical behavior is acting in ways that are consistent with how the company views moral principles and values. Lack of adherence can have reputational risks arising out of lack of integrity, organizational relationship problems, conflicts of interest, and misleading advertising.	KOEL adheres to strong ethical standards of integrity. Its Board of Directors, top management, and workers follow a strict code of conduct and ethics based on the National Voluntary Guidelines. An effective surveillance mechanism and a whistle-blower policy are in place to guarantee that such regulations are properly followed.	Negative
Grievance Mechanism	Risk	Grievance management is important to be able to learn of existing issues and take actions to correct them. Any organization that is interested in growth needs to be willing to face and tackle grievances to improve and develop its business practices.	The Grievance Redressal Mechanism at KOEL is robust and all complaints raised are resolved rapidly while ensuring the confidentiality of whistle-blowers.	Negative
Customer Privacy	Risk	Data privacy is of utmost priority to KOEL. A data breach may impact the business operations and stakeholder relationships.	The company has identified data security as a material topic and has deployed robust systems to avoid such breaches. There were no complaints about customer privacy being violated or data being lost.	Negative
Diversity and Equal opportunities	Opportunity/ Risk	To tap into the full potential of human diversity, the company looks at diversity and creating an inclusive working culture underpinned by a fundamental sense of belonging, fairness, equity and enabling people to bring their 'full self' to work to achieve operational efficiency.	Diversity and Inclusion have been part of the pivotal strategies of KOEL for driving growth while incorporating wider perspectives. The leadership team is vigilant in ensuring to promote and adopt opportunities for everyone to maintain workforce diversity across the organizational value chain. The Equal Opportunity Policy at KOEL robustly ensures the provision of equal remuneration to both male and female employees and equal opportunities to grow in the organization irrespective of gender, caste, or religion.	Positive/ Negative

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
Policy and Management Processes									
1 a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Y	Y	Y	Y	N*	Y	Y	Y	Y
b. Has the policy been approved by the Board? (Yes/No)	Y	Y	Y	Y	N*	Y	Y	Y	Y
c. Web Link of the Policies, if available	https://www.kirloskaroilengines.com/investors/for-share-holders/policies https://www.kirloskaroilengines.com/investors/for-share-holders/code-of-conduct								
2 Whether the entity has translated the policy into procedures. (Yes / No)	Y	Y	Y	Y	Y*	Y	Y	Y	Y
3 Do the enlisted policies extend to your value chain partners? (Yes/No)	Specific policies, such as the Policy on Prevention of Fraud and the Whistle Blower policy, extend to value chain partners including not only individual employees and directors but also, channel partners, suppliers, business associates, customers, contractors and agency staff of the organization, who can make a protected disclosure under it.								
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.	The company's operations adhere to and are certified for ISO 9001 and all manufacturing units are certified for adherence to ISO 14001 and ISO 45001. KOEL is also IMS (Integrated Management System) certified by ABS QE. The company's CSR policy follows the provisions of Section 135 of the Companies Act, 2013 read with Rules thereunder including amendments thereof.								
5 Specific commitments, goals and targets set by the entity with defined timelines, if any.	KOEL conducts a Community Satisfaction Survey (CSS) annually and has a target of achieving a minimum score of 85 on the survey. For the last 5 years, including the current reporting period, KOEL has received a perfect score of 100 on the community satisfaction survey								
6 Performance of the entity against the specific commitments, goals and targets along-with reasons in case the same are not met.	Not Applicable								

*While KOEL does not have a standalone Human Rights policy, aspects of human rights such as child labour, forced labour, occupational safety and non-discrimination are covered as part of KOELs various Human Resource Policies like the Employee Code of Conduct, Supplier Code of Conduct, POSH policy and Whistle Blower Policy.

Governance, Leadership and Oversight

7 Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements

KOEL enjoys a legacy of over a century of creating positive difference on the socio-economic development of key stakeholders by being a responsible business. KOEL has always focused on the triple bottom line, extending towards all stakeholders – including the communities surrounding operational sites. Communities are a top priority and the company's CSR activities in the areas of Education, Health and Hygiene, Environment, Disaster Management and Rural Development are aimed at addressing concerns and challenges that affect the surrounding communities including underprivileged groups within the community.

KOEL takes efforts towards enhancement of communities around its operations. Therefore, specific efforts are taken to partner with small and local producers. This important category of supplier partners accounts for around 60% of all purchases. KOEL also invests in supplier development through measures such as supplier quality improvement contests, conferences and educating them on best practices that can lead to an improvement in operational and logistical efficiency. Furthermore, 100% of new suppliers were assessed on social and environmental criteria during the year under review.
KOEL has also been focused on the development, health, safety and wellbeing of another key stakeholder- employees. The company has various training and learning programmes enabling employees to upgrade their skills on various technical, functional and behavioral aspects. KOEL seeks to enhance the professional development of its employees and other workers by formulating comprehensive training modules through constant examination of market trends. Additionally, KOEL's HR policies focus on attracting, nurturing and retaining talent, while promoting inclusivity, diversity and transparency across hierarchies. With a strong focus on safety, KOEL is also proud to share that there have been no work-related injuries in the previous financial year.

While devising products, care is taken to protect the environment and minimize the adverse impacts on society at large. KOEL's R&D team, which aims to build technological leadership in engine research, design, and development, and help sustainably deliver customized engineering solutions, is one of the main reasons that KOEL remains the industry leader in various market segments. The R&D department is not only focused on expanding the product range but also, on the upgradation of products to reduce emissions and provide solutions for sustainable growth.

Specific steps on environment include actively using renewable energy since 2016, use of solar water pumps, solar hot water generators and solar steam generating systems at the company's units that have further enhanced its renewable energy footprint. KOEL Kagal Plant has achieved Carbon Neutrality and at Kagal, the company has initiated a complete process of studying, analyzing, calculating, gap-finding, and offsetting. The company is also committed towards the nation's mission of Enhanced Energy Efficiency and has executed various energy conservation initiatives which resulted in a 13% reduction over last FY in specific energy consumption. Further, KOEL undertakes specific initiatives to promote 3Rs (Reduce, Reuse & Recycle) to minimize waste.

ESG performance in the upcoming decade is a key focus area for KOEL. Through its community development initiatives, deep vendor relationships, skilled team, and leading technologies KOEL will continue to deliver on its ESG agenda while driving true stakeholder value.

8 Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).	The CSR Committee is in charge of the company's strong sustainability framework, as well as the implementation of all EHS and OHS projects and the company's long-term sustainability goals. The members of the CSR Committee are: 1. Rahul C. Kirloskar (Non-Executive Non- Independent Director & Chairman of CSR Committee) 2. Mrunalini Deshmukh (Independent Director) 3. Shalini Sarin (Independent Director)
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, an ESG Steering Committee has been set up which includes an independent director, management representatives (CEO, CFO and CS) and the ESG head. This committee meets on a quarterly basis to oversee and discuss sustainability related issues. Additionally, the managing director and senior leadership team review the Business Responsibility performance of the company periodically as part of the overall management process. The organization's performance with respect to economic, environmental, and social objectives is also evaluated regularly by the Board of Directors.

10. Details of Review of NGRBCs by the Company

Subject for Review	Indicate whether review was undertaken by Director / Committee of the Board/ Any other Committee									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
Performance against above policies and follow up action	A review of the policies is done on a periodic base, as needed, either by a member of the board or a representative of the board.																	
Compliance with statutory requirements of relevance to the principles and rectification of any non-compliances	P1: Under the Vigil Mechanism/ Whistle Blower Policy, there were no complaints received during the FY 2021-22. During the reporting period, no legal actions were pending against the organization for anti-competitive behavior or breaches of anti-trust and monopoly laws. P2: There were no instances raised of non- compliance regarding product and service, health and safety impacts, as well as no instances of non- compliance regarding product and service labelling. P3: There were no complaints relating to child labor, forced labor, involuntary labor, or Sexual Harassment in FY 2021-22. P4: As per the CSR policy, 2% of net profits of the company were spent on Education, Rural Development, Community Development and Health related projects in FY 2021-22. P5: There were no complaints relating to child labor, forced labor, involuntary labor, or Sexual Harassment in FY 2021-22. P6: KOEL is compliant with the applicable environmental laws, regulations and guidelines in India. P7: The company received no notices for anti- competitive, antitrust, conflict of interest, or monopolistic practices in FY 2021-22. P8: 59.5% of materials were sourced from suppliers within a 300km radius in FY 2021-22. P9: There were no data breaches in the system in FY 2021-22.																	
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	P1	P2	P3	P4	P5	P6	P7	P8	P9									
	The company has evaluated the policies internally.																	

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

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 during the financial year:**

For the board of directors, the company has a familiarization programme for Independent Directors about their roles, rights, responsibilities in the company, nature of the industry in which the company operates, the business model of the company etc. A structured induction programme for new Directors is also organized where they meet and interact with all senior leaders of the company and an On-Boarding Manual is provided for their information and awareness. A detailed Letter of Appointment is also issued to them. The company's management makes business presentations periodically at the Board meetings to familiarize Independent Directors with the strategy, operations and functioning of the company. These interactions provide them with a holistic perspective of the company's business and regulatory framework. The details of the familiarization programme imparted to the Independent Directors are available on the website of the company.

(Web-link: https://www.kirloskaroilengines.com/documents/541738/e6f5a223-f548-b43d-a5f5-861050d64f32)

All employees are provided with specialized training on human rights policies and procedures. As a part of the induction program, POSH training is provided on human rights principles for new hires. Similar POSH training is also provided periodically to existing employees. The company provides a safe workplace environment and imparts training to its employees on regular basis as required. The on-going toolbox talks to the employees, explaining the existing manuals, covering safety and machine handling aspects as another mode to address safety. Various health and safety training are conducted for the employees' such as Safety Induction training for new joiners, overall Health and Safety Training, First Aid and CPR Trainings, Firefighting Trainings, road safety awareness, mock drills, COVID-19 awareness creation and protocol maintenance, On-site emergency plan, Handling and disposal of hazardous chemicals, Safe operations in electric hoist, cranes, forklift operations, etc. These trainings are also conducted with the help of external agencies like CII, QCFI, THORS India, etc. The company has also taken initiatives for capability building to handle emission norms viz. BSIV and upcoming norms like CPCB IV technology through structured service trainings throughout the year.

KOEL also seeks to enhance the professional development of its employees and other workers by formulating comprehensive training modules through constant examination of market trends. Functional and technical training is imparted to the employees involved in core operations. Behavioral training, planned centrally by corporate HR as per the business and the organization's needs, focuses on developing communication, leadership, soft skills. Optimal training requirements of Non-managers like Sales and Service Executive of Sales and Marketing Business and Junior Service Engineers of Customer Support Business Units are periodically assessed and fulfilled accordingly.

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

Not applicable, since there were no fines, penalties, punishments, compounding fees or settlement amounts paid in proceedings by KOEL, its' directors or KMPs with regulators, law enforcement agencies or judicial institutions in the financial year.

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

Not applicable, since there were no fines, penalties, punishments, compounding fees, settlement amount paid in proceedings by KOEL, its' directors or KMP with regulators, law enforcement agencies or judicial institutions in the financial year.

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

KOEL does not have a separate anti-corruption and anti-bribery policy; however, anti-corruption and anti-bribery are covered in the Employees Code of Conduct and Prevention of fraud policy. The policy facilitates controls and establishes a system to identify, prevent, report, investigate and enforce disciplinary action relating to any fraud including bribery and corruption.

The policy can be accessed here: https://www.kirloskaroilengines.com/investors/for-share-holders/policies

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

There were no instances reported during the Current Financial Year (FY 2021-22) or Previous Financial Year (FY 2020- 21) of any disciplinary action taken by any law enforcement agency for charges of bribery or corruption against any Directors, KMPs, employees or workers of the company.

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

Not applicable, since there were no complaints received in relation to issues of Conflict of Interest against the Directors or KMPs of the company during the Current Financial Year (FY 2021-22) or Previous Financial Year (FY 2020- 21).

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, since there were no fines, penalties or action taken by regulators, law enforcement agencies or judicial institutions on cases of corruption and conflict of interest.

LEADERSHIP INDICATORS

1. **Awareness programmes conducted for value chain partners on any of the Principles during the financial year:**

The following are some of the important initiatives, programs, and campaigns that KOEL undertakes for its value chain partners:

- **Principle 9:** The 'Zero Defect' campaign was implemented across the value chain with the goal of gap assessment and project closure to create a strong and sustainable quality culture. The Zero-Defect effort is one of the industry's benchmark programs, with a clear methodology for identifying, prioritizing and monitoring Zero-Defect projects. The company's suppliers are evaluated regularly for quality, environmental, and occupational health and safety management systems, among other things.
- **Principle 8:** KOEL held Supplier Quality Improvement Contests and conferences as part of supplier development. It provided a forum for suppliers to share and learn about the best practices used by their peers and improve operational and logistical efficiency.
- **Principle 4/ Principle 8:** The company advanced into the second stage of the much-appreciated 'Samvardan' initiative which seeks to strengthen the business acumen of SME suppliers and assist them in developing a well-defined strategy and enable an entrepreneurial and growth mindset through the deployment of lean principles.
- **Principle 4:** KOEL supports small and medium sized businesses among its suppliers, and the company's community programs were geared at addressing concerns and challenges that affect the poor and underprivileged sectors.
- **Principle 2/ Principle 9:** KOEL has deployed a structured approach of conducting annual training programs for its All-India service dealers and their technicians on a periodic basis to promote and ensure responsible use of KOEL Products and enhance the competency of the service dealer personnel by demonstrating the right maintenance practices.

- **Principle 6/ Principle 2/ Principle 9:** Tailor-made training programs are arranged for customers and service dealers around the use of metallic skids instead of wooden packaging to maximize Green effect, Recommended maintenance practices and Engine assembly & dismantling practices.

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 in place for the Board of Directors and Senior Management to identify actual or potential conflict of interest, which may arise during the course of its business activities. According to the Code of Conduct, the Board is required to scrupulously avoid 'conflict of interest' with the company. A conflict of interest exists where the interest of a director or member of senior management conflicts with those of the company. The company has implemented organizational processes and appropriate safeguards to mitigate, prevent and manage conflicts of interest that may arise. Additionally, KOEL has adopted CII's business excellence framework and Code for prevention of insider trading.

   The Code of Conduct can be accessed here: https://www.kirloskaroilengines.com/investors/for-share-holders/code-of-conduct

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.**

Type	FY 2021-22 (Current Financial Year)	FY 2020-21 (Previous Financial Year)	Details of improvement in social and environmental aspects
Research & Development (R&D)	69.38 Crore	60.57 Crore	The R&D department is not only focused on expanding the product range but also, on the upgradation of products to reduce emissions and provide solutions for sustainable growth.
Capital Expenditure (CAPEX)	30.75 Crore	68.53 Crore	51.35 Lacs spent on Energy Conservation Equipment

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

   Yes, the company has procedures in place for sustainable sourcing which focuses on local procurement (within a radius of 300 Km) and gives preference to local and small suppliers. Besides this, KOEL ensures its suppliers adhere to Environment, Social and Human Rights regulations.

   b. **If yes, what percentage of inputs were sourced sustainably?**

   59.5%

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.**

Product	Process to safely reclaim the product
a. Plastics (including packaging) b. E-Waste c. Hazardous Waste d. Other Waste	KOEL majorly uses reusable metallic skids and recyclable corrugated boxes. However, for exports particle boards are used for packaging (which is very less in quantity). Metallic skids are taken back from the customer once the product is delivered. Product recycling is not practiced in this sector; however, some products such as DG sets are reconditioned to improve efficiency and extend the serviceable life. The product consists majorly of metals and alloys (cast iron, steel, etc.) which are normally recycled at the end of life as metal scraps by the customer, since the value of metal scrap is considerable in the market.

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.**

   Not Applicable

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?**

   The company has a strong commitment to the nation's mission for enhanced energy efficiency via concerted efforts for energy conservation in both products and processes. While LCA has not been conducted, KOEL has undertaken Carbon footprint analysis of certain products and has declared the fuel efficiency and weighted carbon in the product catalogue. Additionally, KOEL shares the diesel consumption data of its products with customers and is compliant with BS (Bharat Stage) -IV norms.

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.**

   Not applicable

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).**

   Currently the sector doesn't make use of recycled or reused materials as input material in production due to specific product requirements and hence KOEL does not use any recycled material in the company's manufacturing process; however, KOEL is keen to use reused or recycled input materials as the industry and processes evolve.

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

   The life of the product generally ranges from 15-25 years. So, details of the end-of-life treatment of products are not readily available.

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

   Not applicable

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:**

   KOEL constantly endeavors to address the well-being of its employees at all levels through its deep-rooted institutionalized systems. KOEL believes that employees can excel at work only when the right balance between professional and personal life is maintained. KOEL's full-time employees (Total 917 employees- 882 male and 35 female employees, in FY 2021-22) are entitled to standard benefits like Life Insurance, Health Care, Disability and Invalidity Coverage, Parental Leave, Retirement Provision, and Stock Ownership. The company has in place various initiatives for its employees to maintain and improve their well-being and work-life balance. These include a wide range of facilities such as hospitalization and medical claims, scholarship for employees' children, annual gifts, and schemes such as Parivar Suraksha Yojna, Flexitime, Birthday Special Leave, Paternity Leave, Bereavement Leave and Relocation Leave. KOEL also launched a Term Insurance Policy for all employees and has a Compensated Absences Plan which is covered by other Long-term Employment Benefits.

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

   KOEL provides occupational health services functions to ensure worker well-being (total 1267 workers- 1235 male and 32 female workers, in FY 2021-22). Occupational health centers, ambulance services, first aid boxes, trained first aiders, and firefighters are some of the services. New hires are subjected to pre-employment health check-ups and periodic health camps are conducted for all internal stakeholders. Mock drills are also conducted to explain the execution of activities during emergencies. Additionally, COVID-19 health check-ups and vaccination camps were conducted for the workers and their families.

2. **Details of retirement benefits, for Current Financial Year and Previous Financial Year:**

   KOEL's employee benefit schemes include gratuity fund schemes, pension, post-retirement medical, and long-term service award benefit schemes. The employee and employer contribution to the provident fund is as prescribed under applicable laws. Also, KOEL has a National Pension Scheme (NPS) available for employees. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as of the date of the Balance sheet. In the case of funded plans, the fair value of plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on a net basis.

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

   KOEL currently does not have any Disabled employees as part of its workforce and therefore steps to make the premises and offices accessible have not yet been taken. Before hiring differently abled employees, the company will ensure that premises and offices meet the requirements as per 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.**

   The Equal Opportunity Policy at KOEL robustly ensures the provision of equal remuneration to both male and female employees and equal opportunities to grow in the organization irrespective of gender, caste, or religion. KOEL prides itself on being an 'Equal Opportunity Employer' and those values are demonstrated right from recruitment, development, and ensuring retention of employees. KOEL's Recruitment and Selection policy clearly states that all recruitment and selection decisions will be made consistently, fairly, and equitably. The recruitment process is well defined for all hierarchies and is followed without exceptions to eliminate bias in hiring. KOEL's HR policies focus on attracting, nurturing and retaining talent, while promoting inclusivity, diversity and transparency across hierarchies. KOEL ensures no employee is discriminated against based on their caste, creed, color, religion, age, sexual orientation, gender, disability, marital status, or other such distinguishing factors.

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

Gender	Total number of people returned after parental leave in FY	Total Number of people who took parental leave in FY	Return to work rate	Total Number of people retained for 12 months after returning from parental leave	Total number of people returned from parental leave in prior FY	Retention Rate
Permanent Employees						
Male	117	117	100%	115	93	98%
Female	5	5	100%	4	3	80%
Others	0	0	0%	0	0	0%
Total	122	122	100%	119	96	97.5%
Permanent Workers						
Male	0	0	0%	0	0	0%
Female	0	0	0%	0	0	0%
Others	0	0	0%	0	0	0%
Total	0	0	0%	0	0	0%

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

Category	Yes/No	Details of the mechanism in brief
Permanent Workers Other than Permanent Workers	Yes	At every manufacturing plant, a committee addresses the issues raised by workers through the Grievance Redressal Mechanism or otherwise. Additionally, over the year, KOEL engages employees by conducting several programs, designed to bring together all employees, irrespective of their diverse backgrounds. The company conducts an 'Employee Engagement Survey' (EES) to measure employee perceptions and has a SAY, STAY and STRIVE policy that empowers employee engagement. Trends and results emanating from the EES survey are carefully analysed and worked upon for remedial and improvement actions.
Permanent Employees Other than Permanent Employees	Yes	At every manufacturing plant, a committee addresses the issues raised by employees through a Grievance Redressal Mechanism or otherwise through direct communication with BU heads.

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

   In alignment with the right to freedom of association principle of the Universal Declaration of Human Rights, KOEL fully recognizes the right to organize and form unions.

8. **Details of training given to employees and workers:**

   KOEL invests in the development of employees through various training and learning programmes enabling employees to upgrade their skills on various technical, functional and behavioral aspects. KOEL seeks to enhance the professional development of its employees and other workers by formulating comprehensive training modules through constant examination of market trends. Efforts are taken to create customized training modules for employees by analyzing current market trends, workforce competencies, and organizational effectiveness. Various state-of-the-art training programs to augment functional and behavioral competencies are provided.

   Functional training is imparted to employees involved in core operations. Behavioral training, planned centrally by corporate HR as per the business and the organization's needs, focuses on developing communication, leadership and soft skills. The technical training needs are collaborated by each business HR to plan for the training for their respective business unit or function. In addition, competency-based assessment programs are also conducted for employees across each department. Optimal training requirements of Non-managers like Sales and Service Executive of Sales and Marketing Business and Junior Service Engineers of Customer Support Business Units are periodically assessed and fulfilled accordingly. All employees notify their training requirements in an HR Management System at the time of annual planning, which is then incorporated in the development of the annual training calendar. Additionally, there is a formal onboarding for new joiners.

   Various health and safety trainings were conducted for the employees' such as Safety Induction training which includes QEHS Policy, Use of PPEs, Safety Hazards & Controls, Fire prevention, Chemical Safety, Material Handling, Waste Management, Permit to work system, Emergency preparedness, Behavioral based safety etc. for new joiners, overall Health and Safety Training, First Aid and CPR Trainings, Firefighting Trainings, COVID 19 awareness creation and protocol maintenance, On-site emergency plan, Handling and disposal of hazardous chemicals, Safe operations in electric hoist, cranes, forklift operations, Machine guarding, Hazard identification & Risk assessment. These trainings are also conducted with the help of external agencies like CII, QCFI, THORS India, etc. 9603 work hours of safety training were provided to the employees in the reporting period. The security personnel in KOEL, provided by third-party firms are also subject to the training standards. KOEL provides official training to security personnel on the organization's human rights policies and procedures, as well as specialized processes such as dealing with factory fires.

   Through the 'Gurukul' initiative at the Kagal plant, employees are trained across 40 identified skills and given hands-on training to operate all systems on the shop floor. Safety-based training is also rendered periodically to employees.

   Leadership competency training camps are also conducted for manager-level employees. KOEL also associates itself with highly esteemed management institutions such as the SP Jain for training select individuals via tailor-made tutorials and programs.

	Category	FY 2021-22 (Current FY)			FY 2020-21 (Previous FY)		
		Total employees / workers in respective category (A)	No. of employees / workers in respective category, who received Skill Training (B)	% (B/A)	Total employees / workers in respective category (C)	No. of employees / workers in respective category, who received Skill Training (D)	%(D/C)
a. Details of Skill training given to employees and workers.	**Permanent Employees**						
	Male	2,117	924	44%	2,140	727	34%
	Female	67	27	40%	71	55	77%
	Total	2,184	951	44%	2,211	782	35%
	Temporary/ Contractual						
	Male	1,690	-	-	1,554	-	-
	Female	68	-	-	43	-	-
	Total	1,758	-	-	1,597	-	-

	Category	FY 2021-22 (Current FY)			FY 2020-21 (Previous FY)		
		Total employees / workers in respective category (A)	No. of employees / workers in respective category, who received training on Health and Safety (B)	% (B/A)	Total employees / workers in respective category (C)	No. of employees / workers in respective category, who received training on Health and Safety (D)	%(D/C)
b. Details of training on Health and Safety given to employees and workers.	**Permanent Employees**						
	Male	2,117	369	17%	2,140	171	8%
	Female	67	9	13%	71	8	11%
	Total	2,184	378	17%	2,211	179	8%
	Temporary/ Contractual						
	Male	1,690	1,387	82%	1,554	1,253	81%
	Female	68	32	47%	43	20	47%
	Total	1,758	1,419	81%	1,597	1,273	80%

9. Details of performance and career development reviews of employees and worker:

All (100% of the total 917 employees- 882 male and 35 female employees, in FY 2021-22) of KOEL's employees receive regular performance and career development reviews. These reviews are conducted online on a quarterly and annual basis. KOEL also undertakes individualized competency assessments for employees. Through its Human Resource Management Systems, KOEL employs digital channels to log HR data. Every year, KOEL's HR partner prepares the company's Balanced Score Card (BSC) which is in alignment with the Long- Range Plan (a plan that integrates the talent requirement inputs from Business Heads and Departmental Heads of each functional unit). These are also timely reviewed and evaluated by board members. The Performance Management System which enables half-yearly employee performance review constitutes the fundamental HR strategy.

Senior managers and above compulsorily undergo a 360-degree feedback assessment to test their current competency levels and understand organizational level competencies. This process helps the organization to understand the impact of employees' performance from the perspective of each stakeholder including both internal colleagues and external customers. The results of the 360-degree feedback process aid in streamlining the business to formulate focused development plans which are then scrutinized for regular monitoring. This has proved effective in building capabilities at the organizational level thereby achieving the vision of constructing an emblematic workplace. This practice of internal feedback and communication also creates a 'relation matrix' and results in an effective work environment.

Additionally, Manager and Skip Level Manager Assessments are done where employees are assessed by their Manager and Skip Level Manager on a Manager's Assessment questionnaire. This helps in understanding the employees' willingness to grow, their aspirations, and their approach. Based on the results of all three assessments, feedback is given, and an individual development plan (IDP) is created.

KOEL employs a solid and robust approach to delineate a leadership ladder for its employees by identifying potential successors in critical work processes. The Leadership Fountain Program (LFP) at KOEL is designed to nominate High Potential Employees among all management levels. Based on critical positions identified in the succession planning framework, KOEL has set up a target of creating filling 40% of positions through the internal recruitment process in the grades M1 and above in the next 3-5 years.

10. Health and safety management system:

a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/No)	Yes, KOEL has implemented an Integrated Management System (IMS) on occupational health and safety, which combines ISO 9001, ISO 14001 and ISO 45001 covering all workplaces, workers and operational activities.
a.1 What is the coverage of such system?	100% of employees and workers are covered under occupational health and safety management systems. These systems are also internally audited by safety committees and plant heads.
b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?	Internal safety audits are conducted, safety Inspections are conducted, reports generated and the work permit system is followed.
c. Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Yes/ No)	Yes, KOEL encourages worker consultation and participation for maintaining safety across all manufacturing units. Safety committees are organized at all four units; workers form an integral part of these. The main responsibilities of these committees include identification of work-related hazards and risks, taking remedial measures, assisting the management to fulfil the safety system requirements, and investigation and reporting of incidents. These committees meet regularly at three months intervals. Plant heads remain the authorized decision-maker of these committees. KOEL has also developed an on-line Near-miss incident recording system and safety observations recording system for use by all KOEL locations.
d. Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No)	Yes, KOEL facilitates the accessibility of non-occupational health services to its workers through medical camps, vaccination drives and medical health check-ups. Employees can also avail finances through medical claims. KOEL also has voluntary health promotion services like Health awareness webinars on 'Child Health and Constipation', 'Healthy Heart Program', 'Nutrition for COVID-19 patients and those recovering from it', etc.

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

There were no work-related injuries recorded during the Current Financial Year (FY 2021-22) and Previous Financial Year (FY 2020-21).

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

Occupational Health and Safety has been a major focus area for KOEL. The Occupational Health & Safety Management policy is implemented at all the locations. The company maintains a healthy and harmonious industrial relationship across manufacturing plants with all employees (including contract employees), provides a safe workplace environment and imparts safety trainings and learnings to all employees on a regular basis. A defined framework is in place to explain the existing manuals, covering safety and machine handling aspects at all plant sites to the employees. The company organizes various safety promotional activities and campaigns like National Safety Week, Fire Service Day etc. to create awareness among employees. KOEL's consistent efforts to ensure a safe and healthy workplace have been recognized at the Quality circle Pune chapter and also through participation in various safety competitions.

KOEL also provides occupational health services' functions to ensure the workers' well-being. Occupational health centers, Ambulance services, first aid boxes, trained first aiders, and firefighters are some of the services. New hires are subjected to pre-employment health check-ups, whereas periodic health camps are conducted for all internal stakeholders. Mock drills are also conducted to explain the execution of activities during emergencies. KOEL periodically evaluates the organizational and workforce effectiveness and examines the OHS training needs of the workforce.

During FY 2021-22, virus sanitizing devices were installed at multiple locations, protocols around movement of workers at the plant site were set out, fire alarm and fire prevention devices were improved, and COVID-19 vaccination camps were set up for permanent and contractual employees for provision of the first and second dose of vaccines. There are formal agreements with the trade union covering Health & Safety topics such as the responsibility of the workers for using Personal Protective Equipment, compliance with provisions of the Factories Act etc.

Additionally, the company has adopted top down, bottom up and horizontal communication channels to effectively communicate with its employees. Kaizens, Quality Management, Safety Management and the WASH Pledge are some of the forums and methods where initiatives to improve occupational health and safety are conceptualized, planned and deployed. The on-going toolbox that breaks down existing manuals, covering safety and machine handling aspects is another mode to address safety.

KOEL takes substantial efforts for creating a conducive and safe workplace for women employees in conformity with 'Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013'. A series of sessions were conducted by an external agency to create awareness amongst employees.

With regards to ensuring health and wellbeing, all (100%) of the employees are tested annually for audiometry, lung-function test, and eye test, (including those with exposure to noise and emissions at the engine test beds and paint booths).

Specific systems and technologies have also been put in place to enhance safety:

- Installation of a Laser sensor system on Bending Machines at KP-I factory to prevent access to pinch point/danger zone
- Implementation of 9 phases of Behavioral Based Safety at KP-I factory
- Installation of lifeline and fall arrest system at all the bulk oil stg. Areas and the scrap yard at KP-I factory
- Developed an On-line, Near-miss incidents recording system and Safety Observations recording system for use by all KOEL locations
- Conceptualized and developed "Safety Ambassador" and "Unsafe Act Caution" cards systems

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

Topic	FY 2021-22 (Current Financial Year)			FY 2020-21 (Previous Financial Year)		
	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	There were no complaints by employees and workers made with regards to working conditions in FY 2021-22 or FY 2020-21					
Health & Safety	There were no complaints by employees and workers made with regards to Health & Safety in FY 2021-22 or FY 2020-21					

14. Assessments for the year:

Topic	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health and safety practices	KOEL has in place a range of programs and activities to ensure health and safety such as safety inspections, Risk and Opportunity Assessment, work permit system and reporting and investigation of incidents. KOEL implements Occupational Health & Safety management systems based on ISO 45001 covering all workplaces, workers, operational activities. 100% of employees and workers are covered under occupational health and safety management systems. These systems are also internally audited by safety committees and plant heads. Safety precautions and measures are reviewed quarterly by the VPO.
Working Conditions	In FY 2021-22, 100% of operations were subjected to human rights reviews.

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.

There were no significant risks or concerns that were raised in the assessments conducted and therefore no corrective actions required.

LEADERSHIP INDICATORS

1. Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Y/N) (B) Workers (Y/N).

   a. *Employees (Yes/No): Yes, KOEL's full-time employees are entitled to standard benefits such as Life Insurance.*

   b. *Workers (Yes/No): No*

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

KOEL has created a selection process for evaluating value chain partners before working with them. Additionally, the company ensures that all compliance documents related to statutory dues are shared before processing invoices. There is a specific portal created for managing documents and compliances of value chain partners.

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 rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

Not Applicable (There were no high consequence work-related injuries recorded during FY 2021-22 and FY 2020-21)

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).

No, the Company does not have any formal policy on transition assistance; however, support is provided on a case-to-case basis.

5. Details on assessment of value chain partners:

Topic	% of value chain partners (by value of business done with such partners) that were assessed
Health and safety practices	100% of new suppliers were screened using social criteria including occupational health and safety.
Working Conditions	100% of new suppliers were screened using social criteria including diversity and equal opportunity, non-discrimination, child labour, forced labour and human rights assessment.

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.

All the suppliers reviewed throughout the reporting period had no negative environmental, social, or human rights consequences.

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:

The Company identifies individuals or groups of individuals or institutions that play an important role in the business value chain as its key stakeholders and ensures that it engages with them regularly to understand their needs. Following this philosophy, the Company identifies employees including workers, shareholders and investors, customers, dealers and distributors, technical collaborators, banks, suppliers and vendors, society and local communities around the company's manufacturing sites, professional bodies and regulators as its key stakeholders. It views its internal and external stakeholders as important business partners and engages with them to allow for effective two-way communication, identification, and resolution of any issues, as well as the building of a shared value.

One of the core aspects of KOEL's business plan is improving the company's ability to produce long-term value for all its stakeholders and the most effective method to achieve that is through stakeholder engagement. The company believes that effective stakeholder engagement aids in the translation of stakeholder requirements into corporate objectives and serves as the foundation for effective strategy creation.

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	· Town Hall meetings · Quarterly appraisals · Performance Review forums · Employee Engagement Survey · External consultants' interactions · AOP/LRP deployment meets · Feedback from unions · Apex Committees · IR Committee / Grievance handling committee / Dept. Safety Committee · Intranet	Ongoing	To stay in touch with the employees, listen to their needs and to address their concerns **Key topics** · Job satisfaction · Career Growth · Training and Development · Motivation and job satisfaction · Reward and Recognition
Shareholders and Investors	No	· Annual General Meetings · Analyst meets · Media Releases · Website	Ongoing, at least quarterly	To stay abreast of developments in the company; To apprise of quarterly and annual results **Key topics** · Sustainable growth in revenues and profits · Alternative fuel options · Higher Dividend · Higher P / E ratio · Quick resolution of complaints

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
Customers	No	• One-to-one interaction • CSS (yearly) • Helpdesk • Customer events • Melas • Camps and Exhibitions	Ongoing, at least annual for the important customers	To develop relationships, anticipate short-term and long-term needs and expectations, to capture day-to-day requirements and to enhance the KOEL experience for them **Key topics** • Timely availability of products and Services • Legally complaints regarding products and services • Competitive products and services • High Quality, Range, Low cost, on-time delivery • Meeting customer's specific needs • Prompt Pre and post Sales and Service
Dealers and Distributors	No	• One-to-one interaction • Monthly/ Quarterly reviews • Helpdesk • Dealer conferences and meets	Ongoing, at least quarterly	To understand mutual expectations, to apprise of KOEL's policies and process communication, to understand market conditions and development and to know customer expectations and experience **Key topics** • Training needs • Cost reduction avenues • KOEL expectations and needs sharing • Market conditions and requirements • Customer expectations and experience
Technical Collaborators	No	Meetings	Annual	To strengthen relationships by creating win-win situations **Key topics** • Business opportunities • Utilizing the mutual strengths
Banks	No	Consortium Meetings: Periodical meetings/ interactions with members of the Banks in the consortium	Ongoing, at least quarterly	To approve funding and non-funding limits for the company **Key topics** • Funding and non-funding limits

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
Suppliers and Vendors	No (except a few small enterprises)	• One-to-one interaction • Supplier meets /conference (yearly) • Quality audit • SQI visit • Supplier 'A' Panel Meet • Technology Day • Quality contests (yearly) • Supplier Satisfaction Survey • BPR (Buffer Penetration Report) • Supplier Web Portal • Supplier Performance index • Joint improvement activities • Samvardhan program • Value Engineering exercises	Ongoing, at least quarterly	To mutually share needs and expectations and to develop strategic partnerships, create value and share technology **Key topics** • Quality, cost and delivery improvement • EHS and process improvement • Technology sharing • Fair commercial terms • Minimal fluctuations in delivery schedules • On-time payment • Growth in Business avenues and improved ROI
Society / Local Communities	Yes	• Interaction with society/NGO for the WASH initiative • Vasundhara Film festival • CSR committee meetings • CSR survey • Society Perception Survey	Ongoing and need-based	To contribute back to society by implementing various initiatives, to spread awareness on environmental and social issues **Key topics** • Needs and Perception • Employment • Education • Health • Social responsibility
Regulator / Government	No	• Economic Publication in journals/seminars/ media reports • Interaction with District and State Authorities / Central Govt./ PCB meetings with Direct/Indirect Tax officials	Ongoing and need-based	To discussions various regulations and amendments, inspections, approvals **Key topics** Good corporate citizenship (Compliance with regulations, regular tax payments, employment generation, social responsibility etc.)

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.**

   The company believes that constant and proactive engagement with its stakeholders helps in aligning expectations, enhancing stakeholder trust and confidence, which in turn aids in safeguarding and improving the value produced across the chain. The Board is notified regarding various developments through periodic reports and information directly from senior management members who have the functional responsibility for specific ESG concerns, depending on the nature of the identified material issue. The findings on ESG problems are discussed with management.

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, stakeholder consultation is used to support the identification and management of environmental, and social topics.

   The Company undertakes a materiality assessment exercise to identify the topics that are most important to the company and its stakeholders. This process includes engaging with internal as well as external stakeholders to get their feedback on their material concerns and how the various material topics affect them. Their priorities were understood through multiple consultations, based on which a materiality matrix was mapped. This exercise not only helps the company to improve upon its

sustainability approach for day-to-day operations but also proves instrumental in foreseeing the various risks and opportunities for which the company can develop an action plan for its future. The last materiality assessment was conducted during the reporting year FY 2019-20.

During the reporting period, the Company engaged with several ESG teams of investors, shareholders, consultants and field experts to understand the expectations of stakeholders. It undertook a comprehensive exercise of assessment of current ESG practices and benchmarking against best practices. Being on the learning curve, the company intends to use the recommendations of the detailed exercise to evolve and be amongst the best in the country for ESG scores.

Basis the recommendations, the Company is actively working on its Sustainability Strategy 2030, as part of which, it is building an ESG framework, with specific KPIs and targets. In the long term, it foresees itself emerging as a sustainable conglomerate.

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

The company makes special efforts to help and uplift the underserved and unprivileged groups of society. Among the stakeholders, KOEL recognizes the problems of women, differently abled, and vulnerable and disadvantaged groups and makes extra efforts to address their issues. The company's CSR activities are focused on the disadvantaged, vulnerable and marginalized segments of society in the areas of Education, Health and Hygiene, Environment, Disaster Management and Rural Development. During the reporting period, no critical issues were reported by vulnerable/ marginalized stakeholder groups.

Kindly refer to the Annexure of Board's report of the Annual Report for further details.

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(ies) of the entity, in the following format:**

All employees (total 917 employees- 882 male and 35 female employees, in FY 2021-22) have been provided specialized training on human rights policies and procedures. As a part of the induction program, POSH training is provided on human rights principles for new hires. Similarly, POSH training is also provided periodically to existing employees.

2. **Details of minimum wages paid to employees and workers, in the following format:**

KOEL adheres to applicable regulations related to minimum wages paid to employees and workers.

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

For information on remuneration/salary/wages of BOD, KMPs, employees and workers, please refer to the Board Report included in the Annual Report for FY 2021-22.

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, a full-time senior employee of the company, well respected for their integrity, independence and fairness and who is officially designated as "Ombudsman" officially receives all Human Rights complaints under the Whistle Blower Policy and thereafter ensures appropriate action is taken. The Managing Director has the authority to appoint and change the Ombudsman from time to time. The Ombudsman determines the cases in which further investigation is required and carries out the investigation themselves or by nominating an investigator.

Grievance Redressal Mechanisms at KOEL are robust and all complaints raised are resolved rapidly while ensuring the confidentiality of whistle-blowers.

5. **Describe the internal mechanisms in place to redress grievances related to human rights issues.**

Whistle Blower, Ombudsman and Grievance Redressal Mechanisms are in place for receiving and addressing complaints and feedback related to human rights violations and process improvements. Under the Company's Whistle Blower Policy, any individual employee, director, channel partner, supplier, business associate, customer, contractors or agency staff of the organization, may make a Protected Disclosure regarding human right violations, keeping the organization's interest in mind.

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

Not Applicable (During the reporting period, the company received no complaints from employees on incidents of Sexual Harassment, Discrimination, Child Labour, Forced Labour/ Involuntary Labour or any other Human Rights Issues)

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

KOEL's HR practice is based on offering equal opportunity to all without any discrimination. The processes are guided by the inherent values of the company and are always in conformity with labour laws, human rights, and other legislations promulgated from time to time. KOEL has proper forums and mechanisms such as Whistle Blower, Values Ombudsman and Grievance Redressal in place to report human rights issues and take effective remedial steps. The Whistle Blower policy extends to value chain partners.

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

Yes, supplier contracts contain human right clauses such as no use of child labor and enforcing the use of PPE (safety) etc.

9. **Assessments for the year:**

The due-diligence process at KOEL evaluates the adherence to the code of conduct periodically and ensures strict conformity to all statutory laws, human rights directives, and other regulations. In the current reporting period (FY 2021-22), 100% of operations were subjected to human rights reviews.

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

There were no significant risks or concerns that were raised in the assessments conducted and therefore no corrective actions required.

LEADERSHIP INDICATORS

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

Not applicable (No Human rights grievances and complaints were received)

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

KOEL firmly believes that values act as a foundation of a reliable, responsible, and reputable organization. These values deliver strategic direction for conducting business systematically while upholding and respecting the human rights and the dignity of the workforce. The due-diligence process at KOEL evaluates the adherence to the code of conduct periodically and ensures strict conformity to all statutory laws, human rights directives, and other regulations. In the current reporting period, 100% of operations were subjected to human rights reviews. All employees have been provided specialized training on human rights policies and procedures.

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?**

KOEL currently does not have any Disabled employees as part of its workforce and therefore steps to make the premises and offices accessible have not yet been taken. Before hiring differently abled employees, the company will ensure that premises and offices meet the requirements as per the Rights of Persons with Disabilities Act, 2016.

4. **Details on assessment of value chain partners:**

100% of new suppliers were assessed during the reporting year (FY 2021-22) using social criteria including diversity and equal opportunity, non-discrimination, child labour, forced labour and human rights.

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

All the suppliers reviewed throughout the reporting period (FY 2021-22) had no negative social, or human rights consequences; therefore, no corrective action was required.

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

ESSENTIAL INDICATORS

1. **Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format:**

Parameter	FY 2021-22 *(Current Financial Year)*	FY 2020-21 *(Previous Financial Year)*
Total electricity consumption (A) (GJ)	88,419.99	73,851.19
Total fuel consumption (B) (GJ)	98,739.18	77,208.52
Energy consumption through other sources (C) (GJ)	-	-
Total energy consumption (A+B+C) (GJ)	1,87,159.17	1,51,059.71
Energy intensity per rupee of turnover *(Total energy consumption/turnover in rupees) (GJ / Crore INR)*	57.28	56.71
Energy intensity *(optional) (GJ/ BHP)*	0.0266	0.0273

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Yes, VK:E Environmental LLP, Pune had been engaged by Kirloskar Oil Engines Limited (KOEL) to conduct an independent assurance of its Sustainability Report, wherein the data related to Energy consumption for FY 2020-21 has been verified and assured.

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, since the entity does not come under the category of Designated Consumers.

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

Parameter	FY 2021-22 *(Current Financial Year)*	FY 2020-21 *(Previous Financial Year)*
Water withdrawal by source (in kilolitres)		
(i) Surface water	-	-
(ii) Groundwater	38,452.77	21,863.31
(iii) Third party water	1,22,367	1,19,170
(iv) Seawater / desalinated water	-	-
(v) Others (Rainwater storage)	-	-
Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)	1,60,819.77	1,41,033.31
Total volume of water consumption (in kilolitres)	1,60,819.77	1,41,033.31
Water intensity per rupee of turnover *(Water consumed / turnover) (kL/ Crore INR)*	49.22	52.95
Water intensity *(optional) (kL/BHP)*	0.023	0.025

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Yes, VK:E Environmental LLP, Pune had been engaged by Kirloskar Oil Engines Limited (KOEL) to conduct an independent assurance of its Sustainability Report, wherein the data related to Water Consumption and withdrawal for FY 2020-21 has been verified and assured.

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

Yes, the water treated in STP / ETP is used for gardening and flushing toilets etc. and all plants maintain compliance with respect to zero discharge commitment.

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

Parameter	Please specify unit	FY 2021-22 (Current Financial Year)	FY 2020-21 (Previous Financial Year)
NOx	ppm	2.972	2.7
SOx	kg/day	8.03	2.332
Particulate matter (PM)	(mg/Nm3)	59.248	48.122
Persistent organic pollutants (POP)	N.A.	0	0
Volatile organic compounds (VOC)	ppm	0.0002	0.1
Hazardous air pollutants (HAP)	N.A.	0	0
Others – please specify	N.A.	0.006525	0.002275

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Yes, VK:E Environmental LLP, Pune had been engaged by Kirloskar Oil Engines Limited (KOEL) to conduct an independent assurance of its Sustainability Report, wherein the data related to other emissions for FY 2020-21 has been verified and assured.

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

Parameter	Unit	FY 2021-22 (Current Financial Year)	FY 2020-21 (Previous Financial Year)
Total Scope 1 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	tCO2e	6,847	6,182
Total Scope 2 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	tCO2e	15,368	11,541
Total Scope 1 and Scope 2 emission	tCO2e	22,215	17,723
Total Scope 1 and Scope 2 emission intensity *(optional)*	tCO2e/ Crore INR	6.80	6.65
Total Scope 1 and Scope 2 emission intensity	kgCO2e/BHP	3.157	3.203

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Yes, VK:E Environmental LLP, Pune had been engaged by Kirloskar Oil Engines Limited (KOEL) to conduct an independent assurance of its Sustainability Report, wherein the data related to GHG inventorization for FY 2020-21 has been verified with respect to AA1000 Assurance guidelines.

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

Yes, KOEL has been actively using renewable energy since 2016 through its own windmills as well as through open access captive power plants. The use of solar water pumps, solar hot water generators and solar steam generating systems at the company's units have further enhanced it's renewable energy footprint. A biogas plant is also installed in the premises to convert organic waste into electricity.

- A total of 5.5 MW captive solar power plant is installed at the Kagal plant, which has resulted in avoiding 4760 tCO2e in FY22 and 5107 tCO2e in FY21 respectively.
- At Kagal KOEL Plant is installing a 2.68MW captive Solar plant which is estimated to further reduce its carbon footprint by 2967 tCO2e annually.
- KOEL Kagal Plant has achieved Carbon Neutrality under the guidelines of PAS 2060:2014. At Kagal, KOEL has initiated a complete process of studying, analyzing, calculating, gap-finding, and offsetting. This entire process and its mapping are being audited through an international agency expert in this field. The consolidation approach for this emission calculation is under operational control for all the locations for Scope 1 and Scope 2.
- KOEL has been a frontrunner in energy conservation, both in its processes and products. The company is committed towards the nation's mission for Enhanced Energy Efficiency by making continuous efforts to optimize use of energy in operations and brings about continuous improvements in the efficiency of processes and products through use of energy efficient and renewable energy technologies. The Company has also formulated a policy on Energy Conservation and strictly adheres to it by promoting awareness and training on energy conservation and energy management systems to the relevant employees. With the implementation of various energy conservation initiatives, a reduction of 13% been achieved as compared to previous year.

The following projects have been completed to reduce GHG in the last few years:

- 2.68MWp Captive solar power plant
- Solar Street lights (150 Nos)
- Two scrap diesel forklifts converted to electric forklift (Reuse)
- Installation of energy efficient air dryers (5 Nos)

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

Parameter	FY 2021-22 (Current Financial Year)	FY 2020-21 (Previous Financial Year)
Waste generated (in metric tonnes)		
Plastic waste (A)	48.71	35.96
E-waste (B)	4.41	8.02
Bio-medical waste (C)	0.09	0.04
Construction and demolition waste (D)	0.00	0.00
Battery waste (E)	8.03	6.64
Radioactive waste (F)	0.00	0.00
Other Hazardous waste. Please specify, if any. (G)	457.72	457.67
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e. by materials relevant to the sector)	4,290.95	3,931.07
Total (A+B + C + D + E + F + G+ H)	4,809.91	4,439.40
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled	4,287.45	3,935.23
(ii) Re-used	118.84	178.99
(iii) Other recovery operations	0	0
Total	4,406.29	4,114.22
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
Category of waste		
(i) Incineration	82.2392	28.3883
(ii) Landfilling	89.025	70.847
(iii) Other disposal operations	617.97	723.543
Total	789.234	822.778

Note: Additionally, KOEL has sent 9,302 and 10,792 number of empty containers in FY 2021-22 and FY 2020-21 respectively to authorized recyclers.

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Yes, VK:E Environmental LLP, Pune had been engaged by Kirloskar Oil Engines Limited (KOEL) to conduct an independent assurance of its Sustainability Report, wherein the data related to waste generation and disposal for FY 2020-21 has been verified and assured.

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.**

KOEL is certified for ISO 14001 under the Integrated Management System for all locations. The sound implementation enables the company to ensure going beyond compliance levels as prescribed by state authorities for all related equipment, systems, and processes. KOEL has an efficient waste management mechanism through which it monitors plant-wise hazardous and non-hazardous waste generation. The plastic waste generated is converted to fuel through a plastic to fuel plant. The organic waste generated in the kitchen is used to produce electricity.

All the waste is segregated and separately stored in the waste management shed. The waste is disposed as per the conditions prescribed by the state pollution control board. An agreement with Common Hazardous Waste Treatment, Storage and Disposal Facility (CHWTSDF) and authorized recyclers is signed for ensuring scientific storage, disposal or recycling of waste.

KOEL has taken specific initiatives to promote 3Rs (Reduce, Reuse & Recycle) to minimize waste:

- The Biogas from canteen waste is used for streetlighting and cooking
- Hazardous waste is regularly disposed of through MPCB authorized agencies
- Installed a plastic to fuel plant for recycling plastic waste
- The lube oil used in all manufacturing facilities is recycled via certified oil recyclers
- The company also recycles plastic bags and covers used in packaging
- The company has been utilizing returnable metallic skids instead of wooden pallets for the dispatch of products
- All the waste generated is well within limits prescribed under consents of SPCB/ CPCB

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, please specify details in the following format:**

Not applicable, as KOEL does not have operations in any ecologically sensitive areas.

11. **Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:**

Not applicable as there were no greenfield projects undertaken by the organization in the current reporting financial year.

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, Environment Protection Act and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:**

Yes, all the emissions and wastes generated were well within limits prescribed under consents of the SPCB/ CPCB. These are also reported to SPCB as per the process prescribed by them every year. No show cause and legal notices were received during year under review from the CPCB or SPCB at any of KOEL operations.

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	FY 2021-22 *(Current Financial Year)*	FY 2020-21 *(Previous Financial Year)*
From renewable sources		
Total electricity consumption (A) (GJ)	20,952.84	23,185.17
Total fuel consumption (B) (GJ)	-	-
Energy consumption through other sources (C) (GJ)	-	-
Total energy consumed from renewable sources (A+B+C) (GJ)	**20,952.84**	**23,185.17**
From non-renewable sources		
Total electricity consumption (D) (GJ)	67,467.15	50,666.02
Total fuel consumption (E) (GJ)	98,739.18	77,208.52
Energy consumption through other sources (F) (GJ)	-	-
Total energy consumed from non-renewable sources (D+E+F) (GJ)	**1,66,206.33**	**1,27,874.54**

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Yes,VK :E Environmental LLP, Pune had been engaged by Kirloskar Oil Engines Limited (KOEL) to conduct an independent assurance of its Sustainability Report, wherein the data related to energy consumes from renewable and non-renewable sources for FY 2020-21 has been verified and assured.

2. **Provide the following details related to water discharged:**

Not applicable, as all the generated wastewater is treated and reused for horticulture and domestic purpose. No wastewater is discharged outside the premises of organization.

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Not Applicable

3. **Water withdrawal, consumption and discharge in areas of water stress (in kilolitres):**

For each facility / plant located in areas of water stress, provide the following information:

(i) Name of the area NA

(ii) Nature of operations

(iii) Water withdrawal, consumption and discharge in the following format:

Not applicable as KOEL and its operational boundaries do not fall under water-stress zones, as also the operations are not water-intensive.

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency

Not Applicable

4. **Please provide details of total Scope 3 emissions & its intensity, in the following format**

Currently the organization is not capturing the Scope 3 emissions information, but in the coming years, KOEL anticipates it will calculate the relevant and significant scope 3 emission categories.

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Not Applicable

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 KOEL is not operating 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:**

Sr. No.	Initiative undertaken	Details of the initiative *(Web-link, if any, may be provided along-with summary)*	Outcome of the initiative
1	Carbon Neutrality	Carbon neutral status for Scope 1 and Scope 2 emissions	The Kagal manufacturing plant has been PAS 2060:2014 certified for carbon neutrality for Scope 1 and 2 emissions and had also been awarded as "National Energy Leader" by the Confederation of Indian Industry (CII).
2	Energy Management	Online monitoring of Energy consumption	Initiation of Energy conservation projects/ improvements after analyzing consumption.
3	Renewable energy in use	Installation of onsite 5.5 MW Solar power plant and 150 Solar streetlights.	Reduction in carbon emissions of 4700 tons of CO_2.
4	Waste and Effluents (Waste plastic to fuel plant initiative)	Thermal catalytic depolymerization process to convert waste plastic bags into fuel.	Utilization of 9.51 tons of waste plastic bags.
5	Water Withdrawal	• Constructed rainwater harvesting structures and farm lakes. • Reuse of treated effluent for toilet flushing and irrigation. Water conservation by diverse measures including installation of water saver taps, water loss prevention measures and optimal utilization of treated water.	15.5% Reduction in specific water consumption in the last 5 years.

7. **Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.**

Yes, the company has formulated a Business Continuity Policy and Business Continuity Plan for different business units, which are under review:

- Water Management Solutions (WMS)
- Kagal Manufacturing
- Prime Power Solutions (PPS)
- Institutional and Project Solutions (IPS)
- Other Corporate Functions (e.g. Human Resource, Finance etc.)

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?**

KOEL currently hasn't evaluated the value chain impact on environment however innovations by R&D department focus on growing product lines and improving products to minimize emissions across the value chain and create solutions for long-term, sustainable growth.

9. **Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impact**

KOEL has screened 100% of its critical suppliers (in production parts) and has conducted a Zero-Defect Project for supplier improvement with six monthly reviews, including a focus on improving EHS scores and improving on various social criteria.

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.**

The company is a member of 7 trade and industry chambers/ associations

b) **List the top 10 trade and industry chambers/ associations (determined based on the total members of such 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	Bombay Chamber of Commerce and Industry	State
2	Confederation of Indian Industry (Western Region)	National
3	Engineering Export Promotion Council	National
4	Federation of Indian Chambers of Commerce and Industry	National
5	Federation of Indian Export Organisations	National
6	Maratha Chamber of Commerce Industries and Agriculture	State
7	Automotive Research Association of India	National

The company is an active member of several industry chambers, associations, and trade bodies. Through regular participation in industry events and stakeholder consultation and dialogue, the company's senior leadership team interacts and engages with various professional bodies and organizations to anticipate the evolving business environment, changes in government regulations such as future emission norms and changes in policies that are relevant to its industry. This helps with defining future growth drivers, managing risks, and developing new products and contributions.

2. **Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities**

Not Applicable (During the reporting period, the company received no notices for anti-competitive, antitrust, conflict of interest, or monopolistic practices from regulatory authorities.)

LEADERSHIP INDICATORS

1. **Details of public policy positions advocated by the entity**

During the reporting period, no public policy positions were advocated.

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 financial year.**

Not applicable. Social Impact Assessments not mandated by the law and hence not conducted.

2. **Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity:**

Not applicable.

3. **Describe the mechanisms to receive and redress grievances of the community**

The company's CSR projects are aimed at addressing concerns and challenges that affect the surrounding communities including underprivileged groups within the community. The company has various mechanisms in place to receive and redress community grievances, as below:

- CSR representatives meet directly with community members while trying to address their grievances.
- KOEL continues to carry out a Society Perception Survey every year through a reputed external agency in the field. The survey results enable KOEL to assess the perception within local communities on its performance on initiatives undertaken and measure improvements on a year-on -year basis. Further, it enables KOEL to integrate these key findings in developing future CSR initiatives.

Additionally, KOEL gets itself assessed on a Community Satisfaction Survey Index every year and strives for a score of at least 85. It has been receiving a perfect score of 100 for the last four years.

4. **Percentage of input material (inputs to total inputs by value) sourced from local or small-scale suppliers:**

Particulars	FY 2021-22 (Current Financial Year)	FY 2020-2021 (Previous Financial Year)
Directly sourced from MSMEs/ Small producers	59.6%	65%
Sourced directly from within the district and neighboring districts (within 300kms)	59.5%	65%

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 (Refer Q1 of Essential Indicators above).

2. **Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:**

Not Applicable (CSR projects are centered around Kagal (Kolhapur), Nasik and Pune which are close to the company's operations.)

3. (a) **Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalized /vulnerable groups? (Yes/No) (b) From which marginalized /vulnerable groups do you procure? (c) What percentage of total procurement (by value) does it constitute?**

Yes, the company makes deliberate efforts to ensure business is done with small and local producers. Its well-structured supply chain policy recommends procurement of materials from suppliers within a 300km radius. KOEL supports small and medium-sized businesses among its suppliers, and the company's community programs are geared at addressing concerns and challenges that affect the poor and underprivileged sections.

Additionally, KOEL engages MSME suppliers in the 'Samvardhan Program' that fosters an entrepreneurial and growth mindset amongst vendors through the deployment of LEAN principles.

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**

Not applicable since the company has standard patents that are not based on traditional knowledge and does not own any intellectual properties 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 since the company has standard patents that are not based on traditional knowledge and does not own any intellectual properties based on traditional knowledge.

6. **Details of beneficiaries of CSR Projects.**

- Financial Assistance for Education
- Community Development Project (Rural) – Rural development
- Community Development Project (Urban) -Livelihood enhancement
- Health – Preventive healthcare and sanitation

For further details on CSR projects, please refer to the Annexure of the Board Report in the Annual Report FY 2021-22.

PRINCIPLE 9: Businesses should engage with and provide value to their consumers in responsible manner

ESSENTIAL INDICATORS

1. **Describe the mechanisms in place to receive and respond to consumer complaints and feedback.**

- To ensure active communication, there is a dedicated 24X7 Helpdesk in place, with customer care executives addressing customer concerns and queries. Customers can not only call the Helpdesk; but also, have queries resolved by the Helpdesk over mail (or mail any Kirloskar Officials). The Helpdesk contact details are made available to customers through stickers affixed on the DG set, the company's website and all Point-of-Sale Materials (POSMs).
- For post warranty concerns, customers can call service dealers.
- Customers can also raise a service request through the Customer Self-service App.

- The grievances captured through these sources are directed to the concerned representative of the company such as a Product Service Manager, a Zonal Customer Manager or a Customer Relationship manager. The respective manager discusses the grievance with customer and if required meets the customer to understand the issue and take corrective action through the service dealer network.
- Customer support also organizes various special drive campaigns by customer or product segments to understand the segment specific grievances, if any, so that necessary changes in the product or system can be taken up by the company.
- The Company continues to leverage technology and digital initiatives for proactive engagement with customers and providing after sales support. There is a system-based tracking of KPIs (On First Time Right and First Visit Resolution) to improve customer confidence and service satisfaction.
- Service Requests are directed to the concerned Service Dealers through Pulse (Dealer Management System) and are tracked from the Service Dealer level to the Customer Support head level with various slabs on ageing. Auto escalation systems are in place, to raise the query to the next level in case the Service Request is not closed in the system within the stipulated time. A review of these complaints is done by respective functions either daily, weekly, or fortnightly based on the nature, severity and ageing of the complaints.
- The process of measuring the customer's satisfaction on their Service Request is through CDI Calls (Customer Delight Index) made directly through a dedicated help desk or through a feedback link sent to customers through SMS after closure of every call through a Service Request. CDI helps the company capture the feedback of customers pertaining to the services attended. A KOEL employee personally handles each complaint of a 'detractor customer' (Customer who has given a score of 6 or less on 10) and ensures its resolution.
- If in case any customer feels that the job is not completed in full, then Kirloskar Help Desk opens a new Service Request in the system so that the respective service dealer ensures to complete the job to the satisfaction of customer and closes the same in system.
- For Customer service and spare parts, KOEL has 425 outlets PAN-India with robust, digitized processes and 3000+ trained service team members.

2. **Turnover of products and/ services as a percentage of turnover from all products/service that carry information.**

Type	As a percentage to total turnover
Environment and Social parameters relevant to product	No specific labels provided
Safe and responsible usage	100%
Recycling and/or safe disposal	No specific labels provided

3. **Number of consumer complaints**

	FY 2021-22 (Current Financial Year)		
	Received during the year	Pending resolution at the end of year	Remarks
Data privacy	Nil		The complaints recorded here refer to the Service Requests raised by customers primarily regarding warranty, warranty free checks, post warranty jobs, Comprehensive Maintenance Contracts and Annual maintenance contracts.
Advertising			
Cyber-security			
Delivery of essential services			
Restrictive Trade Practices			
Unfair Trade Practices			
Others	8,33,609	5,899	

4. **Details of instances of product recalls on account of safety issues**

A complete product recall has never been done as the products sold (gensets) are capital equipment for the customer and the installations are done based on the requirement of the customer as well as site conditions. In case there is a failure of any component, sub assembly or unit in the DG set or engine or a failure is predicted through a certain failure trend, a process of addressing those issues is done through the CAMPAIGN Service Request system. Customer Support opens these requests as required and proactively briefs customers. Cases at KOEL predominantly relate to premature failure of a component or unit. There are negligible instances relating to recall based on safety issues as such things are ascertained at the testing stage itself at the plant.

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.**

Yes, the company Privacy Policy addresses cyber security risks and data privacy. It can be accessed here: https://www.kirloskaroilengines.com/documents/541738/d13e9154-6391-dc17-4e0c-af93e34091c1

KOEL has systemised the complete set up of customer support. The systems used for the entire operations are through the ERP of the company, Pulse (Dealer Management System), eFSR (Electronic Field Service Report), KOEL Flow, eSPC (Electronic Spare Parts Catalogue) which are completely system controlled and integrated with one another based on the functionality. Necessary audits are being done at the Service Dealer end, as well as Site Audits and Warranty audits to check, understand and correct if any errors or mistakes are made by any person in the complete chain from Service Dealer to the company end.

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.**

Not Applicable (During the reporting period, the company received no issues were raised related 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)

LEADERSHIP INDICATORS

1. **Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).**

Yes, the website has product specific information- https://www.kirloskaroilengines.com/products/

2. **Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.**

KOEL – CSBG has deployed a structured approach of conducting annual training programs for its All-India service dealers and their technicians on a periodical basis to promote and ensure responsible use of KOEL Products and enhance the competency of the service dealer personnel by demonstrating right maintenance practices. The following tailor-made training programs are arranged for customers and service dealers:

- Engine assembly & dismantling practices
- Recommended maintenance practices
- Electrical training program on Main alternators & others
- Customer training program on Operation & maintenance practice on engine / DG Sets
- Customer sensitization & Presentation skills

Apart from above, the following initiatives are taken by KOEL for training its customers:

- Product demonstrations in PG/Agri/LEBG
- Training at Customer's premises
- Product Literature
- Use of skids instead of wooden packaging to maximize Green effect
- Field demonstrations of product usage in Agri (CUE)
- Customer communication during site visits in all BU

KOEL also uses various display labels on the products and spare parts to inform customers about these products. The company also provide Operations & Maintenance (O&M) manuals of the respective products in conformity with relevant labeling requirements. Other than this, all products are given certain Do's & Don'ts guidelines, regulatory approval certificate reference along with user manual and spares code numbers.

3. **Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.**

Not applicable, as KOEL does not provide essential services.

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, the products of the company have received a variety of certifications like FMUL (Factory Manual Underwriters Laboratory). The company's products are also certified by BIS (Bureau of Indian Standards) and 'Conformite Europeene' (CE) or Eurpoean Conformity label.

The company's labelling is designed to ensure that customers and recyclers are aware of their responsibilities. KOEL also uses various display labels on the products and spare parts to inform customers about these products. It also provides Operations & Maintenance (O&M) manuals of the respective products in conformity with relevant labeling requirements. Other than this, all products are given certain Do's & Don'ts guidelines, regulatory approval certificate reference along with user manual and spares code numbers.

5. **Provide the following information relating to data breaches:**

   a. **Number of instances of data breaches along-with impact**

   No data breaches occurred in FY 2021-22

   b. **Percentage of data breaches involving personally identifiable information of customers**

   Not applicable since there were no data breaches.

Standalone Financial Statements

Independent Auditor's Report

To The Members of Kirloskar Oil Engines Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Kirloskar Oil Engines Limited ("the company"), which comprise the Balance Sheet as at March 31, 2022 the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of Significant Accounting Policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at March 31, 2022 and its profit (including Other Comprehensive Income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements for the financial year ended March 31, 2022. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Revenue recognition:

During the financial year the company has recognised revenue from contracts with customers for sale of goods and services of ₹ 3,267.59 Crores (Refer Note 30 of standalone financial statements). Revenue is recognised as per revenue recognition policy described in Note 41.4.17.

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

Our audit methodology included the following:

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

Other Information

The company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Corporate Governance and Directors' Report, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Board of Directors 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 Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone 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 Act we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2022 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.

Other Matter

The standalone financial statements of the company for the year ended March 31, 2021 were audited by the predecessor auditors P G Bhagwat LLP, Chartered Accountants who expressed an unmodified opinion on those statements vide their audit report dated May 13, 2021.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the 'Annexure A' a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books.

   (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.

   (e) On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164 (2) of the Act.

   (f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B' to this report.

   (g) As required by section 197 (16) of the Act, in our opinion and according to information and explanation provided to us, the remuneration paid/ provided for by the company to its directors is in accordance with the provisions of section 197 of the Act and remuneration paid to directors is not in excess of the limit laid down under this section.

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

      (i) The company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 41.5.1 to the financial statements.

      (ii) The company has made provision for material foreseeable losses on long term contracts – Refer Note 29 to the financial statements. Further, the company did not have any long-term derivative contracts as at March 31, 2022.

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

      (iv) The management has represented that to the best of its knowledge or belief, no funds other than as disclosed in the notes to the financial statements 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;

      (v) The management has represented that to the best of its knowledge or belief, no funds have been received by the company from any other 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;

      (vi) Based on the audit procedures considered reasonable and appropriate in the circumstances carried out by us, nothing has come to our notice that has caused us to believe that the representation under clause (iv) & (v) contain any material misstatements.

      (vii) The dividend declared and paid during the year by the company is in compliance with section 123 of the Act.

For **G. D. Apte & Co.**
Chartered Accountants
Firm Registration Number: 100515W
UDIN: 22017532AJFUCR1923

C. M. Dixit
Partner
Membership Number: 017532
Pune, May 19, 2022

Annexure "A"

to Independent Auditors' Report (Referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' section of our Report to the Members of Kirloskar Oil Engines Limited of even date)

(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 is maintaining proper records showing full particulars of intangible assets.

(b) The company has a regular programme of physical verification of its property, plant and equipment according to which the physical verification is carried out once over a period of three years. In accordance with this programme, property, plant and equipment were verified during the year 2021-2022 and no material discrepancies were noticed on such verification. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the company and nature of its assets.

(c) The title deeds of all the immovable properties disclosed in the standalone financial statements were held in the name of the company. Further, the lease agreements where the company is a lessee have been duly executed.

(d) During the year, the company has not revalued its property, plant and equipment, right of use assets and intangible assets.

(e) According to the information and explanations given to us, 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 at reasonable intervals by the management. In our opinion, the procedures for verification of inventory and the coverage of verification were appropriate. The discrepancies noticed for each class of inventories were insignificant which have been properly dealt with in the books of account. In respect of inventories lying with third parties, the company has obtained confirmation letters to cover the significant value.

(b) During the year, the company has availed working capital limits from banks in excess of ₹ 5 Crores on the basis of security of current assets. On the basis of audit procedures carried out by us, we report that there were no discrepancies in the quarterly statements filed with banks and the books of account of the company.

(iii) (a) During the year the company has not given any advance in the nature of loan, provided any guarantee or given any security to its subsidiaries, joint ventures, other companies, firms, Limited Liability Partnerships or any other parties. However, the company has granted loans during the year, the details of which are indicated as under :

₹ in Crores

Particulars	Loan Amount
Aggregate amount granted/ provided during the year	
Employees	0.07
Dealers	2.63
Balance outstanding as at balance sheet date in respect of above cases	
Employees	0.10
Dealers	Fully repaid during the year

(b) In our opinion, the investments made and the terms and conditions of loans and advances given during the year are not prejudicial to the interest of the company.

(c) In respect of loans, the schedule of repayment of principal and payment of interest has been stipulated and the repayments are regular.

(d) There are no amounts of principal and interest which are overdue as at March 31, 2022.

(e) According to the information and explanations provided to us and based on the audit procedures carried out by us we report that no loan which has fallen due during the year has been renewed or extended. We further report that no fresh loans have been granted to settle the overdues of existing loans given to the same parties.

(f) The company has not granted any loans either repayable on demand or without specifying any terms or period of repayment.

(iv) In our opinion, and according to the information and explanations given to us, the company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of the loans and investments made, guarantees and security provided by it, as applicable.

(v) The company has not accepted any deposits or amounts which are deemed deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under. According to the information and explanations given to us, no order has been passed by company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(vi) Pursuant to the rules made by the Central Government of India, the company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been 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) The company is generally regular in depositing the undisputed statutory dues, including Goods and Services Tax, provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess, and other material statutory dues, as applicable, with the appropriate authorities.

According to the information and explanations given to us and based on the audit procedures carried out by us, no undisputed amounts payable in respect of statutory dues were in arrears as at March 31, 2022 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and on the basis of examination of books of account and records of the company, we report that there are no dues in respect of Goods and Services Tax, provident fund, employees' state insurance, Income Tax, Sales Tax, Service Tax, duty of customs, duty of excise, Value Added Tax, Cess and any other statutory dues which have not been deposited on account of any dispute except for following cases:

Name of the Statute	Nature of Dispute	Amount under dispute not deposited (₹ in Crores)	Period to which amount is related	Forum where the dispute is pending
Income Tax Act, 1961	Disallowances and demands during the course of assessment	20.75	Assessment Years: 1997-98 1998-99 2008-09 2009-10	Bombay High Court As informed to us, though the demands have been dropped by assessing officers in view of favourable decisions by ITAT, the Income Tax Department has since preferred appeals in the High Court. However, the High Court has not directed the company to deposit any amount in this respect.
		11.62	AY 2018-19	Commissioner of Income Tax (Appeals)
State Sales Tax Legislations	Non submission of forms and Other Demands	2.17	1992-1993 2004-2005 2007-2008	High Court
	Demand for disallowance of claims	0.56	1995-1996 2007-2008 2011-2012	Custom, Excise and Service Tax Appellate Tribunal (CESTAT)
	Non receipt of forms and disallowance of credit	0.75	2004-2005 2008-2009 2011-2017	Joint/ Additional/ Commissioner (Appeals)
Finance Act, 1994	Disallowance of Credit	0.03	2007-2010	High Court
		0.68	2006-2007 2013-2015 2016-2018	Custom, Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Excise duty on government incentives, Valuation and disallowance of CENVAT credit	41.77	1999-2002 2004-2013 2014-2017 2011-2016	Custom, Excise and Service Tax Appellate Tribunal (CESTAT)
Local Body Tax	Maharashtra Municipal Corporation Act, 1949, and the Bombay Provincial Municipal Corporation Rules, 2010.	0.44	2013-14 2014-15	Deputy Commissioner (Taxes) Nasik Municipal Corporation

(viii) According to the information and explanations given to us and on the basis of examination of books of account and records of the company, we report that there are no transactions, which were not recorded in the books of account but have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).

(ix) (a) The company has not defaulted in repayment of loans or other borrowings including interest thereon from banks. The company has not borrowed any funds from financial institutions or any other lender.

(b) According to the information and explanations given to us and on the basis of examination of books of account and records of the company, we report that the company has not been declared to be a wilful defaulter by any bank.

(c) According to the information and explanations given to us and on the basis of examination of books of account and records of the company, we report that term loans were applied for the purposes for which the loans were obtained.

(d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the standalone financial statements of the company, we report that no funds raised on short-term basis have been used for long-term purposes by the company.

(e) The company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries or joint venture.

(f) The company has not raised loans during the year on the pledge of securities held in its subsidiaries or joint venture.

(x) (a) During the year, the company has not raised any money by way of initial public offer or further public offer (including debt instruments). As such, reporting under clause 3(x)(a) is not applicable.

(b) The company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year.

(xi) (a) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the standalone financial statements and as per the information and explanations given by the management, we report that no fraud by the company or any fraud on the company has been noticed or reported during the year.

(b) No report under sub-section (12) of section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.

(c) According to the information and explanations given to us and procedures performed by us, we report that no whistle-blower complaints were received during the year by the company.

(xii) The company is not a Nidhi Company within the meaning of Section 406 of the Act. As such, reporting under clause 3 (xii) (a) to (c) is not applicable.

(xiii) Based upon the audit procedures performed and as per the information and explanations given to us, we report that the transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and the details as required by the applicable Indian Accounting Standards have been disclosed in the standalone financial statements.

(xiv) (a) In our opinion, the internal audit system of the company is commensurate with the size and nature of its business.

(b) The reports of the Internal Auditors for the year under audit have been considered by us.

(xv) According to the information and explanations given to us, the company has not entered into any non-cash transactions with any of the directors or persons connected with him. Accordingly, the provisions of clause (xv) of the Order are not applicable to the company.

(xvi) (a) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934). Accordingly, the provisions of clause (xvi (a)) of the Order are not applicable to the company.

(b) The company has not conducted any Non-Banking Financial or Housing Finance activities during the year.

(c) The Company would not be classified as a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India.

(d) According to the information and explanation given to us, the group has two Core Investment Companies as defined in Core Investment Companies (Reserve Bank) Directions, 2016.

(xvii) On the basis of examination of books of account and records of the company and overall examination of the standalone financial statements, we report that the company has not incurred cash losses in the financial year 2021-2022 or in the immediately preceding financial year 2020-2021.

(xviii) During the year, there is no resignation by the statutory auditors of the company.

(xix) According to the information and explanations given to us the 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 statements, 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) On the basis of examination of books of account and records of the company, we report that there is no unspent amount in respect of Corporate Social Responsibility which was due for transfer during the year to a Fund specified in Schedule VII to the Act or to special account in compliance with provision of sub section (6) of section 135 of the said Act.

For G. D. Apte & Co.
Chartered Accountants
Firm Registration Number: 100515W
UDIN: 22017532AJFUCR1923

C. M. Dixit
Partner
Membership Number: 017532
Pune, May 19, 2022

'Annexure B' to the Independent Auditor's Report of even date on the Standalone Financial Statements of Kirloskar Oil Engines Limited

Report on the Internal Financial Controls with reference to Standalone Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to Standalone Financial Statements of Kirloskar Oil Engines Limited ("the company") as of March 31, 2022 in conjunction with our audit of the standalone financial statements of the company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the company's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to standalone financial statements, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to standalone financial statements were established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to standalone financial statements.

Meaning of Internal Financial Controls over financial reporting with reference to standalone financial statements

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

Inherent Limitations of Internal Financial Controls over financial reporting with reference to standalone financial statements

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

Opinion

In our opinion, the company has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at March 31, 2022 based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For G. D. Apte & Co.
Chartered Accountants
Firm Registration Number: 100515W
UDIN: 22017532AJFUCR1923

C. M. Dixit
Partner
Membership Number: 017532
Pune, May 19, 2022

Balance Sheet as at 31 March 2022

₹ in Crores

Particulars	Note No.	As at 31 March 2022	As at 31 March 2021
ASSETS			
I. Non-current assets		1,650.48	1,487.71
(a) Property, plant and equipment	1a	367.78	366.79
(b) Capital work-in-progress	1a	20.56	31.72
(c) Right-of-use assets	1b	11.65	12.56
(d) Other intangible assets	2	70.80	66.17
(e) Intangible assets under development	2	18.77	23.18
(f) Financial assets			
(i) Investments	3	1,105.17	915.73
(ii) Loans	4	0.06	0.06
(iii) Other financial assets	5	15.24	31.52
(g) Income tax assets (net)	6	37.39	34.51
(h) Other non-current assets	7	3.06	5.47
II. Current assets		1,361.74	1,355.87
(a) Inventories	8	303.08	265.19
(b) Financial assets			
(i) Investments	9	567.04	618.23
(ii) Trade receivables	10	394.54	355.82
(iii) Cash and cash equivalents	11a	20.36	17.28
(iv) Bank balances other than (iii) above	11b	11.08	12.13
(v) Loans	12	0.04	0.04
(vi) Other financial assets	13	37.29	50.98
(c) Assets held for sale	14	-	-
(d) Other current assets	15	28.31	36.20
Total Assets		3,012.22	2,843.58
EQUITY AND LIABILITIES			
Equity		2,139.46	1,983.15
(a) Equity share capital	16	28.92	28.92
(b) Other equity	17	2,110.54	1,954.23
Liabilities			
I. Non-current liabilities		121.67	77.91
(a) Financial liabilities			
(i) Borrowings	18	34.17	-
(ii) Lease liabilities	19	-	0.84
(iii) Other financial liabilities	20	16.64	16.27
(b) Provisions	21	35.47	29.17
(c) Deferred tax liabilities (net)	22	14.59	12.50
(d) Other non-current liabilities	23	20.80	19.13
II. Current liabilities		751.09	782.52
(a) Financial liabilities			
(i) Borrowings	24	62.60	77.68
(ii) Lease liabilities	25	0.84	0.77
(iii) Trade and other payables	26		
a) total outstanding dues of micro enterprises and small enterprises		98.48	77.45
b) total outstanding dues of creditors other than micro enterprises and small enterprises		411.36	427.33
(iv) Other financial liabilities	27	56.64	85.99
(b) Other current liabilities	28	51.01	51.14
(c) Provisions	29	70.16	62.16
Total Equity and Liabilities		3,012.22	2,843.58
Significant accounting policies	41		

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

As per our attached report of even date

FOR G. D. APTE & CO.
Chartered Accountants
Firm Registration Number : 100515W

C. M. DIXIT
Partner
Membership Number : 017532
Pune: 19 May 2022

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

M. LAKSHMINARAYAN
Independent Director
DIN: 00064750

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune: 19 May 2022

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Statement of Profit and Loss for the year ended 31 March 2022

₹ in Crores

Particulars	Note No.	2021-2022	2020-2021
Income			
Revenue from operations	30	3,299.66	2,694.44
Other income	31	24.76	24.48
Total Income		3,324.42	2,718.92
Expenses			
Cost of raw materials and components consumed	32	1,560.50	1,177.27
Purchase of traded goods	33	737.10	525.64
Changes in inventories of finished goods, work-in-progress and traded goods	34	(6.41)	40.22
Employee benefits expense	35	206.99	198.87
Finance costs	36	6.24	6.36
Depreciation and amortisation expense	37	77.23	62.15
Other Expenses	38	546.63	478.58
Expenses capitalised		(13.91)	(9.94)
Total Expenses		3,114.37	2,479.15
Profit before exceptional items and tax		210.05	239.77
Exceptional Items [income/(expenses)]	39	52.65	(8.37)
Profit before tax		262.70	231.40
Tax expense		54.69	61.66
Current tax	40	53.52	55.86
Deferred tax	40	1.17	5.80
Profit for the year		208.01	169.74
Other Comprehensive Income/(Loss)			
Items that will not be reclassified to profit or loss in subsequent periods		3.06	4.57
Re-measurement gain / (loss) on defined benefit plans		0.23	6.06
Income tax (expenses)/income on above		(0.06)	(1.53)
Subtotal (A)		0.17	4.53
Net gain / (loss) on equity instruments measured at FVOCI		3.75	0.05
Income tax (expenses)/income on above		(0.86)	(0.01)
Subtotal (B)		2.89	0.04
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods (A + B)		3.06	4.57
Total other comprehensive income/(loss) for the year, net of tax [A + B]		3.06	4.57
Total comprehensive income/(loss) for the year		211.07	174.31
Earnings per equity share [nominal value per share ₹ 2/- (31 March 2021: ₹ 2/-)]			
Basic		14.38	11.74
Diluted		14.36	11.74
Significant accounting policies	41		

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

As per our attached report of even date

FOR G. D. APTE & CO.
Chartered Accountants
Firm Registration Number : 100515W

C. M. DIXIT
Partner
Membership Number : 017532
Pune: 19 May 2022

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

M. LAKSHMINARAYAN
Independent Director
DIN: 00064750

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune: 19 May 2022

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Statement of Cash Flow for the year ended 31 March 2022

₹ in Crores

Particulars	2021-2022	2020-2021
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	262.70	231.40
Adjustments :		
Add:		
Depreciation and amortisation expense	77.23	62.15
Finance costs	6.24	6.36
Share based compensation to employees	2.96	0.29
Impairment loss allowance, write off on trade receivable / other receivable (net)	(2.15)	14.22
Bad debts and irrecoverable balances written off	1.57	2.30
	85.85	85.32
Less :		
Gain on sale of investments in subsidiary (Refer Note 39)	52.65	-
Gain/(loss) on sale of investments in mutual funds measured at FVTPL (net)	9.89	12.59
Gain/ (loss) on fair valuation of investments in mutual funds measured at FVTPL (net)	6.89	1.13
Provisions no longer required written back	5.50	3.07
(Write down) / reversal in write down of inventories	2.51	(1.91)
Interest income	1.21	2.56
Unwinding of security deposit and subsidy receivable under PSI Scheme	0.92	2.10
Gain/ (loss) on disposal of property, plant and equipment (net)	0.81	0.11
Profit/(loss) on reinstatment on receivable/payables	0.61	2.77
Sundry credit balances written back	0.35	0.55
Gain/ (loss) on fair valuation of derivative instruments	0.30	-
Revenue from deferred Export Promotion Capital Goods (EPCG) Scheme	0.14	0.41
Dividend income	0.00	0.00
	81.78	23.38
Operating profit before working capital changes	266.77	293.34
Working Capital Adjustments		
(Increase)/Decrease in government grant receivable (PSI Scheme)	24.99	23.70
(Increase)/Decrease in trade and other receivables	(22.76)	10.91
(Increase)/Decrease in inventories	(35.38)	33.22
Increase/(Decrease) in trade and other payables	1.25	189.18
Increase/(Decrease) in provisions	16.19	8.33
	(15.71)	265.34
Net cash generated from operations	251.06	558.69
Direct taxes paid (net of refunds)	(56.65)	(32.35)
NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES	194.41	526.34
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in subsidiary (Refer Note 39)	(887.00)	(133.32)
Purchase of property, plant and equipment and intangible assets	(81.23)	(129.20)
(Purchase)/ Sale of mutual funds (net)	67.97	(285.48)
Proceeds from sale of property, plant and equipment and intangible assets including advances	0.82	0.96
Dividend received	0.00	0.00
Interest received	-	1.77
NET CASH (USED IN) INVESTING ACTIVITIES	(899.44)	(545.27)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from sale of investment in subsidiary (Refer Note 39)	753.96	-
Proceeds from bill discounting and borrowings	121.92	277.69
(Repayment) of bill discounting and borrowings	(103.56)	(215.26)
Final and interim dividend paid	(57.84)	(21.69)
Finance costs	(5.25)	(6.18)
Payment for lease liabilities	(1.14)	(1.24)
Share application money pending allotment	0.02	-

Statement of Cash Flow for the year ended 31 March 2022

₹ in Crores

Particulars	2021-2022	2020-2021
NET CASH GENERATED FROM FINANCING ACTIVITIES	708.11	33.32
Net increase/(decrease) in Cash and cash equivalents	3.08	14.39
Opening Cash and cash equivalents	17.28	2.89
Closing Cash and cash equivalents (Refer Note 11a)	20.36	17.28

Notes

i) The above Cash Flow Statement has been prepared under the indirect method set out in Indian Accounting Standard (IND AS) 7, 'Statement of Cash Flows' as specified in the Companies (Indian Accounting Standards) Rules, 2015

ii) All figures in brackets indicate cash outflow.

iii) Also refer Note 42.

As per our attached report of even date

FOR G. D. APTE & CO.
Chartered Accountants
Firm Registration Number : 100515W

C. M. DIXIT
Partner
Membership Number : 017532
Pune: 19 May 2022

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

M. LAKSHMINARAYAN
Independent Director
DIN: 00064750

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune: 19 May 2022

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Statement of changes in equity for the year ended 31 March 2022

A. Equity Share Capital (Refer Note 16)

₹ in Crores

Equity shares of ₹ 2 each issued, subscribed and fully paid	No. of shares	Amount
As at 1 April 2020	14,46,14,326	28.92
Changes due to prior period errors	-	-
Restated balance as at 1 April 2020	14,46,14,326	28.92
Issue/(Reduction), if any during the year	-	-
As at 31 March 2021	14,46,14,326	28.92
Changes due to prior period errors	-	-
Restated balance as at 1 April 2021	14,46,14,326	28.92
Issue/(Reduction), if any during the year	-	-
As at 31 March 2022	14,46,14,326	28.92

B. Other Equity (Refer Note 17)

₹ in Crores

Particulars	Share application money pending allotment	Reserves and Surplus				Items of OCI	Total
		Capital Redemption Reserve	General Reserve	Retained Earnings	Employee Stock Option Reserve	Equity instruments through other comprehensive income	
As at 1 April 2020	-	0.20	608.39	1,192.73	-	-	1,801.32
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-
Restated balance as at 1 April 2020	-	0.20	608.39	1,192.73	-	-	1,801.32
Profit for the year	-	-	-	169.74	-	-	169.74
Other comprehensive income/(loss) for the year (net of tax)	-	-	-	4.53	-	0.04	4.57
Total Comprehensive income/(loss) for the year	-	-	-	174.27	-	0.04	174.31
Share based payment expense	-			-	0.29	-	0.29
Final dividend for year ended 31 March 2020	-	-	-	-	-	-	-
Interim dividend for year ended 31 March 2021	-	-	-	(21.69)	-	-	(21.69)
As at 31 March 2021	-	0.20	608.39	1,345.31	0.29	0.04	1,954.23
As at 1 April 2021	-	0.20	608.39	1,345.31	0.29	0.04	1,954.23
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-
Restated balance as at 1 April 2021	-	0.20	608.39	1,345.31	0.29	0.04	1,954.23
Profit for the year	-	-	-	208.01	-	-	208.01
Other comprehensive income/(loss) for the year (net of tax)	-	-	-	0.17	-	2.89	3.06
Total Comprehensive income/(loss) for the year	-	-	-	208.18	-	2.89	211.07
Share based payment expense	-	-	-	-	2.96	-	2.96
ESOP charge recovered from group company	-	-	-	-	0.10	-	0.10
Final dividend for year ended 31 March 2021	-	-	-	(36.15)	-	-	(36.15)
Interim dividend for year ended 31 March 2022	-	-	-	(21.69)	-	-	(21.69)
Amount received on exercise of employee stock option	0.02	-	-	-	-	-	0.02
As at 31 March 2022	0.02	0.20	608.39	1,495.65	3.35	2.93	2,110.54

Significant accounting policies 41

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

As per our attached report of even date

FOR G. D. APTE & CO.
Chartered Accountants
Firm Registration Number : 100515W

C. M. DIXIT
Partner
Membership Number : 017532
Pune: 19 May 2022

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

M. LAKSHMINARAYAN
Independent Director
DIN: 00064750

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune: 19 May 2022

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Notes to the Financial Statements

Note 1a : Property, plant and equipment ("PPE")

₹ in Crores

Particulars	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers & peripherals	Electrical Installation	Total	Capital work-in-progress
Gross Block										
As at 1 April 2020	197.20	989.88	30.67	11.47	25.88	5.77	66.31	39.92	1,367.10	30.30
Additions	1.15	83.13	0.52	0.86	-	0.05	1.58	0.17	87.46	88.89
Asset Held for Disposal	-	(0.54)	-	-	-	-	-	-	(0.54)	-
Deductions	-	4.36	0.57	1.39	-	0.07	1.45	-	7.84	87.47
As at 31 March 2021	198.35	1,069.19	30.62	10.94	25.88	5.75	66.44	40.09	1,447.26	31.72
Additions	2.74	46.76	0.12	0.20	-	0.16	3.62	0.56	54.16	42.98
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-
Deductions	-	3.22	0.50	3.09	-	0.14	2.22	0.07	9.24	54.15
As at 31 March 2022	201.09	1,112.73	30.24	8.05	25.88	5.77	67.84	40.58	1,492.18	20.56
Depreciation										
Upto 1 April 2020	60.39	828.69	21.70	9.71	22.37	5.18	58.52	30.72	1,037.28	-
For the year	6.99	32.88	2.26	0.56	0.92	0.14	3.60	2.39	49.74	-
Asset Held for Disposal	-	(0.54)	-	-	-	-	-	-	(0.54)	-
Deductions	-	4.30	0.52	0.88	-	0.07	1.31	-	7.08	-
As at 31 March 2021	67.38	857.81	23.44	9.39	23.29	5.25	60.81	33.11	1,080.48	-
For the year	7.01	38.45	1.78	0.43	0.66	0.09	2.79	1.94	53.15	-
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-
Deductions	-	3.22	0.50	3.09	-	0.14	2.21	0.07	9.23	-
As at 31 March 2022	74.39	893.04	24.72	6.73	23.95	5.20	61.39	34.98	1,124.40	-
Net Block										
As at 31 March 2021	130.97	211.38	7.18	1.55	2.59	0.50	5.63	6.98	366.77	31.72
As at 31 March 2022	126.70	219.69	5.52	1.32	1.93	0.57	6.45	5.60	367.78	20.56

Notes :

1. For Depreciation, refer accounting policy Note 41.4.3.
2. Capital work-in-progress (CWIP) :
   Capital work-in-progress comprises cost of assets that are not yet ready for their intended use at the balance sheet date. Refer below Note 7 and Note 8 for CWIP ageing schedule and completion schedule.
3. Title deeds in respect of immovable properties are in the name of the Company and are not held jointly.
4. There are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988
5. Additions represents acquisition of PPE during the year.
6. Note 1a of Property, plant and equipment includes assets at Research and Development facility, the details of which are as under:

Notes to the Financial Statements

Note 1a : Property, plant and equipment ("PPE") (Continued)
Research and Development facility (Below figures are included in Note 1a Property, plant and equipment ("PPE"))

₹ in Crores

Particulars	Plant & Equipment	Furniture & Fixture	Office Equipment	Computers & peripherals	Electrical Installation	Total
Gross Block						
As at 1 April 2020	99.80	5.29	0.13	1.81	3.57	110.60
Additions	14.62	-	-	0.06	-	14.68
Deductions	5.59	-	-	-	-	5.59
As at 31 March 2021	108.83	5.29	0.13	1.87	3.57	119.69
Additions	3.94	-	-	0.13	0.06	4.13
Inter transfers - Net	0.57	-	-	-	-	0.57
Deductions	-	-	-	-	-	-
As at 31 March 2022	113.34	5.29	0.13	2.00	3.63	124.39
Depreciation						
Upto 1 April 2020	56.86	3.24	0.11	1.66	2.10	63.98
For the year	8.04	0.64	-	0.05	0.36	9.09
Deductions	5.45	-	-	-	-	5.45
As at 31 March 2021	59.45	3.88	0.11	1.71	2.46	67.62
For the year	6.88	0.29	-	0.06	0.23	7.46
Inter transfers - Net	0.52	-	-	-	-	0.52
Deductions	-	-	-	-	-	-
As at 31 March 2022	66.85	4.17	0.11	1.77	2.69	75.60
Net Block						
As at 31 March 2021	49.38	1.41	0.02	0.16	1.11	52.07
As at 31 March 2022	46.49	1.12	0.02	0.23	0.94	48.79

7. **Capital work-in-progress ageing schedule for the year ended 31 March 2022 and 31 March 2021 is as follows:**

As at 31 March 2022

₹ in Crores

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	19.29	1.26	0.00	0.01	20.56
Projects temporarily suspended	-	-	-	-	-

As at 31 March 2021

₹ in Crores

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	19.51	1.57	7.28	3.36	31.72
Projects temporarily suspended	-	-	-	-	-

Notes to the Financial Statements

Note 1a : Property, plant and equipment ("PPE") (Continued)

8. **Capital-work-in progress : Expected Completion schedule for Projects having time overrun :**

As at 31 March 2022

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development	1.15	-	-	-	1.15

As at 31 March 2021

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Development of Ultra High Horse Power (UHHP) engine	12.31	-	-	-	12.31

Note 1b : Right-of-use ("ROU") assets

₹ in Crores

Particulars	Category of Right-of-use assets			Total
	Land	Building	Plant & Equipment	
Balance as on 1 April 2020	11.10	0.24	0.11	11.45
Addition	-	2.37	-	2.37
Deletion	-	-	0.11	0.11
Amortisation	0.14	1.01	-	1.15
Balance as at 31 March 2021	10.96	1.60	-	12.56
Addition	-	0.28	-	0.28
Deletion	-	-	-	-
Amortisation	0.14	1.05	-	1.19
Balance as at 31 March 2022	10.82	0.83	-	11.65

1. The aggregate amortisation expense on right-of-use (ROU) assets is included under depreciation and amortisation expense in the Statement of Profit and Loss.

Note 2 : Other intangible assets

₹ in Crores

Particulars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Intangible assets under development
Gross Block						
As At 1 April 2020	45.97	11.73	5.24	48.90	111.84	44.10
Additions	4.61	0.61	18.20	32.99	56.41	35.48
Deductions	-	-	-	-	-	56.41
As at 31 March 2021	50.58	12.34	23.44	81.89	168.25	23.18
Additions	2.34	0.10	7.04	18.05	27.53	23.12
Deductions	0.59	-	-	-	0.59	27.53
As at 31 March 2022	52.33	12.44	30.48	99.94	195.19	18.77

Notes to the Financial Statements

Note 2 : Other Intangible assets (Continued)

₹ in Crores

Particulars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Intangible assets under development
Amortisation						
Upto 1 April 2020	37.57	11.27	4.03	37.97	90.84	-
For The Year	2.81	0.13	0.64	7.66	11.24	-
Deductions	-	-	-	-	-	-
As at 31 March 2021	40.38	11.40	4.67	45.63	102.08	-
For The Year	3.02	0.19	3.65	16.04	22.90	-
Deductions	0.59	-	-	-	0.59	-
As at 31 March 2022	42.81	11.59	8.32	61.67	124.39	-
Net Block						
As at 31 March 2021	10.20	0.94	18.77	36.26	66.17	23.18
As at 31 March 2022	9.52	0.85	22.16	38.27	70.80	18.77

Notes :

1. For amortisation, refer accounting policy (Note 41.4.4).
2. Intangible assets under development comprise of intangible assets not ready for the intended use on the date of the Balance Sheet. Refer below Note 5 and Note 6 for ageing and completion schedule.
3. Additions represents acquisition of intangible assets during the year.
4. Note 2 of Other Intangible assets includes assets at Research & development facility, the details of which are as under :

Other Intangible assets : Research and Development facility (Below figures are included in Note 2 : Other Intangible assets)

₹ in Crores

Particulars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total
Gross Block					
As At 1 April 2020	15.55	11.03	3.00	48.89	78.47
Additions	2.14	0.61	18.20	32.90	53.85
Deductions	-	-	-	-	-
As at 31 March 2021	17.69	11.64	21.20	81.79	132.32
Additions	1.44	0.10	7.04	18.05	26.63
Deductions	-	-	-	-	-
As at 31 March 2022	19.13	11.74	28.24	99.84	158.95
Amortisation					
Upto 1 April 2020	13.14	10.57	1.79	37.98	63.48
For The Year	1.15	0.13	0.64	7.66	9.58
Deductions	-	-	-	-	-
As at 31 March 2021	14.29	10.70	2.43	45.64	73.06
For The Year	1.01	0.19	3.65	16.01	20.86
Deductions	-	-	-	-	-
As at 31 March 2022	15.30	10.89	6.08	61.65	93.92
Net Block					
As at 31 March 2021	3.40	0.94	18.77	36.15	59.26
As at 31 March 2022	3.83	0.85	22.16	38.19	65.03

Notes to the Financial Statements

Note 2 : Other Intangible assets (Continued)

5. **Intangible assets under development ageing schedule for the year ended 31 March 2022 and 31 March 2021 is as follows:**

As at 31 March 2022

₹ in Crores

Particulars	Amount in Intangible asset under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	18.04	0.64	0.09	-	18.77
Projects temporarily suspended	-	-	-	-	-

As at 31 March 2021

₹ in Crores

Particulars	Amount in Intangible asset under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	5.83	7.13	4.52	5.70	23.18
Projects temporarily suspended	-	-	-	-	-

6. **Intangible assets under development : Expected Completion schedule for Projects having time overrun :**

As at 31 March 2022

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development	5.43	-	-	-	5.43

As at 31 March 2021

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Development of UHHP engine	20.70	-	-	-	20.70

Note 3 : Investments (Non-current)

Particulars	Par Value / Face Value Per Unit	As at 31 March 2022		As at 31 March 2021	
		Nos.	₹ in Crores	Nos.	₹ in Crores
(i) At Cost					
Investment in wholly owned subsidiaries					
In unquoted equity instruments (fully paid up)					
Kirloskar Americas Corporation (earlier known as KOEL Americas Corp.)	0.001 $	50	1.59	50	1.59
Arka Fincap Limited (earlier known as Kirloskar Capital Limited)	10 ₹	-	-	63,99,69,828	651.32
Arka Financial Holdings Private Limited	10 ₹	83,70,01,285	837.00	-	-
Investment In Subsidiary - Others					

Notes to the Financial Statements

Note 3 : Investments (Non-current) (Continued)

Particulars	Par Value / Face Value Per Unit	As at 31 March 2022		As at 31 March 2021	
		Nos.	₹ in Crores	Nos.	₹ in Crores
In unquoted equity instruments (fully paid up)					
La-Gajjar Machineries Private Limited (LGM)	10 ₹	8,17,760	253.78	8,17,760	253.78
(ii) At amortised cost					
Investment in subsidiary - Others					
In unquoted preference shares					
8% cumulative redeemable preference shares in La-Gajjar Machineries Private Limited (LGM) fully paid up	10 ₹	85,00,000	8.50	85,00,000	8.50
(iii) At fair value through Other Comprehensive Income (FVOCI)					
In unquoted equity instruments (fully paid up)					
Kirloskar Proprietary Limited	100 ₹	1	0.00	1	0.00
S.L.Kirloskar CSR Foundation	10 ₹	9,800	0.01	9,800	0.01
Kirloskar Management Services Private Limited	10 ₹	4,87,500	4.29	4,87,500	0.53
Total			1,105.17		915.73

Notes :	₹ in Crores	₹ in Crores
1. Aggregate amount of unquoted Investments	1,105.17	915.73
2. Aggregate value of impairment in value of Investments	Nil	Nil

3. Refer Note 41.5.13 and 41.5.14 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments.
4. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.
5. Refer Note 39 and Note 41.5.4 for details.

Note 4 : Loans (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Loans to employees (unsecured, considered good)	0.06	0.06
Total	0.06	0.06

1. Loans are measured at amortised cost.
2. No outstanding loans or advances which are in the nature of loans have been granted by the Company to promoters, directors, Key Managerial Personnels and the related parties (as defined under the Companies Act,2013),either severally or jointly with any other person.
3. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.

Note 5 : Other financial assets (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Security deposits		
Unsecured, considered good	11.57	21.72
Doubtful	0.97	0.54
Less :Loss Allowance for doubtful deposits	(0.97)	(0.54)
Bank deposits with more than 12 months maturity	0.04	0.04
Subsidy receivable under PSI scheme, 2001	3.47	9.57
Others	0.16	0.19
Total	15.24	31.52

Notes to the Financial Statements

Note 5 : Other financial assets (Non-current) (Continued)

1. The Company's manufacturing facility at Kagal plant had been granted Mega Project status by Government of Maharashtra and hence was eligible for Industries Promotion Subsidy (IPS) under Package Scheme of Incentive (PSI) 2001. This scheme was for intensifying and accelerating the process of dispersal of industries to the less developed regions and promoting high-tech industries in the less developed areas of the state coupled with the object of generating employment opportunities. During the last quarter of FY 2018-19, the Government of Maharashtra had agreed for extension of the said scheme of incentive for further period of 2 years till 31 March 2019 and subsequently amended the original eligibility certificate. Accordingly the extension of the scheme consists of total period of 11 years from the date of commencement of commercial production i.e. from 1 April 2008 to 31 March 2019 along with the extension of original operative period by 2 years and compliances thereof. The eligible receivables as on 31 March 2022, calculated on the basis of VAT, CST as well as SGST paid on sales made from Kagal plant for such extended period are fair valued.
2. Other financial assets are measured at amortised cost.
3. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.

Note 6 : Income tax assets (net)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Tax paid in advance (net of provision)	37.39	34.51
Total	37.39	34.51

Note 7 : Other non-current assets

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Unsecured, considered good		
Capital advances	2.46	4.74
Prepaid expenses	0.60	0.18
Other advances	-	0.55
Total	3.06	5.47

Note 8 : Inventories

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Raw materials	190.78	159.23
Raw materials and components	186.82	158.91
Raw materials in transit	3.96	0.32
Work-in-progress	20.73	14.96
Finished goods	36.37	32.45
Traded goods	45.89	49.17
Stores and spares	9.31	9.38
Total	303.08	265.19

1. Write down of inventories to net realisable value ₹ Nil (31 March 2021 : ₹ 1.91 Crores) were recognised as an expense during the year.
2. Reversal of write down of inventories ₹ 2.51 Crores (31 March 2021 : ₹ Nil) were recognised as a reduction in expense during the year.
3. Refer Note 24 for information on inventory hypothecation with bankers for the purpose of working capital facilities.

Notes to the Financial Statements

Note 9 : Investments (Current)

₹ in Crores

Particulars	Face Value Per Unit	As at 31 March 2022		As at 31 March 2021	
	In ₹	Nos.	₹ in Crores	Nos.	₹ in Crores
At fair value through Profit or Loss (FVTPL)					
Investments In Mutual Funds					
LIQUID SCHEME - Growth Option					
Axis Liquid Fund - Regular Growth(CF-GP)	1,000	2,35,597	55.36	2,11,312	48.03
Aditya Birla Sun Life Liquid Fund - Growth -Regular Plan	100	5,35,063	18.22	-	-
Aditya Birla Sun Life Money Manger Fund - Growth - Regular Plan	100	14,13,017	41.86	8,88,761	25.33
DSP Liquidity Fund - Regular Plan - Growth	1,000	1,60,070	48.31	2,22,788	65.05
ICICI Prudential Liquid fund - Growth	100	12,87,324	40.31	15,51,227	47.01
ICICI Prudential - Money Market Fund - Growth	100	13,98,893	42.56	8,55,604	25.08
IDFC Cash fund - Growth-(Regular Plan)	1,000	1,25,549	32.10	-	-
Invesco India Liquid Fund - Growth (LF-SG)	1,000	-	-	1,28,184	36.02
Kotak Liquid Fund Regular Plan - Growth	1,000	1,06,278	45.48	1,32,914	55.03
LIC MF Liquid Fund - Regular Plan - Growth	1,000	-	-	86,472	32.01
L & T liquid fund - Regular Growth	1,000	-	-	46,335	13.00
Nippon India Liquid Fund - Growth Plan - Growth Option	1,000	52,677	27.20	1,22,129	61.03
Nippon India Money Market Fund - Growth Plan - Growth Option	1,000	1,22,264	40.61	79,270	25.34
SBI Liquid Fund Regular Growth	1,000	1,67,436	55.43	1,59,332	51.04
Tata Liquid Fund Regular Plan - Growth	1,000	1,02,433	34.14	1,27,213	41.02
UTI Money Market Fund - Regular Growth Plan Growth	1,000	1,67,477	41.32	1,05,588	25.07
			522.90		550.06
OVERNIGHT SCHEME - Growth Option					
Aditya Birla Sun Life Overnight Fund - Growth -Regular Plan	1,000	-	-	1,08,153	12.00
ICICI Prudential Overnight fund Growth	100	-	-	18,06,479	20.00
Kotak Overnight fund Growth (Regular Plan)	1,000	2,12,496	24.03	-	-
Nippon India Overnight Fund- Growth Plan (ONGPG)	100	17,67,117	20.11	-	-
SBI Overnight fund Regular Growth	1,000	-	-	1,08,954	36.17
			44.14		68.17
Total			567.04		618.23

Notes :	₹ in Crores	₹ in Crores
1. Aggregate amount of Unquoted Investments	567.04	618.23

2. Fair value disclosures for financial assets and liabilities are stated in Note 41.5.13 and fair value hierarchy disclosures for investment are stated in Note 41.5.14.
3. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.

Note 10 : Trade receivables

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Total Trade Receivables	394.54	355.82
Trade receivables	394.54	355.82
Break-up for security details:	394.54	355.82
Secured, considered good	-	-
Unsecured, considered good	394.54	355.82

Notes to the Financial Statements

Note 10 : Trade receivables (Continued)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Doubtful	36.32	37.90
Loss allowance (for expected credit loss under simplified approach)	(36.32)	(37.90)
Total	394.54	355.82

1. Trade receivables are measured at amortised cost.
2. Trade receivables due from private companies in which director of the Company, is a director or a member as at 31 March 2022 ₹ 0.80 Crores (31 March 2021 : ₹ 7.83 Crores)
3. For related party receivables, refer Note 41.5.11
4. **Movement of Loss allowance (for expected credit loss under simplified approach) :**

Particulars	₹ in Crores
At 31 March 2020	**24.31**
Allowance made/(reversed) during the year	15.85
Less : Written off	(2.25)
At 31 March 2021	**37.90**
Allowance made/(reversed) during the year	(0.13)
Less : Written off	(1.45)
At 31 March 2022	36.32

5. Refer Note 41.5.15 on credit risk of trade receivables, which explains how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.
6. The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, where the Company has retained the credit risks, it continues to recognise these assets in entirety in its Balance sheet, while bills discounted without recourse have been derecognised. The amount repayable under this arrangement is presented as secured borrowings.

   The relevant carrying amounts are as follows:-

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Total transferred receivables w.r.t. Bills discounted	36.54	17.08
Related secured borrowings (Refer Note 24)	36.54	17.08

7. **For trade receivables outstanding, the ageing schedule is as given below:**

As at 31 March 2022

₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Not due	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good	334.70	54.86	4.10	12.02	12.79	1.38	419.84
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-

Notes to the Financial Statements

8. For trade receivables outstanding, the ageing schedule is as given below: (Continued)

As at 31 March 2022 (Continued)

₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Not due	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(iv) *Disputed Trade Receivables- considered good	-	-	0.02	-	0.36	10.64	11.02
(v) *Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) *Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Total Trade Receivables	334.70	54.86	4.12	12.02	13.15	12.02	430.86
Less: Loss allowance for expected credit loss							(36.32)
Total Trade Receivables							394.54

* Disputed Trade Receivables represents legal cases with customers

As at 31 March 2021

₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Not due	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables- considered good	293.76	48.40	13.79	17.00	0.85	8.92	382.72
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
(iv) *Disputed Trade Receivables- considered good	-	-	-	0.37	4.82	5.81	11.00
(v) *Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) *Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Total Trade Receivables	293.76	48.40	13.79	17.37	5.67	14.73	393.72
Less: Loss allowance for expected credit loss							(37.90)
Total Trade Receivables							355.82

Note 11a : Cash and cash equivalents

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Balances with Banks		
Current accounts and debit balance in cash credit accounts	20.35	17.26
Cash on hand	0.01	0.02
Total	20.36	17.28

Notes to the Financial Statements

Note 11b : Bank balances other than Cash and cash equivalents

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Unpaid dividend accounts	10.99	12.08
Bank deposits with original maturity of more than 3 months but less than 12 months	0.09	0.05
Total	11.08	12.13

1. Fixed deposits and Unpaid dividend accounts are earmarked balances with banks.
2. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.

Note 12 : Loans (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Loans to employees (unsecured, considered good)	0.04	0.04
Total	0.04	0.04

1. Loans are measured at amortised cost.
2. No outstanding loans or advances which are in the nature of loans have been granted by the Company to promoters, directors, Key Managerial Personnels and the related parties (as defined under the Companies Act, 2013), either severally or jointly with any other person.
3. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.

Note 13 : Other financial assets (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Security deposits		
Unsecured, considered good	16.25	5.49
Doubtful	-	0.44
Less : Loss Allowance for doubtful deposits	-	(0.44)
Subsidy receivable under PSI scheme, 2001	12.76	30.75
Export incentive receivable	4.50	9.14
Derivative assets	0.30	-
Other receivables	3.48	5.60
Total	37.29	50.98

1. Other financial assets, except derivative assets, are measured at amortised cost. Derivative instruments are carried at fair value through profit and loss.
2. Derivative assets reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationship, but are nevertheless, intended to reduce the level of foreign currency risk exposure.
3. Other receivables due from private companies in which director of the Company is , a director or a member as at 31 March 2022 ₹ 0.81 Crores (31 March 2021 : ₹ 0.13 Crores)
4. Refer Note 41.5.13 for fair value disclosure of financial assets and financial liabilities and Note 41.5.14 for fair value hierarchy.
5. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements

Note 14 : Assets held for sale (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Property, plant and equipment (net)	-	-
Total	-	-

1. Fair value hierarchy disclosures for Assets held for sale are in Note 41.5.14.
2. Asset held for sale represents a freehold land owned by the Company at Bhare (granted by Government of Maharashtra) where the Company has initiated the process to surrender the same back. The carrying value of ₹ 0.11 lacs has been fully impaired during the earlier years.

Note 15 : Other current assets

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Advance to suppliers	13.86	11.63
Unsecured, considered good	13.86	11.63
Doubtful	0.05	0.05
Less : Loss Allowance for doubtful advances	(0.05)	(0.05)
Sales tax / VAT / GST receivable	5.46	18.06
Prepaid expenses	7.60	6.39
Others	1.39	0.12
Total	28.31	36.20

Note 16 : Equity share capital

Authorised share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
At 1 April 2020	27,00,00,000	54.00
Increase/(decrease) during the year	-	-
At 31 March 2021	27,00,00,000	54.00
Increase/(decrease) during the year	-	-
At 31 March 2022	27,00,00,000	54.00

Terms/Rights attached to the equity shares

The Company has only one class of equity shares having a par value of ₹ 2 each. Each equity shareholder is entitled to one vote per share and has a right to receive dividend as recommended by Board of Directors subject to the necessary approval from the shareholders.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Number of equity shares reserved for issue under employee stock option plan 7,64,913 (31 March 2021: 9,40,000)

Notes to the Financial Statements

Note 16 : Equity share capital (Continued)

Issued and subscribed share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
At 1 April 2020	14,46,14,326	28.92
Changes during the year	-	-
At 31 March 2021	14,46,14,326	28.92
Changes during the year	-	-
At 31 March 2022	14,46,14,326	28.92

Subscribed and fully paid up

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
At 1 April 2020	14,46,13,861	28.92
Changes during the year	-	-
At 31 March 2021	14,46,13,861	28.92
Changes during the year	-	-
At 31 March 2022	14,46,13,861	28.92

The Company has share suspense account which represents equity shares of ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by Board of Industrial and Financial Reconstruction (BIFR), are kept in abeyance as per the Scheme of Arrangement approved by Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with order dated 19 March 2010.

Particulars	No. of shares	₹ in Crores
At 1 April 2020	465	0.00
Changes during the year	-	-
At 31 March 2021	465	0.00
Changes during the year	-	-
At 31 March 2022	465	0.00

1. Number of shares held by each shareholder holding more than 5% shares in the Company

Name of the Shareholder	As at 31 March 2022		As at 31 March 2021	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Atul Chandrakant Kirloskar #	1,46,70,947	10.14	1,46,70,947	10.14
Rahul Chandrakant Kirloskar ##	1,77,82,902	12.30	1,77,82,902	12.30
Jyotsna Gautam Kulkarni	1,29,85,432	8.98	1,29,85,432	8.98
Kirloskar Industries Limited	82,10,439	5.68	82,10,439	5.68
Alpana Rahul Kirloskar	77,11,817	5.33	77,11,817	5.33
SBI Small Cap Fund	80,84,890	5.59	81,53,401	5.64

#Out of 1,46,70,947 equity shares - 1,46,64,872 (Previous Year: 1,46,64,872) equity shares are held in individual capacity, 375 (Previous Year: 375) equity shares are held as a Trustee of C.S. Kirloskar Testamentary Trust and 5,700 (Previous Year: 5,700) equity shares are held as a Karta of Atul C. Kirloskar HUF.

Out of 1,77,82,902 equity shares - 1,77,68,083 (Previous Year: 1,77,68,083) equity shares are held in individual capacity, 5,700 (Previous Year: 5,700) equity shares are held as a Karta of Rahul C. Kirloskar HUF and 9,119 (Previous Year: 9,119) equity shares are held as a Trustee of C. S. Kirloskar Testamentary Trust)

Notes to the Financial Statements

Note 16 : Equity share capital (Continued)

2. The details of shareholding of promoter and promoter group is as below:

₹ in Crores

Name	As at 31 March 2022			As at 31 March 2021		
	No. of shares held	% Change during the year	% of total shares	No. of shares held	% Change during the year	% of total shares
Atul Chandrakant Kirloskar	1,46,70,947	-	10.14	1,46,70,947	(20.73)	10.14
Rahul Chandrakant Kirloskar	1,77,82,902	-	12.30	1,77,82,902	-	12.30
Sanjay Chandrakant Kirloskar	46,654	-	0.03	46,654	-	0.03
Suman Chandrakant Kirloskar	62,648	-	0.04	62,648	-	0.04
Vikram Shreekant Kirloskar	1,40,655	-	0.10	1,40,655	-	0.10
Mrinalini Shreekant Kirloskar	1,01,800	-	0.07	1,01,800	-	0.07
Roopa Jayant Gupta	20,887	-	0.01	20,887	-	0.01
Geetanjali Vikram Kirloskar	37	-	0.00	37	-	0.00
Jyostna Gautam Kulkarni	1,29,85,432	-	8.98	1,29,85,432	-	8.98
Arti Atul Kirloskar	32,29,454	-	2.23	32,29,454	(54.29)	2.23
Nihal Gautam Kulkarni	66,52,472	-	4.60	66,52,472	-	4.60
Alpana Rahul Kirloskar	77,11,817	-	5.33	77,11,817	-	5.33
Akshay Sahni	100	-	0.00	100	-	0.00
Alok Kirloskar	6,262	-	0.00	6,262	-	0.00
Pratima Sanjay Kirloskar	1,520	-	0.00	1,520	-	0.00
Aditi Atul Kirloskar	19,17,860	-	1.33	19,17,860	100.00	1.33
Gauri Kirloskar	57,53,580	-	3.98	57,53,580	100.00	3.98
Ambar G. Kulkarni	64,92,716	-	4.49	64,92,716	-	4.49
Kirloskar Industries Limited	82,10,439	-	5.68	82,10,439	-	5.68
Kirloskar Chillers Private Limited	50,000	-	0.03	50,000	-	0.03
Achyut and Neeta Holdings and Finance Private Limited	1,23,203	-	0.09	1,23,203	-	0.09
Navsai Investments Private Limited	760	-	0.00	760	-	0.00
Alpak Investments Private Limited	760	-	0.00	760	-	0.00
Total	8,59,62,905		59.44	8,59,62,905		59.44

Note 17 : Other Equity

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Share application money pending allotment	0.02	-
Capital redemption reserve	0.20	0.20
General reserve	608.39	608.39
Equity instruments through other comprehensive income	2.93	0.04
Employee stock option reserve	3.35	0.29
Retained earnings	1,495.65	1,345.31
Opening Balance	1,345.31	1,192.73
Add : Profit for the year	208.01	169.74
Add : Other comprehensive income / (loss)	0.17	4.53
Less : Appropriations		
Final dividend	36.15	-
Interim dividend	21.69	21.69
Total	2,110.54	1,954.23

1. Share application money pending allotment, represents amount received from employees who have exercised options under Employee Stock Option Plan (ESOP) for which shares are pending allotment as on balance sheet date.

2. Capital redemption reserve is created out of General reserve being nominal value of shares bought back in terms of erstwhile section 77A of the Companies Act, 1956 for equity shares buy back in the year 2012-13.

Notes to the Financial Statements

Note 17 : Other Equity (Continued)

3. General reserve is created by setting aside amount from the Retained Earnings of the Company for general purposes which is freely available for distribution.

4. Equity instruments through other comprehensive income represents the cumulative gains and losses arising on the valuation of equity instruments measured at fair value through other comprehensive income, under an irrevocable option, net of amounts reclassified to retained earnings when such assets are disposed off.

5. Employee Stock Option Reserve is used to record the fair value of equity-settled share based payment transactions with employees. The amounts recorded in share options outstanding account are transferred to securities premium upon exercise of stock options and transferred to general reserve on account of vested stock options not exercised by employees. Refer Note. 41.5.19 for disclosure on Employee Stock Option Plan (ESOP) of the Company.

6. **Dividend distribution made and proposed**

₹ in Crores

Particulars	2021-2022	2020-2021
Cash dividends on Equity shares declared and paid		
Final dividend for the year ended 31 March 2021: ₹ 2.50 per share (31 March 2020: ₹ Nil per share)	36.15	-
Interim dividend for year ended 31 March 2022: ₹ 1.50 per share (31 March 2021: ₹ 1.50 per share)	21.69	21.69
	57.84	21.69
Proposed dividends on Equity shares		
Final dividend proposed for the year ended 31 March 2022: ₹ 2.50 per share (31 March 2021: ₹ 2.50 per share)	36.15	36.15
	36.15	36.15

Proposed dividend, if any, on equity shares are subject to approval of the shareholders of the Company at the annual general meeting and are not recognised as a liability as at 31 March.

Note 18 : Borrowings (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Borrowings From Banks (unsecured)		
Term Loan	34.17	-
Total	34.17	-

1. Borrowings are measured at amortised cost.

2. **Term Loans from Banks**

   (i) Term Loan of ₹ 25 Crores to be repaid in six half yearly installments of ₹ 4.17 Crores each starting from April 2022 with rate of interest linked to repo rate plus applicable spread i.e effective 5.25% p.a. as at 31 March 2022. The repayment obligation of future 12 months is reflected in "Current maturities of long term borrowings" under Current borrowings (Refer Note 24).

   (ii) Term Loan of ₹ 25 Crores to be repaid in ten quarterly installments of ₹ 2.50 Crores each starting from July 2022 with rate of interest linked to repo rate plus applicable spread i.e effective 5.10% p.a. as at 31 March 2022. The repayment obligation of future 12 months is reflected in "Current maturities of long term borrowings" under Current borrowings (Refer Note 24).

Notes to the Financial Statements

Note 18 : Borrowings (Non-current) (Continued)

3. **Maturity profile of Term Loans from Banks (Current and Non-current)**

₹ in Crores

Period	As at 31 March 2022	As at 31 March 2021
Less than Three Months	4.17	-
More Three Months Up to One Year	11.66	-
More than One Year Up to Three Years	34.17	-
More than Three Years Up to Five Years	-	-
Total	50.00	-

4. There has been no default in repayment of interest and principal amount for year ended 31 March 2022 and 31 March 2021
5. For explanations on the Company's interest risk, foreign currency risk and liquidity risk management processes, refer Note 41.5.15

Note 19 : Lease liabilities (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Lease liabilities	-	0.84
Total	-	0.84

1. Lease liabilities are measured at amortised cost.
2. For explanations on the Company's interest risk, foreign currency risk and liquidity risk management processes, refer Note 41.5.15
3. Refer Note 41.5.17.

Note 20 : Other financial liabilities (non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Deposits/ Retentions from customers and others	16.64	16.27
Total	16.64	16.27

1. Other financial liabilities are measured at amortised cost.
2. For explanations on the Company's interest risk, foreign currency risk and liquidity risk management processes, refer Note 41.5.15

Note 21 : Provisions (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Provision for employee benefits	20.72	18.62
Provision for compensated absence	18.10	15.95
Provision for pension and other retirement benefits	2.62	2.67
Other provisions	14.75	10.55
Provision for warranty	14.75	10.55
Total	35.47	29.17

Refer Note 29 Provisions (Current) for additional disclosures.

Notes to the Financial Statements

Note 22: Deferred tax (assets)/liabilities (net)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Deferred Tax Liabilities	36.01	32.99
Depreciation	33.30	32.62
Others	2.71	0.37
Less : Deferred Tax Assets	(21.42)	(20.49)
Disallowances u/s 43B of Income Tax Act	(9.40)	(8.28)
Provision for Doubtful debts and advances	(9.14)	(9.54)
VRS Compensation	(1.69)	(2.11)
Others	(1.19)	(0.56)
Total	14.59	12.50

1. **Reconciliation of deferred tax (assets) / liabilities (net)**

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Opening balance as of 1 April	12.50	5.16
Tax income/(expense) during the year recognised in Statement of Profit and Loss	1.17	5.80
Tax income/(expense) during the year recognised in OCI	0.92	1.54
Closing balance as at 31 March	14.59	12.50

2. The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.
3. Refer Note 40 for Income tax and deferred tax rate.

Note 23 : Other non-current liabilities

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Advance from customers	19.83	17.93
Revenue received in advance	0.97	1.20
Total	20.80	19.13

Refer Note 41.5.8.

Note 24 : Borrowings (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Borrowings From Banks		
Secured		
Export Preshipment Loan in INR	10.01	10.94
Export sales bill discounted	36.54	17.08
Unsecured		
Commercial papers	-	49.66
Current maturities of long term borrowings	16.05	-
Total	62.60	77.68

1. Borrowings are measured at amortised cost.

Notes to the Financial Statements

Note 24 : Borrowings (Current) (Continued)

2. Secured Borrowings- Company's fund and non-fund based working capital facilities aggregating to ₹ 410 Crores are secured to the extent of ₹ 410 Crores by way of hypothecation (First Charge) on the whole of the current assets of the Company both present and future in favour of the consortium of banks (SBI Consortium) comprising of State Bank of India, Pune (Lead Bank), Bank of Maharashtra, ICICI Bank Limited, HDFC Bank Limited, and The Hongkong and Shanghai Banking Corporation Limited (HSBC). During the year under review, the Board of Directors of the Company had given their approval for reduction of said consortium limit to ₹ 385 Crores and also to appoint 'Axis Trustee Services Private Limited' as a Security Trustee. The Company is in process of execution of necessary agreements with Consortium Bankers to give effect to the reduction of working capital facilities to ₹ 385 Crores and for appointment of Security Trustee. Accordingly, the necessary forms will be filed with the Ministry of Corporate Affairs/Registrar of Companies for modification of charge created to the extent of reduction in working capital facilities.

3. The quarterly returns or statements of current assets filed by the Company with banks are in agreement with the books of account.

4. There has been no default in repayment of interest and principal amount for year ended 31 March 2022 and 31 March 2021

5. For explanations on the Company's Interest risk, foreign currency risk and liquidity risk management processes, refer to Note 41.5.15

Note 25 : Lease liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Lease liabilities	0.84	0.77
Total	0.84	0.77

1. Lease liabilities are measured at amortised cost.
2. For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 41.5.15.
3. Refer Note 41.5.17

Note 26 : Trade and other payables

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Acceptances	16.61	37.45
Due to micro enterprises and small enterprises	98.48	77.45
Due to other than micro enterprises and small enterprises	394.75	389.88
Total	509.84	504.78

1. Trade and other payables are measured at amortised cost.
2. For terms and conditions with related parties, refer to Note 41.5.11.
3. For explanations on the Company's Foreign currency risk and liquidity risk management processes, refer Note 41.5.15
4. **For trade payables outstanding, the ageing schedule is as given below:**

As at 31 March 2022

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment					Total
		Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Micro and Small Enterprises ("MSME")	0.48	97.01	0.73	0.07	0.03	0.16	98.48
Others	2.58	343.48	60.67	1.16	0.86	2.61	411.36
*Disputed dues – Micro and Small Enterprises ("MSME")	-	-	-	-	-	-	-
*Disputed dues - Others	-	-	-	-	-	-	-
Total	3.06	440.49	61.40	1.23	0.89	2.77	509.84

* Disputed dues represents legal cases with vendors

Notes to the Financial Statements

Note 26 : Trade and other payables (Continued)

As at 31 March 2021

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment					Total
		Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Micro and Small Enterprises ("MSME")	-	77.10	0.20	0.04	0.00	0.11	77.45
Others	9.93	302.29	109.87	2.37	0.97	1.90	427.33
*Disputed dues – MSME	-	-	-	-	-	-	-
*Disputed dues - Others	-	-	-	-	-	-	-
Total	9.93	379.39	110.07	2.41	0.97	2.01	504.78

* Disputed dues represents legal cases with vendors

Note 27 : Other financial liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Deposits from customers	1.07	1.28
Unclaimed dividends	10.99	12.09
Payable for capital purchases	14.25	31.61
Employee benefits payable	21.26	35.27
Other payables	9.07	5.74
Total	56.64	85.99

1. Other financial liabilities are measured at amortised cost.
2. For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer Note 41.5.15.

Note 28 : Other current liabilities

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Advance from customers	8.54	14.67
Revenue received in advance	27.84	26.08
Statutory dues	14.41	10.03
Eligible incentives under Export Promotion Capital Goods (EPCG) Scheme	0.15	0.29
Others	0.07	0.07
Total	51.01	51.14

1. For advance from customers and revenue received in advance, refer Note 41.5.8.
2. The Company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods. Refer Note 41.5.1(b).
3. **Movement in Eligible incentives under Export Promotion Capital Goods (EPCG) Scheme**

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
As at 1 April	0.29	0.70
Availed during the year	-	-
Released to the Statement of Profit and Loss	(0.14)	(0.41)
As at 31 March	0.15	0.29

Notes to the Financial Statements

Note 29 : Provisions (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Provision for employee benefits	9.74	10.64
Provision for gratuity	-	-
Provision for compensated absence	9.39	10.26
Provision for pension and other retirement benefits	0.35	0.38
Others	60.42	51.52
Provision for warranty	39.00	35.45
Tax provision (net of tax paid in advance)	-	0.25
Other Provisions	21.42	15.82
Total	70.16	62.16

Refer Note 21 Provisions (Non-current)

Note :

1. **Employee benefits obligations**

a. **Gratuity**

The Company provides gratuity for employees as per the Gratuity Act, 1972 and Company's Internal Gratuity Scheme. Employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity is payable on retirement or termination whichever is earlier. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity plan is funded plan.

b. Pension, post retirement medical benefit and long term award benefits

The Company provides certain post-employment medical scheme and long term award benefits to employees (unfunded). For long-term award scheme, the Company has defined certain eligibility criteria and grade-wise benefit available to employees and is payable only at time of separation. Pension and medical benefits are payable to employees for 15 years after retirement.

c. Compensated absences

The leave obligation cover the Company's liability for earned leaves.

Also refer Note 41.5.9 for detailed disclosure.

2. Others

a. Warranty is provided to customers at the time of sale of engines and generating sets manufactured. Warranty cost includes expenses in connection with repairs, free replacement of parts / engines and after sales services during warranty period which varies from 1 year to 4 years.

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of reporting period. It is expected that majority of these costs will be incurred in the next financial year and balance will be incurred in following years. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

b. The Company has preferred an Appeal bearing No. 125 of 2016 before the Chief Controlling Revenue Authority (CCRA) against the Stamp Duty Adjudication Order dated 2 May 2016 bearing ADJ/188/2015 passed by Collector of Stamps, Enforcement – II, Mumbai levying a total stamp duty amount of ₹ 14.94 Crores on the Company for amalgamation of KBIL with the Company. For securing a Stay Order against the said Stamp duty Adjudication being ADJ/188/2015 dated 2 May 2016, the Company has deposited 50% of the stamp duty amount of ₹ 7.47 Crores on protest on 30 June 2016. Considering the payment of 50% of stamp duty amount, through its Order dated 22 September 2016, CCRA has passed an Order granting stay on the effect and operation of said Stamp Duty Adjudication Order bearing ADJ/188/2015 dated 2 May 2016. Company's Appeal bearing No. 125 of 2016 is still pending and listing for final hearing is awaited. Accordingly, provision for stamp duty of ₹ 14.94 Crores has been made.

Notes to the Financial Statements

Note 29 : Provisions (Current)

c. Provision for liquidated damages pertains to provision arising due to delay in actual delivery of goods/services as against the contractual delivery date.

d. Provision for onerous contracts pertains to the provision for the unavoidable costs of meeting the obligations under the contract which exceeds the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

e. Movement of provisions:

₹ in Crores

Particulars	Warranty	Stamp Duty	Liquidated damages	Onerous Contracts
At 1 April 2020	41.75	14.94	0.30	-
Arising during the year	35.03	-	0.86	-
Less : Utilised	30.78	-	0.21	-
Less : Unused amount reversed	-	-	0.07	-
Add: Unwinding of discount	-	-	-	-
At 31 March 2021	46.00	14.94	0.88	-
Arising during the year	40.53	-	2.49	3.75
Less : Utilised	32.42	-	0.63	-
Less : Unused amount reversed	1.20	-	-	-
Add: Unwinding of discount	0.84	-	-	-
At 31 March 2022	53.75	14.94	2.74	3.75
Non-current	14.75	-	-	-
Current	39.00	14.94	2.74	3.75

Note 30 : Revenue from operations

₹ in Crores

Particulars	2021-2022	2020-2021
Sales and services	3,267.59	2,663.62
Sale of products	3,140.57	2,535.55
Sale of services	127.02	128.07
Other operating income	32.07	30.82
Sale of scrap	14.35	8.80
Commission received	1.78	1.03
Export incentives	5.10	10.30
Sundry credit balances written back	0.35	0.55
Provisions no longer required written back	5.50	3.07
Solar Power Generation Income	3.87	4.72
Miscellaneous receipts	1.12	2.35
Total	3,299.66	2,694.44

1. Export incentives includes incentive under EPCG scheme amounting to ₹ 0.14 Crores (31 March 21 : ₹ 0.41 Crores)
2. Refer Note 41.3.1 , 41.4.17 & 41.5.8

Note 31 : Other income

₹ in Crores

Particulars	2021-2022	2020-2021
Interest on income tax and sales tax refund	0.50	3.77
Interest income on financial assets measured at amortised cost		
(i) Bank deposits	-	1.77
(ii) Unwinding of interest on security deposits	0.34	0.78
(iii) Preference shares	0.68	0.02
(iv) Other financial assets	1.43	2.85

Notes to the Financial Statements

Note 31 : Other income (Continued)

₹ in Crores

Particulars	2021-2022	2020-2021
Dividend income from equity investments designated at fair value through other comprehensive income	0.00	0.00
Net gain on financial assets measured at fair value through profit or loss (unrealised)	6.89	1.13
Net gain on sale of mutual fund measured at fair value through profit or loss (realised)	9.89	12.59
Net gain on derivatives financial instruments measured at fair value through profit or loss	0.30	-
Net gain/(loss) on disposal of property, plant and equipment	0.81	0.11
Exchange gain/(loss) on translation of assets and liabilities	1.42	(1.48)
Rent income	1.05	1.11
Miscellaneous income	1.45	1.83
Total	24.76	24.48

1. Net gain on financial assets measured at fair value through profit or loss relates to the gain arising on fair value restatements of investment in mutual funds at balance sheet dates which are held as current or non-current investments.
2. Refer Note 41.3.1 ,41.4.10 & 41.5.17

Note 32 : Cost of raw materials and components consumed

₹ in Crores

Particulars	2021-2022	2020-2021
Raw materials and components consumed	1,560.50	1,177.27
Total	1,560.50	1,177.27

Note 33 : Purchase of traded goods

₹ in Crores

Particulars	2021-2022	2020-2021
Engines and Gensets	291.87	234.51
K-Oil	116.16	91.91
Alternators, Batteries and Others	329.07	199.22
Total	737.10	525.64

Note 34 : Changes in inventories of finished goods, work-in-progress and traded goods

₹ in Crores

Particulars	2021-2022	2020-2021
Opening inventories	96.58	136.80
Work-in-progress	14.96	39.22
Finished goods	32.45	39.39
Traded goods	49.17	58.19
Closing inventories	102.99	96.58
Work-in-progress	20.73	14.96
Finished goods	36.37	32.45
Traded goods	45.89	49.17
(Increase)/decrease in inventories	(6.41)	40.22

Notes to the Financial Statements

Note 35 : Employee benefits expense

₹ in Crores

Particulars	2021-2022	2020-2021
Salaries, wages, bonus, commission, etc.	172.19	169.63
Gratuity	3.59	4.44
Contribution to provident and other funds	11.04	11.01
Welfare and training expenses	16.87	13.15
Share based payment to employees	2.96	0.29
Provident and other funds' expenses	0.34	0.35
Total	206.99	198.87

Refer Note 41.5.9 for gratuity and Note 41.5.19 for share based payment to employees.

Note 36 : Finance costs

₹ in Crores

Particulars	2021-2022	2020-2021
Interest and discounting charges	4.69	4.29
Interest on lease liabilities	0.11	0.18
Other finance cost	1.44	1.89
Total	6.24	6.36

Note 37 : Depreciation and amortisation expense

₹ in Crores

Particulars	2021-2022	2020-2021
Depreciation and amortisation expense	77.23	62.15
Depreciation on property , plant and equipment	53.15	49.75
Amortisation on intangible assets	22.89	11.25
Amortisation on right-of-use assets	1.19	1.15
Total	77.23	62.15

Note 38 : Other expenses

₹ in Crores

Particulars	2021-2022	2020-2021
Manufacturing expenses	250.81	215.32
Stores consumed	66.43	49.21
Power and fuel	23.83	20.71
Machinery spares	7.18	5.69
Repairs to machinery	7.97	5.89
Job work charges	29.77	23.44
Labour charges	14.57	10.88
Cost of services	85.60	89.33
Other manufacturing expenses	15.46	10.17
Selling expenses	139.83	144.60
Commission	12.92	17.45
Freight and forwarding	67.43	60.28
Warranty	40.53	35.03
Royalty	8.05	6.59
Advertisement and publicity	7.62	6.94
Provision for doubtful debts and advances (net)	(2.15)	14.22
Others selling expenses	5.43	4.09

Notes to the Financial Statements

Note 38 : Other expenses (Continued)

₹ in Crores

Particulars	2021-2022	2020-2021
Administration expenses	155.99	118.66
Rent	29.63	28.64
Rates and taxes	3.66	2.10
Insurance	2.59	2.40
Repairs to building	1.04	0.73
Other repairs and maintenance	27.26	26.12
Travelling and conveyance	14.34	6.59
Communication expenses	3.61	3.08
Printing and stationery	0.97	0.63
Professional charges	38.60	31.18
Auditor's remuneration	0.58	0.61
Donations	1.03	0.40
Corporate social responsibilities ("CSR") expenses	5.29	5.16
Non Executive Directors' fees & commission	2.68	2.51
Miscellaneous expenses	23.14	6.21
Bad debts and irrecoverable balances written off	1.57	2.30
Total	546.63	478.58

Refer Note 41.5.18 for CSR expenses

Note 39 : Exceptional items

₹ in Crores

Particulars	2021-2022	2020-2021
Profit on sale of investment in subsidiary	52.65	-
VRS Compensation - Wages	-	(8.37)
Total	52.65	(8.37)

1. During the year, the Company has invested ₹ 50 Crores in 4,54,52,403 equity shares of ₹ 10 each of Arka Fincap Limited (AFL) and ₹ 837 Crores in 83,70,01,285 equity shares of ₹ 10 each of Arka Financial Holdings Private Limited (AFHPL). Further during the year, the Company has sold entire 68,54,22,231 equity shares held by the Company in AFL to AFHPL at a consideration of ₹ 753.96 Crores which is not less than the fair market value of equity shares of AFL calculated as per provisions of Income Tax Act, 1961 including rules thereunder and amendment(s) thereto. The net profit arising on this sale of investment in AFL is ₹ 52.65 crores.

2. During 2020-2021, the Company had launched "Voluntary Retirement Scheme 2021" (the VRS Scheme) for its workers at its Khadki (Pune, Maharashtra) location who had either completed 10 years of services or have attained 40 years of age. Under the said VRS scheme, 31 employees of the Company opted for VRS and a total compensation amounted to ₹ 8.37 Crores.

Note 40 : Tax expense

The note below details the major components of income tax expenses for the year ended 31 March 2022 and 31 March 2021. The note further describes the significant estimates made in relation to the Company's income tax position, and also explains how the income tax expense is impacted by non-assessable and non-deductible items.

₹ in Crores

Particulars	2021-2022	2020-2021
Current tax	53.52	55.86
Current income tax	53.52	55.86
Deferred tax	1.17	5.80
Relating to origination and reversal of temporary difference	1.17	5.80
Income tax reported in the Statement of Profit and Loss	54.69	61.66

Notes to the Financial Statements

Note 40 : Tax expense (Continued)

Other Comprehensive Income (OCI)

₹ in Crores

Particulars	2021-2022	2020-2021
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	0.06	1.53
Net loss/(gain) on FVOCI equity instruments	0.86	0.01
Deferred tax charged to OCI	0.92	1.54

Reconciliation of tax expense and the accounting profit multiplied by applicable tax rate as notified under Income Tax Act, 1961 enacted in India for the years ended 31 March 2022 and 31 March 2021 :

Current tax

₹ in Crores

Particulars	2021-2022	2020-2021
Accounting profit before income tax expense	262.70	231.40
Tax @ 25.168% (31 March 2021 : 25.168%)	66.12	58.24
Tax effect of adjustments in calculating taxable income:	(11.43)	3.42
Corporate Social Responsibility expenses/Donations	1.59	1.40
Other Disallowances/(allowances)	0.07	2.00
Interest on MSME dues	-	0.02
Permanent allowance against long term capital gain on sale of shares of subsidiary including difference in tax rates	(13.09)	-
Income tax expenses recognised in the Statement of Profit and loss	54.69	61.66
Effective income tax rate	20.82%	26.65%

Note 41 : Notes to and forming part of the financial statements as at and for the year ended 31 March 2022

1 Corporate information

Kirloskar Oil Engines Limited ('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 Laxmanrao Kirloskar Road, Khadki, Pune, Maharashtra- 411003. The equity shares of the Company are listed on two recognised stock exchanges in India i.e. Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

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

2 Basis of preparation of financial statements

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

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

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

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

(iii) Equity settled share based payments.

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

The financial statements were approved by the Board of Directors and authorized for issue on 19 May 2022.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The Company continually evaluates these estimates

Notes to the Financial Statements

and assumptions based on the most recently available information. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable.

3.1 Judgements

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

Government grants and Incentives

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

Leases

Ind AS 116 'Leases' 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 judgement.

Capital work-in-progress

Project is construed as smallest group of assets having a common intended use. For e.g., group of assets in an integrated plant is treated as one project. The identification of project will require judgement and management needs to identify project based on facts of each case. Project identification is consistent with how management identifies and monitors progress on group of assets internally.

Revenue recognition

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

In case performance obligation is satisfied at a point in time, the Company generally recognises revenue when the control is transferred i.e. in case of goods either on shipment or upon delivery in domestic & on bill of lading date in case of export. In case of services, the revenue is recognised based on completion of distinct performance obligation. Refer significant accounting policy Note 41.4.17 & Note 41.5.8 on revenue recognition for information about methods, input and assumptions w.r.t transaction price & variable consideration.

3.2 Estimates and assumptions

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

Defined benefit plans

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

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

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

Further details about defined benefit obligations are provided in Note 41.5.9.

Notes to the Financial Statements

Development costs

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

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

Warranty

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

Deferred tax

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

Business combinations

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

Any subsequent changes to the fair value of contingent consideration classified as liabilities, other than measurement period adjustments, are recognised in the Statement of Profit and Loss.

Share based payments

Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share based payment transactions are disclosed in Note 41.5.19

Uncertainty relating to Global health pandemic on COVID-19

The Company has considered the possible effects that may result from COVID-19 in the preparation of these financial results including recovering of carrying amounts of financial and non-financial assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of COVID-19, the Company has at the date of approval of financial results, used internal and external sources of information and expects that the carrying amount of the assets will be recovered. The impact of COVID-19 on the Company's financial results may differ from that estimated as at the date of approval of the same owing to the nature and duration of COVID-19.

4 Significant accounting policies

4.1 Current Vs. Non-current classification

The Company presents assets and liabilities in the Balance Sheet based on Current/Non-current classification.

An asset is treated as current when it is:

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

b. Held primarily for the purpose of trading

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

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

All other assets are classified as Non-current.

A liability is current when it is:

a. Expected to be settled in normal operating cycle

b. Held primarily for the purpose of trading

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

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

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

Notes to the Financial Statements

The Company classifies all other liabilities as Non-current.

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

4.2 Fair value measurement

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

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

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

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

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

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

4.3 Property, plant and equipment

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

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

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

d. Project is construed as smallest group of assets having a common intended use. For e.g., group of assets in an integrated plant is treated as one project. Project identification is consistent with how management identifies and monitors progress on group of assets internally.

e. When temporary suspension is a necessary part of the process of getting an asset ready for its intended use, the project is not considered to have been temporarily suspended and the CWIP related to such projects should continue to be presented under 'Projects in progress'.

Notes to the Financial Statements

Depreciation

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

Asset Category	Life (in years)	Basis for useful life
Factory buildings	30	Life as prescribed under Schedule II of the Companies Act, 2013
Building- Non factory		
RCC frame structure	60	
*Other than RCC frame structure	30	
Fence, Wells, Tube wells	5	
Building – Roads		
Carpeted roads- RCC	10	
Carpeted roads- Other than RCC	5	
Non carpeted roads	3	
Building - Temporary shed	3	
*** Plant & Equipment other than pattern tooling**	7.5 to 15	Useful life based on Number of Shifts as prescribed under Schedule II of the Companies Act, 2013
Plant & Equipment - Pattern tooling	4	Lower useful life considered based on past history of usage and supported by technical evaluation
Computers		
Network	6	Life as prescribed under Schedule II of the Companies Act, 2013
End user devices, such as, desktops,etc.	3	
*Laptops	5	Higher useful life considered based on past history of usage and supported by technical evaluation
Servers	4	Lower useful life considered based on past history of usage and supported by technical evaluation
Electrical installations	10	Life as prescribed under Schedule II of the Companies Act, 2013
***Furniture & Fixture**		
Furniture, fixtures and electrical fittings	10	Life as prescribed under Schedule II of the Companies Act, 2013
Furniture , AC , Refrigerators and Water coolers - Residential premises	4	Lower useful life considered based on past history of usage and supported by technical evaluation
AC, Refrigerators and Water coolers - Company and Guest house premises	5	Lower useful life considered based on past history of usage and supported by technical evaluation
Office equipment	5	Life as prescribed under Schedule II of the Companies Act, 2013
***Vehicles**		Lower useful life considered based on past history of usage
Motorcars, Jeep	5	
Trucks	5	
Other vehicles	5	
***Aircrafts**	15	Lower useful life considered based on past history of usage and supported by technical evaluation

- Depreciation on additions is provided from the beginning of the month in which the asset is added.
- Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on pro-rata basis up to the end of the month prior to the month in which such assets are sold, discarded or demolished.
- Foreign exchange fluctuation gain/loss on imported plant and equipment were capitalised in the cost of the respective fixed asset up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

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

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

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

4.5 Borrowing costs

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

4.6 Impairment of non financial assets

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

4.7 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Profit or Loss.

a. Financial assets

i Initial recognition and measurement of financial assets

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

ii Subsequent measurement of financial assets

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

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

Debt instrument :

A financial asset is measured at amortised cost if:

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Equity instrument :

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

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

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

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

iii Derecognition of financial assets

A financial asset is derecognised when:

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

  or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither

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transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

iv **Reclassification of financial assets**

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

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

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in the Statement of Profit and Loss.
FVTPL	Amortised cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in Other comprehensive income ('OCI'). No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to Statement of Profit and Loss at the reclassification date.

V **Impairment of financial assets**

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

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

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

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

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

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

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

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

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Company is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Statement of Profit and Loss. This amount is reflected in a separate line in the Statement of Profit and Loss as an impairment gain or loss. The Balance Sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the Balance Sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not derecognise impairment allowance from the gross carrying amount.
- Loan commitments: ECL is presented as a provision in the Balance Sheet, i.e. as a liability.

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

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

b. Financial Liabilities

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

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

ii **Subsequent measurement of financial liabilities**

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

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

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

- **Gains or losses on liabilities held for trading are recognised in the Statement of Profit and Loss.**

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

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in the Statement of Profit and Loss. The Company has not designated any financial liability as at fair value through the Statement of Profit and Loss.

- **Loans and borrowings at amortised cost**

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

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

iii Derecognition of financial liabilities

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

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

iv Offsetting of financial instruments

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

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 or cost to the Company. Derivative contracts are not used for trading or speculation purpose.

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

4.9 Foreign currency transactions

a. Initial recognition

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

b. Conversion

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

c. Exchange differences

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

4.10 Leases

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

a. Where the Company is a lessee

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

However, when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty the Company considers that lease to be no longer enforceable. Also according to Ind AS 116, for leases with a lease term 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 recognise right-of-use asset and a lease liability. The Company applies both recognition exemptions. The lease payments associated with those leases are generally recognised as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets:

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

Lease liability

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

Lease modification

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

b. Where the Company is a lessor -

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

4.11 Inventories

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

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

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

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

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

4.12 Cash and cash equivalents

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

4.13 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 ('OCI') or in equity, respectively, and not in the Statement of Profit and Loss. The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and

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liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

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

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

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

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

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

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

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

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

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

Sales tax / Goods and Services Tax ('GST')

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

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

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

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

4.14 Non-current assets held for sale and discontinuing operations

a. Non-current assets held for sale

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

b. Discontinuing operations

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

Assets and liabilities classified as held for distribution are presented separately from other assets and liabilities in the Balance Sheet.

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

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

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

OR

iii Is a subsidiary acquired exclusively with a view to resale

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

4.15 Employee benefits

a. Short term employee benefits

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

b. Post-employment benefits

i Defined contribution plan

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

ii Defined benefit plan

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

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

c. Other long term employment benefits:

The employee's long term compensated absences are Company's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on a net basis.

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

d. Termination benefits :

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

4.16 Provisions, contingencies and commitments

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

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

Onerous contracts

A contract is considered to be onerous when the unavoidable costs of meeting the obligations under the contract exceed

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the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

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

4.17 Revenue recognition

Revenue from operations

a. Sale of goods & services:

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

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

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

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

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

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

In case of bill and hold arrangements, revenue is recognized when the company completes its performance obligation to transfer the control of the goods to the customer in accordance with the agreed upon specifications in the contract for which the customer has accepted the control. Such goods are identified and kept ready for delivery based on which revenue is recognized.

The company completes its performance obligation to transfer the control of the goods to the customer in accordance with the agreed -upon specifications in the contract for which customer accepts the same and confirms to the Company basis which criteria for bill and hold is met.

The company has identified the goods as belonging to the customer and stored them separately in the factory premises until goods are cleared from the factory premises. The goods are ready for physical transfer to the customer from the factory premises of the Company. The Company cannot use the goods for any other purpose or to direct it to another customer.

b. Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is

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due) from the customer. Contract liabilities are recognised when the Company performs under the contract.

Other income

a. Interest income from financial assets

Interest income from financial assets is recognised using effective interest rate method.

b. Dividend income

Dividend income is recognised when the Company's right to receive the amount has been established.

c. Others

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

C. In case of bill and hold arrangements, revenue is recognized when the Group completes its performance obligation to transfer the control of the goods to the customer in accordance with the agreed upon specifications in the contract for which the customer has accepted the control. Such goods are identified and kept ready for delivery based on which revenue is recognized.

4.19 Exceptional items

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

4.20 Government grants

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

- There is reasonable assurance that the Company will comply with the conditions attached to it.
- Such benefits are earned and reasonable certainty exists of the collection.

a. Export incentives

Export incentives under various schemes notified by government are accounted for in the year of exports as grant related to income and is recognised as Other operating income in the Statement of Profit and Loss if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

b. Industrial promotion subsidy

Government grants received with reference to Industrial promotion subsidy under Packaged Scheme of Incentives, 2001 is treated as grant related income and is recognised as other operating income in the Statement of Profit and Loss as per the appropriate recognition criteria.

c. Export promotion capital goods

Government grants received with reference to export promotion capital goods scheme are initially recognised as deferred revenue and grant in proportion of export obligation achieved during the year is reduced from deferred revenue and recognised as Other operating income in the Statement of Profit and Loss.

4.21 Cash dividend

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

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

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the Statement of Profit and Loss.

4.22 Earnings per share

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

4.23 Cash Flow Statement

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

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

4.24 Share based payments

Equity settled share based payments

Employees of the Company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments

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(equity-settled transactions).

The Company recognises compensation expense relating to share based payments in accordance with Ind AS 102 Share based payment. Stock options granted by the Company to its employees are accounted as equity settled options. Accordingly, Equity-settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note No 41.5.19. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share based payments reserve.

4.25 Segment reporting

a. Identification of segments

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

b. Allocation of common costs

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

c. Unallocated items

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

5 Additional Notes to the Financial Statements

5.1 Contingent Liabilities

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
a. Contingent Liabilities		
i Central Excise Demands	20.16	16.41
ii Sales Tax & Octroi Demands	5.53	9.03
iii Customs Duty Demands	0.00	0.86
iv Income Tax Liability	7.32	10.12
v Claims against Company not acknowledged as debts	62.01	61.31

b. The Company has imported capital goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports . Non fulfillment of export obligations, if any, entails options/ rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export obligation to be fulfilled by the Company is achieved by the Company under the said scheme in financial year 2019-20. However as the cancellation of letter of undertaking is still under process the same is disclosed as contingent liability.

5.2 Other Contingent Liabilities

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Aggregate amount of such letters of credit outstanding (Charge of hypothecation referred to in Note 24 for working capital facilities extends to letter of credit issued by the Company's bankers)	0.53	9.15
Aggregate liquidated damages on unexecuted orders	0.66	1.00

Notes to the Financial Statements

Capital and other commitments

5.3 Capital commitment

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	42.17	27.05

5.4 Other Commitments

a. The Company has given letter of comfort/undertaking to one of the subsidiary's bankers for credit facilities availed by that subsidiary. As per the terms of letter of comfort/undertaking, the Company undertakes not to divest its ownership interest directly or indirectly in the subsidiary beyond specified percentage.

b. **Commitment w.r.t. Acquisitions**

The Company, on 21 June 2017 executed definitive share purchase agreement for acquisition of 100% equity shares in La-Gajjar Machineries Private Limited (LGM). On 1 August 2017 the Company acquired 76% of equity shares of LGM as per the terms of share purchase agreement.

Further, the Company has entered into a shareholders agreement on 21 June 2017 to purchase remaining 24% equity shares. The Company has a call option to acquire and simultaneously, shareholders of LGM have put option to sell the remaining 24% equity shares, to be exercised within the holding period of 5 years at a price based on mutually agreed upon formula. However, if the options are not exercised in the given option period, the Company has to purchase remaining equity shares within 60 days from the end of the option period by applying same formula agreed for at the time of exercising options.

5.5 Payment to Auditors (net of taxes)

₹ in Crores

Sr. No.	Particulars	2021-2022	2020-2021
a	**Statutory Auditors**		
i	As auditors	0.43	0.49
	Audit fees	0.37	0.37
	Tax audit fees	-	0.06
	Limited review	0.06	0.06
ii	Certification fees & assurance services	0.01	0.04
iii	Reimbursement of expenses	0.01	0.01
	Total (a)	**0.45**	**0.54**
b	**Cost Auditors**		
i	As auditors	0.07	0.07
ii	In other capacity		
	Certification fees	0.00	0.00
	Total (b)	**0.07**	**0.07**
	Grand total (a+b)	**0.52**	**0.61**

5.6 The Sales for the current year includes an amount of ₹ 0.09 Crores (31 March 2021 : ₹ 0.34 Crores) on account of supplies to SEZ.

5.7 The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) as at 31 March 2022. The disclosure pursuant to the said Act is as under:

₹ in Crores

Particulars	2021-2022	2020-2021
Principal outstanding to MSME suppliers	98.22	77.21
Payment made to suppliers (other than interest) beyond the appointed day, during the year	16.28	8.48

Notes to the Financial Statements

₹ in Crores

Particulars	2021-2022	2020-2021
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.02	0.06
Interest due on principle amount remaining unpaid as on year end date	0.00	0.00
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.26	0.24

5.8 Revenue recognition

a. Disaggregation of revenue

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

₹ in Crores

Business	Engines	Others	Total
Year ended 31 March 2022			
Power Generating Business	1,316.31	-	1,316.31
Agriculture & Allied Businesses	172.88	361.50	534.38
Industrial Engine Business	529.17	-	529.17
Customer Support	438.20	-	438.20
International Business	297.96	-	297.96
Large Engine Business	150.35	-	150.35
Organic Waste Composter	-	1.22	1.22
Total	**2,904.87**	**362.72**	**3,267.59**

₹ in Crores

Particulars	Engines	Others	Total
Year ended 31 March 2021			
Power Generating Business	889.66	-	889.66
Agriculture & Allied Businesses	213.27	306.52	519.79
Industrial Engine Business	502.24	-	502.24
Customer Support	383.99	-	383.99
International Business	238.68	-	238.68
Large Engine Business	129.26	-	129.26
Total	**2,357.10**	**306.52**	**2,663.62**

b. Revenue recognised in relation to contract liabilities

Movement of contract liabilities for the reporting period given below:

₹ in Crores

Particulars	31 March 2022	31 March 2021
Contract Liabilities at the beginning of the period	59.88	90.07
Add / (Less):		
Consideration received during the year as advance	74.63	72.18
Written off/refund/cancellation	-	(2.12)
Revenue recognized from contract liability *	(77.33)	(100.25)
Contract Liabilities at the end of the period	**57.18**	**59.88**

* Includes revenue of ₹ 39.00 Crores (31 March 2021 : ₹ 60.54 Crores) during the year from its contract liabilities as on 1 April 2021. Contract liabilities are presented in Note 23 & Note 28 as advance from customer and revenue received in advance.

Notes to the Financial Statements

c. Information about performance obligation

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

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

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

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

The payment is due from the date of invoice and payment terms are generally in the range of 0 days to 90 days depending on product/market segment and market channel excluding some exceptions.

iii The Company provides to its customers warranties in the forms of repairs or replacement warranty under its standard terms and recognises it as warranty provision as per Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets

d. Unsatisfied performance obligations as at the end of reporting period:

As on 31 March 2022, the Company has unsatisfied performance obligation of ₹ 82.95 Crores (31 March 2021 : ₹ 106.37 Crores). The Company expects that ₹ 51.53 Crores will be recognised as revenue in financial year 2022-23 and remaining in subsequent years based on contractual terms.

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

The Company has recognised an asset as on 31 March 2022 of ₹ 3.65 Crores (31 March 2021 : ₹ 1.02 Crores) from cost incurred to obtain & fulfil a contract. Asset is included in Note 15 Other current asset : Prepaid expenses.

f. Reconciliation of the Company's revenue from contract price with revenue:

₹ in Crores

Particulars	2021-2022	2020-2021
Contract price	3,311.56	2700.12
Adjustment for :		
Contract liabilities: Discounts, incentives & late delivery charges	(43.97)	(36.50)
Revenue from contracts with customers	**3,267.59**	**2,663.62**

Notes to the Financial Statements

Note 5.9: Disclosure pursuant to Employee benefits

A. Defined contribution plans:

The Company has contributed ₹ 11.04 Crores (31 March 2021: ₹ 11.01 Crores) towards defined contribution plans i.e. Contribution to provident and other funds (refer Note 35 "Employee benefit expense")

B. Defined benefit plans:

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

(a) Gratuity

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

31 March 2022 : Changes in defined benefit obligation and plan assets

₹ in Crores

Particulars	1 April 2021	Cost charged to the Statement of Profit and Loss			Benefit paid	Remeasurement gain/(loss) in Other Comprehensive Income					Contributions by employer	31 March 2022
		Service cost	Net interest expense	Sub-total included in the Statement of Profit and Loss (Note 35)		Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI		
Gratuity												
Defined benefit obligation	(42.72)	(3.92)	(2.75)	(6.68)	4.50	-	0.05	(1.32)	1.94	0.68	-	(44.21)
Fair value of plan assets	47.58	-	3.08	3.08	(4.45)	-	-	-	(0.40)	(0.40)	-	45.82
Benefit (liability)/asset	4.86	(3.92)	0.33	(3.59)	0.06	-	0.05	(1.32)	1.55	0.28	-	1.61
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(3.04)	(0.03)	(0.19)	(0.22)	0.35	-	(0.11)	0.06	(0.01)	(0.06)	-	(2.97)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit (liability)/asset	(3.04)	(0.03)	(0.19)	(0.22)	0.35	-	(0.11)	0.06	(0.01)	(0.06)	-	(2.97)
Total benefit (liability)/asset	1.82	(3.95)	0.14	(3.81)	0.41	-	(0.06)	(1.26)	1.54	0.22	-	(1.36)

Notes to the Financial Statements

31 March 2021 : Changes in defined benefit obligation and plan assets

₹ in Crores

Particulars	1 April 2020	Cost charged to the Statement of Profit and Loss			Benefit paid	Remeasurement gain/(loss) in Other Comprehensive Income					Contributions by employer	31 March 2021
		Service cost	Net interest expense	Sub-total included in the Statement of Profit and Loss (Note 35)		Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI		
Gratuity												
Defined benefit obligation	(48.29)	(4.54)	(3.03)	(7.57)	7.35	-	(0.10)	2.09	3.80	5.79	-	(42.72)
Fair value of plan assets	48.19	-	3.14	3.14	(7.11)	-	-	(0.32)	0.53	0.21	3.15	47.58
Benefit (liability)/asset	(0.10)	(4.54)	0.11	(4.43)	0.24	-	(0.10)	1.77	4.33	6.00	3.15	4.86
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(3.19)	(0.05)	(0.21)	(0.26)	0.34	-	(0.06)	-	0.13	0.07	-	(3.04)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit (liability)/asset	(3.19)	(0.05)	(0.21)	(0.26)	0.34	-	(0.06)	-	0.13	0.07	-	(3.04)
Total benefit (liability)/asset	(3.29)	(4.59)	(0.10)	(4.69)	0.58	-	(0.16)	1.77	4.46	6.07	3.15	1.82

Notes to the Financial Statements

C. Other long-term employment benefits

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

31 March 2022 : Changes in defined benefit obligation and plan assets of Compensated absences

₹ in Crores

Particulars	1 April 2021	Cost charged to the Statement of Profit and Loss				Benefit paid	Contributions by employer	31 March 2022
		Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in the Statement of Profit and Loss (Note 35)			
Compensated absences								
Defined benefit obligation	(26.22)	(2.34)	(1.66)	(0.78)	(4.79)	3.51	-	(27.50)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit (liability)/asset	(26.22)	(2.34)	(1.66)	(0.78)	(4.79)	3.51	-	(27.50)

31 March 2021 : Changes in defined benefit obligation and plan assets of Compensated absences

₹ in Crores

Particulars	1 April 2020	Cost charged to the Statement of Profit and Loss				Benefit paid	Contributions by employer	31 March 2021
		Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in the Statement of Profit and Loss (Note 35)			
Compensated absences								
Defined benefit obligation	(32.10)	(3.46)	(2.06)	7.68	2.16	3.72	-	(26.22)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit (liability)/asset	(32.10)	(3.46)	(2.06)	7.68	2.16	3.72	-	(26.22)

D. Other Disclosures

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

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Special Deposit Scheme	-	-
(%) of total plan assets	0%	0%
Insured managed funds (₹ in Crores)	23.37	22.84
(%) of total plan assets	51%	48%
Others (₹ in Crores)	22.45	24.74
(%) of total plan assets	49%	52%

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

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Discount rate	7.20%	6.80%
Future salary increase	7.00%-11.00%	0.00%-7.00%
Expected rate of return on plan assets for Gratuity	6.80%	6.80%
Expected average remaining working lives (in years)		
Gratuity	12.34	13.40
Pension, Post retirement medical scheme and Long-term award scheme	8.97 - 10.57	9.16 - 11.37
Compensated Absences	12.34	13.40
Withdrawal rate (based on grade and age of employees)		
Gratuity	0%-10%	0%-11%
Pension, Post retirement medical scheme and Long-term award scheme	0%-11%	0%-11%
Compensated Absences	0%-10%	0%-11%

Notes to the Financial Statements

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

Gratuity

₹ in Crores

Particulars	(Increase) / decrease in defined benefit obligation (Impact)		
	Sensitivity level	Year ended 31 March 2022	Year ended 31 March 2021
Discount rate	1% Increase	3.25	3.25
	1% Decrease	(3.71)	(3.74)
Future salary increase	1% Increase	(3.25)	(3.31)
	1% Decrease	2.91	2.89
Withdrawal rate	1% Increase	(0.04)	0.01
	1% Decrease	0.03	(0.03)

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

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

₹ in Crores

Particulars	Sensitivity level	(Increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2022	Year ended 31 March 2021
Discount rate	1% Increase	0.15	0.15
	1% Decrease	(0.17)	(0.19)
Withdrawal rate	1% Increase	0.00	-
	1% Decrease	-	0.14

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

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

₹ in Crores

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Within the next 12 months (next annual reporting period)		
Gratuity	6.13	6.67
Pension, Post retirement medical scheme and Long-term award scheme	0.27	0.34
Compensated absences	-	-
Between 2 and 5 years		
Gratuity	14.49	20.53
Pension, Post retirement medical scheme and Long-term award scheme	1.05	1.10
Compensated absences	-	-
Beyond 5 years		
Gratuity	21.81	21.47
Pension, Post retirement medical scheme and Long-term award scheme	1.24	1.38
Compensated absences	-	-
Total expected payments	44.99	51.49

Notes to the Financial Statements

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

Years

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Gratuity	11.61	12.27
Pension, Post retirement medical scheme and Long-term award scheme	5.60 -10.34	9.16 -10.99

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

₹ in Crores

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Gratuity	3.93	3.92

Risk Exposure

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

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

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

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

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

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

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

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

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

Funding policy:

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

Notes to the Financial Statements

5.10 The Company's operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof and hence the Company has considered "Engines" as the single reportable segment. As per Ind AS 108 "Operating Segments", the company is required to disclose required segment details in Consolidated Financial Statement. Hence, these details are disclosed under Consolidated Financial Statement.

5.11 Related parties have been identified as defined under Clause 9 of Indian Accounting Standard (Ind AS 24) "Related Party Disclosures

a. Description of related parties

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

Sr. No.	Related party category	Company
1	Entities controlled by Company (Company controlling > 50% of voting power)	Kirloskar Americas Corporation (KAC), USA (formerly known as KOEL Americas Corp.)
		La-Gajjar Machineries Private Limited (LGM), Ahmedabad
		Optiqua Pipes and Electricals Private Limited (OPEPL), Ahmedabad (wholly owned subsidiary of LGM and step down subsidiary of the Company)
		Arka Financial Holdings Private Limited (AFHPL), Mumbai (w.e.f. 13 July 2021)
		Arka Fincap Limited (AFL), Mumbai (subsidiary upto 3 March 2022 and therafter subsidiary of AFHPL and step down subsidiary of the Company w.e.f 4 March 2022)
		Arka Investment Advisory Services Private Limited (AIASPL), Mumbai (wholly owned subsidiary of AFHPL and step down subsidiary of the Company) (w.e.f. 30 March 2022)
2	Associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).	ESVA Pumps India Private Limited, Coimbatore w.e.f. 4 October 2021 (joint venture of Optiqua Pipes and Electricals Private Limited (a step-down subsidiary of the Company and wholly owned subsidiary company of La-Gajjar Machineries Private Limited, a subsidiary of the Company).
3	Entities controlled by Key Managerial Personnel	Achyut & Neeta Holdings & Finance Private Limited (upto 28 April 2020)
		Expert Quality Cloud Information Technology Private Limited (upto 28 April 2020)
		Kirloskar Energen Private Limited
		Kirloskar Solar Technologies Private Limited
		Kloudq Technologies Limited (upto 28 April 2020)
		Lakeland Universal Limited BVI (upto 20 January 2022)
		Navsai Investments Private Limited
4	Entities controlled by Close Member of Key Managerial Personnel	Alpak Investments Private Limited
		Beluga Whale Capital Management Pte Limited
		Snow Leopard Technology Ventures LLP
5	Promoter/Promoter group which hold(s) 10% or more shareholding	Atul C. Kirloskar
		Rahul C. Kirloskar
6	Post-Employment benefit plan of Company	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund
		Kirloskar Oil Engines Limited Employees' Gratuity Trust
		Kirloskar Oil Engines Limited Officers' Superannuation Scheme
		Kirloskar Oil Engines Limited Officers' Superannuation Trust
		La-Gajjar Machineries Private Limited Employees Group Gratuity Trust

ii Key Managerial Personnel and their relatives:

Sr. No.	Name	Name of relatives	Relationship
1	Atul C. Kirloskar (Executive Chairman)	Arti A. Kirloskar	Wife
		Gauri A. Kirloskar (Kolenaty)	Daughter
		Aditi A. Kirloskar (Sahni)	Daughter
		Rahul C. Kirloskar	Brother
		Suman C. Kirloskar	Mother

Notes to the Financial Statements

Sr. No.	Name	Name of relatives	Relationship
2	Nihal G. Kulkarni (Managing Director) upto 28 April 2020	Shruti N. Kulkarni	Wife
		Ambar G. Kulkarni	Brother
		Jyotsna G. Kulkarni	Mother
3	Sanjeev Nimkar (Managing Director) upto 27 January 2022	Ashwini Nimkar	Wife
		Ishita Nimkar	Daughter
		Sakshi Nimkar	Daughter
4	Rajendra R. Deshpande (Managing Director & Chief Executive Officer) upto 28 April 2020	Veena R. Deshpande	Wife
		Kaustubh R. Deshpande	Son
		Saurabh R. Deshpande	Son

b. Transactions with related parties

₹ in Crores

Sr. No.	Nature of the transaction / relationship	2021-2022		2020-2021	
		Amount	Amount	Amount	Amount
1	Sales				
	Subsidiary Company	21.65		23.01	
	Kirloskar Americas Corporation		21.65		23.01
	Total	21.65	21.65	23.01	23.01
2	Purchases of capital goods (includes CWIP)				
	Entity controlled by Key Managerial Personnel	0.00		11.53	
	Kirloskar Solar Technologies Private Limited		0.00		11.53
	Total	-	-	11.53	11.53
3	Sale of capital goods				
	Key Managerial Personnel	0.00		0.00	
	Atul C. Kirloskar		0.00		
	Sanjeev Nimkar		-		0.00
	Rajendra R. Deshpande		-		0.00
	Total	0.00	0.00	0.00	0.00
4	Purchases of goods				
	Subsidiary Company (including step down subsidiary)	50.14		27.84	
	La-Gajjar Machineries Private Limited		49.20		27.84
	Optiqua Pipes and Electricals Private Limited		0.94		-
	Associate or joint venture of the other entity	30.02		-	
	ESVA Pumps India Private Limited		30.02		-
	Total	80.16	80.16	27.84	27.84
5	Rendering of services from				
	Key Managerial Personnel	7.25		10.28	
	Atul C. Kirloskar		5.32		4.25
	Nihal G. Kulkarni		-		0.28
	Sanjeev Nimkar		1.93		5.44
	Rajendra R. Deshpande		-		0.32
	Close member of Key Managerial Personnel	0.57		0.39	
	Rahul C. Kirloskar		0.10		0.07
	Gauri A. Kirloskar (Kolenaty)		0.47		0.32
	Entity controlled by Key Managerial Personnel	-		1.59	
	Kloudq Technologies Limited		-		1.59
	Total	7.82	7.82	12.26	12.26

Notes to the Financial Statements

₹ in Crores

Sr. No.	Nature of the transaction / relationship	2021-2022		2020-2021	
		Amount	Amount	Amount	Amount
6	Expenses paid to				
	Subsidiary Company	-		0.10	
	Kirloskar Americas Corporation		-		0.10
	Key Management Personnel	0.18		-	
	Sanjeev Nimkar		0.01		-
	Atul C. Kirloskar		0.17		-
	Entity controlled by Key Managerial Personnel	0.59		0.36	
	Kirloskar Solar Technologies Private Limited		0.59		0.36
	Total	0.77	0.77	0.46	0.46
7	Reimbursement / (recovery) of expenses				
	Subsidiary Company (including step down subsidiary)	(1.17)		(2.83)	
	La-Gajjar Machineries Private Limited		(0.97)		(2.83)
	Optiqua Pipes and Electricals Private Limited		(0.20)		-
	Total	(1.17)	(1.17)	(2.83)	(2.83)
8	Interim dividend and final dividend paid				
	Key Managerial Personnel	5.28		3.20	
	Atul C. Kirloskar		5.28		2.20
	Nihal G. Kulkarni		-		1.00
	Close member of Key Managerial Personnel	10.34		7.23	
	Rahul C. Kirloskar		6.40		2.67
	Arti A.Kirloskar		1.16		0.48
	Gauri A. Kirloskar		2.07		0.86
	Aditi A. Kirloskar		0.69		0.29
	Jyotsna G. Kulkarni		-		1.95
	Suman C. Kirloskar		0.02		0.01
	Ambar Kulkarni		-		0.97
	Entity controlled by Key Managerial Personnel	0.00		0.02	
	Achyut & Neeta Holdings & Finance Private Limited		-		0.02
	Navsai Investments Private Limited		0.00		0.00
	Entity controlled by close member of Key Managerial Personnel	0.00		0.00	
	Alpak Investments Private Limited		0.00		0.00
	Total	15.62	15.62	10.45	10.45
9	Sale of Investment				
	Subsidiary Company (including step down subsidiary)	701.31		-	
	Arka Fincap Limited		701.31		-
	Total	701.31	701.31	-	-
10	Investment made				
	Subsidiary Company (including step down subsidiary)	887.00		133.32	
	Arka Fincap Limited		50.00		124.82
	La-Gajjar Machineries Private Limited		-		8.50
	Arka Financial Holdings Private Limited		837.00		-
	Total	887.00	887.00	133.32	133.32
11	Interest accrued on preference share investment				
	Subsidiary Company	0.68		0.02	
	La-Gajjar Machineries Private Limited		0.68		0.02
	Total	0.68	0.68	0.02	0.02

Notes to the Financial Statements

₹ in Crores

Sr. No.	Nature of the transaction / relationship	2021-2022 Amount	2021-2022 Amount	2020-2021 Amount	2020-2021 Amount
12	Contributions Paid				
	Post-employment benefit plan of Company	1.80		4.75	
	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund		-		3.00
	Kirloskar Oil Engines Limited Employees' Gratuity Trust		-		0.15
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		1.73		1.52
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.07		0.08
	Total	1.80	1.80	4.75	4.75
13	Short term loan given to				
	Subsidiary Company (including step down subsidiary)	-		40.00	
	Arka Fincap Limited		-		40.00
	Total	-	-	40.00	40.00
14	Short term loan repayment from				
	Subsidiary Company (including step down subsidiary)	-		(40.00)	
	Arka Fincap Limited		-		(40.00)
	Total	-	-	(40.00)	(40.00)
15	Interest received on short term loan given				
	Subsidiary Company (including step down subsidiary)	-		0.35	
	Arka Fincap Limited		-		0.35
	Total	-	-	0.35	0.35

₹ in Crores

Sr. No.	Nature of the transaction / relationship	2021-2022 Amount	2021-2022 Amount	2020-2021 Amount	2020-2021 Amount
	Outstanding balances				
1	Accounts payable				
	Subsidiary Company (including step down subsidiary)	11.30		6.40	
	Kirloskar Americas Corporation		-		0.10
	La-Gajjar Machineries Private Limited		11.26		6.30
	Optiqua Pipes and Electricals Private Limited		0.04		-
	Associate or joint venture of the other entity	2.81		-	
	ESVA Pumps India Private Limited		2.81		-
	Key Management Personnel				
	Commission	2.50		8.35	
	Atul C. Kirloskar		2.50		4.00
	Nihal G. Kulkarni		-		0.25
	Sanjeev Nimkar		-		4.00
	Rajendra R. Deshpande		-		0.10
	Others	0.66		-	
	Sanjeev Nimkar		0.66		-
	Close member of Key Managerial Personnel	0.50		0.35	
	Rahul C. Kirloskar		0.06		0.05
	Gauri A. Kirloskar (Kolenaty)		0.44		0.30
	Entity controlled by Key Managerial Personnel	1.39		3.98	
	Kirloskar Solar Technologies Private Limited		1.39		3.98
	Post-employment benefit plan of Company	0.49		0.44	

Notes to the Financial Statements

₹ in Crores

Sr. No.	Nature of the transaction / relationship	2021-2022 Amount	2021-2022 Amount	2020-2021 Amount	2020-2021 Amount
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		0.43		0.37
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.06		0.07
	Total	19.65	19.65	19.52	19.52
2	Accounts receivable				
	Subsidiary Company (including step down subsidiary)	14.31		15.33	
	Kirloskar Americas Corporation		13.00		15.05
	La-Gajjar Machineries Private Limited		1.25		0.28
	Optiqua Pipes and Electricals Private Limited		0.06		-
	Total	14.31	14.31	15.33	15.33
3	Investment				
	Subsidiary Company (including step down subsidiary)	1,100.87		915.19	
	Kirloskar Americas Corporation		1.59		1.59
	La-Gajjar Machineries Private Limited		262.28		262.28
	Arka Fincap Limited		-		651.32
	Arka Financial Holdings Private Limited		837.00		-
	Total	1,100.87	1,100.87	915.19	915.19

Transactions with related parties are inclusive of indirect taxes, wherever applicable.

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

Terms and conditions of transactions with related parties

Transactions entered into with related party are made in ordinary course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash and cash equivalents. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2022, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2021: ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Commitments with related parties

The Company has provided capital commitment of ₹ 0.12 crores to the related party as at 31 March 2022 (31 March 2021: ₹ Nil)

Transactions with Key Managerial Personnel

Compensation of Key Managerial Personnel of the Company

₹ in Crores

Particulars	2021-2022	2020-2021
Short-term employee benefits	6.88	10.16
Post employment benefits	0.37	0.12
Total compensation paid to Key Managerial Personnel	7.25	10.28

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to Key Management Personnel.

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

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to Key Management Personnel.

Notes to the Financial Statements

5.12 Earnings per share (Basic and Diluted)

Particulars	2021-2022	2020-2021
Profit for the year after taxation (₹ in Crores)	208.01	169.74
Total number of equity shares at the end of the year (One equity share of face value of ₹ 2 each fully paid up)	14,46,14,326	14,46,14,326
Weighted average number of equity shares for the purpose of computing Basic earnings per share	14,46,14,326	14,46,14,326
Basic Earnings per share (in ₹)	14.38	11.74
Effect of dilution		
Stock option granted under ESOP (number of shares)	2,06,762	-
Weighted average number of equity shares for the purpose of computing Diluted earnings per share	14,48,21,088	14,46,14,326
Diluted Earnings per share (in ₹)	14.36	11.74

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

5.13 Fair value disclosures for financial assets and financial liabilities

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

The Company has performed a fair valuation of its material investment in unquoted ordinary shares other than subsidiary, which are classified as FVOCI (refer Note 3). For non-material investments, the Company believes that impact of change, if any, on account of fair value is insignificant.

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

5.14 Fair value measurement hierarchy

a The following table provides the fair value measurement hierarchy

₹ in Crores

Particulars	Note	Carrying Amount	Level of input used in		
			Level 1	Level 2	Level 3
As at 31 March 2022					
Financial Assets					
Investment at FVTPL					
Mutual funds	9	567.04	-	567.04	-
Investments at FVOCI					
Unquoted equity shares	3	4.30	-	-	4.30
Other financial assets at FVTPL					
Derivative Assets	13	0.30	-	0.30	-
Assets held for sale	14	-	-	-	-
As at 31 March 2021					
Investment at FVTPL					
Mutual funds	9	618.23	-	618.23	-
Investments at FVOCI					
Unquoted equity shares	3	0.54	-	-	0.54
Other financial assets at FVTPL					
Derivative Assets	13	-	-	-	-
Assets held for sale	14	-	-	-	-

Notes to the Financial Statements

b. Significant unobservable inputs used in level 3 fair value measurements and sensitivity of the fair value measurement to changes in unobservable inputs:

i **Description of significant unobservable inputs used for financial instruments (Level 3) :**

Investment in Equity shares of Kirloskar Management Sevices Private Limited (KMSPL) was valued using the Discounted Cash Flow (Risk adjusted discount rate) valuation method.

ii **Relationship of unobservable inputs to level 3 fair values :**

Equity investments - Unquoted

A 50 bps increase/decrease in the Perpetuity growth rate used while keeping all other variables constant, the carrying value of the shares would increase by ₹ 0.20 Crores (31 March 2021 : ₹ 0.03 Crores) or decrease by ₹ 0.20 Crores (31 March 2021 : ₹ 0.01 Crores) and a 50 bps increase/decrease in discounting factor used while keeping all other variables constant, the carrying value of the shares would decrease by ₹ 0.24 Crores (31 March 2021 : ₹ 0.02 Crores) or increase by ₹ 0.24 Crores (31 March 2021 : ₹ 0.03 Crores).

5.15 Financial instruments risk management objectives and policies

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

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

a. Market risk

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

The sensitivity analysis in the following sections relate to the position as at 31 March 2022 and 31 March 2021.

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions.

The following assumption has been made in calculating the sensitivity analysis:

The sensitivity of the relevant Statement of Profit and Loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2022 and 31 March 2021 including the effect of hedge accounting.

Interest rate risk

a. Exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

₹ in Crores

Particulars	31 March 2022	31 March 2021
Long Term Fixed Interest Loans	50.00	-

Notes to the Financial Statements

b. Interest Rate Sensitivity

₹ in Crores

Financial Year	Change in Interest Rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2022	Increase 50 bps	(0.25)	(0.25)
	Decrease 50 bps	0.25	0.25
31 March 2021	Increase 50 bps	-	-
	Decrease 50 bps	-	-

The sensitivity is calculated only in respect of floating interest rate loan. It is calculated by changing the interest rates by 50 bps keeping all other factors constant.

Foreign currency risk

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

Amounts in Foreign currencies in 000's

Nature of exposure	Currency	31 March 2022	31 March 2021
Receivables	USD	12,661	8,795
Payables	USD	1,456	1,113
	EUR	317	354
	GBP	-	56
	SEK	453	-
	NPR	363	-
	JPY	-	400

The Company manages its foreign currency risk by hedging transactions related to sales and purchases. This foreign currency risk is hedged by using foreign currency forward contracts. As on 31 March 2022 and 31 March 2021, the Company has hedged the following of its total foreign currency exposure -

Derivatives outstanding as at the reporting date -

Amounts in Foreign currencies

Nature of exposure	Currency	31 March 2022	31 March 2021
Foreign Currency- Forward Contracts	USD	40,00,000	-

The Company has mark to market gain on forward currency forward contract of ₹ 0.30 Crores (31 March 2021 : ₹ Nil).

Foreign currency sensitivity on unhedge exposure-

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

As at	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2022	+5%	4.25	4.25
	-5%	(4.25)	(4.25)
31 March 2021	+5%	2.81	2.81
	-5%	(2.81)	(2.81)

Notes to the Financial Statements

As at	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2022	+5%	(0.13)	(0.13)
	-5%	0.13	0.13
31 March 2021	+5%	(0.15)	(0.15)
	-5%	0.15	0.15

Commodity price risk

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

Other Price Risk

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

b. Credit risk

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

Trade receivables

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

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

Financial instruments and cash deposits

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

c. Liquidity risk

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

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

Excessive risk concentration

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

Notes to the Financial Statements

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

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

₹ in Crores

Particulars	On demand	upto 3 months	> 3 months to 1 year	1 year to 5 years	More than 5 years	Total
Year ended 31 March 2022						
Interest bearing borrowings	-	40.93	21.67	34.17	-	96.77
Other financial liabilities	16.02	34.18	6.45	-	16.64	73.28
Lease liabilities	-	0.20	0.64	-	-	0.84
Trade payables	-	504.92	4.92	-	-	509.84
Total	16.02	580.23	33.68	34.17	16.64	680.73
Year ended 31 March 2021						
Interest bearing borrowings	-	67.98	9.70	-	-	77.68
Other financial liabilities	23.26	14.97	47.75	0.01	16.27	102.26
Lease liabilities	-	0.18	0.59	0.84	-	1.61
Trade payables	0.24	502.61	1.93	-	-	504.78
Total	23.50	585.74	59.97	0.85	16.27	686.33

5.16 Capital management

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2022 and 31 March 2021

5.17 Leases

a. Lessee accounting

Lease liabilities movement

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Lease liability at beginning of the year	1.61	0.36
Add : Lease liability recognised during the year	0.25	2.31
Add: Interest on lease liability	0.11	0.18
Less: Lease rental payments	(1.14)	(1.24)
Lease liability at the end of the year	0.84	1.61

Rental expenses recorded for short-term leases for current year is ₹ 25.67 Crores (31 March 2021 : ₹ 23.21 Crores)

Notes to the Financial Statements

Lessee has entered into enforceable lease agreements for Bhare Plant up to 31 March 2022. The said agreement has an extension option for further 3 term of 3 years each at the sole option of the lessee. Lessee has not considered this extension period for the purpose of recognising lease liability keeping in view the uncertainty involved in opting the extension. The estimated annual lease payments for the said extension, if opted, would be as follows :

₹ in Crores

Period of balance term	Estimated annual lease payment
From 1 April 2022 to 31 March 2025	0.78
From 1 April 2025 to 31 March 2028	0.78
From 1 April 2028 to 31 March 2031	0.78

The Ministry of Corporate affairs (MCA) through the notification issued on 24 July 2020 amended Ind AS 116, "Leases", which provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The amendments allowed the expedient to be applied to COVID-19-related rent concessions to payments originally due on or before 30 June 2021 and also require disclosure of the amount recognised in profit or loss to reflect changes in lease payments that arise from COVID-19 related rent concessions. Accordingly, the Company recognised ₹ 0.02 Crores as a reversal of lease liability in the Statement of Profit and Loss statement under the head "Other income" for the year ended 31 March 2021.

b. Lessor accounting

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

Property, plant and equipment provided on operating lease as at 31 March 2022 are as follows:

₹ in Crores

Particulars	Gross block	Accumulated depreciation	Net block
As at 31 March 2022			
Aircraft	25.88	23.95	1.93
Plant and equipments	-	-	-
As at 31 March 2021			
Aircraft	25.88	23.30	2.58
Plant and equipments	8.59	8.57	0.02

Lease income generated during the year is ₹ 1.05 Crores (31 March 21 : ₹ 1.11 Crores) , refer Note 31.

Maturity analysis of expected receipts of lease payments

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

₹ in Crores

Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Expected receipts of lease payments	0.76	0.81	0.84	0.28	2.69

5.18 Expenditure on Corporate social responsibility ("CSR") activities

a.

₹ in Crores

Sr. No.	Particulars	2021-2022	2020-2021
1	Gross amount required to be spent by the Company during the year	5.29	5.16
2	Amount approved by the board to be spent during the year	5.29	5.16
3	Amount spent during the year on :		

Notes to the Financial Statements

₹ in Crores

Sr. No.	Particulars	2021-2022	2020-2021
	(i) Construction/Acquisition of any asset	-	-
	(ii) On purpose other than (i) above	5.29	5.16
4	The amount of shortfall at the end of the year out of the amount required to be spent by the Company during the year	-	-
5	The total of previous years' shortfall amounts	-	-
6	The reason for above shortfalls	NA	NA
7	The nature of CSR activities undertaken by the Company	Refer Note c below	Refer Note c below
8	Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year	-	-

b No transaction have taken place during the year related to CSR expenditure with the trust/society/section 8 company which is controlled by related party of the company as defined in Ind AS 24 "Related Party Disclosure".

c The Company has undertaken CSR activities relating to Promoting Education, Rural Development, Livelihood enhancement and Preventive health care and sanitation.

5.19 Employee stock option plans (ESOP)

Company provides share based employee benefits to the employees of the Company and its subsidiaries. The relevant details of the schemes and the grant are as below :

Description of share-based payment arrangements

As at 31 March 2022, the Company has the following share based payment arrangements -

KOEL ESOP 2019 - Share option plans (equity settled)

According to the Scheme, the employee selected by the Nomination and Remuneration Committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The Option may be exercised within a specified period.

The Employees Stock Option Plan 2019 – (KOEL ESOP 2019) was approved by the shareholders of the Company in Annual General Meeting conducted on 9 August 2019 for issue of maximum 14,00,000 options representing 14,00,000 Equity shares of ₹ 2 each. Pursuant to the said approvals and authority delegated by the Board and Shareholders of the Company, the Nomination and Remuneration Committee of the Board of Directors of the Company in its meeting held on 5 March 2021 had approved the grant of 9,40,000 employee stock options ("Options") to eligible employees of the Company. Each option shall carry the right to be issued one fully paid up equity share of ₹ 2/- each.

The Members of the Company at the Annual General Meeting of Kirloskar Oil Engines Limited held on 12 August 2021, passed a resolution amending the Kirloskar Oil Engines Limited – Employee Stock Option Plan 2019 in terms of coverage of the KOEL ESOP 2019 to the eligible employees of its subsidiary company, in or out of India except such subsidiary company(ies) which are formed and engaged in financial service business.

Further during the year, the Nomination and Remuneration Committee of the Board of Directors of the Company in its meeting held on 27 October 2021 has approved the grant of 50,000 employee stock options to the eligible employees of Subsidiary viz. La-Gajjar Machineries Private Limited in terms of 'Kirloskar Oil Engines Limited - Employee Stock Option Plan 2019 - Amended ("KOEL ESOP 2019") and the special resolutions passed by the Members of the Company at the Annual General Meetings held on 9 August 2019 and 12 August 2021. Each option shall carry the right to be issued one fully paid up equity share of ₹ 2/- each.

Notes to the Financial Statements

a. **Details of the ESOP**

Particulars	KOEL ESOP 2019	
	KOEL Employees	LGM Employees
Date of Grants	5 March 2021	27 October 2021
Vesting Requirements	Vest not earlier than one year and not later than four years from the date of Grant of such Options.	Vest not earlier than one year and not later than four years from the date of Grant of such Options.
Maximum term of Options granted (years)	The Employee stock options granted shall be capable of being exercised within a period being not more than two years from the date of vesting	The Employee stock options granted shall be capable of being exercised within a period being not more than two years from the date of vesting
Method of Settlement	Equity	Equity
Method used for accounting of Options	Fair value method	Fair value method

b. **Employee Stock Option Plan**

Grant date	Exercise Price	Options granted as at the grant date	Options vested and exercisable as at 31 March 2022	Options unvested as at 31 March 2022	Options exercised and alloted during the year	Options exercised and pending allotment during the year	Options cancelled during the year	Options outstanding as at 31 March 2022
5 March 2021	103.14	9,40,000	1,99,544	5,18,498	-	1,571	2,20,387	7,18,042
27 October 2021	128.88	50,000	-	45,300	-	-	4,700	45,300
Total		9,90,000	1,99,544	5,63,798	-	1,571	2,25,087	7,63,342

c. **Option Movement during the year ended 31 March 2022 and 31 March 2021**

Grant dated 5 March 2021	31 March 2022			31 March 2021		
Particulars	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	9,40,000	103.14	4.44	-	103.14	NA
Granted during the year	-		NA	9,40,000		4.44
Forfeited/Lapsed during the year	2,20,387		NA	-		NA
Exercised and alloted	-		NA	-		NA
Exercised and pending allotment	1,571		NA	-		NA
Outstanding at the end of the year	7,18,042		3.36	9,40,000		4.44
Exercisable at the end of the year	1,99,544		1.93	-		NA

Grant dated 27 October 2021	31 March 2022			31 March 2021		
Particulars	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	-	128.88	NA	-	-	-
Granted during the year	50,000		4.50	-		-
Forfeited/Lapsed during the year	4,700		NA	-		-
Exercised during the year	-		NA	-		-
Outstanding at the end of the year	45,300		4.08	-		-
Exercisable at the end of the year	-		NA	-		-

d. **Significant assumptions used to estimate the fair value of options:**

Variables	KOEL Employees	LGM Employees
1. Risk free interest rate	5.22%	5.16%
2. Expected life (in years)	3.44	3.50
3. Expected volatility	37.85%	39.66%
4. Dividend yield	1.88%	2%
5. Price of the underlying share in market at the time of the option grant (₹)	171.90	214.80
6. Model used	Black Scholes	Black Scholes

Notes to the Financial Statements

e. Options vested but not exercised

Number of options

Grant Date	31 March 2022	31 March 2021
5 March 2021	1,99,544	-
27 October 2021	-	-

f. Weighted average remaining contractual life of outstanding options (in years)

Particulars	KOEL Employees	LGM Employees
The weighted average contractual life of Options outstanding as on 31 March 2022	3.36	4.08
The weighted average contractual life of Options exercisable as on 31 March 2022	1.93	NA

g. Effect of share based payment transactions on the entity's financial statements :

₹ in Crores

Particulars	31 March 2022	31 March 2021
Share based payment to employees	2.96	0.29
Total ESOP reserve outstanding at the end of the year	3.35	0.29

Note : For the options granted to employees of subsidiary company, the Company has recovered the cost from the Subsidiary Company.

5.20 Research and Development ("R&D") expenditure eligible for deduction under section 35(2AB) of Income Tax Act, 1961

The Company has adopted a new tax ordinance under section 115BAA during financial year 2019-20. Since provisions of section 115BAA of the Income Tax Act, 1961 are applicable , the company is not entitled to avail weighted deduction u/s 35(2AB) of the Income Tax Act, 1961, for Financial Year 2021-2022.

Thus the Company will not avail weighted deduction benefit on in-house R&D expenditure for financial year 2021-2022 . However, the Company will continue to maintain a separate set of books for in-house R & D activities.

5.21 During the previous year 2020-2021, the Board of Directors of the Company had given consent to grant unsecured short term loan to Arka Fincap Limited (AFL - a wholly owned subsidiary company) of upto ₹ 25 Crores for a period not exceeding 90 days for each occassion upto 31 March 2021 at interest rate based on 200 basis above Repo rate prevailing at the time of drawdown of the demand loan. Accordingly, the total amount of ₹ 40 Crores loan granted to AFL (including 2 occasions) at Interest Rate based on 200 basis above Repo rate prevailing at the time of drawdown, which was repaid as on 31 March 2021.

42 (Net Debt)/Surplus reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2022 and 31 March 2021

₹ in Crores

Particulars	31 March 2022	31 March 2021
Cash and cash equivalents	20.36	17.28
Non-current borrowings	(34.17)	-
Current borrowings	(62.60)	(77.68)
(Net Debt)/Surplus	(76.41)	(60.40)

₹ in Crores

Particulars	Other assets	Liabilities from financing activity		Total
	Cash and cash equivalents	Non-current borrowings	Current borrowings	
(Net Debt)/Surplus as on 31 March 2021	17.28	-	(77.68)	(60.40)
Cash Inflow/(outflow)	3.08	(34.17)	15.08	(16.01)
(Net Debt)/Surplus as on 31 March 2022	20.36	(34.17)	(62.60)	(76.41)

Notes to the Financial Statements

43 Salient features of the financial statements of subsidiary for the year ended 31 March 2022

Form AOC-1

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

₹ in Crores

Sr No	Particulars	Kirloskar Americas Corporation (Formerly known as KOEL Americas Corp.)	*La-Gajjar Machineries Private Limited	**Arka Fincap Limited (AFL)	***Arka Financial Holdings Private Limited (AFHPL)
a.	The date since when subsidiary was Acquired / Incorporated	23 June 2015	1 August 2017	20 April 2018	13 July 2021
b.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	N A	N A	N A	N A
c.	Reporting currency as on the last date of the relevant financial year in the case of foreign subsidiaries	USD	INR	INR	INR
d.	Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	75.79	-	-	-
e.	Share capital	1.59	1.08	759.86	837.00
f.	Reserves and surplus	5.51	73.66	76.97	(2.61)
g.	Total assets	20.69	301.81	2,627.00	834.70
h.	Total liabilities	13.59	227.07	1,790.17	0.31
i.	Investments	-	5.00	161.84	833.96
j.	Turnover	30.27	562.57	201.73	0.00
k.	Profit / (Loss) before tax	2.39	(6.51)	44.09	(3.27)
l.	Provision for tax	0.39	(1.27)	11.57	(0.70)
m.	Profit / (Loss) after tax	2.00	(5.24)	32.52	(2.57)
n.	Proposed dividend	-	-	-	-
o.	% of shareholding	100%	76%	99.998%	100%

* La-Gajjar Machineries Private Limited (LGM) includes Optiqua Pipes and Electricals Private Limited (OPEPL), Ahmedabad (wholly owned subsidiary of LGM) w.e.f. 19 February 2021 and share of profit of ESVA Pumps India Private Limited (ESVA), Coimbatore (joint venture of Optiqua Pipes and Electricals Private Limited) w.e.f. 4 October 2021

** Arka Fincap Limited, Mumbai (a subsidiary upto 3 March 2022 and therafter a step down subsidiary w.e.f 4 March 2022).

***AFHPL includes "Arka Investment Advisory Services Private Limited" (AIASPL) (wholly owned subsidiary of the AFHPL) w.e.f. 30 March 2022 which is yet to commence operations

44 Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder is as follows:

Subsidiary Company

a. Kirloskar Americas Corporation

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

There are no loans and advances in the nature of loans.

b. La-Gajjar Machineries Private Limited (including its subsidiary i.e OPEPL and joint venture of OPEPL i.e ESVA)

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

There are no loans and advances in the nature of loans.

Notes to the Financial Statements

c. **Arka Financial Holdings Private Limited (including its subsidiary AFL w.e.f. 4 March 2022 and AIASPL w.e.f. 30 March 2022)**

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

There are no loans and advances in the nature of loans.

d. **Arka Fincap Limited (upto 3 March 2022)**

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

There are no loans and advances in the nature of loans.

45 Relationship with Struck off companies

The Company did not enter into any transaction with Companies strucked off from Registrars of Companies (ROC) records for the period ended 31 March 2022 except as reported below -

Amount in ₹

Name of the struck off company	Nature of transactions with struck off company	Transactions during the year	Balance outstanding* as at 31 March 2022	Relationship with struck off company
Alike Trading Private Limited	Shares held	-	60	Shareholder
	Others - Dividend paid/unpaid	107	188	Shareholder
Chirayu Securities Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/unpaid	47	552	Shareholder
Dhruva Finance & Investments Private Limited	Shares held	-	912	Shareholder
	Others - Dividend paid/unpaid	1,459	15,230	Shareholder
Dreams Broking Private Limited	Shares held	-	600	Shareholder
	Others - Dividend paid/unpaid	1,080	-	Shareholder
Eshan Financial Services Private Limited	Shares held**	10,000	10,000	Shareholder
Excalibur Securities & Finance Trust Private Ltd	Shares held	-	364	Shareholder
	Others - Dividend paid/unpaid	582	6,183	Shareholder
Gunti & Company Private Limited	Shares held	-	90	Shareholder
	Others - Dividend paid/unpaid	143	827	Shareholder
Highlands Garments Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/unpaid	53	-	Shareholder
Kothari Intergroup Limited	Shares held	-	2	Shareholder
	Others - Dividend paid/unpaid	2	14	Shareholder
Mahila Credit And Investment Company Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/unpaid	53	-	Shareholder
Purvaj Advisors Private Limited	Shares held**	(7,29,116)	15,51,246	Shareholder
	Others - Dividend paid/unpaid	27,92,242	-	Shareholder
Pushap Capital & Securities Private Limited	Shares held	-	120	Shareholder
	Others - Dividend paid/unpaid	192	654	Shareholder
Shyam Computers Private Limited	Shares held	-	122	Shareholder
	Others - Dividend paid/unpaid	218	-	Shareholder
Twisha Consultants Private Limited	Shares held**	58	58	Shareholder
	Others - Dividend paid/unpaid	39	-	Shareholder
Total		**20,77,159**	**15,87,311**	

* Balance outstanding represents face value of the shares held and unpaid dividend thereupon.
** Shares purchase/(sold) represented at face value

46 Disclosures for investments and transactions through/ as an intermediary:

(a) 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 persons or entities, 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 to or on behalf of the Ultimate Beneficiaries except investments of ₹ 837 crores in equity share capital of Arka Financial Holdings Private Limited (AFHPL - a wholly owned subsidiary of the Company) and investment by AFHPL in equity share capital of ₹ 833.96 crores in Arka Fincap Limited (AFL - a step down subsidiary of the Company), subsequent to purchase of all equity shares of AFL from the Company by AFHPL at consideration of ₹ 753.96 crores (refer note 39).

(b) No funds have been received by the Company from any persons or entities, 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.

47 Ratios

Sr. No.	Ratios	Formulas	31 March 2022	31 March 2021	% Variance	Reason for variance - ratio exceeding 25%
1	Current Ratio	Current Assets / Current Liabilities	1.81	1.73	5%	NA
2	Debt-Equity Ratio	Total Debt / Shareholder's Equity	0.05	0.04	14%	NA
3	Debt Service Coverage Ratio	Earnings available for debt service / Debt service	4.17	2.97	40%	Improvement due to increase in earnings coupled with reduction in debt
4	Return on Equity Ratio	Net profits after taxes / Average Shareholder's Equity	10.09%	8.90%	13%	NA
5	Inventory turnover ratio	Cost of goods sold / Average Inventory	8.06	6.16	31%	During current year, sales have increased while average inventory maintained at same level resulting in the improvement.
6	Trade Receivables turnover ratio	Net credit Sales / Average accounts Receivable	8.71	7.41	17%	NA
7	Trade Payables turnover ratio	Net credit Purchases / Average trade Payable	4.59	4.01	15%	NA
8	Net capital turnover ratio	Net Sales / Working Capital	5.40	4.70	15%	NA
9	Net profit ratio	Net Profit / Net Sales	6.37%	6.37%	0%	NA
10	Return on Capital employed	Earning before Interest & Tax (PBIT) / Capital Employed	12.44%	11.97%	4%	NA
11	Return on investment	Income generated from invested funds / average funds invested in treasury investment	3.5%	3.3%	6%	NA

Notes to the Financial Statements

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

Signatures to Note 1 to 48 forming part of the Financial Statements.

As per our attached report of even date

FOR G. D. APTE & CO.
Chartered Accountants
Firm Registration Number : 100515W

C. M. DIXIT
Partner
Membership Number : 017532
Pune: 19 May 2022

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

M. LAKSHMINARAYAN
Independent Director
DIN: 00064750

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune: 19 May 2022

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Consolidated Financial Statements

Independent Auditor's Report

To The Members of Kirloskar Oil Engines Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying Consolidated Financial Statements of Kirloskar Oil Engines Limited (hereinafter referred to as the "Holding Company") and its subsidiaries including the joint venture of its subsidiary (the Holding Company and its subsidiaries together referred to as "the Group") which comprise the consolidated Balance Sheet as at March 31, 2022 the consolidated Statement of Profit and Loss, the consolidated statement of Changes in Equity and the consolidated statement of Cash Flows for the year then ended, and notes to the consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements of the subsidiaries, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2022 its consolidated profit, consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit of consolidated financial statements in accordance with the Standards on Auditing (SAs) as specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the consolidated financial statements' section of our report. We are independent of the Group 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 consolidated Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial Statements.

Key Audit Matters

Key audit matters are those matters that in our professional judgment and based on the consideration of the reports of the other auditors on consolidated financial statements and on the other financial information of the subsidiaries were of most significance in our audit of the financial statements for the year ended March 31, 2022. These matters were addressed in the context of our audit of the consolidated 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-

Sr. No.	Key audit matter	How our audit addressed the key audit matter
1.	**Revenue Recognition:** During the financial year the Group has recognised revenue from contracts with customers for sale of goods and services of ₹ 3,777.23 Crores (Refer Note 33 of consolidated financial statements). We have identified revenue recognition as a key audit matter since it involves significant management judgement and estimates including whether contracts contain multiple performance obligations which should be accounted for separately. This comprises allocation of the transaction price to each performance obligation and assessing whether the identified performance obligations are satisfied at a point in time or satisfied over a period of time and determining when the control is transferred.	Our audit procedures to address this key audit matter included, but were not limited to the following: • Obtained an understanding and assessed internal controls and its effectiveness with regards to recognition of revenue. • Analysed major streams of revenue of Group to assess whether the method of revenue recognition is consistent with 'Ind AS 115, Revenue from contracts with customers' and has been applied consistently. • Focused on contract classification, determination of the performance obligations and determination of transaction price including variable consideration for selected samples. • Tested on sample basis whether revenue transactions near to the reporting date have been recognized in the appropriate period based on terms of the contract. • Evaluated and critically analysed on sample basis, the significant judgements and estimates made by the management in applying the accounting policy for allocation of transaction price and the timing of transfer of control. • Analysed the report/information received from independent auditor/management in case of the subsidiaries which we have not audited. • Critically analysed the adequacy and appropriateness of disclosures required as per 'Ind AS 115, Revenue from Contracts with Customers'. • Our audit procedures did not reveal any significant adjustments with respect to revenue recognition
2.	**Testing of impairment of Goodwill** The Group carries goodwill of ₹ 185.76 Crores resulting from business acquisition of the subsidiary La- Gajjar Machineries Private Limited. The Group tests goodwill for impairment annually as per requirement of 'Ind AS 36, Impairment of Assets' which involves significant estimates and judgements. Due to inherent uncertainties involved in forecasting of cash flows, which are the basis of the assessment of recoverability of goodwill, this is one of the key judgmental areas. We have identified this as a key audit matter due to the significance of the amount of goodwill to the Group's financial statements and significant estimates and judgements involved in impairment testing.	Our audit procedures to address this key audit matter included, but were not limited to the following: • Obtaining and understanding of the management process and evaluating the design and testing operating effectiveness of controls over identification of impairment indicators and process followed by the management for impairment testing • Obtained an understanding of Group's evaluation of identification of cash generating units and allocation of goodwill to the respective cash generating units. • Evaluated the underlying key assumptions in estimating projections including future cash flows. • Evaluated reasonableness of assumptions and methodologies used by the Group and external experts appointed by the Group. • Analyzed external valuation reports, obtained by the Group for its impairment assessment. • Assessed the sensitivity of the outcome of impairment assessment to changes in key assumptions. • Critically analyzed the adequacy and appropriateness of disclosures required as per Ind AS 36- Impairment of Assets. • Our audit procedures did not reveal any significant adjustments with respect to testing of goodwill impairment.

The following Key Audit Matters were included in the audit report dated April 26, 2022, containing an unmodified audit opinion on the separate financial statements of Arka Fincap Limited, a subsidiary of the Holding Company issued by other auditors, reproduced by us as under:

Sr. No.	Key audit matter	How our audit addressed the key audit matter
1.	**Impairment of loans and advances, including off-balance sheet elements** Under 'Ind AS 109, Financial Instruments', allowance for loan losses are determined using expected credit loss (ECL) estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates. Refer to the accounting policies on Impairment of Financial Assets and Critical Accounting Estimates. Charge for the year: INR 557.61 lakhs	**Our audit procedures to address this key audit matter included, but were not limited to the following:** • Evaluated the design and implementation of key internal controls over loan impairment process • Evaluated the appropriateness of the impairment principles based on the requirements of IND AS • Validating completeness and accuracy of the data and reasonableness of assumptions used in the model

Sr. No.	Key audit matter	How our audit addressed the key audit matter
	Provision as on 31' March 2022: INR 921.23 lakhs We have considered the impairment of loans and advances as Key Audit Matter considering significant judgement, higher estimation uncertainty, limited historical data and potential range of reasonable outcomes greater than the materiality. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company's estimation of ECLs are data inputs, model estimations which involves determining Probabilities of Default (PD) and Loss given Default (LCD) based on historical data and determining impact of forward looking economic scenarios.	• Evaluating the appropriateness of Management's Judgements applied in the model • Performed test of details over calculation of impairment allowance for assessing the completeness accuracy and relevance of data • Ensuring the compliance w.r.t provisioning requirements as per RBI Master Directions • Ensure presentation and disclosure

The following Key Audit Matters were included in the audit report dated May 7, 2022, containing an unmodified audit opinion on the separate financial statements of La Gajjar Machineries Private Limited, a subsidiary of the Holding Company issued by other auditors, reproduced by us as under:

Sr. No.	Key audit matter	How our audit addressed the key audit matter
	Revenue Recognition During the financial year the group has recognised revenue from contracts with customers for sale of goods and services of ₹ 56,257.45 Lakhs. We have identified revenue recognition as a key audit matter since it involves significant management judgement and estimates including whether contracts contain multiple performance obligations which should be accounted for separately. This comprises allocation of the transaction price to each performance obligation and assessing whether the identified performance obligations are satisfied at a point in time and determining when the control is transferred.	**Our audit procedures to address this key audit matter included, but were not limited to the following:** • Obtained an understanding and assessed internal controls and its effectiveness with regards to recognition of revenue. • Analysed major streams of revenue of company to assess whether the method of revenue recognition is consistent with IND AS 115 and has been applied consistently. • Focused on contract classification, determination of the performance obligations and determination of transaction price including variable consideration for selected samples. • Tested on sample basis whether revenue transactions near to the reporting date have been recognised in the appropriate period based on terms of the contract. • Evaluated and critically analysed on sample basis, the significant judgements and estimates made by the management in applying the accounting policy for allocation of transaction price and the timing of transfer of control. • Critically analysed the adequacy and appropriateness of disclosures required as per Ind AS 115- Revenue from Contracts with Customers.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Corporate Governance and Report of the Directors, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance, the consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Board of Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated 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 consolidated 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 Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to consolidated financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group 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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the Financial Statement of such entity included in the consolidated Financial Statements of which we are the independent auditors. For the other entity included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entity included in the consolidated financial statements of which we are the independent auditors 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 consolidated financial statements for the financial year ended March 31, 2022 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.

Other Matters

1. We did not audit the financial statements of two subsidiaries whose financial statements, before consolidation adjustments, reflect Group's share of total assets of ₹ 2,928.05 Crores as at March 31, 2022 Group's share of total revenue of ₹ 763.82 Crores, Group's share of net profit after tax of ₹ 27.28 Crores and net cash flows amounting to ₹ (94.54) Crores for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors, which along with auditors' reports thereon have been furnished to us by the Management, and our opinion on the consolidated Financial Statements in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries is based solely on the report of the other auditors.

2. We did not audit the financial statements of two subsidiaries whose financial statements, before consolidation adjustments, reflect total assets of ₹ 20.69 Crores as at March 31, 2022 total revenue of ₹ 30.27 Crores, net profit of ₹ 2 Crores and net cash flows amounting to ₹ (1.68) Crores for the year ended on that date, as considered in the consolidated financial statements. These financial statements are unaudited and have been furnished to us by the Management, and our opinion on the consolidated financial statements in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

3. The consolidated financial statements of the group for the year ended March 31, 2021 were audited by the predecessor auditors P G Bhagwat LLP, Chartered Accountants who expressed an unmodified opinion on those statements vide their audit report dated May 13, 2021.

Our opinion on the consolidated Financial Statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the report of the other auditors and predecessor auditor and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on the separate financial statements and the other financial information of subsidiaries as noted in the 'Other Matters' paragraph we report to the extent applicable that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

   b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditors.

   c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

   d. In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read the Companies (Indian Accounting Standards) Rules, 2015, as amended.

   e. On the basis of the written representations received from the directors of the Holding Company as on 31 March 2022 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiaries, incorporated in India, none of the directors of the Group companies is disqualified as on 31 March 2022 from being appointed as a director in terms of Section 164(2) of the Act.

   f. With respect to the adequacy of the internal financial controls with reference to Consolidated financial statements of the Holding Company and its Subsidiaries incorporated in India and the operating effectiveness of such controls, refer our separate Report in "Annexure A".

   g. In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the holding company to its directors during the year is in accordance with the provisions of section 197 of the Act.

   h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other Matters' paragraph:

      i. The consolidated financial statements disclose the impact, of pending litigations as at 31 March 2022 on the consolidated financial position of the Group, refer Note 44.6.1 to the consolidated financial statements;

      ii. The Group has made provision for material foreseeable losses on long term contracts – Refer Note 32 to the consolidated financial statements. Further, the Group did not have any long-term derivative contracts as at 31 March 2022.

      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiaries incorporated in India during the year ended 31 March 2022.

      iv. The management has represented that to the best of its knowledge or 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 Group 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 Group (ultimate beneficiaries) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

      v. The management has represented that to the best of its knowledge or belief, no funds have been received by the Group from any other person(s) or entity(ies) including foreign entities (funding parties) with the understanding, whether recorded in writing or otherwise, that the Group 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;

      vi. Based on the audit procedures considered reasonable and appropriate in the circumstances carried out by us, nothing has come to our notice that has caused us to believe that the representation under clause (iv) & (v) contain any material misstatements.

      vii. The dividend declared and paid during the year by the holding company is in compliance with section 123 of the Act. We further report that, none of the subsidiaries and the joint venture companies have declared or paid any dividend during the year.

   i. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor's Report) Order, 2020 (the "Order"/ "CARO") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's report, according to the information and explanations given to us, and based on the CARO reports issued by us for the holding Company and a subsidiary and by other auditors of its subsidiaries incorporated in India included in the consolidated financial statements of the Group, to which reporting under CARO is applicable, we report that there are no qualifications or adverse remarks in these CARO reports. However, auditors of one of the subsidiaries viz. La-Gajjar Machineries Private Limited, have drawn attention to the management reported disclosures in Clause No. 3(ii)(b).

For G. D. Apte & Co.
Chartered Accountants
Firm Registration Number: 100515W
UDIN: 22017532AJFUPT1663

C. M. Dixit
Partner
Membership Number: 017532
Pune, May 19, 2022

Annexure A

to the Independent Auditor's Report of even date on the Consolidated Financial Statements of Kirloskar Oil Engines Limited.

Report on the Internal Financial Controls with reference to Consolidated Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of Kirloskar Oil Engines Limited (hereinafter referred to as the "Holding Company") as of and for the year ended 31 March 2022, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiaries incorporated in India are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements of the Holding company and its subsidiaries incorporated in India based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their report referred to in 'Other Matters' paragraph below, in respect of Holding company and its subsidiary companies incorporated in India, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to Consolidated financial statements.

Meaning of Internal Financial Controls over financial reporting with reference to consolidated financial statements

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

Inherent Limitations of Internal Financial Controls over financial reporting with reference to consolidated financial statements

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

Opinion

In our opinion, the Holding company and its subsidiaries incorporated in India, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2022, based on the internal control over financial reporting criteria established by the respective Companies 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.

Other Matter

Our report under Section 143 (3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements of the Holding Company, insofar as it relates to its subsidiaries incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries incorporated in India.

For G. D. Apte & Co.
Chartered Accountants
Firm Registration Number: 100515W
UDIN: 22017532AJFUPT1663

C. M. Dixit
Partner
Membership Number: 017532
Pune, May 19, 2022

Consolidated Balance Sheet as at 31 March 2022

₹ in Crores

Particulars	Note No.	As at 31 March 2022	As at 31 March 2021
ASSETS			
I. Non-current assets		2,276.82	1,508.10
(a) Property, plant and equipment	1a	422.33	387.86
(b) Capital work-in-progress	1a	23.95	31.65
(c) Right-of-use assets	1b	20.13	23.72
(d) Goodwill	2	185.76	184.50
(e) Other intangible assets	2	93.22	102.19
(f) Intangible assets under development	2	18.84	23.20
(g) Financial assets			
(i) Investments	3	82.98	47.90
(ii) Loans and Receivables of Financial Service Business	4	1,342.03	614.49
(iii) Loans	5	0.17	0.22
(iv) Other financial assets	6	31.96	45.68
(h) Deferred tax assets (net)	25 (a)	9.24	4.04
(i) Income tax assets (net)	7	42.96	36.46
(j) Other non-current assets	8	3.25	6.19
II. Current assets		2,753.59	2,292.64
(a) Inventories	9	388.05	379.47
(b) Financial assets			
(i) Investments	10	654.93	785.68
(ii) Trade receivables	11	468.77	438.57
(iii) Cash and cash equivalents	12a	152.95	246.05
(iv) Bank balances other than (iii) above	12b	21.09	12.13
(v) Loans and Receivables of Financial Service Business	13	956.64	291.87
(vi) Loans	14	0.16	0.11
(vii) Other financial assets	15	42.84	54.68
(c) Assets held for sale	16	-	-
(d) Current tax assets (net)	17	3.90	0.93
(e) Other current assets	18	64.26	83.15
Total Assets		5,030.41	3,800.74
EQUITY AND LIABILITIES			
Equity		2,081.69	1,922.14
(a) Equity share capital	19	28.92	28.92
(b) Other equity	20	2,052.75	1,893.22
(c) Non-controlling interests		0.02	-
Liabilities			
I. Non-current liabilities		1,166.09	626.19
(a) Financial liabilities			
(i) Borrowings	21	1,065.83	416.99
(ii) Lease liabilities	22	3.35	6.89
(iii) Other financial liabilities	23	17.18	133.03
(b) Provisions	24	41.14	30.78
(c) Deferred tax liabilities (net)	25 (b)	17.78	19.37
(d) Other non-current liabilities	26	20.81	19.13

Consolidated Balance Sheet as at 31 March 2022

₹ in Crores

Particulars	Note No.	As at 31 March 2022	As at 31 March 2021
II.Current liabilities		1,782.63	1,252.41
(a) Financial liabilities			
(i) Borrowings	27	890.30	420.80
(ii) Lease liabilities	28	5.18	3.87
(iii) Trade and other payables	29		
a) total outstanding dues of micro enterprises and small enterprises		133.16	133.50
b) total outstanding dues of creditors other than micro enterprises and small enterprises		442.68	460.70
(iv) Other financial liabilities	30	157.21	98.47
(b) Other current liabilities	31	74.84	61.61
(c) Provisions	32	79.26	73.46
Total Equity and Liabilities		5,030.41	3,800.74
Significant accounting policies	44		
The accompanying notes are an integral part of the financial statements.			

As per our attached report of even date

FOR G. D. APTE & CO.
Chartered Accountants
Firm Registration Number : 100515W

C. M. DIXIT
Partner
Membership Number : 017532
Pune: 19 May 2022

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

M. LAKSHMINARAYAN
Independent Director
DIN: 00064750

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune: 19 May 2022

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Consolidated Statement of Profit and Loss

for the year ended 31 March 2022

₹ in Crores

Particulars	Note No.	2021-2022	2020-2021
Income			
Revenue from operations	33	4,021.98	3296.10
Other income	34	26.73	25.35
Total Income		4,048.71	3321.45
Expenses			
Cost of raw materials and components consumed	35	1,885.15	1432.09
Purchase of traded goods	36	744.90	567.45
Changes in inventories of finished goods, work-in-progress and traded goods	37	7.59	50.46
Employee benefits expense	38	285.57	257.40
Finance costs	39	106.03	50.12
Depreciation and amortisation expense	40	101.29	83.98
Other Expenses	41	700.53	611.84
Expenses capitalised		(13.91)	(9.94)
Total expenses		3,817.15	3043.40
Profit before share of profit/(loss) of joint venture, exceptional items and tax		231.56	278.05
Share of net profit/(loss) of joint venture accounted for using the equity method		0.32	0.00
Profit before exceptional items and tax		231.88	278.05
Exceptional Items [income/(expense)]	42	–	(8.37)
Profit before tax		231.88	269.68
Tax expense		61.01	72.28
Current tax	43	69.26	70.53
(Excess)/short provision related to earlier years		–	0.09
Deferred tax	43	(8.25)	1.66
Profit for the year		170.87	197.40
Other Comprehensive Income			
A. Items that will be reclassified to profit or loss in subsequent periods			
Exchange differences in translating the financial statements of a foreign operation	20	0.01	0.04
Income tax effect (expenses)/income on above		0.00	0.00
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods (A)		0.01	0.04
B. Items that will not be reclassified to profit or loss in subsequent periods		3.16	4.69
Re-measurement gain / (loss) on defined benefit plans		0.36	6.22
Income tax (expenses)/income on above		(0.09)	(1.57)
Subtotal(a)		0.27	4.65
Net gain / (loss) on equity instruments measured at FVOCI		3.75	0.05
Income tax (expenses)/income on above		(0.86)	(0.01)
Subtotal(b)		2.89	0.04
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods (B) = (a)+(b)		3.16	4.69
Total other comprehensive income/(loss) for the year, net of tax [A+B]		3.17	4.73
Total comprehensive income/(loss) for the year		174.04	202.13

Consolidated Statement of Profit and Loss

for the year ended 31 March 2022

₹ in Crores

Particulars	Note No.	2021-2022	2020-2021
Profit for the year attributable to:			
Owners of the Company		174.52	194.96
Non-controlling interest		(3.65)	2.44
		170.87	197.40
Other comprehensive income/(loss) attributable to:			
Owners of the Company		3.15	4.72
Non-controlling interest		0.02	0.01
		3.17	4.73
Total comprehensive income/(loss) attributable to:			
Owners of the Company		177.67	199.68
Non-controlling interest		(3.63)	2.45
		174.04	202.13
Earnings per equity share [nominal value per share ₹2/- (31 March 2021: ₹ 2/-)]			
Basic		12.07	13.48
Diluted		12.03	13.48
Significant accounting policies	44		
The accompanying notes are an integral part of the financial statements.			

As per our attached report of even date

FOR G. D. APTE & CO.
Chartered Accountants
Firm Registration Number : 100515W

C. M. DIXIT
Partner
Membership Number : 017532
Pune: 19 May 2022

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

M. LAKSHMINARAYAN
Independent Director
DIN: 00064750

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune: 19 May 2022

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Statement of Consolidated Cash Flow

for the year ended 31 March 2022

₹ in Crores

Particulars	2021-2022	2020-2021
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	231.88	**269.68**
Adjustments :		
Add:		
Finance costs	106.03	34.72
Depreciation and amortisation expense	101.29	83.98
Share based compensation to employees	4.01	2.56
Impairment loss allowance (net)	3.19	2.21
Bad debts and irrecoverable balances written off	2.18	2.38
Unrealised foreign exchange loss	–	1.18
	216.70	**127.03**
Less:		
Gain /(loss) on sale of investments measured at FVTPL (net)	13.69	12.59
Interest received on financial instruments and deposit with banks	10.32	24.70
Gain/ (loss) on fair valuation of investments measured at FVTPL (net)	7.68	1.13
Provisions no longer required written back	5.71	3.73
(Write down) / reversal in write down of inventories	3.11	(0.50)
Unwinding of security deposit & subsidy receivable under PSI Scheme	2.06	1.48
Interest income	1.21	4.12
Profit/(loss) on reinstatement on receivables/payables	1.11	1.97
Gain/ (loss) on disposal of property, plant and equipment (net)	0.91	0.13
Sundry credit balances written back	0.35	0.55
Share of net profit of joint venture	0.32	–
Revenue from deferred Export Promotion Capital Goods (EPCG) Scheme	0.14	0.41
Dividend income	0.00	0.00
	46.61	**50.31**
Operating profit before working capital changes	401.97	**346.40**
Working Capital Adjustments		
(Increase) / Decrease in loans and receivables of financial service business	(1,397.90)	(546.68)
(Increase) / Decrease in government grant receivables (PSI Scheme)	24.99	21.21
Increase / (Decrease) in provisions	17.91	5.48
(Increase) / Decrease in trade and other receivables	11.49	9.34
Increase / (Decrease) in trade and other payables	(14.94)	168.77
(Increase) / Decrease in inventories	(5.47)	25.80
	(1,363.92)	**(316.08)**
Net Cash generated from operations	(961.95)	**30.32**
Direct taxes paid (net of refunds)	(78.74)	(46.26)
NET CASH (USED IN) OPERATING ACTIVITIES	(1,040.69)	**(15.94)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(125.60)	(105.49)
(Investment made)/ proceeds from sale of investments (net)	121.13	(362.50)
Interest received on financials instruments and fixed deposits	10.40	1.76
Investment in fixed deposits	(10.05)	–
Proceeds from sale of property, plant and equipment and intangible assets including advances	1.19	1.02
Dividend received	0.00	0.00
NET CASH (USED IN) INVESTING ACTIVITIES	(2.93)	**(465.21)**

Statement of Consolidated Cash Flow

for the year ended 31 March 2022

₹ in Crores

Particulars	2021-2022	2020-2021
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds /(Repayment) of borrowings and bill discounting (net)	1,113.12	653.62
Finance costs	(99.21)	(27.55)
Final and interim dividend paid	(57.84)	(21.69)
Payment for lease liabilities	(5.46)	(5.43)
Share issuance expenses of a subsidiary	(0.17)	–
Proceeds from exercise of share based payment options in a subsidiary	0.02	–
Share application money pending allotment	0.02	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	950.48	**598.95**
Net increase / (decrease) in Cash and cash equivalents	(93.14)	**117.80**
Opening Cash and cash equivalents	246.05	**128.34**
Effect of foreign exchange on Cash and cash equivalents	0.04	(0.09)
Closing Cash and cash equivalents (Refer Note 11a)	152.95	**246.05**

Notes:

i. The above Cash Flow Statement has been prepared under the indirect method set out in Indian Accounting Standard (Ind AS) 7, 'Statement of Cash Flows' as specified in the Companies (Indian Accounting Standards) Rules, 2015

ii. All figures in brackets indicate cash outflow.

iii. Also refer Note 45.

As per our attached report of even date

FOR G. D. APTE & CO.
Chartered Accountants
Firm Registration Number : 100515W

C. M. DIXIT
Partner
Membership Number : 017532
Pune: 19 May 2022

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune: 19 May 2022

M. LAKSHMINARAYAN
Independent Director
DIN: 00064750

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Consolidated Statement of Changes in Equity for the year ended 31 March 2022

A. Equity Share Capital (Refer Note 19)

₹ in Crores

Equity Shares of ₹ 2 each issued, subscribed and fully paid	No. of shares	Amount
As at 1 April 2020	14,46,14,326	28.92
Changes due to prior period errors	–	–
Restated balance as at 1 April 2020	14,46,14,326	28.92
Issue/Reduction, if any during the year	–	–
As at 31 March 2021	14,46,14,326	28.92
Changes due to prior period errors	–	–
Restated balance as at 1 April 2021	14,46,14,326	28.92
Issue/Reduction, if any during the year	–	–
As at 31 March 2022	14,46,14,326	28.92

B. Other Equity (Refer Note 20)

₹ in Crores

Particulars	Attributable to the owners of the Company									Non-controlling interests	Total
	Share application money pending allotment	Reserves and Surplus					Items of OCI		Total		
		Capital Redemption Reserve	General Reserve	Statutory Reserve	Employee Stock Option Reserve	Retained Earnings	Equity instruments through other comprehensive income	Foreign currency translation reserve			
As at 1 April 2020	–	0.20	608.39	1.22	4.72	1,101.40	–	0.31	1,716.24	–	1,716.24
Changes in accounting policy or prior period errors	–	–	–	–	–	–	–	–	–	–	–
Restated balance as at 1 April 2020	–	0.20	608.39	1.22	4.72	1,101.40	–	0.31	1,716.24	–	1,716.24
Profit for the year	–	–	–	–	–	194.95	–	–	194.95	2.44	197.39
Other comprehensive income/(loss) for the year (net of tax)	–	–	–	–	–	4.64	0.04	0.04	4.72	0.01	4.74
Total comprehensive income/(loss) for the year	–	–	–	–	–	199.60	0.04	0.04	199.67	2.45	202.13
Share based payment expense	–	–	–	–	2.56	–	–	–	2.56	–	2.56
Final dividend for year ended 31 March 2020	–	–	–	–	–	–	–	–	–	–	–
Interim dividend for year ended 31 March 2021	–	–	–	–	–	(21.69)	–	–	(21.69)	–	(21.69)
Adjustment towards present value of future purchase consideration payable (Refer Note. 44.6.17)	–	–	–	–	–	(3.57)	–	–	(3.57)	(2.45)	(6.02)
Transfer to Special Reserve under Section 45-IC of The Reserve Bank of India Act, 1934	–	–	–	3.38	–	(3.38)	–	–	–	–	–
As at 31 March 2021	–	0.20	608.39	4.60	7.28	1,272.36	0.04	0.35	1,893.22	(0.00)	1,893.22

Consolidated Statement of Changes in Equity for the year ended 31 March 2022

₹ in Crores

Particulars	Attributable to the owners of the Company									Non-controlling interests	Total
	Share application money pending allotment	Reserves and Surplus					Items of OCI		Total		
		Capital Redemption Reserve	General Reserve	Statutory Reserve	Employee Stock Option Reserve	Retained Earnings	Equity instruments through other comprehensive income	Foreign currency translation reserve			
As at 1 April 2021	–	0.20	608.39	4.60	7.28	1,272.36	0.04	0.35	1,893.22	(0.00)	1,893.22
Changes in accounting policy or prior period errors	–	–	–	–	–	–	–	–	–	–	–
Restated balance as at 1 April 2021	–	0.20	608.39	4.60	7.28	1,272.36	0.04	0.35	1,893.22	(0.00)	1,893.22
Profit for the year	–	–	–	–	–	174.52	–	–	174.52	(3.65)	170.87
Other comprehensive income/(loss) for the year (net of tax)	–	–	–	–	–	0.25	2.89	0.01	3.15	0.02	3.17
Total comprehensive income/(loss) for the year	–	–	–	–	–	174.77	2.89	0.01	177.67	(3.63)	174.04
Share based payment expense	–	–	–	–	4.01	–	–	–	4.01	–	4.01
Final dividend for year ended 31 March 2021	–	–	–	–	–	(36.15)	–	–	(36.15)	–	(36.15)
Interim dividend for year ended 31 March 2022	–	–	–	–	–	(21.69)	–	–	(21.69)	–	(21.69)
Adjustment towards present value of future purchase consideration payable (Refer Note. 44.6.17)	–	–	–	–	–	35.84	–	–	35.84	3.65	39.49
Expenses incurred on issuance of shares of a subsidiary	–	-	-	–		(0.17)			(0.17)		(0.17)
Amount received on exercise of employee stock option	0.02	–	–	–	–	–	–	–	0.02	–	0.02
Transfer to Special Reserve under Section 45-IC of The Reserve Bank of India Act, 1934	–	–	–	6.50	–	(6.50)	–	–	–	–	–
As at 31 March 2022	0.02	0.20	608.39	11.10	11.29	1,418.46	2.93	0.36	2,052.75	0.02	2,052.77

Significant accounting policies 44

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

As per our attached report of even date

FOR G. D. APTE & CO.
Chartered Accountants
Firm Registration Number : 100515W

C. M. DIXIT
Partner
Membership Number : 017532
Pune: 19 May 2022

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

M. LAKSHMINARAYAN
Independent Director
DIN: 00064750

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune: 19 May 2022

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Notes to the Consolidated Financial Statements

Note 1a : Property, plant and equipment ("PPE")

₹ in Crores

Particulars	Free hold land	Lease hold improvements	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers & peripherals	Electrical Installation	Total	Capital work-in-progress
Gross Block												
As at 1 April 2020	-	6.95	197.20	1,025.79	32.16	15.20	25.88	6.67	68.39	39.91	1,418.15	30.32
Additions	-	0.13	1.15	84.38	0.55	1.22	-	0.24	1.94	0.33	89.94	88.82
Inter transfers - Net	-	-	-	(0.02)	0.04	-	-	(0.22)	-	0.20	-	-
Asset Held for Disposal	-	-	-	(0.54)	-	-	-	-	-	-	(0.54)	-
Deductions	-	-	-	4.36	0.57	1.62	-	0.07	1.45	-	8.07	87.49
As at 31 March 2021	-	7.08	198.35	1,106.33	32.18	14.80	25.88	6.62	68.88	40.44	1,500.56	31.65
Additions	31.40	0.11	2.74	51.42	0.17	0.20	-	0.26	5.28	0.80	92.38	46.45
Inter transfers - Net	-	-	-	0.00	-	-	-	0.00	0.00	-	0.00	-
Asset Held for Disposal	-	-	-	0.00	-	-	-	-	-	-	-	-
Deductions	-	-	-	4.62	0.50	4.96	-	0.15	2.24	0.07	12.54	54.15
As at 31 March 2022	31.40	7.19	201.09	1,153.13	31.85	10.04	25.88	6.73	71.92	41.17	1,580.40	23.95
Depreciation												
Upto 1 April 2020	-	4.10	60.39	848.22	22.41	12.31	22.39	5.74	59.55	30.72	1,065.83	-
For the year	-	0.82	6.99	34.81	2.38	0.93	0.92	0.25	4.14	2.40	53.64	-
Inter transfers - Net	-	-	-	(0.02)	0.02	-	-	(0.13)	-	0.12	(0.01)	-
Asset Written off / Scrap	-	-	-	(0.54)	-	-	-	-	-	-	(0.54)	-
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	4.28	0.52	1.10	-	0.07	1.33	-	7.30	-
As at 31 March 2021	-	4.92	67.38	879.27	24.29	12.14	23.31	5.79	62.36	33.24	1,112.70	-
For the year	-	0.85	7.01	40.67	1.91	0.78	0.66	0.21	3.56	1.99	57.64	-
Inter transfers - Net	-	-	-	0.00	0.00	-	-	0.00	0.00	-	0.00	-
Asset Held for Disposal	-	-	-	0.00	-	-	-	-	-	-	0.00	-
Deductions	-	-	-	4.52	0.50	4.82	-	0.15	2.21	0.07	12.27	-
As at 31 March 2022	-	5.77	74.39	915.42	25.70	8.10	23.97	5.85	63.71	35.16	1,158.07	-
Net Block												
As at 31 March 2021		2.16	130.97	227.06	7.89	2.66	2.57	0.83	6.52	7.20	387.86	31.65
As at 31 March 2022	31.40	1.42	126.70	237.71	6.15	1.94	1.91	0.88	8.21	6.01	422.33	23.95

Notes :

1. For Depreciation,refer accounting policy Note 44.5.3.
2. Capital work-in-progress (CWIP):
   Capital work-in-progress comprises cost of assets that are not yet ready for their intended use at the balance sheet date. Refer below Note 6 and Note 7 for CWIP ageing schedule and CWIP completion schedule.

Notes to the Consolidated Financial Statements

Note 1a : Property, plant and equipment ("PPE") (Continued)

3. There are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988

4. Additions represents acquisition of PPE made during the year.

5. Note 1a of Property, plant and equipment includes assets at Research & Development facility, the details of which are as under.

Property, plant and equipment : Research and Development facility (Below figures are included in Note 1a: Property, plant and equipment)

₹ in Crores

Particulars	Plant & Equipment	Furniture & Fixture	Office Equipment	Computers & peripherals	Electrical Installation	Total
Gross Block						
As at 1 April 2020	99.80	5.29	0.13	1.81	3.57	110.60
Additions	14.62	–	–	0.06	–	14.68
Inter transfers - Net	0.00	–	–	–	–	0.00
Asset Held for Disposal	–	–	–	–	–	–
Deductions	5.59	–	–	–	–	5.59
As at 31 March 2021	108.83	5.29	0.13	1.87	3.57	119.69
Additions	3.94	–	–	0.13	0.06	4.13
Inter transfers - Net	0.57	–	–	–	–	0.57
Asset Held for Disposal	–	–	–	–	–	–
Deductions	–	–	–	–	–	–
As at 31 March 2022	113.34	5.29	0.13	2.00	3.63	124.39
Depreciation						
Upto 1 April 2020	56.86	3.24	0.11	1.66	2.11	63.98
For the year	8.04	0.64	–	0.05	0.36	9.09
Inter transfers - Net	0.00	–	–	–	–	0.00
Asset Held for Disposal	0.00	–	–	–	–	–
Deductions	5.45	–	–	–	–	5.45
As at 31 March 2021	59.45	3.88	0.11	1.71	2.47	67.62
For the year	6.88	0.29	–	0.06	0.23	7.46
Inter transfers - Net	0.52	–	–	–	–	0.52
Asset Held for Disposal	–	–	–	–	–	–
Deductions	–	–	–	–	–	–
As at 31 March 2022	66.85	4.17	0.11	1.77	2.70	75.60
Net Block						
As at 31 March 2021	49.38	1.41	0.02	0.16	1.10	52.07
As at 31 March 2022	46.49	1.12	0.02	0.23	0.93	48.79

6. **Capital work-in-progress ageing schedule for the year ended 31 March 2022 and 31 March 2021 is as follows:**

As at 31 March 2022

₹ in Crores

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	19.46	1.26	0.00	0.01	20.73
Projects temporarily suspended	3.22	–	–	–	3.22

Notes to the Consolidated Financial Statements

Note 1a : Property, plant and equipment ("PPE") (Continued)

As at 31 March 2021

₹ in Crores

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	19.45	1.56	7.28	3.36	31.65
Projects temporarily suspended	-	-	-	-	-

7. **Capital-work-in progress : Expected Completion schedule for Projects having time overrun :**

As at 31 March 2022

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development	1.15	-	-	-	1.15
Project : Routine Capex - Plant Machinery	0.17	-	-	-	0.17
Projects temporarily suspended					
Project : Plant Consolidation - Building	-	3.22	-	-	3.22

As at 31 March 2021

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Development of Ultra High Horse Power (UHHP) engine	12.31	-	-	-	12.31

Note 1b : Right-of-use ("ROU") assets

₹ in Crores

Particulars	Category of Right-of-use assets			Total
	Land	Building	Plant & Equipment	
Balance as on 1 April 2020	11.10	13.73	0.11	24.94
Addition	-	4.30	-	4.30
Deletion	-	-	0.11	0.11
Amortisation	0.14	5.27	-	5.41
Balance as at 31 March 2021	10.96	12.76	-	23.72
Addition	-	2.95	-	2.95
Deletion	-	0.73	-	0.73
Amortisation	0.14	5.67	-	5.81
Balance as at 31 March 2022	10.82	9.31	-	20.13

1. The aggregate amortisation expense on right-of-use (ROU) assets is included under depreciation and amortisation expense in the Statement of Profit and Loss.
2. Refer Note 44.6.15

Notes to the Consolidated Financial Statements

Note 2 : Other Intangible assets and Goodwill

₹ in Crores

Particulars	Computer Software	Drawings & Designs	Brand	Customer Relationship	Technical Knowhow-Acquired	Technical Knowhow-Internally generated	Total	Goodwill	Intangible assets under development
Gross Block									
As at 1 April 2020	47.05	11.72	7.02	47.22	23.68	48.90	185.59	184.50	47.46
Additions	14.29	0.62	-	-	18.20	32.99	66.10	-	35.50
Inter Transfers	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	59.76
As at 31 March 2021	61.34	12.34	7.02	47.22	41.88	81.89	251.69	184.50	23.20
Additions	2.88	0.11	0.42	0.01	7.33	18.05	28.80	1.26	23.19
Inter Transfers	(0.14)	-	-	-	-	-	(0.14)	-	-
Deductions	0.59	-	-	-	-	-	0.59	-	27.55
As at 31 March 2022	63.49	12.45	7.44	47.23	49.21	99.94	279.76	185.76	18.84
Amortisation									
Upto 1 April 2020	37.82	11.27	1.25	25.20	11.06	37.97	124.57	-	-
For The Year	3.95	0.13	0.47	9.45	3.27	7.66	24.93	-	-
Inter Transfers	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	-
As at 31 March 2021	41.77	11.40	1.72	34.65	14.33	45.63	149.50	-	-
For The Year	5.10	0.19	0.51	9.45	6.34	16.04	37.63	-	-
Inter Transfers	-	-	-	-	-	-	-	-	-
Deductions	0.59	-	-	-	-	-	0.59	-	-
As at 31 March 2022	46.28	11.59	2.23	44.10	20.67	61.67	186.54	-	-
Net Block									
As at 31 March 2021	19.57	0.94	5.30	12.57	27.55	36.26	102.19	184.50	23.20
As at 31 March 2022	17.21	0.86	5.21	3.13	28.54	38.27	93.22	185.76	18.84

Notes :

1. For amortisation, refer accounting policy (Note 44.5.4).
2. Intangible assets under development comprise intangible assets not ready for the intended use on the date of the Balance Sheet. Refer below Note 6 and Note 7 for ageing and completion schedule.
3. Additions represents acquisition of intangible assets during the year.
4. Goodwill arising is on account of consolidation
5. Note 2 of Other Intangible assets and goodwill includes assets at Research & Development facility, the details of which are as under:

Other Intangible assets : Research and Development facility (Below figures are included in Note 2 : Other Intangible assets and goodwill)

₹ in Crores

Particulars	Computer Software	Drawings & Designs	Technical Knowhow-Acquired	Technical Knowhow-Internally generated	Total
Gross Block					
As at 1 April 2020	15.56	11.03	3.00	48.89	78.47
Additions	2.14	0.61	18.20	32.90	53.85
Deductions	-	-	-	-	-
As at 31 March 2021	17.70	11.64	21.20	81.79	132.32
Additions	1.44	0.10	7.04	18.05	26.63
Deductions	-	-	-	-	-
As at 31 March 2022	19.13	11.74	28.24	99.84	158.95

Notes to the Consolidated Financial Statements

Note 2 : Other Intangible assets and Goodwill (Continued)

₹ in Crores

Particulars	Computer Software	Drawings & Designs	Technical Knowhow-Acquired	Technical Knowhow-Internally generated	Total
Amortisation					
Upto 1 April 2020	13.15	10.57	1.79	37.99	63.50
For The Year	1.15	0.13	0.64	7.66	9.58
Inter Transfers	–	–	–	–	–
As at 31 March 2021	14.30	10.70	2.43	45.65	73.08
For The Year	1.01	0.19	3.65	16.01	20.86
Deductions	–	–	–	–	–
As at 31 March 2022	15.31	10.89	6.08	61.66	93.94
Net Block					
As at 31 March 2021	3.40	0.94	18.77	36.14	59.25
As at 31 March 2022	3.82	0.85	22.16	38.18	65.01

6. **Intangible assets under development ageing schedule for the year ended 31 March 2022 and 31 March 2021 is as follows:**

As at 31 March 2022

₹ in Crores

Particulars	Amount in Intangible asset under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	18.11	0.64	0.09	–	18.84
Projects temporarily suspended	–	–	–	–	–

As at 31 March 2021

₹ in Crores

Particulars	Amount in Intangible asset under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	5.85	7.13	4.52	5.70	23.20
Projects temporarily suspended	–	–	–	–	–

7. **Intangible assets under development : Expected Completion schedule for Projects having time overrun :**

As at 31 March 2022

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development	5.43	–	–	–	5.43
Project : Routine Capex - Plant Machinery	0.07	–	–	–	0.07

As at 31 March 2021

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Development of UHHP engine	20.70	–	–	–	20.70

Notes to the Consolidated Financial Statements

Note 3 : Investments (Non-current)

₹ in Crores

Particulars	Par Value / Face Value Per Unit In ₹	As at 31 March 2022		As at 31 March 2021	
		Nos.	₹ in Crores	Nos.	₹ in Crores
(i) At Amortised Cost					
Quoted Investment					
Investments in debentures or bonds (quoted)					
12.25% Lucina Land Developments Limited NCD	9,00,415	310	27.91	–	–
Vivriti Capital Private Limited RR NCD 03MR23	10,00,000	–	–	250	25.19
Less: Provision for expected credit loss			(0.00)		(0.04)
			27.91		25.15
Unquoted Investment					
Investments in Pass through certificates (PTC) units					
Dhruva-VIII AK 12 2020 (Five Star PTC)			13.01		22.21
Eternal 09 2021 (LendingKart PTC)			14.06		–
Avenger 2022 March Series (PTC)			19.00		–
Less: Provision for expected credit loss			(0.03)		–
			46.04		22.21
(ii) At fair value through Other Comprehensive Income (FVOCI)					
Investment					
In Unquoted Equity Instruments - Fully Paid Up					
Kirloskar Proprietary Limited	100	1	0.00	1	0.00
S.L.Kirloskar CSR Foundation	10	9,800	0.01	9,800	0.01
Kirloskar Management Services Private Limited	10	4,87,500	4.29	4,87,500	0.53
			4.30		0.54
(iii) At Cost					
Investment In Joint Venture (JV) Entity					
ESVA Pumps India Private Limited	10	44,10,000	4.73	–	–
(Extent of Holding 49% in JV by the Group)					
Total			82.98		47.90

Notes :		₹ in Crores	₹ in Crores
1a.	Aggregate amount of Quoted Investments	27.91	25.15
1b.	Aggregate market value of Quoted Investments	27.96	26.02
1c.	Aggregate amount of Unquoted Investments	55.07	22.75
1d.	Aggregate value of impairment in value of Investments	Nil	Nil

2. Refer Note 44.6.11 and 44.6.12 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments and for fair value hierarchy

3. Refer Note 44.6.13 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 4 : Receivables of financial service business (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Receivables of financial service business		
Secured, considered good	1,343.30	616.30
Less : Provision for expected credit loss	(5.19)	(1.81)
Unsecured, considered good	3.98	–
Less: Provision for expected credit loss	(0.06)	–
Total	1,342.03	614.49

1. Receivables of financial service business are measured at amortised cost.
2. Refer Note 44.5.7 for policy on provision for expected credit loss.
3. Refer Note 44.6.11 for fair value disclosure of financial assets and financial liabilities.
4. Refer Note 44.6.13 on risk management objectives and policies for financial instruments.

Note 5 : Loans (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Loans to employees (unsecured, considered good)	0.17	0.22
Total	0.17	0.22

1. Loans are measured at amortised cost.
2. No outstanding loans or advances which are in the nature of loans have been granted by the Company to promoters, directors, Key Managerial Personnels and the related parties (as defined under the Companies Act,2013),either severally or jointly with any other person.
3. Refer Note 44.6.11 for fair value disclosure of financial assets and financial liabilities.
4. Refer Note 44.6.13 on risk management objectives and policies for financial instruments.

Note 6 : Other financial assets (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Security deposits		
Unsecured, considered good	26.91	35.75
Doubtful	1.05	0.75
Less : Loss Allowance for doubtful deposits	(1.05)	(0.75)
Bank deposits with maturity of more than 12 months	1.42	0.17
Subsidy receivable under PSI scheme, 2001	3.47	9.57
Others	0.16	0.19
Total	31.96	45.68

1. The Parent company's manufacturing facility at Kagal plant had been granted Mega Project status by Government of Maharashtra and hence was eligible for Industries Promotion Subsidy (IPS) under Package Scheme of Incentive (PSI) 2001. This scheme was for intensifying and accelerating the process of dispersal of industries to the less developed regions and promoting high-tech industries in the less developed areas of the state coupled with the object of generating employment opportunities. During the last quarter of FY 2018-19, the Government of Maharashtra had agreed for extension of the said scheme of incentive for further period of 2 years till 31 March 2019 and subsequently amended the original eligibility certificate. Accordingly the extension of the scheme consists of total period of 11 years from the date of commencement of commercial production i.e. from 1 April 2008 to 31 March 2019 along with the extension of original operative period by 2 years and compliances thereof. The eligible receivables as on 31 March 2022, calculated on the basis of VAT, CST as well as SGST paid on sales made from Kagal plant for such extended period are fair valued.
2. Other financial assets are measured at amortised cost.
3. Refer Note 44.6.13 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 7 : Income tax assets (net)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Tax paid in advance (net of provision)	42.96	36.46
Total	42.96	36.46

Note 8 : Other non-current assets

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Unsecured, considered good		
Capital advances	2.51	5.25
Prepaid expenses	0.74	0.39
Other advances	–	0.55
Total	3.25	6.19

Note 9 : Inventories

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Raw materials	220.53	205.36
Raw materials and components	216.57	205.04
Raw materials in transit	3.96	0.32
Work-in-progress	41.87	30.86
Finished goods	52.23	65.70
Traded goods	63.04	66.56
Stores and spares	10.38	10.99
Total	388.05	379.47

1. Write downs of inventories to net realisable value amounted to ₹ 0.02 Crores (31 March 2021 : ₹ 1.91 Crores) were recognised as an expense during the year.
2. Reversal of write down of inventories ₹ 3.13 Crores (31 March 2021 : ₹ 1.41 Crores) were recognised as a reduction in expense during the year.
3. Refer Note 27 for information on inventory hypothecation with bankers for the purpose of working capital facilities.

Note 10 : Investments (Current)

₹ in Crores

Particulars	Face Value Per Unit (In ₹)	As at 31 March 2022		As at 31 March 2021	
		Nos.	₹ in Crores	Nos.	₹ in Crores
At Amortised Cost					
Investments in debentures or bonds (quoted)					
9.45% ECL Finance Limited NCD (Series II) 06/08/2021	1,000	–	–	2,50,000	25.89
Less: Provision for expected credit loss					(0.04)
			-		25.85
Unquoted Investment					
Investment in commercial papers (unquoted)					
8.50% Adani Enterprises Limited	5,00,000	–	–	1,000	49.12
8.30% Adani Enterprises Limited	5,00,000	–	–	300	14.74
7.70% Northern Arc Capital Ltd	5,00,000	–	–	500	24.69
7.90% JSW Cement Limited	5,00,000	–	–	1,000	49.39
Less: Provision for expected credit loss			–		(0.28)
			-		137.65

Notes to the Consolidated Financial Statements

Note 10 : Investments (Current) (Continued)

₹ in Crores

Particulars	Face Value Per Unit (In ₹)	As at 31 March 2022		As at 31 March 2021	
		Nos.	₹ in Crores	Nos.	₹ in Crores
Investments in PTC units (unquoted)					
Vivriti Bane 12 2019			–		3.95
Less: Provision for expected credit loss			–		–
			-		3.95
At fair value through Profit or Loss (FVTPL)					
Investments In Mutual Funds					
LIQUID AND MONEY MARKET SCHEMES - GROWTH PLAN					
Axis Liquid Fund - Regular Growth(CF-GP)	1,000	2,35,597	55.36	2,11,312	48.03
Aditya Birla Sun Life Liquid Fund - Growth -Regular Plan	100	5,35,063	18.22	–	–
Aditya Birla Sun Life Money Manger Fund - Growth - Regular Plan	100	14,13,017	41.86	8,88,761	25.33
DSP Liquidity Fund - Regular Plan - Growth	1,000	1,60,070	48.31	2,22,788	65.05
ICICI Prudential Liquid fund - Growth	100	12,87,324	40.31	15,51,227	47.01
ICICI Prudential - Money Market Fund - Growth	100	13,98,893	42.56	8,55,604	25.07
IDFC Cash fund - Growth-(Regular Plan)	1,000	1,25,549	32.10	–	
Invesco India Liquid Fund - Growth (LF-SG)	1,000	–	–	1,28,184	36.02
Kotak Liquid Fund Regular Plan - Growth	1,000	1,06,278	45.48	1,32,914	55.04
Kotak Money Market fund - Direct Plan - Growth (Erstwhile Kotak Floater ST)	1,000	74,999	–	1,28,184	–
LIC MF Liquid Fund - Regular Plan - Growth	1,000	–	–	86,472	32.02
L & T liquid fund - Regular Growth	1,000	–	–	46,335	13.00
Nippon India Liquid Fund - Growth Plan - Growth Option	1,000	52,677	27.20	1,22,129	61.03
Nippon India Money Market Fund - Growth Plan - Growth Option	1,000	1,22,264	40.61	79,270	25.34
SBI Liquid Fund Regular Growth	1,000	1,67,436	55.43	1,59,332	51.04
SBI Savings fund - Direct Plan - Growth	10	72,212	–	–	–
Tata Liquid Fund Regular Plan - Growth	1,000	1,000	34.14	1,27,213	41.02
UTI Money Market Fund - Regular Growth Plan Growth	1,000	1,000	41.32	1,05,588	25.07
			522.90		550.07
OVERNIGHT SCHEMES - GROWTH PLAN					
Aditya Birla Sun Life Overnight Fund - Growth -Regular Plan	1,000	–	–	1,08,153	12.00
ICICI Prudential Overnight fund Growth	100	24,70,930	34.93	18,06,479	20.00
Kotak Overnight fund Growth (Regular Plan)	1,000	2,51,263	40.71	–	–
Nippon India Overnight Fund- Growth Plan (ONGPG)	100	17,67,117	20.11	–	–
SBI Overnight fund Regular Growth	1,000	23,218	8.04	1,08,954	36.17
HDFC MF (Regular Plan)	1,000	24,558	10.20	–	–
HDFC MF - Overnight - Direct Plan	1,000	57,140	18.04	–	–
			132.03		68.17
Total			654.93		785.68

Notes:

	₹ in Crores	₹ in Crores
1a. Aggregate amount of Quoted Investments	–	25.85
1b. Aggregate market value of Quoted Investments	-	26.08
1c. Aggregate amount of Unquoted Investments	654.93	759.83

2. Face value per unit in Rupees unless otherwise stated.

3. Fair value disclosures for financial assets and liabilities are stated in Note 44.6.11 and fair value hierarchy disclosures for investment are stated in Note 44.6.12.

4. Refer Note 44.6.13 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 11 : Trade receivables

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Total Trade Receivables	468.77	438.57
Trade receivables	468.77	438.57
Break-up for security details:	468.77	438.57
Secured, considered good	–	–
Unsecured, considered good	468.77	438.57
Doubtful	37.24	38.92
Loss Allowance (for expected credit loss under simplified approach)	(37.24)	(38.92)
Total	468.77	438.57

1. Trade receivables are measured at amortised cost.

2. Trade receivables due from private companies in which director of the Company, is a director or a member as at 31 March 2022 ₹ 0.80 Crores (31 March 2021 : ₹ 7.83 Crores)

3. For related party receivables, refer Note 44.6.9

4. **Movement of Loss Allowance (for expected credit loss under simplified approach)**

₹ in Crores

Particulars	Amount
As at 1 April 2020	**25.29**
Allowance made/(reversed) during the year	15.97
Less: Written off	(2.34)
As at 31 March 2021	**38.92**
Allowance made/(reversed) during the year	0.37
Less: Written off	(2.05)
As at 31 March 2022	37.24

5. Refer Note 44.6.11 for fair value disclosure of financial assets and financial liabilities and Note 44.6.12 for fair value hierarchy.

6. Refer Note 44.6.13 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

7. The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, where the Parent Company has retained the credit risks, it continues to recognise these assets in entirety in its Balance sheet, while bills discounted without recourse have been derecognised. The amount repayable under this arrangement is presented as secured borrowings.

The relevant carrying amounts are as follows:-

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Total transferred receivables w.r.t. Bills discounted	36.54	17.08
Related secured borrowings (Refer Note 27)	36.54	17.08

Notes to the Consolidated Financial Statements

Note 11 : Trade receivables (Continued)

8. For trade receivables outstanding, the ageing schedule is as given below:

As at 31 March 2022

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment						Total
		Not due	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good	0.68	403.84	59.11	4.58	12.60	12.80	1.38	494.99
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	–	–	–	–	–	–	–	–
(iii) Undisputed Trade Receivables – credit impaired	–	–	–	–	–	–	–	–
(iv) *Disputed Trade Receivables- considered good	–	–	–	0.02	–	0.36	10.64	11.02
(v) *Disputed Trade Receivables – which have significant increase in credit risk	–	–	–	–	–	–	–	
(vi) *Disputed Trade Receivables – credit impaired	–	–	–	–	–	–	–	–
Total Trade Receivables	0.68	403.84	59.11	4.60	12.60	13.16	12.02	506.01
Less: Loss allowance for expected credit loss								(37.24)
Total Trade Receivables								468.77

* Disputed Trade Receivables represents legal cases with customers

As at 31 March 2021

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment						Total
		Not due	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good	0.97	337.96	75.50	24.44	17.33	0.85	9.44	466.49
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	–	–	–	–	–	–	–	–
(iii) Undisputed Trade Receivables – credit impaired	–	–	–	–	–	–	–	
(iv) *Disputed Trade Receivables- considered good	–	–	–	–	0.37	4.82	5.81	11.00
(v) *Disputed Trade Receivables – which have significant increase in credit risk	–	–	–	–	–	–	–	–
(vi) *Disputed Trade Receivables – credit impaired	–	–	–	–	–	–	–	–
Total Trade Receivables	0.97	337.96	75.50	24.44	17.70	5.67	15.25	477.49
Less: Loss allowance for expected credit loss								(38.92)
Total Trade Receivables								438.57

* Disputed Trade Receivables represents legal cases with customers

Note 12a : Cash and cash equivalents

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Balances with Bank		
Current accounts and debit balance in cash credit accounts	54.94	71.03
Deposits with original maturity of less than 3 months	98.00	175.00
Cash on hand	0.01	0.02
Total	152.95	246.05

Notes to the Consolidated Financial Statements

Note 12b : Bank balances other than cash and cash equivalents

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Unpaid dividend accounts	10.99	12.08
Bank deposits with original maturity of more than 3 months but less than 12 months	10.10	0.05
Total	21.09	12.13

1. Fixed deposit of ₹ 0.09 crore (31 March 2021 : ₹ 0.05 crore) and unpaid dividend accounts are earmarked balances with banks.
2. Refer Note 44.6.13 on risk management objectives and policies for financial instruments.

Note 13 : Receivables of financial service business (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Receivables of financial service business	956.64	291.87
Secured, considered good	907.44	277.58
Less : Provision for expected credit loss for receivables of financial service business	(1.28)	(0.88)
Unsecured, considered good	50.93	15.29
Less: Provision for expected credit loss	(0.45)	(0.12)
Total	956.64	291.87

1. Receivables of financial service business are measured at amortised cost.
2. Refer Note 44.5.7 for policy on provision for expected credit loss.
3. Refer Note 44.6.11 for fair value disclosure of financial assets and financial liabilities and Note 44.6.12 for fair value hierarchy.
4. Refer Note 44.6.13 on risk management objectives and policies for financial instruments.

Note 14 : Loans (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Loans to employees (unsecured, considered good)	0.16	0.11
Total	0.16	0.11

1. Loans are measured at amortised cost.
2. No outstanding loans or advances which are in the nature of loans have been granted by the Company to promoters, directors, Key Managerial Personnels and the related parties (as defined under the Companies Act,2013),either severally or jointly with any other person.
3. Refer Note 44.6.13 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 15 : Other financial assets (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Security deposits		
Unsecured, considered good	16.25	5.51
Doubtful	–	0.44
Less : Loss Allowance for doubtful deposits	–	(0.44)
Subsidy receivable under PSI scheme, 2001	12.76	30.75
Export incentive receivable	10.51	12.48
Derivative assets	0.30	–
Other receivables	3.02	5.94
Total	42.84	54.68

1. Other financial assets, except derivatives, are measured at amortised cost. Derivatives are carried at fair value through profit and loss.
2. Derivative assets reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationship, but are nevertheless, intended to reduce the level of foreign currency risk exposure.
3. Refer Note 44.6.11 for fair value disclosure of financial assets and financial liabilities and Note 44.6.12 for fair value hierarchy.
4. Refer Note 44.6.13 on risk management objectives and policies for financial instruments.

Note 16 : Assets held for sale (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Property, plant and equipment (net)	–	–
Total	–	–

Asset held for sale represents a freehold land owned by the Parent company at Bhare (granted by Government of Maharashtra) where the Company has initiated the process to surrender the same back. The carrying value of ₹ 0.11 lacs has been fully impaired during the earlier years.

Note 17 : Current tax assets (net)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Tax Paid in Advance (net of provision)	3.90	0.93
Total	3.90	0.93

Non-current tax paid in advance included in Note 7.

Note 18 : Other current assets

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Advance to suppliers	15.13	16.81
Unsecured, considered good	15.13	16.81
Doubtful	0.05	0.05
Less : Loss Allowance for doubtful advances	(0.05)	(0.05)
Sales tax / VAT / GST receivable	37.13	57.76
Prepaid expenses	10.38	8.26
Others	1.62	0.32
Total	64.26	83.15

Notes to the Consolidated Financial Statements

Note 19 : Equity share capital

Authorised share capital

Equity shares of ₹ 2 each

₹ in Crores

Particular	No. of Shares	Amount
As at 1 April 2020	27,00,00,000	54.00
Increase/(decrease) during the year	–	–
As at 31 March 2021	27,00,00,000	54.00
Increase/(decrease) during the year	–	–
As at 31 March 2022	27,00,00,000	54.00

Terms/Rights attached to the equity shares

The Parent company has only one class of equity shares having a par value of ₹ 2 each. Each equity shareholder is entitled to one vote per share and has a right to receive dividend as recommended by Board of Directors subject to the necessary approval from the shareholders.

In the event of liquidation of the Parent company, the holders of equity shares will be entitled to receive remaining assets of the Parent company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Number of equity shares reserved for issue under employee share based payment are 7,64,913 (31 March 2021: 9,40,000)

Issued and subscribed share capital

Equity shares of ₹ 2 each

₹ in Crores

Particulars	No. of Shares	Amount
As at 1 April 2020	14,46,14,326	28.92
Changes during the year	–	–
As at 31 March 2021	14,46,14,326	28.92
Changes during the year	–	–
As at 31 March 2022	14,46,14,326	28.92

Subscribed and fully paid up

Equity shares of ₹ 2 each

₹ in Crores

Particulars	No. of Shares	Amount
As at 1 April 2020	14,46,13,861	28.92
Changes during the year	–	–
As at 31 March 2021	14,46,13,861	28.92
Changes during the year	–	–
As at 31 March 2022	14,46,13,861	28.92

The Parent Company has share suspense account which represents equity shares of ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by Board of Industrial and Financial Reconstruction (BIFR), are kept in abeyance as per the Scheme of Arrangement approved by Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with order dated 19 March 2010.

₹ in Crores

Particulars of Share Suspense Account	No. of Shares	Amount
As at 1 April 2020	465	0.00
Changes during the year	–	–
As at 31 March 2021	465	0.00
Changes during the year	–	–
As at 31 March 2022	465	0.00

Notes to the Consolidated Financial Statements

Note 19 : Equity share capital (Continued)

1. **Number of shares held by each shareholder holding more than 5% shares in the Parent company**

₹ in Crores

Name of the Shareholder	As at 31 March 2022		As at 31 March 2021	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Atul Chandrakant Kirloskar #	1,46,70,947	10.14	1,46,70,947	10.14
Rahul Chandrakant Kirloskar ##	1,77,82,902	12.30	1,77,82,902	12.30
Jyotsna Gautam Kulkarni	1,29,85,432	8.98	1,29,85,432	8.98
Kirloskar Industries Limited	82,10,439	5.68	82,10,439	5.68
SBI Small Cap Fund	80,84,890	5.59	81,53,401	5.64
Alpana Rahul Kirloskar	77,11,817	5.33	77,11,817	5.33

Out of 1,46,70,947 equity shares - 1,46,64,872 (Previous Year: 1,46,64,872) equity shares are held in individual capacity, 375 (Previous Year: 375) equity shares are held as a Trustee of C.S. Kirloskar Testamentary Trust and 5,700 (Previous Year: 5,700) equity shares are held as a Karta of Atul C. Kirloskar HUF.

Out of 1,77,82,902 equity shares - 1,77,68,083 (Previous Year: 1,77,68,083) equity shares are held in individual capacity, 5,700 (Previous Year: 5,700) equity shares are held as a Karta of Rahul C. Kirloskar HUF and 9,119 (Previous Year: 9,119) equity shares are held as a Trustee of C. S. Kirloskar Testamentary Trust)

2. **The details of shareholding of promoter and promoter group is as below:**

₹ in Crores

Name	As at 31 March 2022			As at 31 March 2021		
	No. of shares held	% Change during the year	% of total shares	No. of shares held	% Change during the year	% of total shares
Atul Chandrakant Kirloskar	1,46,70,947	-	10.14	1,46,70,947	(20.73)	10.14
Rahul Chandrakant Kirloskar	1,77,82,902	-	12.30	1,77,82,902	-	12.30
Sanjay Chandrakant Kirloskar	46,654	-	0.03	46,654	-	0.03
Suman Chandrakant Kirloskar	62,648	-	0.04	62,648	-	0.04
Vikram Shreekant Kirloskar	1,40,655	-	0.10	1,40,655	-	0.10
Mrinalini Shreekant Kirloskar	1,01,800	-	0.07	1,01,800	-	0.07
Roopa Jayant Gupta	20,887	-	0.01	20,887	-	0.01
Geetanjali Vikram Kirloskar	37	-	0.00	37	-	0.00
Jyostna Gautam Kulkarni	1,29,85,432	-	8.98	1,29,85,432	-	8.98
Arti Atul Kirloskar	32,29,454	-	2.23	32,29,454	(54.29)	2.23
Nihal Gautam Kulkarni	66,52,472	-	4.60	66,52,472	-	4.60
Alpana Rahul Kirloskar	77,11,817	-	5.33	77,11,817	-	5.33
Akshay Sahni	100	-	0.00	100	-	0.00
Alok Kirloskar	6,262	-	0.00	6,262	-	0.00
Pratima Sanjay Kirloskar	1,520	-	0.00	1,520	-	0.00
Aditi Atul Kirloskar	19,17,860	-	1.33	19,17,860	100.00	1.33
Gauri Kirloskar	57,53,580	-	3.98	57,53,580	100.00	3.98
Ambar G. Kulkarni	64,92,716	-	4.49	64,92,716	-	4.49
Kirloskar Industries Limited	82,10,439	-	5.68	82,10,439	-	5.68
Kirloskar Chillers Private Limited	50,000	-	0.03	50,000	-	0.03
Achyut and Neeta Holdings and Finance Private Limited	1,23,203	-	0.09	1,23,203	-	0.09
Navsai Investments Private Limited	760	-	0.00	760	-	0.00
Alpak Investments Private Limited	760	-	0.00	760	-	0.00
Total	8,59,62,905		59.44	8,59,62,905		59.44

Notes to the Consolidated Financial Statements

Note 20 : Other Equity

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Share application money pending allotment	0.02	-
Capital redemption reserve	0.20	0.20
General Reserve	608.39	608.39
Statutory Reserve under section 45-IC of The Reserve Bank Of India Act, 1934	11.10	4.60
Equity Instruments designated through OCI	2.93	0.04
Employee Stock Option Reserve	11.29	7.28
Foreign Currency Translation Reserve	0.36	0.35
Retained earnings	1,418.46	1,272.36
Opening Balance	1,272.36	1,101.40
Add : Profit for the year	174.52	194.95
Add : Other Comprehensive income / (loss)	0.25	4.64
	174.77	199.60
Less : Appropriations		
Adjustment towards Present value of future purchase consideration payable	(35.84)	3.57
Transfer to Special Reserve under section 45-IC of The Reserve Bank of India Act, 1934	6.50	3.38
Final Dividend	36.15	-
Interim Dividend	21.69	21.69
Expenses incurred on issuance of shares of a subsidiary	0.17	-
	28.67	28.64
Total	2,052.75	1,893.22

1. Share application money pending allotment, represents amount received from employees who have exercised Employee Stock Option Plan (ESOP) for which shares are pending allotment as on balance sheet date.
2. Capital redemption reserve is created out of General reserve being nominal value of shares bought back in terms of erstwhile section 77A of the Companies Act, 1956 for equity shares buy back in the year 2012-13.
3. General reserve is created by setting aside amount from the Retained Earnings of the Company for general purposes which is freely available for distribution.
4. Statutory Reserve is created pursuant to the provision of section 45-IC of Reserve Bank of India Act, 1934, the step down subsidiary Company Arka Fincap Limited has transferred ₹ 6.50 Crores (31 March 2021 : ₹ 3.38 Crores) towards statutory reserve fund.
5. Equity instruments through other comprehensive income represents the cumulative gains and losses arising on the valuation of equity instruments measured at fair value through other comprehensive income, under an irrevocable option, net of amounts reclassified to retained earnings when such assets are disposed off.
6. Employee Stock Option Reserve is used to record the fair value of equity-settled share based payment transactions with employees. The amounts recorded in share options outstanding account are transferred to securities premium upon exercise of stock options and transferred to general reserve on account of vested stock options not exercised by employees. Refer Note 44.6.16 for disclosure on Employee Stock Option Plan (ESOP) of the Group.
7. **Dividend distribution made and proposed**

₹ in Crores

Particulars	2021-2022	2020-2021
Cash dividends on Equity shares declared and paid		
Final dividend for the year ended 31 March 2021: ₹ 2.50 per share (31 March 2020: ₹ Nil per share)	36.15	-
Interim dividend for year ended 31 March 2022: ₹ 1.50 per share (31 March 2021: ₹ 1.50 per share)	21.69	21.69
	57.84	21.69
Proposed dividends on Equity shares		
Final dividend proposed for the year ended 31 March 2022: ₹ 2.50 per share (31 March 2021: ₹ 2.50 per share)	36.15	36.15
	36.15	36.15

Proposed dividend, if any, on equity shares are subject to approval of the shareholders of the Parent company at the annual general meeting and are not recognised as a liability as at 31 March.

Notes to the Consolidated Financial Statements

Note 21 : Borrowings (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Interest bearing borrowings From Banks		
Term Loan	543.91	196.61
Non Convertible Debentures ("NCD")	406.50	**198.45**
Interest bearing borrowings From NBFC		
Term Loan	115.42	21.93
Total	1,065.83	**416.99**
Aggregate Secured borrowings	1,031.66	416.99
Aggregate Unsecured borrowings	34.17	-

1. Borrowings are measured at amortised cost.

2. Term Loans from Banks for the Parent company

   (i) Term Loan of ₹ 25 Crores to be repaid in six half yearly installments of ₹ 4.17 Crores each starting from April 2022 at a rate of interest linked with repo rate plus applicable spread i.e effective 5.25% p.a. as at 31 March 2022. The repayment obligation of future 12 months is reflected in "Current maturities of long term borrowings" under Current borrowings. Refer Note 27.

   (ii) Term Loan of ₹ 25 Crores to be repaid in ten quarterly installments of ₹ 2.50 Crores each starting from July 2022 at a rate of interest linked with repo rate plus applicable spread i.e 5.10% p.a. as at 31 March 2022. The repayment obligation of future 12 months is reflected in "Current maturities of long term borrowings" under Current borrowings. Refer Note 27.

   (iii) Maturity profile of Term Loans from Banks (Current and Non-current)

₹ in Crores

Period	As at 31 March 2022	As at 31 March 2021
Less than Three Months	4.17	-
More Three Months Up to One Year	11.66	-
More than One Year Up to Three Years	34.17	-
More than Three Years Up to Five Years	-	-
Total	50.00	-

3. **Term Loans from Banks for subsidiaries**

Subsidiary - Arka Financial Holdings Private Limited(AFHPL)

(i) The term Loans availed by Arka Fincap Ltd (subsidiary of AFHPL) from Banks,NBFC and debenture holders are secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments.

(ii) The Non Convertible Debenture carry interest rate in range of 8.00% to 9.88%, repayable within 3 years.

(ii) The term loan from banks carry interest rate in range of 7.25% to 9.25%, repayable within 4 years.

(iv) The term loan from NBFC carry interest rate in range of 8.00% to 9.40%, repayable within 5 years.

Maturity profile of NCD and term loans from Banks and NBFC (Current and Non-current)

₹ in Crores

Period	As at 31 March 2022	As at 31 March 2021
Less than Three Months	165.15	23.91
More Three Months Up to One Year	436.92	155.38
More than One Year Up to Three Years	958.94	412.85
More than Three Years Up to Five Years	44.39	-
More than Five Years	-	-
Total	1,605.40	592.14

Notes to the Consolidated Financial Statements

Note 21 : Borrowings (Non-current) (Continued)

Subsidiary - La Gajjar Machineries Private Limited

(i) The term loans and working capital term loans availed from HDFC Bank, Federal Bank and Yes Bank are secured by a First Pari Passu charge by way of Hypothecation of Plant & Machinery and other assets and second charge on entire current assets of the company. Further Term Loan from HDFC Bank are secured by way of creation of Equitable Mortgage on Land, Building, Plant & Machinery and other assets at the new plant at Bhayla.

(ii) Term Loan of 3 Crore to be repaid in 60 monthly installments of ₹ 0.05 Crore each starting from July 2016. Accordingly total ₹ 0.15 Crore have been repaid in the year 2021-22 and the loan is totally repaid in June 2021

(iii) Term Loan of ₹7 Crore to be repaid in 60 monthly installments of ₹0.12 Crore each starting from November 2016. Accordingly total 0.82 Crore have been repaid in the year 2021-22 and the loan is totally repaid in October 2021.

(iv) Term Loan of ₹7 Crore to be repaid in 60 monthly installments of ₹0.12 Crore each starting from July 2018. Accordingly, a total ₹1.4 Crore have been repaid in the year 2021-22. The repayment obligation of the future 12 months is reflected in "Current maturities of long term borrowings" under Current borrowings. Refer Note 27.

(v) Working Capital Term Loan of ₹14 Crore to be repaid in 60 monthly installments of ₹0.24 Crore each starting from May 2018. Accordingly, a total ₹2.8 Crore have been repaid in the year 2021-22. The repayment obligation of the future 12 months is reflected in in "Current maturities of long term borrowings" under Current borrowings. Refer Note 27.

(vi) Working Capital Term Loan of ₹6 Crore to be repaid in 12 Quarterly installments of ₹0.50 Crore each starting from July 2018 at rate of interest 10.50%. Accordingly total ₹0.50 Crore have been repaid in the year 2021-22 and the loan is totally repaid in May 2021

(vii) Sanctioned Term Loan of ₹ 84.75 Crore and withdrawal done till 31 March 2022 of ₹ 23.97 Crore to be repaid in 72 monthly installments of ₹ 0.33 Crore each starting from June 2022 at rate of interest 7.45%. The repayment obligation of the future 12 months is reflected in "Current maturities of long term borrowings" under Current borrowings. Refer Note 27.

(viii) Working capital term loan of ₹5.5 Crores and Rupee term loan of ₹0.57 Crores borrowed by subsidiary company from ICICI Bank is secured by :

   (i) Exclusive charge by way of hypothecation of entire stocks of raw materials, stocks in process, stores and spares, packing materials, finished goods and book debts and all current assets of the Company.

   (ii) Exclusive charge by way of hypothecation of movable fixed assets"

(ix) Working capital term loan from ICICI Bank is repayable in 6 equal quarterly installments commencing from March 2023. Interest rate is Repo rate plus 5%.

(x) Rupee Term Loan awailed by subsidiary company from ICICI Bank is repayable in 6 equal quarterly installments commencing from March 2022. Interest rate is Repo rate plus 5%.

Maturity profile of Term Loans from Banks and NBFC (Current and Non-current)

₹ in Crores

Period	As at 31 March 2022	As at 31 March 2021
Less than Three Months	1.46	2.05
More Three Months Up to One Year	7.02	3.62
More than One Year Up to Three Years	12.89	4.14
More than Three Years Up to Five Years	7.99	-
More than Five Years	4.66	-
Total	34.02	9.81

4. **Loan for Purchase of Vehicles - Banks**

   Loans availed during previous year for purchase of vehicles are secured against Hypothecation of vehicles

5. **Loan for Purchase of Vehicles - NBFC**

   Loans for purchase of vehicles are secured against Hypothecation of vehicles

   These loans are to be repayable in 36 to 60 monthly installments at an agreed installment rates as per respective sanction terms.

Notes to the Consolidated Financial Statements

Note 21 : Borrowings (Non-current) (Continued)

Maturity profile of Vehicle Loans from Banks and NBFC (Current and Non-current)

₹ in Crores

Period.	As at 31 March 2022	As at 31 March 2021
Less than Three Months	-	0.03
More Three Months Up to One Year	-	0.05
More than One Year Up to Three Years	-	-
More than Three Years Up to Five Years	-	-

6. There has been no default in repayment of interest & principal amount for year ended 31 March 2022 and 31 March 2021
7. For explanations on the Group's interest risk, foreign currency risk and liquidity risk management processes, refer Note 44.6.13
8. Refer Note 44.6.13 on risk management objectives and policies for financial instruments.

Note 22 : Lease liabilities (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Lease liabilities	3.35	6.89
Total	3.35	6.89

1. Lease liabilities are measured at amortised cost.
2. For explanations on the Group's interest risk, foreign currency risk and liquidity risk management processes, refer Note 44.6.13

Note 23 : Other financial liabilities (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Deposits/ Retentions from customers and others	17.18	16.84
Present value of future purchase consideration payable	-	116.19
Total	17.18	133.03

1. Other financial liabilities are measured at amortised cost.
2. For explanations on the Group's interest risk, foreign currency risk and liquidity risk management processes, refer Note 44.6.13

Note 24 : Provisions (Non-current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Provision for employee benefits	22.98	18.83
Provision for compensated absence	18.41	16.17
Provision for pension and other retirement benefits	4.57	2.66
Other provisions	18.16	11.95
Provision for warranty	15.95	11.49
Expected credit loss on undrawn loan commitments	2.21	0.46
Total	41.14	30.78

Refer Note 32 Provisions (Current) for additional disclosures.

Notes to the Consolidated Financial Statements

Note 25 (a): Deferred tax assets (net)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Deferred Tax Liability	1.31	0.54
Depreciation	0.96	0.58
Undistributed reserves of joint venture	0.15	-
Others	0.20	(0.04)
Less : Deferred Tax Assets	10.55	4.58
Disallowances u/s 43 B of Income Tax Act	1.05	0.42
Provision for Doubtful debts & advances	2.54	0.37
Amalgamation/Demerger Expenses	0.07	0.14
Carried Forward Business Loss	1.80	-
Others	5.09	3.65
Total	9.24	4.04

1. **Reconciliation of deferred tax assets (net)**

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Opening balance as of 1 April	4.04	3.02
Tax income/(expense) during the year recognised in the Statement of Profit and Loss	5.74	1.05
Others	(0.03)	-
Tax income/(expense) during the year recognised in OCI	(0.51)	(0.03)
Closing balance as at 31 March	9.24	4.04

2. **Tax Losses**

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Unused tax losses for which no deferred tax Assets have been recognised	12.37	12.37
Potential Tax benefit	2.88	2.88

Note 25 (b): Deferred tax liabilities (net)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Deferred tax liabilities	39.99	40.16
Depreciation	37.28	39.79
Others	2.71	0.37
Less : Deferred tax assets	22.21	20.79
Disallowances u/s 43 B of Income Tax Act	9.40	8.28
Provision for Doubtful debts & advances	9.14	9.53
VRS Compensation	1.69	2.11
Others	1.98	0.87
Total	17.78	19.37

1. **Reconciliation of deferred tax liabilities (net)**

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Opening balance as of 1 April	(19.37)	(15.14)
Tax income/(expense) during the year recognised in the Statement of Profit and Loss	2.51	(2.69)
Tax income/(expense) during the year recognised in OCI	(0.92)	(1.54)
Closing balance as at 31 March	(17.78)	(19.37)

Notes to the Consolidated Financial Statements

Note 25 (b): Deferred tax liabilities (net) (Continued)

3. The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relating to income taxes levied by the same tax authority.
4. Refer Note 43 for Income tax and deferred tax rate.
5. The deferred tax liability is not recognized by temporary difference between carrying amount and tax base of investments in subsidiary as the parent company is able to control the timing of reversal of temporary difference and it is probable that the difference will not reverse in the forseeable future. Hence , the Group has not recognized any deferred tax liability for taxes on undistributed profits
6. The unused tax losses were incurred by the one of the subsidiary company on sale on Land in which company is not likely to generate taxable income in the foreseeable future. The losses can be carried forward as per the provisions of Income Tax Act .

Note 26 : Other non current liabilities

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Advance from customers	19.83	17.93
Revenue received in advance	0.98	1.20
Total	20.81	19.13

Refer Note 44.6.6

Note 27 : Borrowings (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Secured Interest bearing borrowings From Banks and Financial Institution		
Export Preshipment Loan in INR	10.17	10.94
Export sales bill discounted	36.54	17.08
Cash credit	67.36	78.67
Working Capital Demand Loan	10.00	49.96
Non-convertible debentures	41.18	-
Term Loan - Banks	425.67	-
Term Loan - Financial Institution	132.44	39.95
Interest Accrued but Not Due	11.32	5.51
Current maturities of long term borrowings	8.48	5.76
Unsecured loans		
From Bank	13.00	-
Commercial paper (Net)	118.09	73.25
Current maturities of long term borrowings	16.05	139.68
Total	890.30	420.80
Aggregate secured borrowings	743.16	207.87
Aggregate unsecured borrowings	147.14	212.93

1. Borrowings are measured at amortised cost.
2. Secured borrowings, the Parent company's fund and non-fund based working capital facilities aggregating to ₹ 410 Crores. are secured to the extent of ₹ 410 Crores. by way of hypothecation (First Charge) on the whole of the current assets of the Company both present and future in favour of the consortium of banks (SBI Consortium) comprising of State Bank of India, Pune (Lead Bank), Bank of Maharashtra, ICICI Bank Limited, HDFC Bank Limited, and The Hongkong and Shanghai Banking Corporation Limited (HSBC).

   During the year under review, the Board of Directors of the Parent company had given their approval for reduction of said consortium limit to ₹ 385 Crores and also to appoint 'Axis Trustee Services Private Limited' as s Security Trustee. The Parent company is in process of execution of necessary agreements with Consortium Bankers to give effect to the reduction of working capital facilities to ₹ 385 crores and for appointment of Security Trustee. Accordingly, the necessary forms will be filed with the Ministry of Corporate Affairs/Registrar of Companies for modification of charge created to the extent of reduction in working capital facilities.
3. Indian Subsidiary La Gajjar Machineries Private Limited fund and non fund based working capital facilities of ₹ 15.14 Crores are secured by first charge by way of hypothecation on the whole of the current assets of the subsidiary company both present and future and also

Notes to the Consolidated Financial Statements

Note 27 : Borrowings (Current) (Continued)

the second charge on the whole of the movable Plant and machinery and other fixed assets of the subsidiary company in favour of the consortium of banks (Federal Consortium) comprising of The Federal Bank Limited - Ahmedabad (Lead Bank), ICICI Bank Limited - Ahmedabad, Yes Bank Limited - Pune and HDFC Bank Limited - Ahmedabad.

4. The subsidiary Company of La Gajjar Machineries Private Limited has availed cash credit facility of 8 Crore from ICICI Bank for meeting working capital requirements. Company has also availed working capital demand loan facility of 8 Crore from ICICI Bank as a sub-limit of Cash Credit facility. The facilities are secured by:
   (i) Exclusive charge by way of hypothecation of entire stocks of raw materials, stocks in process, stores and spares, packing materials, finished goods and book debts and all current assets of the Company.
   (ii) Exclusive charge by way of hypothecation of movable fixed assets"
5. The unutilised portion of subsidiary company's La Gajjar Machineries Private Limited Cash Credit Limit is ₹ 31.79 Crores (₹ 16.32 Crores in FY 2020-2021) whereas the same for subsidiary company is ₹ 3.69 Crores (31 March 2021 : Not applicable)
6. Unsecured Loans of ₹ 13.00 Crores (Kotak Bank ₹ 8.00 Crores and ICICI Bank ₹ 5.00 Crores) have been availed in the year 2021-22 by Subsidiary La Gajjar Machineries Private Limited
7. The quarterly returns or statements of current assets filed by the company with banks are in agreement with the books of accounts,except as mentioned in Sr. no. 10 below)
8. There has been no default in repayment of interest & principal amount for year ended 31 March 2022 and 31 March 2021
9. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.6.13
10. **Reconciliation of quarterly statement submitted to banks by La-Gajjar Machineries Private Limited :**

For the year ended 31 March 2022

₹ in Crores

Quarter ended	Name of the bank	Particulars of securities provided	Amount as per statement submitted to bank/FI	Amount as per financials	Difference	Reason for difference
30 June 2021	Federal/HDFC/ ICICI/Yes Bank	Inventory	83.14	83.42	(0.28)	There are some period ended book closure adjustments for finalisation of quarterly results post filing of returns with banks . The financial information were provided to the bank before finalisation of the quarterly results
		Receivables	67.19	72.68	(5.49)	
		Payables	42.27	55.67	(13.40)	
30 September 2021	Federal/HDFC/ ICICI/Yes Bank	Inventory	87.13	87.13	-	
		Receivables	66.85	66.85	-	
		Payables	44.29	68.77	(24.48)	
31 December 2021	Federal/HDFC/ ICICI/Yes Bank	Inventory	78.38	78.78	(0.39)	
		Receivables	67.53	67.83	(0.31)	
		Payables	50.54	77.06	(26.52)	
31 March 2022	Federal/HDFC/ ICICI/Yes Bank	Inventory	75.65	75.72	(0.07)	
		Receivables	83.71	81.96	1.75	
		Payables	49.96	74.64	(24.67)	

For the year ended 31 March 2021

₹ in Crores

Quarter	Name of the bank	Particulars of securities provided	Amount as per statement submitted to bank/FI	Amount as per financials	Difference	Reason for difference
30 June 2020	Federal/HDFC/ ICICI/Yes Bank	Inventory	67.55	73.54	(6.00)	There are some period ended book closure adjustments for finalisation of quarterly results post filing of returns with banks . The financial information were provided to the bank before finalisation of the quarterly results
		Receivables	59.07	52.00	7.07	
		Payables	24.13	45.80	(21.67)	
30 September 2020	Federal/HDFC/ ICICI/Yes Bank	Inventory	71.19	74.11	(2.92)	
		Receivables	83.70	81.93	1.78	
		Payables	48.37	67.76	(19.38)	
31 December 2020	Federal/HDFC/ ICICI/Yes Bank	Inventory	91.19	87.42	3.77	
		Receivables	92.61	89.13	3.48	
		Payables	58.61	81.92	(23.31)	
31 March 2021	Federal/HDFC/ ICICI/Yes Bank	Inventory	110.04	111.00	(0.96)	
		Receivables	87.26	90.78	(3.53)	
		Payables	68.93	94.91	(25.98)	

Notes to the Consolidated Financial Statements

Note 28 : Lease liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Lease liabilities	5.18	3.87
Total	5.18	3.87

1. Lease liabilities are measured at amortised cost.

2. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.6.13

Note 29 : Trade and other payables

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Acceptances	16.61	37.45
Due to micro enterprises and small enterprises	133.16	133.50
Due to other than micro enterprises and small enterprises	426.07	423.25
Total	575.84	594.20

1. Trade and other payables are measured at amortised cost.

2. For terms and conditions with related parties, refer to Note 44.6.9

3. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.6.13

4. For trade payables outstanding, the ageing schedule is as given below:

As at 31 March 2022

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment					Total
		Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Micro and Small Enterprises ("MSME")	0.55	129.28	0.87	0.14	0.32	2.00	133.16
Others	18.99	364.95	50.74	1.22	4.15	2.63	442.68
*Disputed dues – Micro and Small Enterprises ("MSME")	–	–	–	–	–	–	–
*Disputed dues - Others	–	–	–	–	–	–	–
Total	19.54	494.23	51.61	1.36	4.47	4.63	575.84

* Disputed dues represents legal cases with vendors

As at 31 March 2021

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment					Total
		Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Micro and Small Enterprises ("MSME")	–	130.92	0.27	0.33	0.81	1.17	133.50
Others	26.74	319.34	107.04	4.68	0.98	1.92	460.70
*Disputed dues – MSME	–	–	–	–	–	–	–
*Disputed dues - Others	–	–	–	–	–	–	–
Total	26.74	450.26	107.31	5.01	1.79	3.09	594.20

* Disputed dues represents legal cases with vendors

Notes to the Consolidated Financial Statements

Note 30 : Other financial liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Deposits from customers	1.07	1.28
Unclaimed dividends	10.99	12.09
Payable for capital purchases	15.04	33.43
Employee benefits payable	41.16	45.09
Present value of future purchase consideration payable	76.72	-
Other payables	12.23	6.58
Total	157.21	98.47

1. Other financial liabilities are measured at amortised cost.

2. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.6.13

Note 31 : Other current liabilities

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Advance from customers	29.22	22.79
Revenue received in advance	27.84	26.53
Eligible incentives under Export Promotion Capital Goods (EPCG) Scheme	0.15	0.29
Statutory dues	17.44	11.81
Others	0.19	0.19
Total	74.84	61.61

1. For advance from customers and revenue received in advance refer Note 44.6.6

2. Parent company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods.

3. **Movement in Eligible incentives under Export Promotion Capital Goods (EPCG) Scheme**

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
As at 1 April	0.29	0.70
Availed during the year	–	–
Released to Statement of Profit and Loss	(0.14)	(0.41)
As at 31 March	0.15	0.29

Note 32 : Provisions (Current)

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Provision for employee benefits	10.37	11.15
Provision for gratuity	–	–
Provision for compensated absence	10.02	10.76
Provision for pension and other retirement benefits	0.35	0.39
Others	68.89	62.31
Provision for warranty	47.21	46.24
Tax provision (Net of tax paid in advance)	0.25	0.25
Other Provision	21.43	15.82
Total	79.26	73.46

Refer Note 24 Provisions (Non current)

Notes to the Consolidated Financial Statements

Note 32 : Provisions (Current) (Continued)

Note :

1. **Employee benefits obligations**

   a. **Gratuity**

   The Group provides gratuity for employees as per the Gratuity Act, 1972 and internal gratuity scheme. Employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity is payable on retirement or termination whichever is earlier. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity plan is funded plan except for step down subsidiary Arka Fincap Limited (formerly known as Kirloskar Capital Limited).

   b. **Pension, post retirement medical benefit and long term award benefits**

   The Parent Company provides certain post-employment medical scheme and long term award benefits to employees (unfunded). For long-term award scheme, the Company has defined certain eligibility criteria and grade-wise benefit available to employees and is payable only at time of separation. Pension and medical benefits are payable to employees for 15 years after retirement.

   c. **Compensated absences**

   The leave obligation cover the Group's liability for earned leaves.

   Also Refer Note 44.6.7 for detailed disclosure.

2. **Others**

   a. Warranty is provided to customers at the time of sale of engines and generating sets manufactured. Warranty cost includes expenses in connection with repairs, free replacement of parts / engines and after sales services during warranty period which varies from 1 year to 4 years.

   b. The Parent Company has preferred an Appeal bearing No. 125 of 2016 before the Chief Controlling Revenue Authority (CCRA) against the Stamp Duty Adjudication Order dated 2 May 2016 bearing ADJ/188/2015 passed by Collector of Stamps, Enforcement – II, Mumbai levying a total stamp duty amount of ₹ 14.94 Crores on the Company for amalgamation of KBIL with the Company. For securing a Stay Order against the said stamp duty Adjudication being ADJ/188/2015 dated 2 May 2016, the Company has deposited 50% of the stamp duty amount of ₹ 7.47 Crores on protest on 30 June 2016. Considering the payment of 50% of stamp duty amount, through its Order dated 22 September 2016, CCRA has passed an Order granting stay on the effect and operation of said Stamp Duty Adjudication Order bearing ADJ/188/2015 dated 2 May 2016. Company's Appeal bearing No. 125 of 2016 is still pending and listing for final hearing is awaited. Accordingly, provision for stamp duty of ₹ 14.94 Crores has been made.

   c. Provision for liquidated damages pertains to provision arising due to delay in actual delivery of goods/services as against the contractual delivery date.

   d. Provision for onerous contracts pertains to the provision for the unavoidable costs of meeting the obligations under the contract which exceeds the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

₹ in Crores

Particulars	Warranty	Stamp Duty	Liquidated damages	Onerous Contracts
At 1 April 2020	**52.89**	**14.94**	**0.30**	**–**
Arising during the year	44.81	–	0.86	–
Less : Utilised	39.97	–	0.21	–
Less : Unused amount reversed	–	–	0.07	–
Add: Unwinding of discount	–	–	–	–
At 31 March 2021	**57.73**	**14.94**	**0.88**	**–**
Arising during the year	51.81	–	2.49	3.75
Less : Utilised	46.02	–	0.63	–
Less : Unused amount reversed	1.20	–	–	–
Add: Unwinding of discount	0.84	–	–	–
At 31 March 2022	63.16	14.94	2.74	3.75
Non-current	15.95	–	–	–
Current	47.21	14.94	2.74	3.75

Notes to the Consolidated Financial Statements

Note 33 : Revenue from operations

₹ in Crores

Particulars	2021-2022	2020-2021
Sales and services	3,777.23	3,153.17
Sale of products	3,650.21	3,025.10
Sale of services	127.02	128.07
Income of Financial service business	201.48	101.64
Other operating income	43.27	41.29
Sale of scrap	22.30	13.69
Commission received	1.78	1.03
Export incentives	7.86	15.18
Refund of sales tax, octroi etc.	0.25	–
Sundry credit balances written back	0.35	0.55
Provisions no longer required written back	5.71	3.73
Solar Power Generation Income	3.87	4.72
Miscellaneous receipts	1.15	2.39
Total	4,021.98	3,296.10

1. Export incentives includes incentive under EPCG scheme amounting to ₹2.90 Crores (31 March 21 : ₹5.28 Crores)

2. Refer Note 44.4.1 & 44.5.17

Note 34 : Other income

₹ in Crores

Particulars	2021-2022	2020-2021
Interest on Income Tax and Sales Tax Refund	0.50	4.01
Interest income on financial assets measured at amortised cost		
(i) Bank Deposits	0.08	1.78
(ii) Unwinding of interest on security deposit	1.47	1.82
(iii) Other financial assets	2.03	2.76
Dividend income from equity investments designated at fair value through other comprehensive income	0.00	–
Net gain on financial assets measured at fair value through profit or loss (unrealised)	6.89	1.13
Net gain on sale of mutual fund measured at fair value through profit or loss (realised)	9.89	12.59
Net gain/(loss) on disposal of property, plant and equipment	0.92	0.13
Net gain/(loss) on derivatives at fair value through profit or loss	0.30	–
Exchange gains/(losses) on translation of assets and liabilities	1.87	(1.14)
Rent income	1.05	1.11
Miscellaneous income	1.73	1.16
Total	26.73	25.35

1. Net gain on financial assets measured at fair value through profit or loss relates to the gain arising on fair value restatements of Group's investment in mutual funds at balance sheet dates which are held as current or non-current investments.

2. Refer Note 44.4.1 ,44.5.10 & 44.6.15

Note 35 : Cost of raw materials and components consumed

₹ in Crores

Particulars	2021-2022	2020-2021
Raw materials and components consumed	1,885.15	1,432.09
Total	1,885.15	1,432.09

Notes to the Consolidated Financial Statements

Note 36 : Purchases of traded goods

₹ in Crores

Particulars	2021-2022	2020-2021
Engines and Gensets	292.93	234.93
K-Oil	116.17	91.91
Alternators, Batteries and Others	335.80	240.61
Total	744.90	567.45

Note 37 : Changes in inventories of finished goods, work-in-progress and traded goods

₹ in Crores

Particulars	2021-2022	2020-2021
Opening inventories	164.73	213.58
Work-in-progress	31.98	59.04
Finished goods	66.18	86.11
Traded goods	66.57	68.43
Closing inventories	157.14	163.12
Work-in-progress	41.87	30.86
Finished goods	52.23	65.70
Traded goods	63.04	66.56
(Increase)/decrease in inventories	7.59	50.46

Note 38 : Employee benefits expense

₹ in Crores

Particulars	2021-2022	2020-2021
Salaries, wages, bonus, commission, etc.	245.63	222.53
Gratuity	4.11	4.92
Contribution to provident and other funds	13.43	12.93
Welfare and training expenses	18.04	14.11
Provident and other funds expenses	0.35	0.35
Share Based Payment to employees	4.01	2.56
Total	285.57	257.40

Refer Note 44.6.7 for gratuity and Note 44.6.16 for share based payment to employees

Note 39 : Finance costs

₹ in Crores

Particulars	2021-2022	2020-2021
Interest and discounting charges	11.38	9.89
Interest on term loan from banks & NBFCs	57.82	19.26
Other Finance cost	2.39	2.38
Other Bank charges	4.70	2.08
Interest on Lease Liability	1.01	1.18
Discount on commercial paper issued	6.80	2.29
Interest on debentures issued	21.93	13.04
Total	106.03	50.12

Notes to the Consolidated Financial Statements

Note 40 : Depreciation and amortisation expense

₹ in Crores

Particulars	2021-2022	2020-2021
Depreciation and amortisation expense	101.29	83.98
Depreciation on property, plant &equipment	57.86	53.63
Amortisation on Intangible assets	37.62	24.93
Amortisation on right -of-use assets	5.81	5.42
Total	101.29	83.98

Note 41 : Other expenses

₹ in Crores

Particulars	2021-2022	2020-2021
Manufacturing expenses	322.80	296.03
Stores consumed	90.76	74.49
Power and fuel	25.88	22.28
Machinery spares	7.18	5.69
Repairs to machinery	9.37	6.91
Job work charges	43.10	43.93
Labour charges	44.87	42.73
Cost of services	85.70	89.44
Other manufacturing expenses	15.94	10.56
Selling expenses	180.19	172.11
Commission	14.70	18.39
Freight and forwarding	86.01	72.32
Warranty	51.81	44.81
Royalty	8.05	6.59
Advertisement and publicity	13.92	10.06
Provision for doubtful debts and advances (net)	(2.38)	13.99
Others selling expenses	8.08	5.95
Administration expenses	197.54	143.70
Rent	31.67	30.44
Rates and taxes	3.82	2.56
Insurance	3.61	3.34
Repairs to building	1.20	0.94
Other repairs and maintenance	33.01	31.85
Travelling and conveyance	20.08	10.27
Communication expenses	4.38	3.73
Printing and stationery	1.13	0.76
Professional charges	46.86	35.74
Membership and subscription	0.14	-
Auditor's remuneration	1.10	0.98
Technology expenses	2.54	-
Custodian charges	0.02	-
Electricity charges	0.10	-
Office expenses	0.32	0.02
Postage and courier	0.03	-
ROC Expenses	2.50	-
GST expenses	2.14	-
Stamp duty	0.63	-
Housekeeping and security charges	0.25	-
Donations	1.03	0.40
Corporate social responsibility (CSR) expenses	6.01	5.34
Non Executive Directors' fees and commission	2.95	3.03
Miscellaneous expenses	24.26	9.71
Provision for expected credit loss of financial service business	5.58	2.21
Bad debts and irrecoverable balances written off	2.18	2.38
Total	700.53	611.84

Notes to the Consolidated Financial Statements

Note 42 : Exceptional items

₹ in Crores

Particulars	2021-2022	2020-2021
VRS Compensation - Wages	–	(8.37)
Total	–	(8.37)

1. During 2020-2021, the Parent Company had launched "Voluntary Retirement Scheme 2021" (the VRS Scheme) for its workers at its Khadki (Pune, Maharashtra) location who had either completed 10 years of services or have attained 40 years of age. Under the said VRS scheme, 31 employees of the Parent Company opted for VRS and a total compensation amounted to ₹ 8.37 Crores.

Note 43 : Tax expenses

The note below details the major components of income tax expenses for the year ended 31 March 2022 and 31 March 2021. The note further describes the significant estimates made in relation to Group income tax position, and also explains how the income tax expense is impacted by non-assessable and non-deductible items.

₹ in Crores

Particulars	2021-2022	2020-2021
Current tax	69.26	70.62
Current income tax	69.26	70.53
(Excess)/short provision related to earlier years	–	0.09
Deferred tax	(8.25)	1.66
Relating to origination and reversal or temporary difference	(8.25)	1.66
Income tax expense reported in the statement of profit and loss	61.01	72.28

Other Comprehensive Income (OCI)

₹ in Crores

Particulars	2021-2022	2020-2021
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	0.09	1.57
Net loss / (gain) on FVOCI equity instruments	0.86	0.01
Deferred tax charged to OCI	0.95	1.58

Reconciliation of tax expense and the accounting profit multiplied by applicable tax rate as notified under Income Tax Act, 1961 enacted in India for the years ended 31 March 2022 and 31 March 2021 :

Current Tax

₹ in Crores

Particulars	2021-2022	2020-2021
Accounting profit before income tax expense	231.88	269.68
Tax at 25.168% (as per rate enacted by Income Tax Act, 1961) (31 March 2021 : 25.168 %)	58.36	67.88
Tax effect of adjustments in calculating taxable income:	2.65	4.40
Corporate Social Responsibility expenses/Donations (net)	1.77	1.44
Debit Balances written Off	–	0.18
Interest on MSME dues	0.21	0.10
Dividend Received	0.00	0.00
Profit on sale of investment	0.16	–
(Excess)/short provision related to earlier years	–	0.09
Difference in Tax Rate of foreign subsidiary	(0.04)	(0.03)
Other Disallowances/(allowances)	0.55	2.62
Income tax expense recognised in the Statement of Profit and Loss	61.01	72.28
Effective income tax rate	26.31%	26.80%

Notes to the Consolidated Financial Statements

Note 44 : Notes to and forming part of the Consolidated Financial Statements as at and for the year ended 31 March 2022

1 Corporate information

The consolidated financial statements comprise the financial statements of Kirloskar Oil Engines Limited ('the Parent Company') and its subsidiaries (collectively 'the Group'). The parent Company is a public limited Company domiciled in India and is incorporated under the provisions of the Companies Act, 1956 ("the 1956 Act"). The registered office of the parent Company is located at Laxmanrao Kirloskar Road, Khadki, Pune – 411003 Maharashtra. The equity shares of the parent Company are listed on two recognised stock exchanges in India i.e. Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The Group is engaged in the business of manufacturing of diesel engines, agricultural pump sets, electric pump sets, power tiller, generating sets, spares thereof and providing financial services.

During financial year 2015-16, the Parent Company had invested USD 250,000 in "Kirloskar Americas Corporation (formerly known as KOEL Americas Corp.)"(50 Shares of USD 5,000 each), incorporated under State of Delaware laws, United States of America and based in Houston, Texas. With this, "Kirloskar Americas Corporation" (Formerly known as KOEL Americas Corp.) is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 23 June 2015.

During financial year 2017-18, the Parent Company has invested ₹ 253.78 Crores in La-Gajjar Machineries Private Limited to acquire 76% shares in its equity from its promoters. With this, La-Gajjar Machineries Private Limited is subsidiary of Kirloskar Oil Engines Limited, India with effect from 1 August 2017.

The parent company has also invested ₹ 8.5 Crores (₹ 10 per share) towards 8% cumulative redeemable preference shares right issue of 85,00,000 Shares, in La-Gajjar Machineries Private Limited (LGM) during financial year 2020-21.

During the year 2021-22, the parent company has transferred 68,09,02,231 fully paid-up equity shares having face value of ₹ 10/- each of Arka Fincap Limited (AFL – Subsidiary Company) to Arka Financial Holding Private Limited (AFHPL), a wholly owned subsidiary at ₹ 753.96 Crores, which is not less than the fair market value of equity shares of AFL calculated as per provisions of Income Tax Act, 1961 including rules thereunder and amendment(s) thereto. Accordingly, AFHPL is holding 99.998% of AFL. As such AFL is subsidiary of AFHPL and continues to be a step down subsidiary instead of subsidiary of the Company w.e.f 4 March 2022.

Further, the Parent Company has also invested ₹ 124.82 Crores towards rights issue of 11,34,69,828 Shares in financial year 2020-21.

During the year 2021-2022, the Company has invested in paid up capital of ₹ 753.99 crores towards the Rights Issue of equity shares having face value of ₹ 10 each of Arka Financial Holdings Private Limited ('AFHPL'- a wholly owned subsidiary) as per payment terms covered in the Letter of Offer issued by AFHPL to the Company.

During the previous year 2020-21, the La-Gajjar Machineries Private Limited has invested ₹ 8.50 Crores in Optiqua Pipes and Electricals Private Limited to acquire cables and pipes business of Optiflex Industries (a partnership firm). With this Optiqua Pipes and Electricals Private Limited is the 100% subsidiary of La-Gajjar Machineries Private Limited w.e.f. 19 February 2021.

2 Basis of preparation of Financial Statements

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

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

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

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

(iii) equity settled share based payments measured at grant date fair value."

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

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 19 May 2022

3 Basis of consolidation

(i) Basis of accounting and preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting standards ('Ind AS') to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ('the 2013 Act') and the relevant provisions of the 1956 Act / 2013 Act, including rules thereunder as applicable and guidelines issued by Securities and Exchange Board of India ('SEBI'). The accounting policies adopted in the preparation of the consolidated financial statements are consistent. All assets and liabilities have

Notes to the Consolidated Financial Statements

been classified as Current or Non-current as per the respective Company's normal operating cycle and other criteria set out in Schedule III to the 2013 Act.

(ii) Principles of consolidation

The consolidated financial statements have been prepared on the following basis:

a. The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Ind AS 110, "Consolidated Financial Statements".

b. The financial statements of the Company and its subsidiary companies have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra Group balances and intra group transactions and resulting unrealised profit or losses, unless cost cannot be recovered, as per the applicable Accounting Standard in India.

c. When the subsidiary company has with other entities, joint control of the arrangement and rights to the net assets of the joint arrangment, it recognises its interest as joint venture. The results, assets and liabilities of joint ventures are incorporated in the consolidated financial statements using equity method of accounting after making necessary adjustments in application of accounting policies. The unrealised profits/losses on transactions with joint ventures are eliminated by reducing the carrying amount of investment. The carrying amount of investment in joint ventures is reduced to recognise impairment, if any.

When the subsidiary's share of losses of a joint venture exceeds the subsidiary's interest in that joint venture, the Parent Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the subsidiary has incurred legal or constructive obligations or made payments on behalf of the joint venture.

d. The consolidated financial statements are presented, to the extent applicable, in accordance with the requirements of Schedule III of the 2013 Act as applicable to the Group's separate financial statements. Differences if any, in accounting policies have been disclosed separately.

e. Particulars of subsidiaries have been considered in the preparation of the consolidated financial statements:

Name of Company	Country of Incorporation	% of Shareholding of Kirloskar Oil Engines Ltd.	Consolidated As
Kirloskar Americas Corporation (Formerly known as KOEL Americas Corp.)	State of Delaware Laws, United States of America based in Houston, Texas	100%	Subsidiary
*La-Gajjar Machineries Private Limited	India	76%	Subsidiary
*Arka Financial Holdings Private Limited (AFHPL)	India	100%	Subsidiary
Arka Fincap Limited (formerly known as Kirloskar Capital Limited)	India	99.998%	Stepdown subsidiary w.e.f 4 March 2022

* On consolidated basis. Also refer notes forming part of Note No. 44.6.20

f. The accounting policies of the Parent Company are best viewed in its independent financial statements. Differences in accounting policies followed by the Kirloskar Americas Corporation, La-Gajjar Machineries Private Limited, Arka Financial Holding Private Limited and Arka Fincap Limited (Stepdown subsidiary) have been reviewed and no adjustments have been made, since the impact if any of these differences is not significant.

4 Significant accounting judgements, estimates and assumptions

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

4.1 Judgements

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

Government grants and Incentives

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

Leases

The Group has applied provisions of Ind AS 116 effective 1 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 judgement.

Capital work-in-progress

Project is construed as smallest group of assets having a common intended use. For e.g., Group of assets in an integrated plant is treated as one project. The identification of project will require judgement and management needs to identify project based on facts of each case. Project identification is consistent with how management identifies and monitors progress on group of assets internally.

Revenue recognition

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

In case performance obligation is satisfied at a point in time, the Group generally recognises revenue when the control is transferred i.e. in case of goods either on shipment or upon delivery in domestic and on bill of lading date in case of export. In case of services, the revenue is recognised based on completion of distinct performance obligation. Refer significant accounting policy note 44.5.17 on revenue recognition for information about methods, input and assumptions w.r.t transaction price and variable consideration.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition related costs are generally recognised in the Statement of Profit or Loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity of subsidiaries.

The cost of an acquisition also includes the estimated fair value of any contingent consideration measured as at the date of acquisition. This measurement is based on information available at the acquisition date and is based on expectations and assumptions that have been deemed reasonable by management. Any subsequent changes to the fair value of contingent consideration classified as liabilities, other than measurement period adjustments, are recognised in the consolidated Statement of Profit and Loss.

Business Combinations arising from transfers of interests in entities that are under the common control are accounted at historical cost. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity are recorded in shareholders' equity.

Acquisition of some or all of the non-controlling interest ('NCI') is accounted for as a transaction with equity holders in their capacity as equity holders. Consequently, the difference arising between the fair value of the purchase consideration paid and the carrying value of the NCI is recorded as an adjustment to retained earnings that is attributable to the Parent Company. The associated cash flows are classified as financing activities. No goodwill is recognised as a result of such transactions.

Notes to the Consolidated Financial Statements

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4.2 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 Group based its assumptions and estimates on information available till the date of approval of consolidated financials statements. The estimates and assumptions used, however may change based on future developments, due to market environment or due to circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions and estimates when they occur.

Defined benefit plans

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

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

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

Further details about defined benefit obligations are provided in Note 44.6.9

Development costs

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

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

Warranty

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

Deferred tax

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

Impairment of goodwill recognised under Business Combination

The Parent Company estimates whether goodwill accounted under business combination has suffered any impairment on annual basis. For this purpose, the recoverable amount of the CGU was determined based on value in use calculations which require the use of assumptions.

Share based payments

Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share based payment transactions are disclosed in Note 44.6.19

Uncertainty relating to Global health pandemic on COVID-19

The Group has considered the possible effects that may result from COVID-19 in the preparation of these financial results including recovering of carrying amounts of financial and non-financial assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of COVID-19, the Group has at the date of approval of financial results, used internal and external sources of information and expects that the carrying amount of the assets will be recovered. The impact of COVID-19 on the Group's financial results may differ from that estimated as at the date of approval of the same.

Notes to the Consolidated Financial Statements

5 Significant accounting policies

5.1 Current Vs. Non-current classification

The Group presents assets and liabilities in the Balance Sheet based on Current/Non-current classification.

An asset is treated as current when it is:

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

b. Held primarily for the purpose of trading or

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

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

All other assets are classified as Non-current.

A liability is treated as current when it is:

a. Expected to be settled in normal operating cycle or

b. Held primarily for the purpose of trading or

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

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

All other liabilities are treated as Non-current.

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

The Group classifies all other liabilities as Non-current.

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

5.2 Fair value measurement

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

- In the principal market for the asset or liability

  Or

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

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

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

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

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

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

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

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

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

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

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

5.3 Property, plant and equipment

a Property, plant and equipment; and capital work in progress are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any other than those acquired in a business combination. Cost represents all expenses directly attributable to bringing the asset to its

Notes to the Consolidated Financial Statements

working condition capable of operating in the manner intended. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.

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

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

Depreciation and Amortisation

Group charges Depreciation on the basis of useful life of assets on straight line method.

Useful life of assets considered as follows:

Asset Category	Life (in years)	Basis for useful life
Factory buildings	30	Life as prescribed under Schedule II of the Companies Act, 2013
Building- Non factory		
RCC Frame Structure	60	
*Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
Building – Roads		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	
Building - Temporary shed	3	
***Plant & Equipment other than Pattern Tooling**	7.5 to 15	Useful life based on Number of Shifts as prescribed under Schedule II of the Companies Act, 2013
Plant & Equipment - Pattern tooling	4 to 15	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Computers		
Network	6	Life as prescribed under Schedule II of the Companies Act, 2013
End user devices, such as, desktops, etc.	3	
*Laptops	3 to 5	Higher useful life considered based on past history of usage and supported by technical evaluation
Servers	4 to 6	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Electrical Installations	10	Life as prescribed under Schedule II of the Companies Act, 2013
***Furniture & Fixture**		
Furniture, Fixtures and Electrical Fittings	10	Life as prescribed under Schedule II of the Companies Act, 2013
Furniture, AC, Refrigerators and Water coolers - Residential Premises	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
AC, Refrigerators and Water coolers - Company and Guest House Premises	5	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Office Equipment	3 to 10	Lower useful life considered based on past history of usage and supported by Technical Evaluation
***Vehicles**		
Motorcars, Jeep	5 to 8	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Trucks	5	
Other Vehicles	5 to 10	
***Aircrafts**	15	Lower useful life considered based on past history of usage and supported by Technical Evaluation

Notes to the Consolidated Financial Statements

- Used assets obtained under Business Combination are measured based on their remaining useful life as on the date of acquisition.
- Depreciation on additions is provided from the beginning of the month in which the asset is added.
- Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on pro-rata basis up to the end of the month prior to the month in which such assets are sold, discarded or demolished.
- Foreign exchange fluctuation gain/ loss on imported plant and equipment were capitalized in the cost of the respective fixed asset up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

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

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

Security :

As at 31 March 2022, Property, plant & equipment of subsidiary La-Gajjar Machineries Private Limited with a carrying amount of ₹ 16.27 Crores (31 March 2021: ₹ 13.46 Crores) are subject to first charge to secure bank loan. Refer Note 21 "Borrowings"

5.4 Intangible assets

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

Intangible assets are recorded at the consideration paid for acquisition. In case of internally generated intangible assets, expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Group, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses.

Other internally generated intangibles are not capitalised and the related expenditure is reflected in the Statement of Profit and Loss for the period in which expenditure is incurred.

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

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

Sr. No.	Asset category	Life (in years)
1	Computer Software	3 to 5
2	Drawings & Designs	10
3	Technical Knowhow – acquired	6 to 7
4	Technical Knowhow - Internally generated	3 to 5
5	Brand	10 to 15
6	Customer Relationship	5

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

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

Intangible assets are recorded at the consideration paid for acquisition. In case of internally generated intangible assets, expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Group, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses.

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

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5.5 Borrowing costs

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

5.6 Impairment of Non financial assets

The Group 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 Group estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the Statement of 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 Statement of Profit and Loss account. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognised or relates to a change in the estimate of the recoverable amount in the previous periods.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

5.7 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Profit or Loss.

a Financial assets

i Initial recognition and measurement of financial assets

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

ii Subsequent measurement of financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through Other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)
- **Debt instrument :**

A financial asset is measured at amortised cost if:

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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Investments in equity instruments are classified as at FVTPL, unless the related instruments are not held for trading and the Group irrevocably elects on initial recognition to present subsequent changes in fair value in Other comprehensive income.

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

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

iii Derecognition of financial assets

A financial asset is derecognised when:

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

  or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

iv Reclassification of financial assets

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

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

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in the Statement of Profit and Loss.
FVTPL	Amortised cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in Other comprehensive ('OCI'). No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to Statement of Profit and Loss at the reclassification date.

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v **Impairment of financial assets**

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

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

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

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

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

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

For the computation of ECL on the financial instruments in the Group namely (NBFC) Arka Fincap Limited categories its financial instruments as mentioned below:

Stage 1: All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The Company classifies all advances upto 30 days overdue under this category.

Stage 2: All exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired are classified under this stage. Exposures are classified as Stage 2 when the amount is due for more than 30 days but do not exceed 90 days.

Stage 3: All exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Exposures where the amount remains due for 90 days or more are considered as to be stage 3 assets.

The subsidiary Company (NBFC) undertakes the classification of exposures within the aforesaid stages at each borrower account level.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Exposure-At-Default (EAD): The Exposure at Default is the amount the Subsidiary Company is entitled to receive as on reporting date including repayments due for principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities

Probability of Default (PD): The Probability of Default is an estimate of the likelihood of default of the exposure over a given time horizon.

Loss Given Default (LGD): The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

The ECL allowance is applied on the financial instruments depending upon the classification of the financial instruments as per the credit risk involved. ECL allowance is computed on the below mentioned basis:

12-month ECL: 12-month ECL is the portion of Lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. 12-month ECL is applied on stage 1 assets.

Lifetime ECL: Lifetime ECL for credit losses expected to arise over the life of the asset in cases of credit impaired loans and in case of financial instruments where there has been significant increase in credit risk since origination. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument. Lifetime ECL is applied on stage 2 and stage 3 assets.

For the financial service business, ECL allowance is computed on individual basis based on type of asset/ exposure and nature of collateral.

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

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Group is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Statement of Profit and Loss. This amount is reflected in a separate line in the Statement of Profit and Loss as an impairment gain or loss. The Balance Sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the Balance Sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not derecognise impairment allowance from the gross carrying amount.
- Loan commitments: ECL is presented as a provision in the Balance Sheet, i.e. as a liability.

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

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

b Financial liabilities

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

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

ii **Subsequent measurement of financial liabilities**

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

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

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

- **Gains or losses on liabilities held for trading are recognised in the Statement of Profit and Loss.**

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

- **Loans and borrowings at amortised cost**

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

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

iii **Derecognition of financial liabilities**

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the

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derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Offsetting of financial instruments

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

5.8 Derivatives

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

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

5.9 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 revalorized at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate rate.

c **Exchange differences**

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

5.10 Leases

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

a **Where the Group is a lessee**

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

However, when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty the Group 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 Group applies both recognition exemptions. The lease payments associated with those leases are generally recognised as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets:

Right-of-use assets, which are included under Property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, the Group also applies the practical expedient that the payments for non-lease components are generally recognised 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.

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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 group accounts for the re-measurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

b **Where the Group is a lessor -**

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

5.11 Inventories

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

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

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

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

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

5.12 Cash and cash equivalents

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

5.13 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 ('OCI') or in equity, respectively, and not in the Statement of Profit and Loss. The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets

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are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

Sales tax / Goods and Services Tax ("GST")

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

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

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

5.14 Non-current assets held for sale and discontinuing operations

a Non-current assets held for sale

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

b Discontinuing operations

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

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

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

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

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

OR

iii Is a subsidiary acquired exclusively with a view to resale

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

5.15 Employee benefits

a Short term employee benefits

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

b Post-employment benefits

i Defined contribution plan

The Group 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 Group has no further obligations under these schemes beyond its periodic contributions.

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ii Defined benefit plan

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

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

Past service costs are recognised in the Statement of Profit and Loss on the earlier of:

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

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

c Other long term employment benefits:

The employee's long term compensated absences are Group's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on a net basis.

In regard to other long term employment benefits, the Group recognises the net total of service costs; net interest on the net defined benefit liability (asset); and remeasurements of the net defined benefit liability (asset) in the Statement of Profit and Loss.

d Termination benefits :

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

5.16 Provisions, contingencies and commitments

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

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

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

Onerous contracts

A contract is considered to be onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least of net cost of exiting from the contract, the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

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

5.17 Revenue recognition

Revenue from operations

a Sale of goods & services:

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

Revenue is the transaction price the Group expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant

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reversal of revenue will not occur once associated uncertainties are resolved.

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

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

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

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

Customer reward points by one of subsidiary provide a material right to customers that they would not have received had they not entered into the contract. Thus, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the reward points on the basis of relative stand -alone selling price. Management estimates the standalone selling price per reward point on the basis of the benefits passed on to the customer and on the basis of the likelihood of redemption, based on past experience.

b Recognition of Interest income of financial service business

Interest income is recorded using the effective interest rate ('EIR') method for all financial instruments measured at amortised cost. The EIR for the amortised cost asset is calculated by taking into account any discount or premium on acquisition, origination/processing fee and transaction costs that are an integral part of the EIR. The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets.

c Recognition of Origination fees or Processing fees income of financial service business

Origination fees, which the stepdown subsidiary Company Arka Fincap Limited has received/recovered at time of granting of a loan, is considered as a component for computation of the effective interest rate (EIR) for the purpose of computing interest income.

d Recognition of Profit/loss on sale of investments of financial service business

Profit/loss on sale of investments is recognised on trade date basis. Profit/loss on sale of mutual fund units is determined based on the first in first out (FIFO) method.

e Net gain/(loss) on Fair value changes of financial service business

Any differences between the fair values of financial assets classified as fair value through the profit or loss, held by the Company on the Balance Sheet date is recognised as a Fair value gain or loss as a gain or expense respectively.

f Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

Notes to the Consolidated Financial Statements

Bill and hold arrangements

Revenue is recognized when the group completes its performance obligation to transfer the control of the goods to the customer in accordance with the agreed upon specifications in the contract for which the customer has accepted the control. Such goods are identified and kept ready for delivery based on which revenue is recognized.

Determination of revenue in case of Bill-and-hold transaction related to Parent company

i) The Parent Company completes its performance obligation to transfer the control of the goods to the customer in accordance with the agreed -upon specifications in the contract for which customer accepts the same and confirms to the Company basis which criteria for bill and hold is met.

ii) The Parent Company has identified the goods as belonging to the customer and stored them separately in the factory premises until goods are cleared from the factory premises.

iii) The goods are ready for physical transfer to the customer from the factory premises of the Company.

iv) The Parent Company cannot use the goods for any other purpose or to direct it to another customer."

Other income

a Interest income from a Financial Asset

Interest income from a financial asset is recognised using effective interest rate method.

b Dividend income

Dividend Income is recognised when the Group's right to receive the amount has been established.

c Others

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

5.18 Exceptional items

An item of income or expense which by its size, type or incidence requires disclosure in order to improve an understanding of the performance of the group is treated as an exceptional item and the same is disclosed in the note 42.

5.19 Government grants

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

- There is reasonable assurance that the Group will comply with the conditions attached to it.
- Such benefits are earned and reasonable certainty exists of the collection.

a Export incentives

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

b Industrial promotion subsidy

Government grants received with reference to Industrial promotion subsidy under Packaged Scheme of Incentives, 2001 is treated as grant related income and is recognised as Other operating income in the Statement of Profit and Loss as per the appropriate recognition criteria.

c Export promotion capital goods

Government grants received with reference to export promotion capital goods scheme are initially recognised as deferred revenue and grant in proportion of export obligation achieved during the year is reduced from deferred revenue and recognised as Other operating income in the Statement of Profit and Loss.

5.20 Cash dividend

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

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

Upon distribution of Non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the Statement of Profit and Loss.

5.21 Share based employee payments

Equity settled share based payments

Employees of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The Group recognises compensation expense relating to share based payments in accordance with Ind AS 102 "Share-based Payment". Stock options granted by the Group to its employees are accounted as equity settled options. Accordingly, Equity-

Notes to the Consolidated Financial Statements

settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note No 44.6.19. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revisits its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share based payments reserve."

5.22 Earnings per share

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

5.23 Cash Flow Statement

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

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

5.24 Segment reporting

a **Identification of segments**

The Group's operating business predominantly relates to manufacture of internal combustion engines, gensets, electric pumps and parts thereof (Engines and Electric Pumps Business Segment) used for various applications such as Agriculture, Industrial, Stationery Power Plants, Construction Equipment etc and providing financial services.

b **Allocation of common costs**

Common allocable costs are allocated to the reportable segment based on sales of reportable segment to the total sales of the Group.

c **Unallocated items**

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

6 Additional Notes to the Financial Statements

6.1 Contingent Liabilities

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
a Contingent Liabilities		
i Central Excise Demands	20.16	16.41
ii Sales Tax & Octroi Demands	9.76	14.38
iii Customs Duty Demands	0.00	0.86
iv Income Tax Liability	7.32	10.12
v Claims against Group not acknowledged as debts	62.01	61.31
vi ESI Demands	0.28	0.30

b The Parent Company has imported Capital Goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports. Non fulfillment of export obligations, if any, entails options/rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export obligation to be fulfilled by the Company is achieved by the Company under the said scheme in financial year 2019-20. However as the cancellation of letter of undertaking is still under process the same is disclosed as contingent liability.

Notes to the Consolidated Financial Statements

6.2 Other Contigent Liabilities

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
a Aggregate amount of such letters of credit outstanding (Charge of hypothecation referred to in Note no. 27 for working capital facilities extends to letter of credit issued by the Group's bankers)	0.53	9.15
b Aggregate liquidated damages on unexecuted orders	0.66	1.00

Capital and other commitments

6.3 Capital commitment

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	42.79	27.68

6.4 Other commitment

a The Company has given letter of comfort/undertaking to one of the subsidiary's bankers for credit facilities availed by that subsidiary. As per the terms of letter of comfort/undertaking, the Company undertakes not to divest its ownership interest directly or indirectly in the subsidiary beyond specified percentage.

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
b Loans sanctioned not yet disbursed	455.90	69.98

c **Commitment w.r.t. Acquisitions**

The Parent Company, on 21 June 2017 executed definitive share purchase agreement for acquisition of 100 % equity shares in La-Gajjar Machineries Private Limited (LGM). On 1 August 2017 the Company acquired 76% of equity shares of LGM as per the terms of share purchase agreement.

Further, the Parent Company has entered into a shareholders agreement on 21 June 2017 to purchase remaining 24% equity shares. The Parent Company has a call option to acquire and simultaneously, shareholders of LGM have put option to sell the remaining 24% equity shares, to be exercised within the holding period of 5 years at a price based on mutually agreed upon formula. However, if the options are not exercised in the given option period, the Parent Company has to purchase remaining equity shares within 60 days from the end of the option period by applying same formula agreed for at the time of exercising options.

6.5 The Sales for the current year includes an amount of ₹ 0.09 Crores (31 March 2021 : ₹ 0.34 Crores) on account of supplies to SEZ.

Notes to the Consolidated Financial Statements

6.6 Revenue recognition

a Disaggregation of revenue

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

For the year ended 31 March 2022

₹ in Crores

Business	Engines	Electric Pumps	Financial Services	Other Segments	Total
Power Generating Business	1,323.60	–	–	–	1,323.60
Agriculture & Allied Business	172.88	679.91	–	183.64	1,036.43
Industrial Engine Business	529.17	–	–	–	529.17
Customer Support	438.20	–	–	–	438.20
International Business	297.96	–	–	–	297.96
Large Engine Business	150.35	–	–	–	150.35
Organic Waste Composter	–	–	–	1.22	1.22
Financial Services Business	–	–	201.48	–	201.48
Total	2,912.16	679.91	201.48	184.86	3,978.41
Other Reconciling Amounts	–	–	–	–	0.31
Other Operating Income	32.07	11.20	–	–	43.27
Totals	2,944.23	691.11	201.48	184.86	4,021.98

For the year ended 31 March 2021

₹ in Crores

Business	Engines	Electric Pumps	Financial Services	Other Segments	Total
Power Generating Business	894.76	–	–	–	894.76
Agriculture & Allied Business	213.07	611.81	–	179.34	1,004.22
Industrial Engine Business	502.24	–	–	–	502.24
Customer Support	383.99	–	–	–	383.99
International Business	238.68	–	–	–	238.68
Large Engine Business	129.27	–	–	–	129.27
Financial Services Business	–	–	101.64	–	101.64
Total	2,362.01	611.81	101.64	179.34	3,254.80
Other Reconciling Amounts	–	–	–	–	1.08
Other Operating Income	28.93	10.48	–	0.81	40.22
Totals	2,390.94	622.29	101.64	180.15	3,296.10

b Revenue recognised in relation to contract liabilities

₹ in Crores

Particulars	2021-22	2020-21
Contract Liabilities at the beginning of the period	60.34	92.38
Add / (Less):		
Consideration received during the year as advance	74.63	72.64
Written off/refund/cancellation	–	(2.12)
Revenue recognized from contract liability *	(77.78)	(102.56)
Contract Liabilities at the end of the period	57.18	60.34

* Includes revenue of ₹39.46 Crores (31 March 2021: ₹ 62.85 Crores) during the year from its contract liabilities as at the beginning of the year. Contract liabilities are presented in Note 26 & 31 as advance from customer and revenue received in advance.

Notes to the Consolidated Financial Statements

c Information about performance obligation

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

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

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

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

The payment is due from the date of invoice and payment terms are in the range of 0 days to 90 days depending on product/ market segment and market channel excluding some exceptions.

iii The Group provides to its customers warranties in the forms of Repairs or replacement warranty under its standard terms and recognises it as warranty provision as per Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets"

d Unsatisfied performance obligations as at the end of reporting period:

As on 31 March 2022, the group has unsatisfied performance obligation of ₹ 83.89 Crores (31 March 2021: ₹ 109.45 Crores). The Group expects that ₹52.47 Crores will be recognised as revenue in financial year 2022-23 and remaining in subsequent years based on contractual terms.

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

As on 31 March 2022 the group has recognised an asset of ₹ 3.65 Crores (31 March 2021: ₹ 1.02 Crores) from cost incurred to obtain a contract and fulfil a contract. Asset is included in Note 18 Other current asset : Prepaid expenses.

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

₹ in Crores

Particulars	2021-22	2020-21
Contract price	4,048.88	3,309.37
Adjustment for :		
Contract liabilities: Discounts, incentives & late delivery charges	(70.47)	(54.57)
Revenue from contracts with customers	3,978.41	3,254.80

6.7 Disclosure pursuant to Employee benefits

A. Defined contribution plans:

Amount of ₹ 13.43 Crores (31 March 2021: ₹ 12.93 Crores) is recognised as expenses and included in Note No. 38 "Employee benefit expense"

B. Defined benefit plans:

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

(a) Gratuity

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

Notes to the Consolidated Financial Statements

31 March, 2022 : Changes in defined benefit obligation and plan assets

₹ in Crores

Particulars	Gratuity cost charged to statement of profit and loss						Remeasurement gains/(losses) in other comprehensive income						
	1 April 2021	Assumed in business combination	Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 38)	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contribu-tions by employer	31 March 2022
Gratuity													
Defined benefit obligation	(45.33)	(0.12)	(4.40)	(2.94)	(7.34)	4.56	-	0.05	(1.21)	1.98	0.82	-	(47.41)
Fair value of plan assets	49.68	-	-	3.23	3.23	(4.50)	(0.01)	-	-	(0.40)	(0.41)	0.28	48.27
Benefit (liability)/asset	4.35	(0.12)	(4.40)	0.29	(4.11)	0.06	(0.01)	0.05	(1.21)	1.58	0.41	0.28	0.86
Pension, Post retirement medical scheme and Long-term award scheme													
Defined benefit obligation	(3.05)	-	(0.03)	(0.19)	(0.22)	0.35	-	(0.11)	0.06	(0.01)	(0.06)	0.00	(2.97)
Fair value of plan assets	-	-	(0.03)	-	-	-	-	-	-	-	-	-	-
Benefit (liability)/asset	(3.05)	-	(0.03)	(0.19)	(0.22)	0.35	-	(0.11)	0.06	(0.01)	(0.06)	0.00	(2.97)
Total benefit (liability)/asset	1.30	(0.12)	(4.43)	0.10	(4.33)	0.41	(0.01)	(0.06)	(1.15)	1.57	0.35	0.28	(2.11)

31 March 2021 : Changes in defined benefit obligation and plan assets

₹ in Crores

Particulars	Gratuity cost charged to statement of profit and loss						Remeasurement gains/(losses) in other comprehensive income						
	1 April 2020	Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 38)	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contribu-tions by employer	31 March 2021
Gratuity												
Defined benefit obligation	(51.18)	(4.98)	(3.23)	(8.21)	8.09	-	(0.10)	2.08	3.99	5.97	-	(45.33)
Fair value of plan assets	50.37	-	3.29	3.29	(7.85)	(0.03)	-	(0.32)	0.53	0.18	3.69	49.68
Benefit (liability)/Asset	(0.81)	(4.98)	0.06	(4.92)	0.24	(0.03)	(0.10)	1.76	4.52	6.15	3.69	4.35
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(3.19)	(0.05)	(0.22)	(0.27)	0.34	-	(0.06)	-	0.13	0.07	-	(3.05)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit (liability)/asset	(3.19)	(0.05)	(0.22)	(0.27)	0.34	-	(0.06)	-	0.13	0.07	-	(3.05)
Total benefit (liability)/asset	(4.00)	(5.03)	(0.16)	(5.19)	0.58	(0.03)	(0.16)	1.76	4.65	6.22	3.69	1.30

Notes to the Consolidated Financial Statements

C. Other long-term employment benefits

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

31 March 2022 : Changes in defined benefit obligation and plan assets of Compensated absences

₹ in Crores

Particulars	1 April 2021	Cost charged to statement of profit and loss				Benefit paid	Contri-butions by employer	31 March 2022
		Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in statement of profit and loss (Note 38)			
Compensated absences								
Defined benefit obligation	(26.54)	(2.55)	(1.68)	(0.72)	(4.96)	3.49	–	(28.00)
Fair value of plan assets	–	–	–	–	–	–	–	–
Long Term Incentive Plan								
Defined benefit obligation	–	(1.96)	–	-	(1.96)	–	–	(1.96)
Fair value of Plan assets	–	–	–	–	–	–	–	–
Benefit (liability)/asset	(26.54)	(4.51)	(1.68)	(0.72)	(6.91)	3.49	–	(29.96)

31 March 2021 : Changes in defined benefit obligation and plan assets of Compensated absences

₹ in Crores

Particulars	1 April 2020	Cost charged to statement of profit and loss				Benefit paid	Contri-butions by employer	31 March 2021
		Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in statement of profit and loss (Note 38)			
Compensated absences								
Defined benefit obligation	(32.24)	(3.59)	(2.07)	7.62	1.96	3.74	–	(26.54)
Fair value of plan assets	–	–	–	–	–	–	–	–
Benefit (liability)/asset	(32.24)	(3.59)	(2.07)	7.62	1.96	3.74	–	(26.54)

D. Other Disclosures

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

Particulars	31 March 2022	31 March 2021
Special Deposit Scheme	–	–
(%) of total plan assets	0%	0%
Insured managed funds (₹ in Crores)	25.83	24.95
(%) of total plan assets	54%	50%
Others (₹ in Crores)	22.45	24.74
(%) of total plan assets	46%	50%

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

Particulars	31 March 2022	31 March 2021
Discount rate	4.60% - 7.30%	6.30% - 6.80%
Future salary increase	4.00% - 11.00%	0.00% - 7.00%
Expected rate of return on plan assets for gratuity	6.8%-7.23%	6.80%
Expected average remaining working lives (in years)		
Gratuity	4.72 - 12.34	5.91 - 13.40
Pension, Post retirement medical scheme and Long-term award scheme	8.97 - 10.57	9.16 - 11.37
Compensated Absences	4.72-12.34	13.40
Withdrawal rate (based on grade and age of employees)		
Gratuity	0%-20%	0%-15%
Pension, Post retirement medical scheme and Long-term award scheme	0%	0%-11%
Compensated Absences	0%-20%	0%-11%

Notes to the Consolidated Financial Statements

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

Gratuity

₹ in Crores

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		31 March 2022	31 March 2021
Discount rate	1% Increase	3.91	3.71
	1% Decrease	(4.44)	(4.27)
Future salary increase	1% Increase	(3.94)	(3.80)
	1% Decrease	3.55	3.33
Withdrawal rate	1% Increase	0.42	0.25
	1% Decrease	(0.43)	(0.28)

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

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

₹ in Crores

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		31 March 2022	31 March 2021
Discount rate	1% Increase	0.15	0.17
	1% Decrease	(0.17)	(0.17)
Withdrawal rate	1% Increase	0.00	0.02
	1% Decrease	–	0.16

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

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

₹ in Crores

Particulars	31 March 2022	31 March 2021
Within the next 12 months (next annual reporting period)		
Gratuity	6.41	6.95
Pension, Post retirement medical scheme and Long-term award scheme	0.27	0.34
Compensated absences	0.18	0.00
Between 2 and 5 years		
Gratuity	15.26	20.94
Pension, Post retirement medical scheme and Long-term award scheme	1.05	1.10
Compensated absences	0.23	–
Beyond 5 years		
Gratuity	28.30	26.45
Pension, Post retirement medical scheme and Long-term award scheme	1.24	1.38
Compensated absences	–	–
Total expected payments	52.95	57.16

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

Particulars	31 March 2022 Years	31 March 2021 Years
Gratuity	7.56 - 18.00	9.01 - 12.27
Pension, Post retirement medical scheme and Long-term award scheme	5.60 -10.34	9.16 -10.99

Notes to the Consolidated Financial Statements

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

₹ in Crores

Particulars	31 March 2022	31 March 2021
Gratuity	4.41	4.48

Risk Exposure

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

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

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

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

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

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

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

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

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

Funding policy:

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

6.8 The Group's operating business predominantly relates to manufacture of internal combustion engines, gensets, electric pumps, parts thereof and financial services . Hence the Group has considered "Engines", "Electric Pumps" and "Financial Services" as the three reportable segment.

A. Profit (before exceptional items and tax) of reportable segment

For the year ended 31 March 2022

₹ in Crores

Particulars	Engines	Electric Pumps	Financial Services	Other Segments	Other reconciling amounts	Consolidated Total
Segment Revenue	2,944.23	691.11	201.48	184.86	0.30	4,021.98
Total Revenue	2,944.23	691.11	201.48	184.86	0.30	4,021.98
Profit before exceptional items and tax	213.20	(15.55)	40.82	(9.06)	2.48	231.88
Depreciation and amortisation expenses	73.57	21.06	3.65	3.01	–	101.29
Interest expenses (Net)	1.25	8.12	91.74	0.01	4.91	106.03

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

₹ in Crores

Particulars	Engines	Electric Pumps	Financial Services	Other Segments	Other reconciling amounts	Consolidated Total
Segment Revenue	2,390.93	622.29	101.64	180.16	1.08	3,296.10
Total Revenue	**2,390.93**	**622.29**	**101.64**	**180.16**	**1.08**	**3,296.10**
Profit before exceptional items and tax	**230.92**	**18.99**	**23.28**	**1.21**	**3.65**	**278.05**
Depreciation and amortisation expenses	58.42	19.29	3.15	2.20	0.92	83.98
Interest expenses (Net)	5.79	6.24	37.34	0.75	–	50.12

B. Capital employed of reportable segment

As at 31 March 2022

₹ in Crores

Particulars	Engines	Electric Pumps	Financial Services	Other Segments	Other reconciling amounts	Consolidated Total
Assets	1,160.66	520.26	2,627.03	77.44	645.02	5,030.41
Total Assets (I)	1,160.66	520.26	2,627.03	77.44	645.02	5,030.41
Liabilities	658.51	234.21	1,789.78	53.60	212.62	2,948.72
Total Liabilities (II)	658.51	234.21	1,789.78	53.60	212.62	2,948.72

As at 31 March 2021

₹ in Crores

Particulars	Engines	Electric Pumps	Financial Services	Other Segments	Other reconciling amounts	Consolidated Total
Assets	1,144.45	525.48	1,365.90	77.04	687.87	3,800.74
Total Assets (I)	**1,144.45**	**525.48**	**1,365.90**	**77.04**	**687.87**	**3,800.74**
Liabilities	658.06	239.78	692.55	52.50	235.71	1,878.60
Total Liabilities (II)	**658.06**	**239.78**	**692.55**	**52.50**	**235.71**	**1,878.60**

C. Geographical based bifurcation of operating segments revenue

₹ in Crores

Particulars	2021-22	2020-21
Domestic	3,547.10	2,922.97
Export	474.88	372.04
Total	4,021.98	3,295.01

D. The Group do not have transactions with single customer amounting to 10 percent or more of Group's revenues.

E. Other Segments include revenue from sales/business operations of farm equipment and spares there of.

Notes to the Consolidated Financial Statements

6.9 Related parties have been identified as defined under Clause 9 of Indian Accounting Standard (Ind AS 24) "Related Party Disclosures"

a Description of related parties

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

Sr. No.	Related party category	Company
1	Entity controlled by Key Managerial Personnel	Achyut & Neeta Holdings & Finance Private Limited (Upto 28 April 2020)
		Expert Quality Cloud Information Technology Private Limited (Upto 28 April 2020)
		Kirloskar Energen Private Limited
		Kirloskar Solar Technologies Private Limited
		Kloudq Technologies Limited (upto 28 April 2020)
		Lakeland Universal Limited BVI (upto 20 January 2022)
		Navsai Investments Private Limited
2	Associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).	ESVA Pumps India Private Limited, Coimbatore w.e.f. 4 October 2021 (Joint venture of Optiqua Pipes and Electricals Private Limited (a step-down subsidiary company of KOEL and wholly owned subsidiary company of La-Gajjar Machineries Private Limited, a subsidiary of the Company).
3	Entity controlled by Close Member of Key Managerial Personnel	Alpak Investments Private Limited
		Beluga Whale Capital Management Private Limited
		Snow Leopard Technology Ventures LLP
4	Promoter/Promoter group which hold(s) 10% or more shareholding	Atul C. Kirloskar
		Rahul C. Kirloskar
5	Post-Employment benefit plan of Parent Company	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund
		Kirloskar Oil Engines Limited Employees' Gratuity Trust
		Kirloskar Oil Engines Limited Officers' Superannuation Scheme
		Kirloskar Oil Engines Limited Officers' Superannuation Trust
6	Post-Employment benefit plan of Subsidiary Company	La Gajjar Machineries Private Limited Employees Group Gratuity Trust

ii Key Managerial Personnel and their relatives:

Sr. No.	Name	Name of relatives	Relationship
1	Atul C. Kirloskar (Executive Chairman)	Arti A. Kirloskar	Wife
		Gauri A. Kirloskar (Kolenaty)	Daughter
		Aditi A. Kirloskar (Sahni)	Daughter
		Rahul C. Kirloskar	Brother
		Suman C. Kirloskar	Mother
2	Nihal G. Kulkarni (Managing Director) upto 28 April 2020	Shruti N. Kulkarni	Wife
		Ambar G. Kulkarni	Brother
		Jyotsna G. Kulkarni	Mother
3	Sanjeev Nimkar (Managing Director) upto 27 January 2022	Ashwini Nimkar	Wife
		Ishita Nimkar	Daughter
		Sakshi Nimkar	Daughter
4	Rajendra R. Deshpande (Managing Director & Chief Executive Officer) upto 28 April 2020	Veena R. Deshpande	Wife
		Kaustubh R. Deshpande	Son
		Saurabh R. Deshpande	Son

Notes to the Consolidated Financial Statements

b Transactions with related parties

₹ in Crores

Sr. No.	Nature of the transaction / relationship	2021-22 Amount	2021-22 Amount	2020-21 Amount	2020-21 Amount
1	Purchases of capital goods (includes CWIP)				
	Entity controlled by Key Managerial Personnel	–		11.53	
	Kirloskar Solar Technologies Private Limited		–		11.53
	Total	–	–	11.53	11.53
2	Sale of capital goods				
	Key Managerial Personnel	0.00		0.00	
	Atul C. Kirloskar		0.00		–
	Sanjeev Nimkar		–		0.00
	Rajendra R. Deshpande		–		0.00
	Total	0.00	0.00	0.00	0.00
3	Rendering of services from				
	Key Managerial Personnel	7.25		10.34	
	Atul C. Kirloskar		5.32		4.25
	Nihal G. Kulkarni		–		0.28
	Sanjeev Nimkar		1.93		5.49
	Rajendra R. Deshpande		–		0.32
	Close member of Key Managerial Personnel	0.58		0.41	
	Rahul C. Kirloskar		0.10		0.07
	Gauri A. Kirloskar (Kolenaty)		0.48		0.34
	Entity controlled by Key Managerial Personnel	–		1.59	
	Kloudq Technologies Limited		–		1.59
	Total	7.83	7.83	12.34	12.34
4	Expenses paid to				
	Key Managerial Personnel	0.19		–	
	Sanjeev Nimkar		0.01		–
	Atul C. Kirloskar		0.18		–
	Entity controlled by Key Managerial Personnel	0.59		0.36	
	Kirloskar Solar Technologies Private Limited		0.59		0.36
	Total	0.78	0.78	0.36	0.36
5	Purchase of Goods				
	Associate or joint venture of the other entity	52.80		–	
	ESVA Pumps India Private Limited		52.80		–
6	Interim dividend and final dividend paid				
	Key Managerial Personnel	5.28		3.20	
	Atul C. Kirloskar		5.28		2.20
	Nihal G. Kulkarni		–		1.00
	Close member of Key Managerial Personnel	10.34		7.23	
	Rahul C. Kirloskar		6.40		2.67
	Arti A.Kirloskar		1.16		0.48
	Gauri A. Kirloskar		2.07		0.86
	Aditi A. Kirloskar		0.69		0.29
	Jyotsna G. Kulkarni		–		1.95
	Suman C. Kirloskar		0.02		0.01
	Ambar Kulkarni		–		0.97
	Entity controlled by Key Managerial Personnel	0.00		0.02	
	Achyut & Neeta Holdings & Finance Pvt. Ltd.		–		0.02
	Navsai Investments Pvt. Ltd.		0.00		0.00
	Entity controlled by Close Member of Key Managerial Personnel	0.00		0.00	
	Alpak Investments Private Limited		0.00		0.00
	Total	15.62	15.62	10.45	10.45

Notes to the Consolidated Financial Statements

₹ in Crores

Sr. No.	Nature of the transaction / relationship	2021-22 Amount	2021-22 Amount	2020-21 Amount	2020-21 Amount
7	Contributions Paid				
	Post-employment benefit plan of Parent Company	1.80		4.75	
	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund		–		3.00
	Kirloskar Oil Engines Limited Employees' Gratuity Trust		–		0.15
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		1.73		1.52
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.07		0.08
	Post-Employment Benefit Plan of Subsidiary Company	0.28		0.54	
	La Gajjar Machineries Private Limited Employees Group Gratuity Scheme		0.28		0.54
	Total	2.08	2.08	5.29	5.29
8	Investment in equity shares				
	Associate or joint venture of the other entity	4.41		–	
	ESVA Pumps India Private Limited		4.41		–

₹ in Crores

Sr. No.	Nature of the transaction / relationship	As at 31 March 2022 Amount	As at 31 March 2022 Amount	As at 31 March 2021 Amount	As at 31 March 2021 Amount
1	Accounts payable				
	Key Managerial Personnel				
	Commission	2.50		8.40	
	Atul C. Kirloskar		2.50		4.00
	Nihal G. Kulkarni		–		0.25
	Sanjeev Nimkar		–		4.05
	Rajendra R. Deshpande		–		0.10
	Others	0.66		–	
	Sanjeev Nimkar		0.66		–
	Close member of Key Managerial Personnel	0.50		0.37	
	Rahul C. Kirloskar		0.06		0.05
	Gauri A. Kirloskar (Kolenaty)		0.44		0.32
	Entity controlled by Key Managerial Personnel	1.39		3.98	
	Kirloskar Solar Technologies Private Limited		1.39		3.98
	Associate or Joint venture of other entity	3.65		–	
	ESVA Pumps India Private Limited		3.65		–
	Post-employment benefit plan of Parent Company	0.49		0.44	
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		0.43		0.37
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.06		0.07
	Total	9.19	9.19	13.19	13.19
2	Carrying value of Investment in equity shares		–		
	Associate or Joint venture of other entity	5.00		–	
	ESVA Pumps India Private Limited		5.00		–

Transactions with related parties are inclusive of indirect taxes, wherever applicable.

Notes to the Consolidated Financial Statements

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

Terms and conditions of transactions with related parties

Transactions entered into with related party are made in ordinary course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash & cash equivalents. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2021 : ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Commitments with related parties

The Company has provided capital commitment of ₹ 0.12 crores to the related party as at 31 March 2022 (31 March 2021: ₹ Nil)

Transactions with Key Management Personnel

Compensation of Key Management Personnel of the Group

₹ in Crores

Particulars	2021-22	2020-21
Short-term employee benefits	6.88	10.22
Post employment benefits	0.37	0.12
Total compensation paid to Key Management Personnel	7.25	10.34

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

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

6.10 Earnings Per Share (Basic and Diluted)

Particulars	2021-22	2020-21
Profit for the year attributable to owners of the Parent Company (₹ in Crores)	174.52	194.96
Total number of equity shares at the end of the year (One equity share of face value of ₹ 2 each fully paid up)	14,46,14,326	14,46,14,326
Weighted average number of equity shares for the purpose of computing Basic earnings per share	14,46,14,326	14,46,14,326
Basic Earnings per share (in ₹)	12.07	13.48
Effect of dilution		
Stock option granted under ESOP (number of shares)	2,06,762	-
Adjustment to numerator on account of ESOP issued by subsidiary (₹ In crores)	(0.26)	-
Weighted average number of equity shares for the purpose of computing Diluted earnings per share	14,48,21,088	14,46,14,326
Net profit after tax and non-controlling interest for computing diluted EPS (₹ in crores)	174.26	194.96
Diluted Earnings per share (in ₹)	12.03	13.48

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

6.11 Fair value disclosures for financial assets and financial liabilities

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

The Group has performed a fair valuation of some of its investment in unquoted ordinary shares other than subsidiary, which are classified as FVOCI (refer Note 3). For non-material investments, the Group believes that impact of change, if any , on account of fair value is insignificant.

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

Notes to the Consolidated Financial Statements

6.12 Fair value Measurement hierarchy

a. The following table provides the fair value measurement hierarchy of Financial Instruments

₹ in Crores

Particulars	Note	Carrying amount	Level of input used in Level 1	Level 2	Level 3
As at 31 March 2022					
Financial Assets					
Investment at FVTPL					
Mutual funds	10	654.93	-	654.93	-
Investments at FVOCI					
Unquoted equity shares	3	4.30	-	-	4.30
Other Financial assets at FVTPL					
Derivative Assets	15	0.30	-	0.30	-
Assets held for disposal	16	-	-	-	-
As at 31 March 2021					
Investment at FVTPL					
Mutual funds	10	618.24	-	618.24	-
Investments at FVOCI					
Unquoted equity shares	3	0.54	-	-	0.54
Other Financial assets at FVTPL					
Derivative Assets	15	-	-	-	-
Assets held for disposal	16	-	-	-	-

b. **Significant unobservable inputs used in level 3 fair value measurements and sensitivity of the fair value measurement to changes in unobservable inputs:**

i **Description of significant unobservable inputs used for financial instruments (Level 3) :**

Investment in Equity shares of Kirloskar Management Sevices Private Limited (KMSPL) was valued using the Discounted Cash flow (Risk adjusted discount rate) valuation method.

ii **Relationship of unobservable inputs to level 3 fair values :**

Equity investments - Unquoted

A 50 bps increase/decrease in the Perpetuity growth rate used while keeping all other variables constant, the carrying value of the shares would increase by ₹ 0.20 Crores (31 March 2021 : ₹ 0.03 Crores) or decrease by ₹ 0.20 Crores (31 March 2021 : ₹ 0.01 Crores) and a 50 bps increase/decrease in discounting factor used while keeping all other variables constant, the carrying value of the shares would decrease by ₹ 0.24 Crores (31 March 2021 : ₹ 0.02 Crores) or increase by ₹ 0.24 Crores (31 March 2021 : ₹ 0.03 Crores).

6.13 Financial instruments risk management objectives and policies

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

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

a **Market risk**

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

Notes to the Consolidated Financial Statements

The sensitivity analysis in the following sections relate to the position as at 31 March 2022 and 31 March 2021.

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions.

The following assumption has been made in calculating the sensitivity analysis:

The sensitivity of the relevant Statement of Profit and Loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2022 and 31 March 2021 including the effect of hedge accounting.

Interest rate risk

a. Exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates, excluding financial services business, relates primarily to the Group's outstanding floating rate debt. In respect of financial services business, for the debt on floating rate basis, there is a natural hedge with receivables.

₹ in Crores

Particulars	31 March 2022	31 March 2021
Long Term Fixed Interest Loans	58.50	8.59
Short Term Fixed Interest Loans	-	-
Long Term Floating Interest Loans	34.02	9.81
Short Term Floating Interest Loans	80.50	78.67

b. Interest Rate Sensitivity

₹ in Crores

Financial Year	Change in Interest Rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2022	Increase 50 bps	(0.78)	(0.78)
	Decrease 50 bps	0.78	0.78
31 March 2021	Increase 50 bps	(0.44)	(0.44)
	Decrease 50 bps	0.44	0.44

The sensitivity is calculated only in respect of floating interest rate loan. It is calculated by changing the interest rates by 50 bps keeping all other factors constant.

Foreign currency risk

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

Amounts in Foreign currencies in 000's

Nature of exposure	Currency	31 March 2022	31 March 2021
Receivables	USD	15,173	12,658
Payables	USD	1,981	4,642
	EUR	333	380
	GBP	-	56
	SEK	453	-
	NPR	363	-
	JPY	-	400

The Group manages its foreign currency risk by hedging transactions related to sales and purchases. This foreign currency risk is hedged by using foreign currency forward contracts. As on 31 March 2022 and 31 March 2021, the Group has hedged the following of its total foreign currency exposure

Amounts in Foreign currencies

Nature of exposure	Currency	31 March 2022	31 March 2021
Foreign Currency - Forward Contracts	USD	40,00,000	-

The Company has mark to market gain on forward currency forward contract of ₹ 0.30 Crores (31 March 2021 : ₹ Nil) .

Notes to the Consolidated Financial Statements

Foreign currency sensitivity on unhedged exposure

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

₹ in Crores

As at	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2022	+5%	4.99	4.99
	-5%	(4.99)	(4.99)
31 March 2021	+5%	2.90	2.90
	-5%	(2.90)	(2.90)

₹ in Crores

As at	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2022	+5%	(0.14)	(0.14)
	-5%	0.14	0.14
31 March 2021	+5%	(0.16)	(0.16)
	-5%	0.16	0.16

Commodity price risk

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

₹ in Crores

Financial Year	Change in commodity price	Effect on profit before tax	Effect on pre-tax equity
Copper	+5%	(1.08)	(1.08)
	-5%	1.08	1.08
PVC Resin	+5%	(0.44)	(0.44)
	-5%	0.44	0.44

Other price risk

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

b Regulatory risk

One of the Subsidiary Company of Arka Financial Holding Pvt Ltd being a NBFC shall have exposure to risk related to non-compliance of regulatory guidelines such as RBI guidelines, as applicable. Such non-compliance may result in levy of heavy penalties and fines by the regulator, as well as, reputational loss to the company. The risk can arise due to non-compliance to applicable guidelines and/or lack of monitoring and follow-up on the implementation of applicable laws.

Mitigation:

- The compliance and legal / secretarial department shall submit a compliance certificate post ensuring adherence to applicable laws on quarterly basis to the Risk Committee.
- The Board of NBFC shall take note of the compliance certificate and Compliance officer shall report to Board of NBFC in case of any material non-compliance.
- The Board of NBFC shall do a regular review of risk and identify gaps if any and take corrective actions.

c 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 Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Notes to the Consolidated Financial Statements

One of the Subsidiary Company of Arka Financial Holding Pvt Ltd being a NBFC is subject to credit risk in terms of non-recovery of interest as well as principal amount of the money lent by the company to its customers. Such risk can arise due to inadequate documentation or evaluation of the borrower, default by the existing borrowers, external factors such as political volatility in the region of exposure concentration, amongst many other factors leading to loss of revenue. The NBFC has set up a Credit Committee for approval of the lending in both Retail Operations and Wholesale lending, the decision by the Credit Committee shall be binding on the Business Department. The Credit Committee is empowered to deploy, monitor, manage the funds of the NBFC in terms of its charter as approved by the Board of NBFC.

Mitigation:

- The company has formed a Credit procedures and policy to address the risk.
- Continuous monitoring mechanism is developed by adopting various checks and controls in the process.
- The Board of the NBFC is responsible for the approval of deployment of all the capital, divestments of loans/assets and shall take decisions on portfolio concentration.
- The Board of the NBFC shall also take note of any deviations and monitor the operational risk

Trade receivables

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

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

Financial instruments and cash deposits

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

d Liquidity risk

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

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

The risk arises due to asset liability mismatch. The inadequacy of the NBFC subsidiary in increasing its asset base, managing any unplanned changes in funding sources and meeting the financial commitments when required may result in non-liquidity.

Mitigation:

- NBFC has Asset Liability Management Policy in line with the RBI guidelines.
- The Asset Liability Management Committee (ALCO) is responsible for managing the risk arising out of exposures to interest rate changes and mismatches between assets and liabilities.

Excessive risk concentration

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

Notes to the Consolidated Financial Statements

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

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

₹ in Crores

Particulars	On demand	upto 3 months	> 3 months to 1 year	1 year to 5 years	More than 5 years	Total
Year ended 31 March 2022						
Interest bearing borrowings	80.51	274.40	535.38	1,061.18	4.66	1,956.13
Other financial liabilities	17.78	112.07	27.36	0.54	16.64	174.39
Lease liabilities	–	0.79	4.39	3.35	–	8.53
Trade payables	3.64	565.96	6.24	–	–	575.84
Total	101.92	953.22	573.36	1,065.07	21.30	2,714.89
Year ended 31 March 2021						
Interest bearing borrowings	78.67	75.57	266.56	416.99	–	837.79
Other financial liabilities	24.40	24.59	49.48	116.19	16.84	231.50
Lease liabilities	–	0.20	3.67	6.89	–	10.76
Trade payables	5.94	586.33	1.93	–	–	594.20
Total	109.01	686.69	321.64	540.07	16.84	1,674.25

6.14 Capital management

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2022 and 31 March 2021.

6.15 Leases

a. Lease accounting

Lease liabilities movement

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Lease liability at beginning of the year	10.76	9.88
Add : Lease liability recognised during the year	2.91	5.13
Add: Interest on lease liability	1.01	1.18
Less: Lease rental payments	(5.60)	(5.43)
Less : Lease derecognised during the year	(0.56)	–
Lease liability at the end of the year	8.52	10.76

Total cash outflow for leases

₹ in Crores

Particulars	As at 31 March 2022	As at 31 March 2021
Short term leases and low-value asset leases not included in the measurement of the liabilities	25.67	23.51
TOTAL	25.67	23.51

The Parent Company has entered into enforceable lease agreements for Bhare Plant up to 31 March 2022. The said agreement has an extension option for further 3 term of 3 years each at the sole option of the lessee. Lessee has not considered this extension period for

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the purpose of recognizing lease liability keeping in view the uncertainty involved in opting the extension. The lease payments for the said extension, if opted, would be as follows :

₹ in Crores

Period of Balance Term	Annual Lease Payment as on 31 March 2022
From 1 April 2022 to 31 March 2025	0.78
From 1 April 2025 to 31 March 2028	0.78
From 1 April 2028 to 31 March 2031	0.78

b. Lessor accounting

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

Property, Plant and Equipment provided on operating lease as at 31 March 2022 are as follows:

₹ in Crores

Particulars	Gross block	Accumulated depreciation	Net block
Aircraft	25.88	23.95	1.93
Plant and Equipments	-	-	-

Property, Plant and Equipment assets provided on operating lease as at 31 March 2021 are as follows:

₹ in Crores

Particulars	Gross block	Accumulated depreciation	Net block
Aircraft	25.88	23.30	2.58
Plant and Equipments	8.59	8.57	0.02

Lease income generated during the year is ₹ 1.05 Crores (31 March 2021: ₹ 1.11 Crores) (Refer Note 34)

Maturity analysis of expected receipts of lease payments

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

As on 31 March 2022

₹ in Crores

Particulars	FY 2022-2023	FY 2023-2024	FY 2024-2025	FY 2025-2026	FY 2026-2027	Total
Expected receipts of Lease Payments	0.76	0.81	0.84	0.28	-	2.69

6.16 Employee stock option plans (ESOP)

6.16.1 ESOP issued by Parent Company

The Parent Company provides share-based employee benefits to its employees and its subsidiaries. The relevant details of the schemes and the grant are as below.

Description of share-based payment arrangements

As at 31 March 2022, the Company has the following share-based payment arrangements

Share option plans (equity settled)

According to the Scheme, the employee selected by the Nomination and Remuneration Committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The Option may be exercised within a specified period.

The Employees Stock Option Plan 2019 - (KOEL ESOP 2019) was approved by the shareholders of the Parent Company in AGM

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conducted on 9 August 2019 for issue of maximum 14,00,000 options representing 14,00,000 Equity shares of ₹ 2 each. Pursuant to the said approvals and authority delegated by the Board and Shareholders of the Parent Company, the Nomination and Remuneration Committee of the Board of Directors of the Parent Company in its meeting held on 5 March 2021 had approved the grant of 9,40,000 employee stock options ("Options") to eligible employees of the Parent Company. Each option shall carry the right to be issued one fully paid up equity share of ₹2/- each.

The Members of the Parent Company at the Annual General Meeting of Kirloskar Oil Engines Limited held on 12 August 2021, passed a resolution amending the Kirloskar Oil Engines Limited - Employee Stock Option Plan 2019 in terms of coverage of the KOEL ESOP 2019 to the eligible employees of its subsidiary company, in or out of India except such subsidiary company(ies) which are formed and engaged in financial service business.

Further during the year, the Nomination and Remuneration Committee of the Board of Directors of the Parent Company in its meeting held on 27 October 2021 has approved the grant of 50,000 employee stock options to the eligible employees of Subsidiary viz. La-Gajjar Machineries Private Limited in terms of 'Kirloskar Oil Engines Limited - Employee Stock Option Plan 2019 - Amended ("KOEL ESOP 2019") and the special resolutions passed by the Members of the Parent Company at the Annual General Meeting held on 9 August 2019 and 12 August 2021 .Each option shall carry the right to be issued one fully paid up equity share of ₹2/- each.

a. Details of the ESOP

Particulars	KOEL ESOP 2019	
	KOEL Employees	LGM Employees
Date of Grants	5 March 2021	27 October 2021
Vesting Requirements	Vest not earlier than one year and not later than four years from the date of Grant of such Options.	Vest not earlier than one year and not later than four years from the date of Grant of such Options.
Maximum term of Options granted (years)	The Employee stock options granted shall be capable of being exercised within a period being not more than two years from the date of vesting	The Employee stock options granted shall be capable of being exercised within a period being not more than two years from the date of vesting
Method of Settlement	Equity	Equity
Method used for accounting of Options	Fair value method	Fair value method

b. Employee stock option plan

Grant date	Exercise Price	Options granted as at the grant date	Options vested and exercisable as at 31 March 2022	Options unvested as at 31 March 2022	Options exercised and alloted during the year	Options exercised and pending allotment during the year	Options cancelled during the year	Options outstanding as at 31 March 2022
5 March 2021	103.14	9,40,000	1,99,544	5,18,498	-	1,571	2,20,387	7,18,042
27 October 2021	128.88	50,000	-	45,300	-	-	4,700	45,300
Total		9,90,000	1,99,544	5,63,798	-	1,571	2,25,087	7,63,342

c. Option Movement during the year ended 31 March 2022 and 31 March 2021

Grant dated 5 March 2021	31 March 2022			31 March 2021		
Particulars	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	9,40,000		4.44	-		NA
Granted during the year	-		NA	9,40,000		4.44
Forfeited/Lapsed during the year	2,20,387		NA	-		NA
Exercised and alloted	-	103.14	NA	-	103.14	NA
Exercised and pending allotment	1,571		NA	-		NA
Outstanding at the end of the year	7,18,042		3.36	9,40,000		4.44
Exercisable at the end of the year	1,99,544		1.93	-		NA

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Grant dated 27 October 2021	31 March 2022			31 March 2021		
Particulars	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	–	128.88	NA	–	–	–
Granted during the year	50,000		4.50	–		–
Forfeited/Lapsed during the year	4,700		NA	–		–
Exercised during the year	–		NA	–		–
Outstanding at the end of the year	45,300		4.08	–		–
Exercisable at the end of the year	–		NA	–		–

d. **Significant assumptions used to estimate the fair value of options:**

Variables	KOEL Employees	LGM Employees
1. Risk free interest rate	5.22%	5.16%
2. Expected life (in years)	3.44	3.50
3. Expected volatility	37.85%	39.66%
4. Dividend yield	1.88%	2.17%
5. Price of the underlying share in market at the time of the option grant (₹)	171.90	214.80
6. Model used	Black Scholes	Black Scholes

e. **Options vested but not exercised**

(Number of Options)

Grant Date	31 March 2022	31 March 2021
5 March 2021	1,99,544	–
27 October 2021	–	–

f. **Weighted average remaining contractual life of outstanding options (in years)**

Particulars	KOEL Employees	LGM Employees
The weighted average contractual life of Options outstanding as on 31 March 2022	3.36	4.08
The weighted average contractual life of Options exercisable as on 31 March 2022	1.93	NA

g. **Effect of share-based payment transactions on the entity's Profit or Loss for the period:**

₹ in Crores

Particulars	31 March 2022	31 March 2021
Employee share based expenses	2.96	0.29
Total ESOP reserve outstanding at the end of the period	3.35	0.29

Note : For the options granted to employees of subsidiary company, the Company has recovered the cost from the Subsidiary Company.

6.16.2 ESOP issued by Subsidiaries

The Stepdown Subsidiary Arka Fincap Limited (formerly known as Kirloskar Capital Limited) provides share based employee benefits to the employees of the Company. The relevant details of the schemes and the grant are as below.

Description of share based payment arrangements

As at 31 March 2022, the Subsidiary Company has the following share based payment arrangements

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Share option plans (equity settled)

According to the Schemes, the employee selected by the Nomination and Remuneration Committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The Option may be exercised within a specified period.

The Plan was approved by Board of Directors of Arka Fincap Limited on 24 April 2019 and by the shareholders in EGM dated 2 May 2019 for issue of 5,00,00,000 options representing 5,00,00,000 Equity shares of ₹ 10 each. Pursuant to the said approvals and authority delegated by the Board and Shareholders of the Subsidiary Company, the Nomination and Remuneration Committee had made grants, the details of the same are produced in the below table.

a. **Details of the ESOP**

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
ESOP Plan/Scheme	ESOP-2019	ESOP-2019	ESOP-2019
Date of Grants	6 May 2019	1 November 2019	2 November 2020
Vesting Requirements	Vesting criteria is specified for each Option holder by the Nomination and Remuneration Committee at the time of grant of Options.		
Maximum term of Options granted (years)	Vesting period of option vary from employee to employee or class of employees. The maximum vesting period of option is five years from the date of grant of option. Options shall be capable of being exercised within a period of 6 years from the Date of Vesting.		
Method of Settlement	Equity		
Method used for accounting of Options	Fair value method		

Option movement during the year ended 31 March 2022

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
No. of Options outstanding at the beginning of the year	2,06,50,000	13,00,000	10,75,000
Options granted during the year	–	–	–
Options forfeited/lapsed during the year	–	35,000	–
Options exercised during the year	–	15,000	–
No. of Options outstanding at the end of the year	2,06,50,000	12,50,000	10,75,000
No. of Options exercisable at the end of the year	1,95,75,000	3,75,000	1,07,500
The weighted average share price of shares exercised during the year ended 31 March 2022	NA	10	NA

b. **Option movement during the year ended 31 March 2021**

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
No. of Options outstanding at the beginning of the year	2,06,50,000	13,00,000	–
Options granted during the year	–	–	10,75,000
Options forfeited/lapsed during the year	–	–	–
Options exercised during the year	–	–	–
No. of Options outstanding at the end of the year	2,06,50,000	13,00,000	10,75,000
No. of Options exercisable at the end of the year	1,35,35,000	1,30,000	–
The weighted average share price of shares exercised during the year ended 31 March 2022	NA	NA	NA

c. **Weighted average remaining contractual life of outstanding options (in years)**
As at 31 March 2022

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
Range of Exercise Price (₹ per share)	10	10	11
No. of Options outstanding at the end of the year	2,06,50,000	12,50,000	10,75,000
Contractual Life: Granted but not vested (in years)	0.87	0.86	1.46

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d. Method and assumptions used to estimate the fair value of options granted:

The fair value has been calculated using the Black Scholes Option Pricing model.

The assumptions used in the model are as follows:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
Risk free interest rate	7.40%	6.60%	5.80%
Weighted average expected life (in years)	6	7	7
Expected volatility	1.00%	1.00%	1.00%
Weighted average exercise price (₹ per share)	10.00	10.00	11.00

e. Effect of share based payment transactions on the entity's Statement of Profit or Loss for the period:

₹ in Crores

Particulars	31 March 2022	31 March 2021
Employee share based expenses	0.94	2.27
Total ESOP reserve outstanding at the end of the period	7.93	6.99

6.17 Acquisitions (Business combination)

La-Gajjar Machineries Private Limited

1 The Parent Company, on 21 June 2017 executed definitive share purchase agreement for acquisition of 100% equity shares in La-Gajjar Machineries Private Limited (LGM). LGM is engaged in the business of manufacturing and sales of Submersible Pumps, Electric Motors, Electrical Switches and spares thereof. The acquisition has provided the Parent Company with the access to electric pump set market.

On 1 August 2017 the Parent Company acquired 76% of equity shares of LGM as per the terms of share purchase agreement for consideration of ₹ 252.93 Crores. This purchase consideration was paid in cash. Further, as per the said agreement, the parent company agreed to pay additional consideration with respect to certain identified projects, linked to EBITDA achieved up to 31 December 2018. As per extant guidelines of Ind AS 103, "Business Combination", this contingent consideration is to be fair valued. Accordingly, the fair value was estimated at ₹ 0.85 Crores by applying the discounted cash flow approach to the expected EBITDA. The contingent consideration, was capitalized as investment by creating corresponding financial liability in the consolidated financials. The contingent consideration has been discharged in previous year.

The Parent Company had completed purchase price allocation within the measurement period and finalized value of assets acquired, liabilities assumed and the resulting Goodwill during the reporting period ended 31 March 2019.

Further, the Parent Company has entered into a shareholders agreement on 21 June 2017 to purchase remaining 24% equity shares. The Parent Company has a call option to acquire and simultaneously, shareholders of LGM have put option to sell the remaining 24% equity shares, to be exercised after holding period of 5 years at a price based on mutually agreed upon formula. However, if the options are not exercised in the given option period, the Parent Company has to purchase remaining equity shares at the end of the option period by applying same formula agreed for at the time of exercising options.

Based on above and as per the terms of shareholders agreement, the Parent Company does not have present access to the returns associated with the ownership for such remaining 24% of shares. Hence, non-controlling interest (NCI) is continued to be recognized at the acquisition date as well as at each reporting date in the consolidated financials in accordance with provisions of IND AS 110, "Consolidated Financial Statements". Accordingly, NCI has been measured at proportionate share in the LGM's identifiable net assets in accordance with provisions of IND AS 103, 'Business combination'.

Further, since the Parent Company is obliged to purchase remaining 24% equity shares, the same is recognized as a non-current financial liability for future purchase consideration payable. The fair value of the future purchase consideration payable is ₹ 76.72 Crores (31 March 2021: ₹ 116.19 Crores). It is measured in accordance with IND AS 109 Financial Instruments which is estimated by applying the discounted cash flow approach to probable adjusted revenue and earnings estimates and shown under the head Other financial liabilities (Non-current) in Balance Sheet.

Subsequently non-controlling interest is derecognised and the difference between the NCI and fair value of future purchase consideration payable is adjusted to equity in accordance with IND AS 110, "Consolidated Financial Statements".

2 Pursuant to the slump sale agreement, the Parent Company through its wholly owned subsidiary entrered into definitive Business Transfer Agreement (BTA) with Optiflex Industries, a partnership firm engaged in manufacturing and sales of Wires, Cables and Pipes. The business transfer was completed on 16th April, 2021. Optiflex was engaged in the business of manufacturing and sale of winding wires, cables and pipes. The acquisition mainly aims to achieve backward integration with the Parent Company.

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The business is acquired for an aggregate consideration of ₹ 3.66 Crores after adjusting trade receivables of ₹ 1.04 Crores not realised and were subjected to adjustment as per the Slump sale agreement. Assets and liabilities are recorded at their fair value. Difference between purchase consideration and net identifiable assets has been recorded as goodwill. Purchase consideration paid for the acquisition is calculated after considering the net assets and estimates of future economic benefits from the business.

6.18 Disclosure in terms of Schedule III of the Companies Act, 2013

₹ in Crores

Particulars	Net Assets (i.e. Total assets minus total liabilities)		Share in Profit/(Loss)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit/loss amount	Amount	As a % of consolidated other comprehensive income	Amount	As a % of consolidated total comprehensive income	Amount
F.Y. 2021-22								
1. Parent:								
Kirloskar Oil Engines Limited	102.78%	2,139.46	119.19%	208.01	97.30%	3.06	118.80%	211.07
2. Subsidiary (Foreign):								
Kirloskar Americas Corporation	0.34%	7.10	1.15%	2.00	0.19%	0.01	1.13%	2.01
3. Subsidiary (Domestic):								
Arka Fincap Limited	40.20%	836.82	18.63%	32.52	0.06%	0.00	18.30%	32.52
Arka Financial Holdings Private Limited	40.08%	834.39	-1.47%	(2.57)	0.00%	–	-1.45%	(2.57)
La-Gajjar Machineries Private Limited	3.59%	74.73	-3.00%	(5.24)	2.90%	0.09	-2.90%	(5.15)
Add/(Less): Minority interests in all subsidiaries	–	–	-2.09%	(3.65)	0.63%	0.02	-2.04%	(3.63)
Add/(Less): Inter-company eliminations	-87%	(1,810.81)	-32.40%	(56.55)	-1.09%	(0.03)	-31.85%	(56.58)
Total	100.00%	2,081.69	100.00%	174.52	100.00%	3.15	100.00%	177.67
F.Y. 2020-21								
1. Parent:								
Kirloskar Oil Engines Limited	103.17%	1,983.15	87.06%	169.74	96.80%	4.57	87.29%	174.31
2. Subsidiary (Foreign):								
Kirloskar Americas Corporation	0.26%	5.09	0.28%	0.54	0.85%	0.04	0.29%	0.58
3. Subsidiary (Domestic):								
Arka Financial Holdings Private Limited	35.03%	673.33	8.66%	16.88	1.91%	0.09	8.50%	16.97
La-Gajjar Machineries Private Limited	4.16%	80.01	10.00%	19.50	0.59%	0.03	9.78%	19.53
Add/(Less): Minority interests in all subsidiaries	–	–	-1.25%	(2.44)	-0.14%	(0.01)	-1.23%	(2.45)
Add/(Less): Inter-company eliminations	-42.63%	(819.44)	-4.75%	(9.26)	–	–	-4.64%	(9.26)
Total	100.00%	1,922.14	100.00%	194.96	100.00%	4.72	100.00%	199.68

6.19 Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015 including amendments thereunder: as applicable to the Company are disclosed under standalone financial statements. (Refer Note No. 44 of standalone financial statement)

6.20 Disclosure of interest in Subsidiaries and interest of Non-controlling interest:

a. Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of Subsidiary	Place of Incorporation and Place of Operation	Proportion of ownership interest and voting power	
		2021-22	2020-21
Kirloskar Americas Corporation (formerly known as KOEL Americas Corp.)	U.S.A	100%	100%
*La-Gajjar Machineries Private Limited (LGM)	India	76%	76%
**Arka Financial Holdings Private Limited (AFHPL)	India	100%	100%
***Arka Fincap Limited (AFL)	India	99.998%	100%

* LGM includes Optiqua Pipes and Electricals Private Limited (OPEPL), Ahmedabad (wholly owned subsidiary of LGM) w.e.f.19 February 2021 and share of profit of ESVA Pumps India Private Limited (ESVA), Coimbatore (joint venture of Optiqua Pipes and Electricals Private Limited) w.e.f. 4 October 2021

**AFHPL includes "Arka Investment Advisory Services Private Limited" (AIASPL) (wholly owned subsidiary of the AFHPL) w.e.f. 30 March 2022 which is yet to commence operations

*** AFL, Mumbai (a subsidiary upto 3 March 2022 and therafter a step down subsidiary w.e.f 4 March 2022)

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b. Details of Non-wholly owned subsidiaries that have material Non-controlling interest:

₹ in Crores

Name of Subsidiary	Place of incorporation and Place of operation	Proportion of ownership interest and voting rights held by Non-controlling interests		Profit / (Loss) allocated to Non-controlling interest*		Accumulated Non-controlling interest	
		2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
La-Gajjar Machineries Private Limited	India	24%	24%	(1.26)	4.68	17.94	19.20

* Excluding effects of consolidation adjustment

Refer Acquisition Note - 44.6.18

La-Gajjar Machineries Private Limited's principal activity - manufacturing and selling of Submersibles, monoblock pumps, Stainless steel pumps and pump sets in the domestic and export markets.

c. Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations and are based on their standalone financial statements.

La-Gajjar Machineries Private Limited

₹ in Crores

Particulars	2021-22	2020-21
Current assets	207.83	251.51
Non-current assets	93.98	45.50
Current liabilities	189.14	199.73
Non-current liabilities	37.94	17.28
Equity interest attributable to the owners	56.80	60.81
Non-controlling interest	17.94	19.20
Total income	564.99	521.50
Expenses	572.10	494.80
Profit / (loss) for the year	(5.24)	19.50
Profit / (loss) attributable to the owners of the company	(3.98)	14.82
Profit / (loss) attributable to the non-controlling interest	(1.26)	4.68
Dividends paid to non-controlling interest	-	-
Opening cash & cash equivalents	0.17	0.22
Closing cash & cash equivalents	0.04	0.17
Net Cash inflow/(outflow)	(0.13)	(0.05)

6.21 Research and development ('R&D') expenditure eligible for deduction under section 35(2AB) of Income Tax Act, 1961:

The approval for weighted deduction received from DSIR for the period 1 April 2019 to 31 March 2020 vide order no. TU/IV-15(476)/35(2AB)/3CM/333/2019 dated 20 January 2020. However, during the year, new section 115BAA is introduced by the CBDT. As per this section, option is given to all existing companies to either pay Income tax as per existing rates (i.e. 25% or 30% plus applicable surcharge and cess) or as per new concessional rate of 22% plus applicable surcharge and cess. This new rate is available only if company forgoes certain deductions including weighted deduction u/s 35(2AB). The Parent Company has adopted a new tax ordinance under section 115BAA during financial year 2019-20. Since provisions of section 115BAA of the Income Tax Act, 1961 are applicable, the company is not entitled to avail weighted deduction u/s 35(2AB) of the Income Tax Act, 1961 , for Financial Year 2021-22.

Thus the Parent Company will not avail weighted deduction benefit on in-house R&D expenditure for Financial year 2021-22. However, the Company will continue to maintain a separate set of books for in-house R & D activities.

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6.22 Goodwill

Following is the summary of changes in carrying amount of goodwill:

₹ in Crores

Particulars	31 March 2022	31 March 2021
Balance at the beginning of the year	184.50	184.50
Add : Additions during the year	1.26	-
Balance at the end of the year	185.76	184.50

Allocation of goodwill by segments is as follows:

₹ in Crores

Particulars	31 March 2022	31 March 2021
Electric Pumps	185.76	184.50

Allocation of goodwill to cash generating units:-

Goodwill has been allocated for impairment testing purposes to the underlying cash generating units ('CGU') identified based on business segments. The goodwill impairment test is performed at the level of the CGU which are benefiting from the synergies of the acquisition and which represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount of CGUs is determined based on higher of value-in-use and fair value less cost to sell. Value-in-use is the present value of future cash flow projections based on financial budgets approved by management covering a five year period.

Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates and weighted average cost of capital. The long term growth rates is determined considering the average growth rate of the industry and that of the country (India) in which the CGU generates its revenue from. The weighted average cost of capital has been determined considering a long term target debt equity ratio of the CGU.

Cash flow projections take into account past experience and represent management's best estimate about future developments. The key assumptions used for the calculations are as follows:

₹ in Crores

Particulars	Year ended 31 March 2022	Year ended 31 March 2021
Terminal growth rate	3%**	3%**
Pre-tax discount rate	21.95%	21.78%

** growth rate does not exceed long term average growth rate for the market in which CGU operates

The management believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the respective cash generating unit.

45 (Net Debt)/Surplus reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2022 and 31 March 2021

₹ in Crores

Particulars	31 March 2022	31 March 2021
Cash and cash equivalents	152.95	246.05
Current borrowings	(890.30)	(420.80)
Non-current borrowings	(1,065.83)	(416.99)
(Net debt)/surplus	(1,803.18)	(591.74)

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₹ in Crores

Particulars	Other Assets	Liabilities from financing activity	Total
	Cash and Cash Equivalents	Current and Non-current borrowings	
(Net Debt)/Surplus as on 31 March 2021	**246.05**	**(837.79)**	**(591.74)**
Cash Inflow/(outflow)	(93.10)	(1,118.34)	(1,211.44)
(Net Debt)/Surplus as on 31 March 2022	**152.95**	**(1,956.13)**	**(1,803.18)**

46 Relationship with Struck off companies

The Group did not enter into any transaction with companies struck off from Registrars of Companies (ROC) records for the period ended 31 March 2022 except as reported below :

Amount in ₹

Name of the struck off company	Nature of transactions with struck off company	Transactions during the year	Balance outstanding* as at 31 March 2022	Relationship with struck off company
Alike Trading Private Limited	Shares held	–	60	Shareholder
	Others - Dividend paid/unpaid	107	188	Shareholder
Chirayu Securities Private Limited	Shares held	–	30	Shareholder
	Others - Dividend paid/unpaid	47	552	Shareholder
Dhruva Finance & Investments Private Limited	Shares held	–	912	Shareholder
	Others - Dividend paid/unpaid	1,459	15,230	Shareholder
Dreams Broking Private Limited	Shares held	–	600	Shareholder
	Others - Dividend paid/unpaid	1,080	–	Shareholder
Eshan Financial Services Private Limited	Shares held**	10,000	10,000	Shareholder
Excalibur Securities & Finance Trust Private Ltd	Shares held	–	364	Shareholder
	Others - Dividend paid/unpaid	582	6,183	Shareholder
Gunti & Company Private Limited	Shares held	–	90	Shareholder
	Others - Dividend paid/unpaid	143	827	Shareholder
Highlands Garments Private Limited	Shares held	–	30	Shareholder
	Others - Dividend paid/unpaid	53	–	Shareholder
Kothari Intergroup Limited	Shares held	–	2	Shareholder
	Others - Dividend paid/unpaid	2	14	Shareholder
Mahila Credit And Investment Company Private Limited	Shares held	–	30	Shareholder
	Others - Dividend paid/unpaid	53	–	Shareholder
Purvaj Advisors Private Limited	Shares held**	(7,29,116)	15,51,246	Shareholder
	Others - Dividend paid/unpaid	27,92,242	–	Shareholder
Pushap Capital & Securities Private Limited	Shares held	–	120	Shareholder
	Others - Dividend paid/unpaid	192	654	Shareholder
Shyam Computers Private Limited	Shares held	–	122	Shareholder
	Others - Dividend paid/unpaid	218	–	Shareholder
Twisha Consultants Private Limited	Shares held**	58	58	Shareholder
	Others - Dividend paid/unpaid	39	–	Shareholder
	Total	**20,77,159**	**15,87,311**	

* Balance outstanding represents face value of the shares held and unpaid dividend thereupon.

** Shares purchase/(sold) represented at face value.

Notes to the Consolidated Financial Statements

Details of transaction and outstanding balances of one of the subsidiaries with struck off companies :

Amount in ₹

Name of the Struck off Company	Nature of transactions with struck off company	Transactions during the year**	Balance outstanding* as at 31 March 2022	Relationship with struck off company
Usha Netco Private Limited	Payable	–	1,500	Vendor
Mather & Platt Pumps Limited	Receivable**	94,097	–	Customer
	Total	**94,097**	**1,500**	

* Above details of balances as on 31 March 2022 pertains to transactions of purchases/sales made in previous years

** Balance outstanding as on 31 Mar 2021 have written off during the year.

47 Disclosures for investments and transactions through/ as an intermediary:

(a) 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 persons or entities, 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 to or on behalf of the Ultimate Beneficiaries.

(b) No funds have been received by the Company from any persons or entities, 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.

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

Signatures to Note 1 to 48, forming part of the Consolidated Financial Statements.

As per our attached report of even date

FOR G. D. APTE & CO.
Chartered Accountants
Firm Registration Number : 100515W

C. M. DIXIT
Partner
Membership Number : 017532
Pune: 19 May 2022

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

M. LAKSHMINARAYAN
Independent Director
DIN: 00064750

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune: 19 May 2022

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Notes

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