KIRLOSKAR OIL ENGINES LIMITED
A Kirloskar Group Company

Enriching Lives

3rd August 2020

BSE Scrip Code: **533293**

To
Corporate Relationship Department
BSE Limited
1st Floor, Rotunda Building,
Dalal Street, Fort,
Mumbai – 400 001

NSE Scrip Code: **KIRLOSENG**

To
Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, C -1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051

Dear Sir/Madam,

Subject: Notice of Annual General Meeting alongwith Addendum to Notice of AGM and Annual Report for the FY 2019-20

Pursuant to Regulation 30 and Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find enclosed herewith copy of Notice of Annual General Meeting (AGM) alongwith Addendum to Notice of AGM of the Company to be held on 28th August 2020 and Annual Report for the Financial Year 2019-20.

In compliance with provisions of 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 and the Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020 issued by the Securities and Exchange Board of India, the Annual Report and the Notice of AGM alongwith Addendum to Notice of AGM are being sent only by email to all those Members, whose email addresses are registered with the Company or the Registrar and Share Transfer Agent of the Company or their respective Depository participants.

Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune 411003 INDIA.
Phone: +91 20 2581 0341, 6608 4000 Fax: +91 20 2581 3208, 2581 0209 Toll Free: 1800 233 3344
email: info@kirloskar.com Website: www.koel.co.in
CIN No.: L29120PN2009PLC133351

KIRLOSKAR OIL ENGINES LIMITED
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Enriching Lives

The Annual Report, the Notice of AGM alongwith Addendum to Notice of AGM are also available on the website of the Company at www.koel.co.in.

You are kindly requested to take the same on your record.

Thanking you.

Yours Faithfully,
For Kirloskar Oil Engines Limited

Smita Arun Raichurkar
Digitally signed by Smita Arun Raichurkar
Date: 2020.08.03 14:17:36 +05'30'

Smita Raichurkar
Company Secretary

Encl.: As above.

Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune 411003 INDIA.
Phone: +91 20 2581 0341, 6608 4000 Fax: +91 20 2581 3208, 2581 0209 Toll Free: 1800 233 3344
email: info@kirloskar.com Website: www.koel.co.in
CIN No.: L29120PN2009PLC133351

NOTICE

Notice is hereby given that the 11th Annual General Meeting ("AGM") of the Members of Kirloskar Oil Engines Limited ('the Company') will be held on Friday, the 28th day of August 2020 at 11.30 a.m. (IST) through Video Conferencing ('VC') or Other Audio Visual Means ('OAVM') facility, in compliance of provisions of the Companies Act, 2013 ('the Act') and Rules thereof read with the General Circular No. 14/2020 dated 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, to transact the businesses as mentioned below:

ORDINARY BUSINESS

ITEM NO.1

To receive, consider and adopt the Audited Standalone Financial Statements and the Consolidated Financial Statements of the Company for the Financial Year ended 31st March 2020 together with the Reports of the Directors and Auditors thereon.

ITEM NO.2

To confirm and consider the Interim Dividend of Rs. 4/- per equity share (200%) so declared on 6th March 2020 and already paid during the year be the Final Dividend, for the Financial Year 2019-20.

ITEM NO.3

To appoint a director in place of Mr. Rahul C. Kirloskar (DIN 00007319) who retires by rotation and being eligible, offers himself for re-appointment.

ITEM NO.4

To appoint a director in place of Mr. Nihal G. Kulkarni (DIN 01139147) who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

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 Sections 149, 161 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) and based on the recommendation of Nomination and Remuneration Committee, Mr. Sanjeev Nimkar (DIN 07869394), who was appointed as an Additional Director and Managing Director by the Board of Directors of the Company with effect from 29th April 2020 and who holds office of Director upto the date of this 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 Director of the Company."

ITEM NO.6

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

"**RESOLVED THAT** pursuant to the provisions of section 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, subject to such other approvals as may be necessary and based on the recommendation of Nomination and Remuneration Committee and Board of Directors, Mr. Sanjeev Nimkar (DIN 07869394) who was already serving the Company as its Chief Operating Officer, be and is hereby appointed as the Managing Director of the Company for a term of 5 (five) years with effect from 29th April 2020, upon the terms and conditions as set out in the Agreement to be entered into between the Company and Mr. Sanjeev Nimkar (DIN 07869394), on the remuneration and other terms, set out below:

BASIC SALARY:

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

PERQUISITES:

In addition to the aforesaid basic salary, Mr. Sanjeev Nimkar as the Managing Director shall be entitled to the following perquisites:

a) In lieu of fully furnished residential accommodation, house rent allowance of Rs. 1,15,000/- per month be paid. Additionally, expenses on 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/- per annum.

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

e) Personal accident insurance, premium whereof does not exceed Rs. 25,000/- per annum.

f) A car with driver.

g) Telephone, fax and internet facilities at residence.

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

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

j) Leave at the rate of one month for every eleven months of service. Leave not availed of may be encashed at the end of the tenure,

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

Perquisites shall be evaluated as per the provisions of the Income tax Act and 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, including amendments thereof.

MINIMUM REMUNERATION:

In the event of loss or inadequacy of profits in any financial year during the currency of his 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 revision in the remuneration payable to Mr. Sanjeev Nimkar during his 5 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 Mr. Sanjeev Nimkar (DIN 07869394) during his tenure as the Managing Director.

RESOLVED FURTHER THAT Mr. Sanjeev Nimkar shall be non-retiring director."

ITEM NO. 7

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

"**RESOLVED THAT** pursuant to the provisions of 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. Kandathil Mathew Abraham (DIN 05178826), who was appointed as an Additional Director by the Board of Directors of the Company with effect from 10th August 2019 and who holds office of Director up to the date of this 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 term of five consecutive years with effect from 10th August 2019."

ITEM NO. 8

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

"**RESOLVED THAT** pursuant to the provisions of 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, Dr. Shalini Sarin (DIN 06604529), who was appointed as an Additional Director by the Board of Directors of the Company with effect from 25th October 2019 and who holds office of Director up to the date of this 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 term of five consecutive years with effect from 25th October 2019."

ITEM NO. 9

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

"**RESOLVED THAT** in continuation of approval given by the members of the Company by special resolution dated 9th August 2019, pursuant to the provisions of Regulation 17 (1A) of amended 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 and Board of Directors, approval be and is hereby granted for the continuation of present second term of re-appointment of Mr. M. Lakshminarayan (DIN 00064750) as an Independent Director of the Company who will be attaining the age of 75 years on 7th September 2021, during his present second term of re-appointment which is upto 11th August 2022 ."

ITEM NO. 10

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149 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) based on the recommendation of Nomination and Remuneration Committee and Board of Directors, Mr. Pradeep R. Rathi (DIN 00018577) whose period of office is liable to expire on 6th August 2020, 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 five consecutive years with effect from 7th August 2020."

ITEM NO. 11

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. 7,00,000/- (Rupees Seven 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 2021, be and is hereby ratified and confirmed."

By Order of the Board of Directors

Sd/-

Place: Pune
Date: 19th June 2020

Smita Raichurkar
Company Secretary

Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune 411003 INDIA.
Phone: +91 20 2581 0341, 6608 4000 Fax: +91 20 2581 3208, 2581 0209 Toll Free: 1800 233 3344
email: info@kirloskar.com **Website:** www.koel.co.in
CIN No.: L29120PN2009PLC133351

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, Circular No. 17/2020 dated 13th April 2020 and Circular No. 20/2020 dated 5th May 2020, issued by Ministry of Corporate Affairs and Circular number SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020 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 11th 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. 25 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 AGM 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 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 evoting@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 **22nd August 2020, Saturday** to **28th August 2020**, Friday (both days inclusive) for the purpose of AGM.

9. 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.

10. 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 and 2011-12, 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.koel.co.in.

    Member(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.

11. **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.

12. The payment of Interim Dividend for FY 2019-20, as declared by the Board of Directors of the Company in its meeting held on 6th March 2020, is processed on 27th March 2020 for the members of the Company (holding equity shares as on 19th March 2020, the Record Date fixed for the purpose of said Interim Dividend) whose bank accounts details are registered with the Company or Registrar and Share Transfer Agent of the Company viz. Link Intime India Private Limited or the Depository Participant(s) as the case may be.

    As per directives of the Central and State Government, the entire Country was under lock down from 24th March 2020 due to which Dividend Warrant(s) / Demand Draft(s) could not be dispatched on 27th March 2020 to the members of the Company whose bank account details were not updated with the Company or Registrar and Share Transfer Agent of the Company viz. Link Intime India Private Limited or the Depository Participant(s) as the case may be, as the postal services were not operational.

Further with the partial lifting of lockdown and postal department commencing their operations, the Dividend Warrant(s) and Demand Draft(s) were dispatched to such members of the Company (who were holding equity shares as on 19th March 2020 i.e. the Record Date fixed for the purpose of said Interim Dividend) on 1st June 2020 and 11th June 2020 respectively by the permitted modes.

The communication in this regard was filed by the Company with BSE Limited and National Stock Exchange of India Limited on 28th March 2020, 2nd June 2020 and 12th June 2020.

13. **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).

14. 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.

15. **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.

16. **Share Transfer permitted only in Demat**

Securities and Exchange Board of India has amended relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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. Only the requests for transmission and transposition of securities in physical form, will be accepted by the Company / its R & T Agent.

17. To prevent the 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.

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

19. **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.koel.co.in.

20. **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.

Due to outbreak of the COVID 19 pandemic and prolonged situation, the postal/courier services are hampered.

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 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.

21. In compliance with the aforesaid MCA Circulars and SEBI Circular dated 12th May 2020, Notice of the AGM along with the Annual Report 2019-20, is being sent only through electronic mode to those Members whose email addresses are registered with the R&T Agent /Company / Depositories.

    Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website www.koel.co.in, 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.

22. **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.

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

24. 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.

25. 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 and Circular No. 20/2020 dated 5th May 2020, the Company is providing facility of remote e-voting and e-voting on the date of AGM to its Members in respect of the business to be transacted at the 11th 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 REMOTE E-VOTING THROUGH ELECTRONIC MEANS ARE AS UNDER:**

        The remote e-voting period commences on **25th August 2020 (9:00 am) (IST) and ends on 27th August 2020 (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 21st August 2020, 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 informing them of their User-ID and Password. 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 : Log-in to NSDL e-Voting system at https://www.evoting.nsdl.com/

        Step 2 : Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

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 'Shareholders/Members' 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. Your password details 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 in Sr. No. B 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.

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.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of company for which you wish to cast your vote.
4. Now you are ready for e-Voting as the Voting page opens.
5. 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.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Step 3: How to access the VC / OAVM facility at the AGM?

Members are requested to follow the instructions given below to attend and view the live proceedings of the AGM:

1. Log in on the NSDL website at https://www.evoting.nsdl.com using your remote e-voting credentials.
2. After you have successfully logged into NSDL e-voting system, you will see the home page of e-voting. Click on "e-voting" & "Active e-voting cycles / VC or OAVM" EVEN of Kirloskar Oil Engines Limited "113242" will be visible, click on "VC /OAVM" below the "Join General Meeting" tab.
3. Kindly note that a Member, 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 instructions provided in Step 1 above to avoid last minute rush. Further, a Member can also use the OTP based login for logging into the e-voting system of NSDL.
4. In case of any query relating to attending the AGM through VC / OAVM, kindly contact Ms. Sarita Mote, Assistant Manager, National Securities Depository Limited, 4th Floor, 'A' wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400013.

   Email : evoting@nsdl.co.in / saritam@nsdl.co.in

   Telephone Nos. +91 (22) 2499 4545 or 1800-222-990

B. **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.

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.

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

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 NSDL via email at evoting@nsdl.co.in or call on toll free no. 1800-222-990.

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 the same at https://www.evoting.nsdl.com under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members 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. Further members can also use the OTP based login for logging into the e-Voting system of NSDL.

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 / 1800-222-990 or contact Mr. Amit Vishal, Senior Manager – NSDL at amitv@nsdl.co.in / 022-24994360 or Mr. Sagar Ghosalkar, Assistant Manager- NSDL at sagar.ghosalkar@nsdl.co.in / 022-24994553.

6. Members who would like to express their views/ask questions during the AGM may register themselves as a speaker and may send their request mentioning their name, demat account number/folio number, email id and mobile number at email address viz. 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.

26. If you are already registered with NSDL for e-voting, then you can use your existing User ID and Password for casting your vote.

27. 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).

28. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on 21st August 2020.

29. Any person, 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. 21st August 2020, 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" option available on www.evoting.nsdl.com or call on toll free no. 1800-222-990.

30. 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. 21st August 2020 only shall be entitled to avail the facility of remote e-voting as well as e- voting at the AGM.

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

32. 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.

33. 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.

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

35. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.koel.co.in 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 AND RULES THEREOF INCLUDING AMENDMENTS THEREUNDER AND REGULATION 36 (3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 INCLUDING AMENDMENTS THEREUNDER

ITEM NO. 3 OF THE NOTICE

Mr. Rahul C. Kirloskar (DIN 00007319) retires by rotation and being eligible offers himself for re-appointment.

He holds 1,77,82,902 (12.30%) equity shares in the Company.

Rahul Kirloskar (Age 56 years) has been associated with the Kirloskar Group for more than 34 years. In 1993, he was appointed as the Managing Director of Kirloskar Pneumatic Co. Limited and in 1998 he took over as the Chairman. From 2001 to 2012, he was the Director of Exports for Kirloskar Oil Engines Limited, wherein his major areas of contribution were expanding export operations for Kirloskar Oil Engines Limited and the entire Kirloskar Group. He founded Kirloskar Chillers Private Limited and has also been the Chairman of Confederation of Indian Industry (CII) Pune Council as well as Maharashtra State CII Council.

He is a member of the Nomination & Remuneration Committee and Corporate Social Responsibility Committee of the Company.

He is also director in the following other companies:

Kirloskar Pneumatic Co. Limited$	GreenTek Systems (India) Private Limited
Kirloskar Ferrous Industries Limited	Alpak Investments Private Limited
Kirloskar Proprietary Limited	Asara Sales & Investments Private Limited
J.K. Fenner India Limited*	Kirloskar Energen Private Limited
Kirloskar Solar Technologies Private Limited	Pune City Connect Development Foundation
Samarth Udyog Technology Forum	

*Audit Committee – Member

$ Stakeholder Relationship Committee - Member

He has attended 5 meetings of the Board of Directors of the Company during the Financial Year 2019-20.

Mr. Rahul C. Kirloskar, Mr. Atul C. Kirloskar, Director and Executive Chairman of the Company, being brother and other relatives of Mr. Rahul C. Kirloskar, to the extent of their shareholding in the Company, may be deemed to be concerned or interested in this resolution.

Except above, none of the other Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise in this resolution.

ITEM NO. 4 OF THE NOTICE

Mr. Nihal Kulkarni (DIN 01139147) retires by rotation and being eligible offers himself for re-appointment.

He holds 66,52,472 (4.60%) equity shares in the Company.

Nihal G. Kulkarni (Age 39 years), A.B. in Economics from Brown University, USA, has over ten years of experience in the areas of finance and investments. He has undergone extensive training with the Kirloskar Group, Toyota Motor Sales, USA and DSP Merrill Lynch. He was Vice President in Kirloskar Pneumatic Company Limited upto 22nd October 2010. He was the Managing Director of Kirloskar Industries Limited (KIL) from 23rd October 2010 upto 25th January 2012. He served as the Managing Director of Kirloskar Oil Engines Limited during the period 26th January 2012 to 28th April 2020.

He is a member of the Corporate Social Responsibility Committee of the Company.

He is also director in the following other companies:

G. G. Dandekar Machine Works Limited $	Achyut & Neeta Holdings & Finance Private Limited
Arka Fincap Limited @ (earlier known as Kirloskar Capital Limited)	Expert Quality Cloud Information Technology Private Limited
Kirloskar Industries Limited	Navasasyam Dandekar Private Limited
Kloudq Technologies Limited	

@ Audit Committee – Chairman

$ Stakeholder Relationship Committee - Member

He has attended 6 meetings of the Board of Directors of the Company during the Financial Year 2019-20.

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

ITEM NO. 5 & 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. Sanjeev Nimkar (DIN 07869394), as an Additional Director of the Company with effect from 29th April 2020.

In terms of the provisions of Section 161(1) of the Companies Act, 2013 and Rules thereof including amendments thereunder Mr. Sanjeev Nimkar (DIN 07869394) would hold office up to the date of this Annual General Meeting.

The Board of Directors based on the recommendation of Nomination and Remuneration Committee, has appointed Mr. Sanjeev Nimkar (DIN 07869394), as the Managing Director of the Company, for a period of 5 years commencing from 29th April 2020, 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 Mr. Sanjeev Nimkar. The remuneration payable to Mr. Sanjeev Nimkar is stated in the resolution at item No. 6 of this Notice.

Mr. Sanjeev Nimkar (DIN 07869394) was serving the Company as Chief Operating Officer and that his appointment as the Managing Director is treated as continuation of service.

Pursuant to Regulation 17(1B) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, including amendments thereunder, Mr. Sanjeev Nimkar is not related to the Chairperson of the Company.

He does not hold any equity shares in the Company.

Mr. Sanjeev Nimkar (Age 50 years), is also the director and Vice Chairman on the Board of La-Gajjar Machineries Private Limited, manufacturer a subsidiary of the Company. He has been instrumental in transforming the Company's business processes as digitally connected customer centric organization since 2012. He has over 25 years of rich and extensive professional career in various capacities spans across diverse industries and companies such as Kirloskar Engines and Gensets, Philips Consumer Electronics, Philips Lighting, Dulux Paints (ICI), La-Gajjar Machineries Private Limited and Lafarge Cement. Before joining the Company in 2012, he was Director Marketing at Philips Lighting India. During his tenure at Philips, he led the company's marketing functions including technological transition to LED Lighting, Heading Audio Business. He was National Channel Head at ICI paints and Zonal Marketing Head for Lafarge. He implemented "Base of Pyramid" project for Philips Lighting to capture Rural markets.

He has completed AMP program at Harvard Business School, USA. He holds a PGDM from IIM Calcutta, Bachelor's degree in Electronics and Telecommunications from College Of Engineering, Pune and also he is a Post Graduate Diploma holder in Industrial Law from Symbiosis Law College Pune.

He is the recipient of numerous industry honors for his contribution to the industry in various fields.

He is a Member of Stakeholders Relationship Committee of the Company with effect from 29th April 2020.

He is neither a Member nor a Chairman of the Committees in the other Public Limited Companies.

He was not entitled to attend any meeting of the Board of Directors of the Company during the Financial Year 2019-20.

The draft agreement for the appointment of Mr. Sanjeev Nimkar (DIN 07869394) as the Managing Director setting out the terms and conditions is available for inspection by the members.

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

The Board recommends resolution set out in Item no. 5&6 of the notice for 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, Mr. Kandathil Mathew Abraham (DIN 05178826) as an Additional Director of the Company with effect from 10th August 2019.

In terms of the provisions of Section 161(1) of the Companies Act, 2013 and Rules thereof including amendments thereunder, Mr. Kandathil Mathew Abraham (DIN 05178826) would hold office up to the date of this Annual General Meeting. He is also proposed to be appointed as an Independent Director for a term of 5 (Five) consecutive years with effect from 10th August 2019, 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. Kandathil Mathew Abraham (DIN 05178826) for the office of Director of the Company.

Mr. Kandathil Mathew Abraham (Age 62 years) is a former civil servant from the Indian Administrative Service. He joined the civil services in 1982 and retired in December 2017 as the Chief Secretary to the Government of Kerala. Earlier, he had a stint as Whole Time Member in the Board of SEBI during which tenure he is credited with having produced several landmark orders that have gone a long way in improving the integrity of financial markets and protecting investors.

Currently, he serves as the Chief Executive Officer of the Kerala Infrastructure Investment Fund Board (KIIFB), a Statutory Body under the Government of Kerala, tasked with the responsibility of building infrastructure of Rs. 60,000 crore in the State. Besides that, he is the Chairman of the Kerala Development and Innovation Strategic Council (K-DISC), a thinktank setup by the Government of Kerala to bring in strategic projects and emerging technologies into governance and to create a state-wide innovation network for youth. He also serves as the Chairman of the Implementation Committee for the Rebuilding Kerala Initiative that was set up by the Government of Kerala in the aftermath of the devastating August 2018 floods in the State.

He holds a PhD with specialisation in Technology Planning from the University of Michigan in Ann Arbor, USA. He is also a Chartered Financial Analyst (CFA®), USA and has qualified as a Licensed International Financial

Analyst (LIFA), USA. He holds an M.Tech (Industrial and Management Engineering) from the Indian Institute of Technology, Kanpur. His key areas of professional and academic interest are Data Analytics, Financial Risk Management, Emerging Technologies and Public Finance. He is also the winner of several prestigious awards for governance and integrity.

He does not hold any shares in the Company.

He is a member of Audit Committee of the Company.

He is a director in the following other companies:

Muthoot Capital Services Limited$*	Trivandrum Engineering Science and Technology Research Park

$ Stakeholder Relationship Committee - Member

* Audit Committee – Member

He has attended 3 meetings of the Board of Directors of the Company during the Financial Year 2019-20.

He 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. Kandathil Mathew Abraham (DIN 05178826) 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. Kandathil Mathew Abraham (DIN 05178826) fulfills the conditions specified in the said Act and the Rules made thereunder and also possess requisite expertise and experience (including the proficiency) and he is a person of high integrity and repute so as to enable the Board to discharge its functions and duties effectively and he is independent of the 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. Kandathil Mathew Abraham (DIN 05178826) as an Independent Director for a term of 5 (Five) consecutive years with effect from 10th August 2019.

The draft letter for the appointment of Mr. Kandathil Mathew Abraham (DIN 05178826) as an Independent Director setting out the terms and conditions is available for inspection by the members.

Except Mr. Kandathil Mathew Abraham 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.

The Board recommends resolution set out in Item no. 7 of the notice for approval of members of the Company.

ITEM NO. 8 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, Dr. Shalini Sarin (DIN 06604529) as an Additional Director of the Company with effect from 25th October 2019.

In terms of the provisions of Section 161(1) of the Companies Act, 2013 and Rules thereof including amendments thereunder, Dr. Shalini Sarin (DIN 06604529) would hold office up to the date of this Annual General Meeting. She is also proposed to be appointed as an Independent Director for a term of 5 (Five) consecutive years with effect from 25th October 2019, 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 Dr. Shalini Sarin (DIN 06604529) for the office of Director of the Company.

Dr. Shalini Sarin (Age 55 years) has experience ranging from Chief People Officer to head of Corporate Social Responsibility to Business Leader for the base of the pyramid solar lighting business for social impact. Profit with Purpose & Passion is her mantra and belief. She has worked across India, Europe and US. And now serves on several boards for Profit & Not for Profit. She is an executive coach and a strategic advisor on HR, CSR, sustainability, transformation and leadership.

She started her career as a lecturer of Organization behaviour and has about three decades of Corporate experience. In her role as the HR head, her specialization has been change management, leadership, succession and a significant experience in transformations during mergers, acquisitions, restructuring, divestiture and IPOs.

In her experience as head of Corporate Social Responsibility, she has been able to Influence organizations to align the CSR strategy with the purpose of the organization. She was the chair of all India CSR committee with NHRD, mobilizing early adoption when the CSR bill was passed and was the CHRO Schneider Electric, India.

In the base of the pyramid, social impact business, she has been able to work on building the ecosystem through collaborations to leverage scale and competence. She worked on projects across the world from Indonesia to LATAM including Africa and India in a big way.

She is the Chair of the global Signify Foundation and ISA- GTFF – International Solar Alliance- global taskforce of foundations. Both working on access to energy and local capacity building through entrepreneurship. She is also the Independent Director on the board of Linde India and Meritor HVS (India) Limited and Automotive Axles Limited.

She is a partner at Social Venture Partners and a mentor and board member for Beyond diversity Foundation. Besides this she mentors business leaders and several start-ups in the social sector on sustainable business models both for profit and not for profit.

She holds a Doctorate in Organization Behaviour, and a Masters in Sociology and Human Resource Management. She has an Advanced Human Resource degree from Ross School of Business, University of Michigan and she is an Executive Coach from the Motorola University-Chicago and a Psychometrician from the British Psychology Society. She is pursuing the International Director's program from INSEAD. She has authored many articles and presented at various Indian and International Conferences.

She does not hold any shares in the Company.

She is neither a member nor a chairperson of any committee(s) of the Company.

She is director in the following other companies:

Linde India Limited*	Automotive Axles Limited
Meritor HVS (India) Limited*	Telenergy Technologies Private Limited
Elektromobilitat India Private Limited	

* Audit Committee - Member

She has attended 2 meetings of the Board of Directors of the Company during the Financial Year 2019-20.

She 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 Dr. Shalini Sarin (DIN 06604529) that she meet 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 Dr. Shalini Sarin (DIN 06604529) fulfills the conditions specified in the said Act and the Rules made thereunder and also possess requisite expertise and experience (including the proficiency) and she is a person of high integrity and repute so as to enable the Board to discharge its functions and duties effectively and she is independent of the management.

The Board considers that her experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Dr. Shalini Sarin (DIN 06604529) as an Independent Director for a term of 5 (Five) consecutive years with effect from 25th October 2019.

The draft letter for the appointment of Dr. Shalini Sarin (DIN 06604529) as an Independent Director setting out the terms and conditions is available for inspection by the members.

Except Dr. Shalini Sarin 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.

The Board recommends resolution set out in Item no. 8 of the notice for approval of members of the Company.

ITEM NO. 9 OF THE NOTICE

The members of the Company in its meeting held on 9th August 2019 had by special resolution pursuant to Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and Rules thereof including amendments thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder, based on recommendation of Nomination and Remuneration Committee and Board of Directors of the Company re-appointed Mr. M. Lakshminarayan (DIN 00064750) for second term of 3 years with effect from 12th August 2019.

As per amended Listing Regulation, 2018, which was effective from 1st April 2019, “No listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.”

During the continuation of present second term of re-appointment as an Independent Director of the Company Mr. M Lakshminarayan (DIN 00064750)will be attaining the age of 75 years on 7th September 2021.

Mr. M. Lakshminarayan (DIN 00064750) is associated with Kirloskar Oil Engines Limited for over 10 years (including pre and post demerger period) as a Board Member, he 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.

The Board of Directors based on recommendation of Nomination and Remuneration Committee, considered waiver of upper age limit of 75 years as specified in the Nomination and Remuneration Policy of the Company and continuation of present second term of Mr. M. Lakshminarayan (DIN 00064750) who will be attaining the age of 75 years, during the said present second term of re-appointment of 3 consecutive years with effect from 12th August 2019.

Mr. M. Lakshminarayan, (Age 73 years) holds a Masters degree in Technology from the Indian Institute of Technology, Mumbai. After working in Tata Motors for 16 Years in the Pune plant, he moved to Bosch Ltd (MICO). He has served in various capacities before joining the Board as Joint Managing Director in 2000. He was the Managing Director of Harman International India Private Limited, a 100% subsidiary of Harman International USA from 2009 till 2017. He is deeply connected with the activities of CII and was the past Chairman, CII Southern Region. He is a Director in Kirloskar Oil Engines Limited, Carborumdum Universal Limited, Rane (Madras) Limited, apart from being the Chairman of WABCO India.

He does not hold any shares in the Company.

He has attended 4 meetings of the Board of Directors of the Company during the Financial Year 2019-20.

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

He is also director in the following other companies:

Rane (Madras) Limited*	WABCO India Limited*#
TVS Automobile Solutions Private Limited	TVS Electronics Limited@
Jannadhar (India) Private Limited	Dickinson Fowler Private Limited
ASM Technologies Limited*	Invest Karnataka Forum
Kostal India Private Limited	Wendt (India) Limited*
Sansera Engineering Limited	Suprajit Engineering Limited
Brose India Automotive Systems Private Limited	

@ Audit Committee – Chairman

* Audit Committee – Member

Stakeholders Relationship Committee - Chairman

He 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. M. Lakshminarayan (DIN 00064750) 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.

In view of the aforesaid amendment to SEBI Listing Regulations, based on recommendation of the Board of Directors, it is proposed to seek approval of the Members vide special resolution at the ensuing Annual General Meeting, for the continuance a present second term of 3 years of re-appointment of Mr. M. Lakshminarayan (DIN 00064750) who will be attaining the age of 75 years, as an Independent Director of the Company, during his said term of re-appointment. This continuation should not be treated as an extension of his present second term of appointment.

Except Mr. M. Lakshminarayan 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.

In terms of Section 149 of the Companies Act, 2013 and Rules thereof including amendments thereunder and SEBI Listing Regulation, 2015, including amendments thereunder, the resolution set out at Item no. 9 of the Notice requires approval of the members of the Company by passing special resolution.

ITEM NO. 10 OF THE NOTICE

The members of the Company in its meeting held on 7th August 2015, appointed Mr. Pradeep R. Rathi (DIN 00018577) as an Independent Director for a term of 5 years. His term is valid upto 6 August 2020.

Mr. Pradeep R. Rathi (DIN 00018577) 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. Pradeep R. Rathi (Age 67 years), is Chairman of Sudarshan Chemical Industries Limited, is MS in Chemical Engineering from MIT, USA and MBA from Columbia University, USA and has been associated with Sudarshan

Chemical Industries Limited for more than four decades.

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. Pradeep R. Rathi (DIN 00018577) as an Independent Director of the Company for a second term of 5 (five) consecutive years with effect from 7th August 2020, pursuant to Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and Rules thereof including amendments thereunder and SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, including amendments thereunder.

He does not hold any shares in the Company.

He is the Chairman of the Stakeholder Relationship Committee, Member of Audit Committee, Member of Corporate Social responsibility Committee and Member of Risk Management Committee of the Company.

He is also director in the following other companies:

RIECO Industries Limited	Rathi Enterprises Private Limited
Rathi Brothers Private Limited	Sanghvi Movers Limited*
PRR Finance Private Limited	Sudarshan Chemical Industries Limited$
Clean Science & Technology Private Limited	Sudarshan CSR Foundation
Rabro Speciality Chemicals Private Limited	Rathi Mixers Private Limited
Matrix Fine Sciences Private Limited	Finolex Industries Limited@$

$ Stakeholder Relationship Committee - Member

* Audit Committee – Member

@ Audit Committee – Chairman

He has attended 6 meetings of the Board of Directors of the Company during the Financial Year 2019-20.

He 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. Pradeep R. Rathi (DIN 00018577) that he meet 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. Pradeep R. Rathi for the office of Director of the Company.

The Board is of the opinion that Mr. Pradeep R. Rathi (DIN 00018577) fulfils the conditions specified in the said Act and the Rules made thereunder and also possess requisite expertise and experience (including the proficiency) and he is a person of high integrity and repute so as to enable the Board to discharge its functions and duties effectively and he is independent of the 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. Pradeep R. Rathi (DIN 00018577) as an Independent Director for a second term of 5 (five) consecutive years with effect from 7th August 2020.

The draft letter for the re-appointment of Mr. Pradeep R. Rathi (DIN 00018577) as an Independent Director setting out the terms and conditions is available for inspection by the members.

Except Mr. Pradeep R. Rathi 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.

In terms of Section 149 of the Companies Act, 2013 and Rules thereof including amendments thereunder and SEBI Listing Regulation, 2015, including amendments thereunder, the resolution set out at Item no. 10 of the Notice requires approval of the members of the Company by passing special resolution.

ITEM NO. 11 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 2021, at the remuneration of Rs. 7,00,000/- (Rupees Seven Lacs only) plus applicable taxes thereon, other certification charges and reimbursement of 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 has 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 resolution set out in Item no. 11 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 this resolution.

By Order of the Board of Directors

Sd/-

Place: Pune

Smita Raichurkar

Date: 19th June 2020

Company Secretary

ADDENDUM TO NOTICE OF 11th ANNUAL GENERAL MEETING

Addendum to the Notice dated 19th June 2020 of the 11th Annual General Meeting ("AGM") of Members of Kirloskar Oil Engines Limited ('the Company') to be held on Friday, the **28th day of August 2020 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 and the General Circular No. 20/2020 dated 5th May 2020, issued by 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.

Dear Member(s)

The Board of Directors in its meeting held on 30th July 2020, subject to the approval of members, recommended to amend Main Object Clause of Memorandum of Association of the Company. Accordingly, the approval of the members is also sought for Special Business more particularly described in **Item no. 12** along with explanatory statement to this addendum Notice.

All other contents of AGM Notice dated 19th June 2020 remain unchanged.

ITEM NO. 12

SPECIAL BUSINESS

To alter Memorandum of Association of the Company so as to align with the Companies Act, 2013 and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Sections 4, 13 and other applicable provisions, if any, of the Companies Act, 2013, (the "Act") and rules made thereunder (including any statutory modification(s), clarification(s), substitution(s) or re-enactment(s) thereof for the time being in force) and other approvals as may be necessary, based on recommendation of the Board of Directors of the Company, consent and approval of Members of the Company be and is hereby accorded for effecting the alterations in the existing Main Object Clause of the Memorandum of Association (the "MOA") of the Company in the following manner:-

i) Clause III (A) of the MOA be altered by inserting following sub-clause numbering 3 after the existing sub-clause 2:

3) To carry on business in India or elsewhere of designing, developing, manufacturing, processing, buying, selling, trading, importing, exporting, producing, extracting, generating, assembling, hiring, bartering, distributing, testing, installing, conditioning, reconditioning, servicing, repairing, harnessing, contracting, maintaining, converting, altering or otherwise dealing in all types of machineries, motors, tractors, tillers & equipment(s) for farm mechanization / agricultural purpose including spares / implements thereof, all types of pipes and pipe fittings used in Agriculture, Mechanical, Electrical & any other Industries, all types of conventional and non-conventional energy including solar energy, wind energy, fuel energy in liquid or gas forms, hydro energy, mechanical energy, thermal energy, electrical energy, any form of renewable energy, fuel cells, co-generation of electricity, heating / cooling energy related gadgets, apparatus, components, devices, plants, systems, machinery, equipment, products, services, spares & parts, tools, jigs & fixtures, goods, transformers, converters, controllers, control panels, inverters, energy

transformation products, energy storage solutions including batteries of various chemistries, insulators, motors, turbines, compressors, composters, boilers, cables, chains, anchors, belts, wires, cords, conductors, engines, dynamos, mechanical and electrical machinery plant and fittings generally, power electronics and software based applications in the field of energy engineering and power generation devices.

RESOLVED FURTHER THAT the words 'Companies Act, 1956' in the existing MOA shall be substituted with the words 'Companies Act, 2013', wherever required and reference to various Sections of the Companies Act, 1956 in the existing MOA, be replaced with the reference to the corresponding Sections of the Companies Act, 2013.

RESOLVED FURTHER THAT the Board of Directors and Key Managerial Personnel of the Company be and are hereby severally authorized to do all such acts, deeds, matters and things and to settle all matters arising out of and incidental thereto and to sign and execute all such deeds, drafts, documents, applications and writings that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this Resolution either on its own or by delegating all or any of its powers to any of the Director, Company Secretary or any other officer of the Company."

By Order of the Board of Directors
For KIRLOSKAR OIL ENGINES LIMITED

Sd/-
Smita Raichurkar
Company Secretary

Place: Pune
Date: 30th July 2020

NOTES

1. In compliance with the aforesaid Circulars and SEBI Circular dated 12th May 2020, the Addendum to the Notice of the AGM, is being sent only through electronic mode to those Members whose email addresses are registered with the R&T Agent /Company / Depositories.
2. Members may note that the Addendum to the Notice of the AGM will also be available on the Company's website www.koel.co.in, 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.
3. All the processes, notes and instructions relating to e-voting and attending the AGM through Video Conferencing ('VC') or Other Audio Visual Means ('OAVM') facility set out for and applicable to the ensuing 11th AGM shall mutatis-mutandis apply to the e-voting and attending the AGM through Video Conferencing ('VC') or Other Audio Visual Means ('OAVM') facility for the Resolution proposed in this Addendum to the Notice. Furthermore, Scrutinizer appointed for the ensuing 11th AGM will act as a Scrutinizer for the Resolution proposed in this Addendum to the Notice.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 AND RULES THEREOF INCLUDING AMENDMENTS THEREUNDER

As member(s) you are aware, that the Company is in the business of designing, developing and manufacturing of Engines, Generating Sets, Pump Sets, Power Tillers and allied products and services.

After careful evaluation of strategy, potential of business, internal capabilities and external economic factors, it was proposed to venture into the financial services business. The members of the Company by way of postal ballot on 30th January 2018 considered and approved the proposal to undertake the business of financial services by inserting / introducing new Clause III (A) 2 after existing Clause III (A) 1 of Memorandum of Association ("MOA") of the Company. Accordingly, the Company had commenced financial service business through its subsidiary company viz. Arka Fincap Limited (previously known as Kirloskar Capital Limited) with effect from 24th April 2019.

Kirloskar Oil Engines Limited (KOEL), being one of the pioneers of the 'Made in India' concept since Independence, continues to work towards bringing innovative product offerings to customers at competitive prices. The Company's drive towards excellence continues unabated.

The Board of Directors in its meeting held on 6th March 2020 discussed on the Company's long term objective to focus as a 'Solution Company'. The existing business verticals were categorized as 'Prime Power Solutions', 'Water Management Solutions', 'Institutional & Project Solutions' and 'Energy Solutions'.

While there are multiple business opportunities, the Company has carefully evaluated the same considering its strengths and risks involved.

The Company intends to leverage rising electrification of energy, movement towards cleaner fuels and play a significant role in energy conversion / transformation and conditioning space and explore multiple business opportunities in that vertical with related products and services without losing sight of its core existing businesses. The Company also intends to leverage the opportunities offered by providing larger basket of water management solutions to its customers and expand its scope in farm mechanisation space.

The proposed businesses would be conveniently and advantageously synergised with the long-term strategy of the Company and is a natural progression from a leadership position in off-highway engines, power backup solution provider and agricultural farm mechanisation. With these steps, the Company intends to transform itself into a complete energy solution provider over medium to long term and would also leverage on the government's thrust on making agricultural economy more robust and efficient and rural development.

In order to make the Main Object clause of the MOA comprehensive and concise and also to include products / solutions to be undertaken by the Company from time to time or in near future, it is proposed to alter the Main Object clause of the MOA of the Company.

Further, certain clauses of the MOA contained references to the provisions of sections and rules made under the Companies Act, 1956 which are also required to be amended by corresponding references to the provisions of the Companies Act, 2013.

The Board at its meeting held on 30th July 2020 has approved aforesaid alteration of the MOA of the Company and recommends the Special Resolution set forth in Item No. 12 of this Addendum to the Notice for approval of the Members.

The MOA with proposed amendments is being made available for inspection by the members.

As per the provisions of Sections 13, 110 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, the resolution set out in the Notice for alteration in the Object Clause of the MOA requires approval of the members of the Company by passing special resolution through Postal Ballot. Pursuant to the General Circular No. 14/2020 dated 8th April 2020, General Circular No. 17/2020 dated 13th April 2020 and General Circular No. 20/2020 dated 5th May 2020, issued by Ministry of Corporate Affairs the approval of members of the Company by passing special resolution in the forthcoming Annual General Meeting (instead of Postal Ballot) sought in the resolution set out in Item No. 12 of this Addendum Notice.

None of the Directors, 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, if any.

By Order of the Board of Directors
For KIRLOSKAR OIL ENGINES LIMITED

Sd/-
Smita Raichurkar
Company Secretary

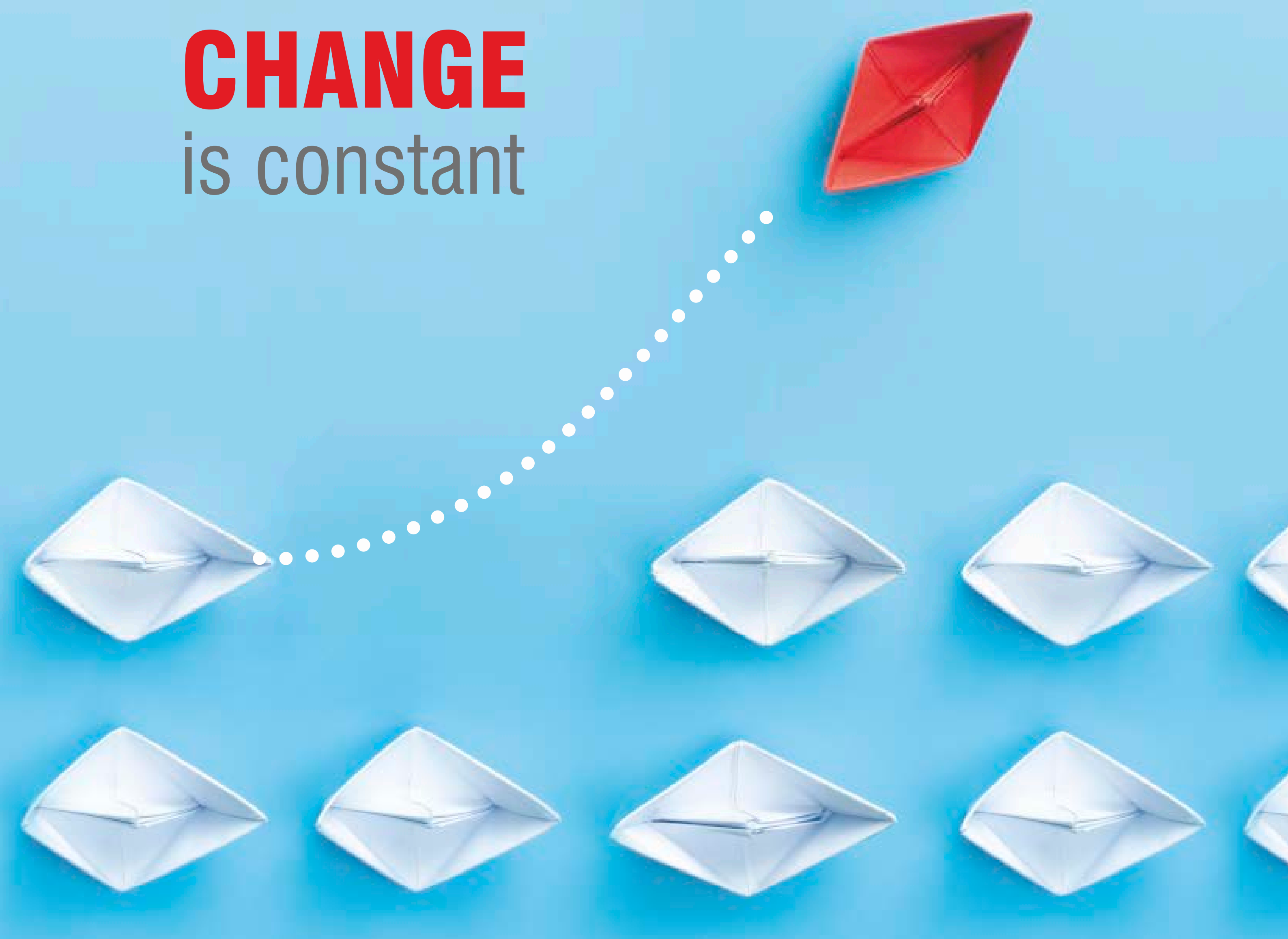
Place: Pune
Date: 30th July 2020

KIRLOSKAR OIL ENGINES LIMITED
A Kirloskar Group Company

ANNUAL REPORT 2019 - 2020

Enriching Lives

CHANGE
is constant



Witness it or be it.

Nothing stays with you forever. Change is the only constant in life and permanence is an illusion. The fact is everything that has life, lives in a process of continual change.

Yes, change is very essential and appropriate for development and overall growth. Constant change is needed for living life freely, wisely, gracefully. Change is a part of the process of evolution and hence helps an individual as well as organization for betterment and growth.

In order to move on, things must change. This enables one to experience new things, and also empowers us to understand things better to grow, not only mentally, but also physically and emotionally.

Change is required in pushing us forward in the right direction with limited resources. Today this is the only constant in business as well, the only thing we can be sure will happen.

The human mind resists change and hence individuals as well as organisations need to put in change management strategies. These involve defining and adapting corporate strategies, structures, procedures and technologies so that the organization becomes sustainable. Companies that consistently outperform competitors in profitability, market share, revenue growth and customer satisfaction have reported much greater agility. We need to identify and respond quickly to market changes and forthcoming unexpected challenges.

We at KIRLOSKAR, practice change management with an attitude of gratitude and embrace change as an opportunity for continuous renewal and growth. We have successfully implemented new processes, products and business strategies while minimizing undesirable outcomes. Be it socio-economic, technological, environmental or manufacturing related changes we try not to fall back into old patterns of comfortable behaviours, rather have successfully adapted, cultivated and transformed ourselves.

Change sometimes throws new challenges and opens up doors for different ways of doing things.

Change is the essence of life. Change is inevitable so let's all embrace it.

BOARD OF DIRECTORS

Atul C. Kirloskar	Executive Chairman
Nihal G. Kulkarni	Managing Director (Resigned as Managing Director with effect from close of working hours of 28th April 2020 and continued as Non-Executive Non-Independent Director w.e.f. 29th April 2020)
Rajendra R. Deshpande	Managing Director and Chief Executive Officer (Upto 28th April 2020)
Sanjeev Nimkar	Additional Director & Managing Director (co-opted w.e.f. 29th April 2020)
Rahul C. Kirloskar	
Pratap G. Pawar	(Upto 11th August 2019)
R. Srinivasan	(Resigned w.e.f. 25th October 2019)
M. Lakshminarayan	
Mahesh R. Chhabria	
Gauri Kirloskar	
Pradeep R. Rathi	
Vinesh Kumar Jairath	
Satish Jamdar	
Sunil Shah Singh	
Mrunalini Deshmukh	
Kandathil Mathew Abraham	Additional Director (co-opted w.e.f. 10th August 2019)
Shalini Sarin	Additional Director (co-opted w.e.f. 25th October 2019)

CHIEF FINANCIAL OFFICER

T. Vinodkumar	(Upto 6th March 2020)
Pawan Kumar Agarwal	(w.e.f. 7th March 2020)

COMPANY SECRETARY
Smita Raichurkar

AUDITORS
M/s. P. G. Bhagwat, Chartered Accountants

BANKERS
State Bank of India
Bank of Maharashtra
HDFC Bank Limited
ICICI Bank Limited
The HSBC Limited

REGISTRAR & 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.koel.co.in

LOCATION OF FACTORIES
Pune, Bhare, Nasik and Kagal

CIN: L29120PN2009PLC133351

Information for shareholders

Annual General Meeting

Date	: Friday, 28th August 2020
Time	: 11.30 A.M. (IST)
Dates of Book Closure	: 22nd August 2020 to 28th August 2020 (both days inclusive)
Venue	: Through Video Conferencing (VC) / Other Audio Visual Means (OAVM)

Contents **Page No.**

DECADE AT A GLANCE

₹ in Crs.

Sr No	Particulars	Ind AS					Indian GAAP				
		2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
1	Gross Sales	2841	3117	2,860*	2,818	2,587	2,641	2,475	2,521	2,446	2,537
2	Net Sales	2841	3117	2,804	2,614	2,406	2,473	2,287	2,320	2,276	2,364
3	Profit Before Tax	225	336	222	252	205	205	243	271	281	244
4	Profit After Tax	170	225	150	174	165	143	178	199	192	174
5	Dividend (%)	200	250	250	250	250	250	250	250	200	200
6	Dividend per share (Rs.)	4	5	5	5	5	5	5	5	4	4
7	Dividend Amount	58	72	72	72	72	72	72	72	58	58
8	Earning Per Share (Rs.)	12	16	10	12	11	10	12	14	13	12
9	Book Value Per Share (Rs.)	126	123	113	112	100	93	88	80	71	61
10	Share Capital	29	29	29	29	29	29	29	29	29	29
11	Reserves and Surplus	1801	1746	1,608	1,588	1,415	1,313	1,238	1,125	1,004	860
12	Shareholders' Funds	1830	1775	1,637	1,617	1,444	1,341	1,267	1,154	1,033	889
13	Loan Funds	15	13	17	12	7	-	-	-	169	249
14	Total Capital Employed	1,846	1,788	1,654	1,629	1,451	1,341	1,267	1,154	1,202	1,138
15	Net Block	362	399	422	440	477	514	543	591	576	591

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

Green Initiative - Go Paperless!!!

Dear Shareholder(s),

The Ministry of Corporate Affairs (MCA) and Securities and Exchange Board of India (SEBI) has permitted the Companies to serve the documents viz. Annual Reports, Notice of general meetings/ postal ballot, any other shareholders' communication etc. to the members through the electronic mode. Your Company, is also dedicated in preserving and protecting the environment, and has been continuously seeking opportunities to reduce and conserve resources and minimize waste.

Further, due to COVID-19 pandemic, the MCA vide its General Circular No. 20/2020 dated 5th May 2020 and the SEBI vide its Circular SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020, dispensed with the requirement of sending physical copies of Annual Report to shareholders who have not registered their email addresses with the Company or the Depository Participant or the Registrar & Share Transfer Agent of the Company.

Accordingly, in compliance with the aforesaid circulars and to support the 'Green Initiative', the Notice of the Annual General Meeting along with the Annual Report for 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered.

To participate in this green initiative, you are requested to

a) Register your email addresses to ensure prompt receipt of communication.

b) Register your bank account details for crediting your Dividend directly to your Bank Account. As per SEBI circular dated 20th April 2018, unpaid/unclaimed dividend will be processed through electronic mode only.

c) Convert your shares held in physical mode into dematerialized mode to ensure safe and speedy transaction in securities. No requests for effecting transfer of securities held in physical format shall be processed after 1st April 2019. However, there is no restriction on transmission/ transposition of securities held in physical form.

Note:

- In case of holding shares in physical mode register the email addresses / Bank Account details by visiting 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.
- In case of holding shares in dematerialized mode contact your Depository Participant.
- For more details visit Investors Relations Section on Company's website: www.koel.co.in

REPORT OF THE DIRECTORS

TO THE MEMBERS

OF KIRLOSKAR OIL ENGINES LIMITED

The Directors are pleased to present the 11th Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2020 of Kirloskar Oil Engines Limited ("KOEL" or the "Company").

FINANCIAL RESULTS (STANDALONE)

(₹ in Crores)

Particulars	2019-20	2018-19
Total Income	**2,917.69**	**3,263.32**
Profit before exceptional items and tax	**208.73**	**335.54**
Exceptional Items	16.49	-
Profit before tax	**225.22**	**335.54**
Tax Expense (Current & Deferred Tax)	54.84	110.56
Net Profit for the Period	**170.38**	**224.98**
Other Comprehensive Income	(1.94)	(0.03)
Total Comprehensive Income for the year, net of tax	**168.44**	**224.95**
Profit Brought Forward	1,137.61	999.83
Profit Available for Appropriation	1,307.99	1,224.81
Transfer to General Reserve	-	-
Dividend and dividend distribution tax	113.32	87.17
Balance of the Profit carried forward	1,192.73	1,137.61

COMPANY'S FINANCIAL PERFORMANCE

Your Company posted sales of Rs. 2841 Crores, a decrease of 9% as compared to the previous year of Rs. 3117 crores. Profit from operations was Rs. 225 Crores as against Rs. 336 Crores in the previous year.

The Profit After Tax was Rs. 170 Crores as against Rs. 225 Crores in the previous year.

DIVIDEND

The Directors have declared an interim dividend of 200% (Rs. 4/- per share) for the year ended 31st March 2020.

The directors recommend that the interim dividend so declared and paid be the final dividend for the Financial Year 2019-20. (Previous Year Interim Dividend 125% and Final Dividend 125%, Rs. 5 per share).

Total dividend payout for the year was Rs. 94.00 Crores and payment of Rs. 19.32 Crores, as dividend distribution tax.

The payment of Interim Dividend for Financial Year 2019-20, as declared by the Board of Directors of the Company in its meeting held on 6th March 2020, was processed on 27th March 2020 for the members of the Company (holding equity shares as on 19th March 2020, the Record Date fixed for the purpose of said Interim Dividend) whose bank account details were registered with the Company or Registrar and Share

Transfer Agent of the Company viz. Link Intime India Private Limited or the Depository Participant(s) as the case may be.

Consequent to the partial lifting of lockdown on account of COVID-19 and postal department commencing their operations, the Dividend Warrant(s) and Demand Draft(s) were dispatched to such members of the Company (who were holding equity shares as on 19th March 2020 i.e. the Record Date fixed for the purpose of said Interim Dividend) whose bank account details were not updated with the Company or Registrar and Share Transfer Agent of the Company viz. Link Intime India Private Limited or the Depository Participant(s) as the case may be, on 1st June 2020 and 11th June 2020, by the permitted modes.

The communication in this regard was filed with BSE Limited and National Stock Exchange of India Limited on 28th March 2020, 2nd June 2020 and 12th June 2020.

The Dividend Distribution Policy of the Company is enclosed in **Annexure A**. 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 (http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2020/Dividend%20Distribution%20Policy%20-%2025%20Jan%202017.pdf)

SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

As on 31st March 2020, the Company had the following three subsidiaries:

1. **KOEL Americas Corp., USA ("KOEL Americas")**

   For the fiscal year ended 31st March 2020, the Sales Revenue was $27,04,328 (Rs. 19.21 Crs.) [Previous Year $21,67,916]. The Profit after Tax was $101,756 (Rs. 1.04 Crs.) [Previous Year $65,999].

   At the end of the Financial Year 2019-20, all 3 intended engine families have been certified by the Environment Protection Agency (EPA). Now all 4 intended engine models have been made commercially available. This year initial batches of these engines and accessories were supplied to the North American distributors, which has contributed 1/3rd of Power Generation segment revenue.

   $1,212,154 of the Sales Revenue was from the Power Generation Segment, $1,144,912 from the Agricultural Engines Segment and rest from Industrial Engines and FM & UL Listed Fire Pump engines.

   KOEL Americas had started stocking Generator sets in Miami, Florida since previous year, to which the EPA certified engines, FM UL certified engines and Spare Parts have also been added in this year. The Stock and Sale model has been a great success factor as nearly 1/3rd of the total current year's revenue was achieved from sales of this inventory maintained in Miami.

   Shipments for order book in the range of $ 250,000 pertaining to this Fiscal Year 2019-20 were, deferred due to closure of plant and port services in India on account of COVID-19. This resulted in a reduction of the sales revenue to that extent. The management is constantly working in order to ensure a prompt response to the swiftly changing scenario, its utmost priorities being the health and safety of our employees and business partners, their families and the community.

   The United States of America government has launched a financial assistance program for Small Businesses affected by COVID 19 pandemic called "Corona Virus Relief Option". Under this relief package a program called "Paycheck Protection Program" (PPP), has been announced. KOEL Americas has applied for this relief package, the details of which are mentioned in their financial statements.

2. **La-Gajjar Machineries Private Limited ("LGM")**

   For the fiscal year ended 31st March 2020, the Sales Revenue was Rs. 467 Crs. (PY Rs. 426.74 Crs.). Net Profit was Rs. 16.43 Crs. (PY Rs. 11.51 Crs.).

During the year under review, LGM has leveraged the strengths and expertise of KOEL in areas of customer service, Oracle ERP implementation, financial restructuring and employee health and safety. This collaboration with KOEL will continue to help LGM to further build on its brand strengths, market reach, research and development department and capabilities to adopt new technologies. This will be beneficial for all stakeholders in the business viz. customers, employees and the suppliers.

Agriculture Demand side Management programme (AgDSM) has been launched by the Ministry of Power last year for the State of Andhra Pradesh through EESL (Energy Efficiency Services Limited). This programme is launched to save energy in irrigation sector by replacing old non-efficient pumps with new energy efficient pumps with 5-Star Rating. LGM was a successful bidder. In the current year 1,186 units of submersible pumps and a total of 13,018 units of submersible pumps were supplied and successfully installed with positive feedback being received from the end customers/farmers.

LGM continued to focus on quality standards and has developed Energy efficient pumps that consume less power, save electricity and thereby give higher returns on initial investment.

LGM continued to expand its footprint in the states of Bihar, North East, Rajasthan, Maharashtra, Madhya Pradesh and Gujarat in Domestic Market.

The Board of Directors of LGM has also approved the proposal for acquisition of land to consolidate the manufacturing facilities and relocate these facilities in and around Ahmedabad.

Manufacturing facilities of LGM in Ahmedabad, Gujarat were closed on 23rd March 2020 following countrywide lockdown announced by the government due to outbreak of COVID-19.

LGM has since obtained required permissions and restarted its place of businesses partially since 28th April 2020. Based on the immediate assessment of the impact of COVID-19 on the operations of the LGM and ongoing discussions with customers, vendors and service providers, LGM is confident of serving customer orders and obtaining regular supply of raw materials and logistics services after resumption of operations. The impact assessment of COVID-19, however, is a continuing process given the uncertainties associated with its nature and duration. The extent to which the COVID-19 pandemic will impact LGM's results will depend on future developments, which are highly uncertain.

3. Arka Fincap Limited (previously known as Kirloskar Capital Limited – "AFL")

For the fiscal year ended 31st March 2020, the Revenue was Rs. 48.44 Crs. (Previous Period 20th April 2018 to 31st March 2019 Rs. 0.38 Crs.) and Net Profit was Rs. 6.10 Crs. (Previous Period 20th April 2018 to 31st March 2019 Loss Rs. 7.50 Crs.)

During the year under review, the name of Kirloskar Capital Limited was changed to Arka Fincap Limited. AFL commenced its business operations in April 2019.

During the year under review the Company invested Rs. 499.50 Crs. towards Rights Issue of AFL.

The Board of Directors of the Company in its meeting held on 6th March 2020, had given its consent to further invest in the securities of Arka Fincap Limited (earlier known as Kirloskar Capital Limited), a wholly owned subsidiary of the Company upto Rs. 250 Crs.

AFL has an experienced management team and has implemented robust processes and systems. It aims to build a granular portfolio across various segments. It is focused on providing a better customer experience with the aid of technology.

AFL started its lending business with a focus on three different segments namely Corporate, Real Estate and SME/MSME Lending. During the year, AFL did a gross disbursement of Rs. 788 Crores across various industries including Industrial Pipes, Transportation, Cement, Power, Pharmaceutical, Construction etc.

As on 31st March 2020, AFL has an Asset Under Management (AUM) of Rs. 457.32 Crores.

AFL has been assigned credit rating of AA[-] for its long term borrowings and A1[+] for its short term borrowings by CRISIL.

AFL has established relationships with various lenders and received sanctions of Rs. 280 Crores from them. Considering the business requirement, Rs. 100 Crores has been utilised and the balance is unavailed as on 31st March 2020. The liquidity position of AFL is comfortable. As on 31st March 2020, AFL has cash or equivalent assets of Rs. 142.3 Crores which includes fixed deposits with banks, investment in liquid schemes of various MFs and balances lying in current accounts.

Given the impact of COVID 19 on the economy with its impact on the financial services business also, AFL has adopted a cautious and conservative approach in building its book till the economy shows sign of stabilization.

The consolidated financial statements of the Company and its three 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 subsidiary are available on the Company's website.

The annual accounts of the subsidiary 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.

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 2020	Ratio as on 31st March 2019
i.	Debtors' Turnover	7.9	9.1
ii.	Inventory Turnover	10.5	12.3
iii.	Interest Coverage Ratio	77.4	97.4
iv.	Current Ratio	2.1	2.8
v.	Debt Equity Ratio	0.01	0.01
vi.	Operating Profit Margin (%)	6.0%	8.7%
vii.	Net Profit Margin (%)	5.9%	7.0%

Reason for significant change (more than 25%) in the Operating Profit Margin:

Operating Profit for Financial Year 2019-20 has decreased due to lower sales. Further in Financial Year 2018-19, government grant income was recognized, as extension of eligibility period under Packaged Scheme of Incentives (PSI) scheme for 2 years was received.

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 are as follows:

Sr. No.	Particulars	As on 31st March 2020	As on 31st March 2019	% of change	Reason for significant change more than 25%
1	Return on Net worth	9.3%	12.7%	-26.5%	Decrease in Net Profit

DIRECTORS

a) Changes in Composition of the Board of Directors

During the year under review,

i. The term of appointment of Mr. Pratap G. Pawar (DIN 00018985), as Independent Director of the Company, was valid till 11th August 2019. Consequent to this, he ceased to be a Director of the Company with effect from 12th August 2019.

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, the Board of Directors of the Company appointed Mr. Kandathil Mathew Abraham (DIN 05178826) as an Additional Director of the Company in the capacity of "Non-Executive Independent Director" with effect from 10th August 2019. 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 for the appointment of Mr. Kandathil Mathew Abraham for a term of 5 years, has been incorporated in the Notice of the forthcoming Annual General Meeting of the Company.

iii. Mr. R. Srinivasan (DIN 00043658) tendered his resignation as Independent Director of the Company due to his pre-occupation with effect from 25th October 2019. Further, the Company has received confirmation from Mr. R. Srinivasan that there is no other material reason for his resignation other than those mentioned in his resignation letter dated 24th October 2019. The said confirmation was filed with BSE Limited and National Stock Exchange of India Limited on 24th October 2019.

iv. 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 appointed Dr. Shalini Sarin (DIN 06604529), as Additional Director of the Company in the capacity of "Non-Executive Independent Director" with effect from 25th October 2019. 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 office of Director. The resolution seeking approval of the Members for the appointment of Dr. Shalini Sarin for a term of 5 years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.

v. The term of re-appointment of Mr. Rajendra R. Deshpande (DIN 00007439) as Managing Director & Chief Executive Officer of the Company expired on 28th April 2020. Consequent to this he ceased to be the Director and Key Managerial Personnel of the Company with effect from the close of working hours of 28th April 2020.

vi. Mr. Nihal G. Kulkarni (DIN 01139147) resigned as the Managing Director of the Company, which was effective from close of working hours of 28th April 2020. Consequent to this he ceased to be a Key Managerial Personnel of the Company with effect from close of working hours of 28th April 2020. He continues to hold the office of a Non-Executive Non-Independent Director of the Company with effect from 29th April 2020.

vii. The Board of Directors in its meeting held on 6th March 2020, subject to approval of members of the Company, appointed Mr. Sanjeev Nimkar (DIN 07869394), as an Additional Director and also as the Managing Director of the Company, with effect from 29th April 2020. He was also appointed as a Key Managerial Personnel of the Company with effect from 29th April 2020. 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 office of Director. The resolution seeking approval of the Members for the appointment of Mr. Sanjeev Nimkar for a term of 5 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. Pradeep R. Rathi (DIN 00018577) as "Non-Executive Independent Director" with effect from 7th August 2020. 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. Pradeep R. Rathi for a second term of 5 consecutive years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.

ix. Mr. Rahul C. Kirloskar (DIN 00007319) retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

x. Mr. Nihal G. Kulkarni (DIN 01139147) retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

The brief resume 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**

During the year under review,

i. Mr. T. Vinodkumar, Chief Financial Officer and Key Managerial Personnel of the Company superannuated from the services of the Company with effect from the close of working hours on 6th March 2020. Consequent to this, he ceased to be the Chief Financial Officer and Key Managerial Personnel of the Company.

ii. The Board of Directors, on the recommendation of Nomination & Remuneration Committee of the Company, in its meeting held on 6th March 2020, appointed Mr. Pawan Kumar Agarwal as the Chief Financial Officer and Key Managerial Personnel with effect from 7th March 2020.

iii. The term of re-appointment of Mr. Rajendra R. Deshpande (DIN 00007439) as the Managing Director & Chief Executive Officer of the Company expired on 28th April 2020. Consequent to this, he ceased to be the Director and Key Managerial Personnel of the Company with effect from close of working hours of 28th April 2020.

iv. Mr. Nihal G. Kulkarni (DIN 01139147) resigned as the Managing Director of the Company, and his resignation was effective from the close of working hours of 28th April 2020. He, however, continues to hold the office of a Non-Executive Non-Independent Director of the Company with effect from 29th April 2020. Consequent to this, he ceased as a Key Managerial Personnel of the Company with effect from close of working hours of 28th April 2020.

v. The Board of Directors, on the recommendation of Nomination & Remuneration Committee of the Company, in its meeting held on 6th March 2020 appointed Mr. Sanjeev Nimkar (DIN 07869394), as the Managing Director and Key Managerial Personnel of the Company with effect from 29th April 2020.

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 & Rules thereof 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.

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. Kandathil Mathew Abraham and Dr. Shalini Sarin possess the requisite expertise and experience (including the proficiency) and they are persons of high integrity and repute and accordingly approved their appointment as Independent Director(s) for the first term of 5 years, subject to approval of the members of the Company.

The Board of Directors considered the valuable contributions made by Mr. Pradeep R. Rathi, Independent Director and that he possesses the requisite expertise and experience (including the proficiency) and he is a person of high integrity and repute. Accordingly, the Board approved his reappointment as an Independent Director for the second term of 5 years, subject to approval of the members of the Company.

e) Board Evaluation

The Board of Directors carried out a formal review for the Financial Year 2019-20 for evaluating the performance and effectiveness of the Board, Committees of the Board and of the individual directors including the Chairman of the Board.

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.

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.

The Chairman of the Board and the Chairman of Nomination and Remuneration Committee had one-on-one meetings with the Directors. These meetings were intended to obtain Directors' inputs on effectiveness of the Board/Committee processes.

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 http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2019/Nomination%20and%20Remuneration%20Policy.pdf)

g) Number of meetings of the Board

During the period under review, six (6) Board Meetings were held, the details of which forms 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.

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, the Company has invested in the equity shares of Arka Fincap Limited (earlier known as Kirloskar Capital Limited) and Kirloskar Management Services 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.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered into during the Financial Year 2019-20 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 Statutory Auditors/Independent Chartered Accountant.

The policy on Related Party Transactions as adopted by the Board 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.

EMPLOYEES STOCK OPTION PLAN

During the Annual General Meeting of Kirloskar Oil Engines Limited held on 9th August 2019, members of the Company 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. No further action in terms of implementation of KOEL ESOP 2019 has been taken since its approval at the last AGM held on 9th August 2019. Hence the Company is not required to obtain certificate of auditors of the Company pursuant to Regulation 13 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

RISK MANAGEMENT FRAMEWORK

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 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 policy is formulated by the Internal Audit Department (IAD). 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 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 enterprise risks and mitigation plans are reviewed by the Risk Management Committee, Audit Committee and Board periodically.

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. Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report, which forms part of this Report.

CORPORATE SOCIAL RESPONSIBILITY

The Company has always believed in working for the betterment and uplift of the 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 Health, Education and Environment. The Company strongly believes in 'Enriching Lives' of the people in the communities in which it operates.

The Composition of CSR Committee of the Board and Report on CSR activities is annexed herewith as

Annexure B.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has a Vigil Mechanism / Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement, instances of leakage of Unpublished Price Sensitive Information etc. 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. No person has been denied access to the Audit Committee in this regard. The Policy is uploaded on the Company’s website. There were no complaints filed / pending with the Company during the year.

EXTRACT OF ANNUAL RETURN

As required by Rule 12(1) of the Companies (Administration & Management) Rules 2014, the extract of the Annual Return as at 31st March 2020 in form MGT 9 is annexed herewith as **Annexure C** to this report.

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 D** to this report.

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 E** 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.

POLICY ON PREVENTION OF SEXUAL HARRASSMENT

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

GENERAL

During Financial Year 2019-20:

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

b. There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company’s operations in future.

c. Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from the subsidiary Companies.

d. 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.

e. 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.

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

AUDITORS

a) **Statutory Auditors**

The members of the Company in their meeting held on 5th August 2016, re-appointed M/s. P. G. Bhagwat, Chartered Accountants, Pune, (Firm Registration Number 101118W) as Statutory Auditors of the Company for a second term of 5 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.

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 financial statements of the Company for the Financial Year 2019-20 forms 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 2020-21 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 F**.

There are no adverse remarks / qualifications of Secretarial Auditors in the Secretarial Audit Report for the year ended 31st March 2020.

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 2019-20.

d) **Secretarial Audit of Material Subsidiary**

La-Gajjar Machineries Private Limited (LGM), is a material subsidiary of the Company. The Secretarial Audit of LGM for the Financial Year 2019-20 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 2019-20.

In the said Secretarial Audit Report of LGM it is stated that the Board of Directors has, at its meeting held on 16th January 2020, approved the proposal for acquisition of land for the purpose of consolidation of all the manufacturing facilities of LGM in and around Ahmedabad, Gujarat which might have a major bearing on the Company's affairs in the years to come.

There are no adverse remarks / qualifications in the Secretarial Audit Report of LGM for the the Financial Year 2019-20.

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.

BUSINESS RESPONSIBILITY REPORT

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

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 2020 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, 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.

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.

ACKNOWLEDGEMENTS

The Directors would like to place on record their appreciation of the contribution made and support provided to the Company by its shareholders, employees, bankers, suppliers and customers.

For and on behalf of the Board of Directors

Sd/-

ATUL C. KIRLOSKAR
EXECUTIVE CHAIRMAN

Date: 19th June 2020

Place: Pune

ANNEXURE 'A' TO THE DIRECTORS' REPORT
DIVIDEND DISTRIBUTION POLICY

1. **PREAMBLE**

The Securities Exchange Board of India vide its Notification No. SEBI/LAD-NRO/GN/2016-17/008 dated July 08, 2016, inserted Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [LODR] mandating the formulation of a Dividend Distribution Policy for the top 500 listed entities based on their market capitalisation calculated on March 31st of every Financial Year.

2. **OBJECTIVE**

In compliance with Regulation 43A of the LODR, the Company is required to frame a Dividend Distribution Policy. The objective of this policy is to enumerate the details of the parameters based upon which the decisions on dividend distribution will be made and provide clarity to the stakeholders on the same.

3. **EFFECTIVE DATE**

The Policy shall become effective from the date of its adoption by the Board i.e. 25th January 2017.

4. **DEFINITIONS**

a) 'Act' means the Companies Act, 2013 and Rules made thereunder, including any amendments or modifications thereof.

b) 'Board of Directors' or 'Board' means the collective body of the Directors of the Company.

c) 'Company' means KIRLOSKAR OIL ENGINES LIMITED.

d) 'Policy' means 'Dividend Distribution Policy'.

5. **PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND**

5.1 The Company shall pay dividend (including interim dividend) in compliance with the provisions of Section 123 of the Act and Companies (Declaration and Payment of Dividend) Rules, 2014.

5. 2 The Board of Directors will refer to this policy for declaration of interim dividend and for recommendation of dividend to shareholders for their approval in the Annual General Meetings.

5.3 The Company has only one class of shareholders i.e. equity shareholders. Therefore dividend declared will be distributed equally among all shareholders, based on their shareholding as on the record date.

5.4 The decision on the distribution of dividend will consider the following parameters:

A. **FINANCIAL PARAMETERS**

i. The operating and financial performance of the Company

ii. Earnings Per Share (EPS)

iii. Operating cash flow of the Company

iv. Cost of borrowings and Obligation to Lenders/financial institutions / Banks

B. **INTERNAL FACTORS**

i. Proposals for major capital expenditures

ii. Proposals for inorganic growth

iii. Contingent Liabilities, under exceptional circumstances

iv. Past Dividend trends

v. Providing for unforeseen events and contingencies with financial implications

C. EXTERNAL FACTORS

i. Economic environment

ii. Government Policies

iii. Taxation

iv. Such other factors which can have financial impact on the Company.

6. UTILISATION OF RETAINED EARNINGS

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on Market / Product expansion plan, Increase in production capacity, Diversification of business and such other criteria as the Board may deem fit from time to time.

7. TARGET DIVIDEND PAYOUT RATIO

Taking the above parameters and criteria into account, the Company shall strive to distribute at least 10% of its Post-Tax Profits as dividend including interim dividends in each Financial Year. The distribution shall include dividends and tax on such dividends as per relevant regulations. Special Dividends, if any may be declared in addition to the regular dividend payout.

8. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE LISTED ENTITIES MAY OR MAY NOT EXPECT DIVIDEND

The shareholders of the Company may not expect dividend in the following circumstances, subject to discretion of the Board of Directors:

i. Proposed expansion plans requiring higher capital allocation

ii. Decision to undertake any acquisitions, amalgamation, merger, joint ventures, new product launches etc. which requires significant capital outflow

iii. Requirement of higher working capital for the purpose of business of the Company

iv. The company has implemented, or intends to implement, a share buyback scheme or any other alternate profit distribution measure

v. In the event of loss or inadequacy of profit

9. DISCLOSURES

i. If the company does not declare any dividend or if the final payout for the year is lower than the target percentage referred in Clause 7, the Board will provide a rationale for the deviation from the policy in the annual report.

ii. If the Company declares dividend on the basis of parameters not enumerated in this policy or changes the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in the annual report.

iii. This Policy will be available on the Company's website at www.koel.co.in

10. AMENDMENT

In case of any subsequent changes in the provisions of Act / Regulation, which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act/ Regulation would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

For Kirloskar Oil Engines Limited
Sd/-
Atul C. Kirloskar
Executive Chairman

Date: 25th January 2017

ANNEXURE 'B' TO THE DIRECTORS' REPORT

ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2019–20

[Pursuant to Section 135 of the Companies Act, 2013 read with
the Companies (Corporate Social Responsibility Policy) Rules, 2014]

A. CSR Report:

1.	A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.	The Company has adopted the Corporate Social Responsibility (CSR) policy. Eligible funds for CSR activities will be expended in the areas of Education, Environment, Health etc. through one or more trusts OR directly. These CSR activities will be carried out through various programmes or projects as specified in the CSR Policy. The CSR policy is available on the website of the Company. (web-link- http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/CSR-Policy.pdf)
2.	The Composition of the Committee.	1. Mr. Rahul C. Kirloskar, Chairman 2. Mr. Nihal G. Kulkarni, Member 3. Mr. Pradeep R. Rathi, Member, Independent Director
3.	Average net profit of the Company for last three Financial Years	Rs. 268.76 Crores (as per Section 198 of the Companies Act, 2013)
4.	Prescribed CSR Expenditure (two percent of the amount as in item 3 above)	at least Rs. 5.38 Crores
5.	Details of CSR spent for the Financial Year:	
	a. Total amount spent for the financial year	Rs. 5.49 Crores
	b. Amount unspent, if any	Nil
	c. Manner in which the amount spent during the financial year	The manner in which the amount is spent is detailed in Part B to this Annexure.
6.	In case the Company has failed to spend the two per cent of the average net profit of the last three Financial Years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.	Not applicable
7.	A responsibility statement of the Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company.	The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

B. CSR Expenditure for Financial Year 2019-20:

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs 1) Local area or other 2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: 1) Direct expenditure on projects or programs 2) Overheads (₹ in Crs.)	Cumulative expenditure upto the reporting period (₹ in Crs.)	Amount Spent: Direct or through implementing agency (₹ in Crs.)
1	Financial Assistance for education, Vocational training programmes for women for income generation, Career Guidance programme for youth, Workshop on Computer programming, Mini Science Project, Sports training to the students of the schools etc.	Education	Pune, Kagal, Nasik (Maharashtra)	Amount not specified	**5.13**	**5.13**	**5.13** Partially direct and partially through implementation agency
2	Kirloskar Vasundhara film festival, Kirloskar Vasundhara Eco Rangers etc.	Environment	Pune, Kagal, Nasik (Maharashtra)	Amount not specified	**0.13**	**0.13**	**0.13** Partially direct and partially through implementation agency
3	HIV aids awareness program, Health checkup camps, Hygiene awareness programmes, Health counseling programmes etc.	Health	Pune, Kagal, Nasik (Maharashtra)	Amount not specified	**0.14**	**0.14**	**0.14** Partially direct and partially through implementation agency
4	Community Development Project – Rural Area	Rural Development	Pune and Kagal (Maharashtra)	Amount not specified	**0.08**	**0.08**	**0.08** Partially direct and partially through implementation agency
5	Rehabilitation of Flood Affected People	Disaster Management	Kagal (Maharashtra)	Amount not specified	**0.01**	**0.01**	**0.01** Through implementation agency
	TOTAL				**5.49**	**5.49**	**5.49**

Details of implementing agency: Kirloskar Institute of Advanced Management & Studies (KIAMS), Vasundhara Club, Kirloskar Foundation and others.

Sd/-
Rahul C. Kirloskar
Chairman of CSR Committee

Sd/-
Nihal G. Kulkarni
Managing Director

ANNEXURE 'C' TO THE DIRECTORS' REPORT

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31 March 2020

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I REGISTRATION AND OTHER DETAILS:

i)	CIN	L29120PN2009PLC133351
ii)	Registration Date	12-Jan-09
iii)	Name of the Company	Kirloskar Oil Engines Limited
iv)	Category / Sub-Category of the Company	Company having share capital
v)	Address of the Registered office and contact details	Laxmanrao Kirloskar Road, Khadki, Pune 411003, Maharashtra, India Tel : 91-20 25810341 Fax: 91-20 25813208
vi)	Whether listed company	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited Address: Block No. 202, 2nd Floor,Akshay Complex, Near Ganesh Temple, Off Dhole Patil Road, Pune 411 001. Tel: 020-26161629/26160084 Fax : 020-26163503 Email: pune@linkintime.co.in

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company are stated below:

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Engines	281	70.7%
2	Genset	271	26.5%

III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY / ASSOCIATE	% of shares held	Applicable Section
1	KOEL Americas Corp. Suite 4 Tamina Business Park 32407 Tamina Road, Magnolia 77354, Texas, United States of America	-	Subsidiary	100	2(87)

Sr. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY / ASSOCIATE	% of shares held	Applicable Section
2	La-Gajjar Machineries Private Limited Nagarwel Hanuman Road, Acidwala Estate, Opposite Sukhrampura Amarawadi, Ahmedabad, Gujarat – 380 026	U17110GJ1981PTC004263	Subsidiary	76	2(87)
3	Arka Fincap Limited (earlier known as Kirloskar Capital Limited) One Indiabulls Centre, 12B Floor, Tower 2B, Jupiter Mills Compound, SB Marg, Lower Parel, Mumbai - 400 013, Maharashtra	U65993MH2018PLC308329	Subsidiary	100	2(87)

IV SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (1 April 2019)				No. of Shares held at the end of the year (31 March 2020)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	7,74,77,743	0	7,74,77,743	53.58	7,75,77,743	0	7,75,77,743	53.64	0.07
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt (s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corporate	83,35,162	0	83,35,162	5.76	83,85,162	0	83,85,162	5.80	0.03
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any Other....	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A) (1):-	**8,58,12,905**	**0**	**8,58,12,905**	**59.34**	**8,59,62,905**	**0**	**8,59,62,905**	**59.44**	**0.10**
(2) Foreign									
a) NRIs -Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other....	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A) (2):-	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**	**0.00**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**8,58,12,905**	**0**	**8,58,12,905**	**59.34**	**8,59,62,905**	**0**	**8,59,62,905**	**59.44**	**0.10**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	92,78,070	39,375	93,17,445	6.44	86,48,794	39,375	86,88,169	6.01	(0.44)
b) Banks / FI	56,30,130	1,32,257	57,62,387	3.98	54,60,910	1,32,257	55,93,167	3.87	(0.12)
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	42,37,573	0	42,37,573	2.93	39,11,936	0	39,11,936	2.71	(0.23)
g) FIIs	0	6,375	6,375	0.00	0	1,875	1,875	0.00	0.00
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
j) Foreign Portfolio Investors (Corporate)	1,47,61,709	0	1,47,61,709	10.21	1,48,85,903	0	1,48,85,903	10.29	0.09

Category of Shareholders	No. of Shares held at the beginning of the year (1 April 2019)				No. of Shares held at the end of the year (31 March 2020)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
k) Alternate Investment Funds	1,11,521	0	1,11,521	0.08	1,11,521	0	1,11,521	0.08	0.00
l) Government Companies	4,04,210	0	4,04,210	0.28	6,14,559	0	6,14,559	0.42	0.15
m) NBFCs Registered with RBI	11,750	0	11,750	0.01	11,250	0	11,250	0.01	0.00
Sub-total (B)(1):-	**3,44,34,963**	**1,78,007**	**3,46,12,970**	**23.93**	**3,36,44,873**	**1,73,507**	**3,38,18,380**	**23.39**	**(0.55)**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	16,89,585	29,318	17,18,903	1.19	18,08,805	24,969	18,33,774	1.27	0.08
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	1,32,60,328	55,17,686	1,87,78,014	12.98	1,45,63,682	50,04,876	1,95,68,558	13.53	0.55
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	30,06,131	2,17,841	32,23,972	2.23	26,59,724	2,17,841	28,77,565	1.99	(0.24)
c) Others (specify)									
Clearing Members	66,127	0	66,127	0.05	34,661	0	34,661	0.02	(0.02)
Foreign Company	0	0	0	0.00	0	0	0	0.00	0.00
Market Maker	0	0	0	0.00	0	0	0	0.00	0.00
Foreign Nationals	1,132	0	1,132	0.00	1,132	0	1,132	0.00	0.00
NRI (Repatriate)	94,133	43,410	1,37,543	0.10	1,47,751	43,410	1,91,161	0.13	0.04
NRI (Non-Repartriate)	1,98,204	54,534	2,52,738	0.17	2,63,134	54,534	3,17,668	0.22	0.04
OCB's	0	0	0	0.00	0	0	0	0.00	0.00
Office Bearers	0	9,557	9,557	0.01	0	8,057	8057	0.01	0.00
Sub-total (B)(2):-	**1,83,15,640**	**58,72,346**	**2,41,87,986**	**16.73**	**1,94,78,889**	**53,53,687**	**2,48,32,576**	**17.17**	**0.45**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**5,27,50,603**	**60,50,353**	**5,88,00,956**	**40.66**	**5,31,23,762**	**55,27,194**	**5,86,50,956**	**40.56**	**(0.10)**
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0	0
Grand Total (A+B+C)	**13,85,63,508**	**60,50,353**	**14,46,13,861**	**100.00**	**13,90,86,667**	**55,27,194**	**14,46,13,861**	**100.00**	**0.00**

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the end of the year (1 April 2019)			Shareholding at the end of the year (31 March 2020)			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Kirloskar Industries Limited	82,10,439	5.68	-	82,10,439	5.68	-	-
2	Achyut and Neeta Holdings and Finance Pvt. Ltd. *	73,203	0.05	-	1,23,203	0.09	-	0.03
3	Kirloskar Chillers Private Limited	50,000	0.03	-	50,000	0.03	-	-
4	Navsai Investments Private Limited	760	0.00	-	760	0.00	-	-
5	Alpak Investments Private Limited	760	0.00	-	760	0.00	-	-
6	Atul Chandrakant Kirloskar *	1,84,56,667	12.76	-	1,85,06,667	12.80	-	0.03
7	Rahul Chandrakant Kirloskar *	1,77,32,902	12.26	-	1,77,82,902	12.30	-	0.03
8	Sanjay Chandrakant Kirloskar	46,654	0.03	-	46,654	0.03	-	-
9	Suman Chandrakant Kirloskar	62,648	0.04	-	62,648	0.04	-	-
10	Vikram Shreekant Kirloskar	1,40,655	0.10	-	1,40,655	0.10	-	-
11	Mrinalini Shreekant Kirloskar	1,01,800	0.07	-	1,01,800	0.07	-	-
12	Roopa Jayant Gupta	20,887	0.01	-	20,887	0.01	-	-

Sr. No.	Shareholder's Name	Shareholding at the end of the year (1 April 2019)			Shareholding at the end of the year (31 March 2020)			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
13	Geetanjali Vikram Kirloskar	37	0.00	-	37	0.00	-	-
14	Jyostna Gautam Kulkarni	1,29,85,432	8.98	-	1,29,85,432	8.98	-	-
15	Arti Atul Kirloskar	70,65,174	4.89	-	70,65,174	4.89	-	-
16	Nihal Gautam Kulkarni	66,52,472	4.60	-	66,52,472	4.60	-	-
17	Alpana Rahul Kirloskar	77,11,817	5.33	-	77,11,817	5.33	-	-
18	Akshay Sahni	100	0.00	-	100	0.00	-	-
19	Alok Kirloskar	6,262	0.00	-	6,262	0.00	-	-
20	Pratima Sanjay Kirloskar	1,520	0.00	-	1,520	0.00	-	-
21	Ambar Kulkarni	64,92,716	4.49	-	64,92,716	4.49	-	-
	Total	**8,58,12,905**	**59.34**	**-**	**8,59,62,905**	**59.44**	**-**	**0.10**

Notes:

a. Amounts shown as "0.00" above are not Nil, but rounded off to 2 decimals.

b. In case of joint holding, the name of the first holder is considered.

c. No shares of promoters have been pledged or encumbered as of 01/04/2019 or 31/03/2020 or during the year ended 31/03/2020.

d. * Mr. Atul C. Kirloskar, Mr. Rahul C. Kirloskar and Achyut and Neeta Holdings and Finance Pvt. Ltd. had purchased 50,000 equity shares each on 06/09/2019 from open market.

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sr. No.	Name of Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	**Atul Chandrakant Kirloskar**				
	At the beginning of the year	1,84,56,667	12.76		
	50,000 equity shares acquired through open market on 6 September 2019	50,000	0.03	1,85,06,667	12.80
	At the End of the year	-	-	1,85,06,667	12.80
2	**Rahul Chandrakant Kirloskar**				
	At the beginning of the year	1,77,32,902	12.26		
	50,000 equity shares acquired through open market on 6 September 2019	50,000	0.03	1,77,82,902	12.30
	At the End of the year	-	-	1,77,82,902	12.30
3	**Achyut and Neeta Holdings and Finance Pvt. Ltd**				
	At the beginning of the year	73,203	0.05		
	50,000 equity shares acquired through open market on 6 September 2019	50,000	0.03	1,23,203	0.09
	At the End of the year	-	-	1,23,203	0.09

Except for the above there is no change in the holdings of the Promoter & Promoter Group during FY 2019-20

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No.	For each of top ten shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	**Nalanda India Fund Limited**				
	At the beginning of the year	1,08,96,124	7.53		
	No change during the year	-	-	-	-
	At the End of the year			1,08,96,124	7.53
2	**General Insurance Corporation of India**				
	At the beginning of the year	31,98,832	2.21		
	No change during the year	-	-	-	-
	At the End of the year			31,98,832	2.21
3	**SBI Focused Equity Fund**				
	At the beginning of the year	31,00,000	2.14		
	Decrease as on 14 June 2019	(31,00,000)	(2.14)	-	-
	At the End of the year		0.00	0	0.00
4	**Nalanda India Equity Fund Limited**				
	At the beginning of the year	30,13,690	2.08		
	No change during the year	-	-	-	-
	At the End of the year			30,13,690	2.08
5	**The New India Assurance Company Limited**				
	At the beginning of the year	24,56,005	1.70		
	Decrease as on 20 December 2019	(1,01,417)	(0.07)	23,54,588	1.63
	Decrease as on 27 December 2019	(1,37,160)	(0.09)	22,17,428	1.53
	Decrease as on 31 December 2019	(70,000)	(0.05)	21,47,428	1.48
	Decrease as on 3 January 2020	(17,060)	(0.01)	21,30,368	1.47
	At the End of the year			21,30,368	1.47
6	**Life Insurance Corporation of India**				
	At the beginning of the year	22,73,346	1.57		
	Decrease as on 10 January 2020	(10,000)	(0.01)	22,63,346	1.57
	Decrease as on 17 January 2020	(50,000)	(0.03)	22,13,346	1.53
	Decrease as on 24 January 2020	(39,329)	(0.03)	21,74,017	1.50
	Decrease as on 31 January 2020	(11,398)	(0.01)	21,62,619	1.50
	Decrease as on 7 February 2020	(14,412)	(0.01)	21,48,207	1.49
	Decrease as on 14 February 2020	(2,459)	0.00	21,45,748	1.48
	Decrease as on 21 February 2020	(27,365)	(0.02)	21,18,383	1.46
	Decrease as on 28 February 2020	(10,852)	(0.01)	21,07,531	1.46
	At the End of the year			21,07,531	1.46
7	**SBI Large and Mid Cap Fund**				
	At the beginning of the year	15,61,838	1.08		
	Increase as on 14 June 2019	4,38,162	0.30	20,00,000	1.38
	Increase as on 16 August 2019	2,43,000	0.17	22,43,000	1.55
	At the End of the year			22,43,000	1.55
8	**The Oriental Insurance Company Limited**				
	At the beginning of the year	15,07,562	1.04		
	No change during the year	-	-	-	-
	At the End of the year			15,07,562	1.04

Sr. No.	For each of top ten shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
9	**SBI Small Cap Fund**				
	At the beginning of the year	14,89,000	1.03		
	Increase as on 14 June 2019	26,61,838	1.84	41,50,838	2.87
	At the End of the year			41,50,838	2.87
10	**Kotak Emerging Equity Scheme**				
	At the beginning of the year	12,53,309	0.87		
	No change during the year	-	-	-	-
	At the End of the year			12,53,309	0.87
11	**Purvaj Advisors Private Limited**				
	At the beginning of the year	11,40,181	0.79		-
	No change during the year	-	-	-	-
	At the End of the year			11,40,181	0.79

Notes

a. In case of joint holding, the name of the first holder is considered.

b. There is no fresh allotment/reduction of share capital during the year by the Company. The increase/decrease in shareholding above is due to transactions between shareholders.

c. The shareholding details given above are based on the legal ownership and not beneficial ownership and is derived based on the folio number listing provided by the Registrar and Transfer agent of the Company.

(v) Shareholding of Directors and Key Managerial Peronnel:

Shareholding of Directors

Sr. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	**Atul Chandrakant Kirloskar**				
	At the beginning of the year	1,84,56,667	12.76		
	50,000 equity shares acquired through open market on 6 September 2019	50,000	0.03	1,85,06,667	12.80
	At the End of the year	-	-	1,85,06,667	12.80
2	**Nihal G. Kulkarni**				
	At the beginning of the year	66,52,472	4.60		
	At the End of the year	-	-	66,52,472	4.60
3	**Rajendra R. Deshpande**				
	At the beginning of the year	11,250	0.01		
	At the End of the year	-	-	11,250	0.01
4	**Rahul Chandrakant Kirloskar**				
	At the beginning of the year	1,77,32,902	12.26		
	50,000 equity shares acquired through open market on 6 September 2019	50,000	0.03	1,77,82,902	12.30
	At the End of the year	-	-	1,77,82,902	12.30
5	**Pratap G. Pawar (upto 11 August 2019)**				
	At the beginning of the year	5,355	0.00		
	At the End of the year	-	-	5,355	0.00

Sr. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
6	**R. Srinivasan (resigned w.e.f. 25th October 2019)**				
	At the beginning of the year	3,750	0.00		
	At the End of the year	-	-	3,750	0.00
7	**M. Lakshminarayan**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
8	**Gauri Kirloskar**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
9	**Pradeep R. Rathi**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
10	**Mahesh Chhabria**				
	At the beginning of the year	11,552	0.01		
	At the End of the year	-	-	11,552	0.01
11	**Vinesh Kumar Jairath**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
12	**Satish Jamdar**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
13	**Sunil Shah Singh**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
14	**Mrunalini Deshmukh**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
15	**K. M. Abraham (w.e.f. 10 August 2019)**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
16	**Dr. Shalini Sarin (w.e.f. 25 October 2019)**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00

Notes:

1. The above details are based on the legal ownership and not on beneficial ownership.
2. The shareholding above reflects the ownership post the person being appointed as a director.

Shareholding of Key Managerial Personnel (KMP):

Sr. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	**Atul Chandrakant Kirloskar**				
	At the beginning of the year	1,84,56,667	12.76		
	50,000 equity shares acquired through open market on 6 September 2019	50,000	0.03	1,85,06,667	12.80
	At the End of the year	-	-	1,85,06,667	12.80
2	**Nihal G. Kulkarni**				
	At the beginning of the year	66,52,472	4.60		
	At the End of the year	-	-	66,52,472	4.60
3	**Rajendra R. Deshpande**				
	At the beginning of the year	11,250	0.01		
	At the End of the year	-	-	11,250	0.01
4	**T. Vinodkumar upto 6 March 2020**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
5	**Smita A. Raichurkar**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
6	**Pawan Kumar Agarwal w.e.f. 7 March 2020**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00

Notes:

1. The above details are based on the legal ownership and not on beneficial ownership.
2. The shareholding above reflects the ownership post the person being appointed as a KMP.

V Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ In Crs.)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	13.07	-	-	13.07
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	13.07	-	-	13.07
Change in Indebtedness during the financial year				
Addition	**2.18**	**-**	**-**	**2.18**
Post shipment loan INR	-	-	-	-
Reduction	-	-	-	-
Net Change	**2.18**	**-**	**-**	**2.18**
Indebtedness at the end of the financial year				

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
i) Principal Amount	15.25	-	-	15.25
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**15.25**	**-**	**-**	**15.25**

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ In crs.)

Sr. no.	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
		Atul C. Kirloskar	Nihal G. Kulkarni	Rajendra R. Deshpande	
1	Gross salary	6.46	3.12	5.50	**15.08**
a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	6.00	2.56	5.33	**13.90**
b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.46	0.56	0.17	**1.18**
c)	Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	as % of profit	-	-	-	-
	others, specify...	-	-	-	-
5	Others, please specify	-	-	-	-
	Total (A)	**6.46**	**3.12**	**5.50**	**15.08**
	Ceiling as per the Act				**23.07**

Note:

Commision paid during the year is included in Point no. 1 (a) hence not seprately shown in the point no. 4.

B. Remuneration to other directors:

(₹ In crs.)

Particulars of Remuneration	Name of Directors									Total Amount
Independent Directors	R. Srinivasan resigned w.e.f. 25 October 2019	Pratap G. Pawar upto 11 August 2019	M. Lakshminarayan	Pradeep R. Rathi	Satish Jamdar	Mrunalini Deshmukh	Sunil Shah Singh	K. M. Abraham w.e.f. 10 August 2019	Dr. Shalini Sarin w.e.f. 25 October 2019	
Fee for attending board / committee meetings	0.04	0.02	0.05	0.08	0.09	0.03	0.02	0.03	0.01	0.36
Commission	0.06	0.03	0.29	0.13	0.14	0.03	0.02	0.04	0.01	0.74
Others, please specify										
Total (1)	**0.10**	**0.05**	**0.34**	**0.21**	**0.23**	**0.05**	**0.04**	**0.06**	**0.02**	**1.09**
Other Non-Executive Directors	Rahul C. Kirloskar	Gauri Kirloskar	Mahesh Chhabria	Vinesh Kumar Jairath						
Fee for attending board / committee meetings	0.04	0.03	0.07	0.06						0.20
Commission	0.06	0.29	0.87	0.29						1.50
Others, please specify										
Total (2)	**0.10**	**0.32**	**0.94**	**0.35**						**1.70**
Total (B)=(1+2) Total Managerial Remuneration	**0.20**	**0.37**	**1.28**	**0.56**	**0.23**	**0.05**	**0.04**	**0.07**	**0.02**	**2.79**
Overall Ceiling as per the Act (Exculding Sitting Fees)										**2.31**

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(₹ In crs.)

Sr. no.	Particulars of Remuneration	T. Vinodkumar CFO (upto 6 March 2020)	Pawan Kumar Agarwal CFO (w.e.f. 7 March 2020)	Company Secretary	Total
1	Gross salary	2.74	0.07	0.27	3.09
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2.74	0.07	0.27	3.08
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.00	0.00	-	0.01
	(c) Profits in lieu of salary under section 17(3) of the Income tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	as % of profit	-	-	-	-
	others, specify...	-	-	-	-
5	Others, please specify	-	-	-	-
	Total	**2.74**	**0.07**	**0.27**	**3.09**

VII PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

<table>
<tr><th>Type</th><th>Section of the Companies Act</th><th>Brief Description</th><th>Details of Penalty / Punishment/ Compounding fees imposed</th><th>Authority [RD / NCLT/ COURT]</th><th>Appeal made, if any (give Details)</th></tr>
<tr><td>Penalty</td><td colspan="5" rowspan="3">Nil</td></tr>
<tr><td>Punishment</td></tr>
<tr><td>Compounding</td></tr>
<tr><td colspan="6">OTHER OFFICERS IN DEFAULT</td></tr>
<tr><td>Penalty</td><td colspan="5" rowspan="3">Nil</td></tr>
<tr><td>Punishment</td></tr>
<tr><td>Compounding</td></tr>
</table>

ANNEXURE 'D' TO THE DIRECTORS' REPORT

A. Conservation of Energy

KOEL has been a frontrunner in energy conservation, both in its processes and products. The Company is committed towards Nation's mission for Enhanced Energy Efficiency by making continuous efforts to optimize use of energy in operations and also brings about continuous improvements in the efficiency of processes and products through use of energy efficient and renewable energy technologies. The Company has formulated a policy on Energy Conservation.

The factory located at Kagal, Kolhapur, awarded with a certification for "Carbon neutral factory" aligning to PAS 2060:2014 "Specification for the demonstration of carbon neutrality" and also awarded as "National Energy Leader" by Confederation of Indian Industry.

The two-pronged approach of energy conservation and alternate sources has yielded significant benefits.

I. The steps taken for energy conservation and its impact

Khadki Plant Pune

- Energy Efficient LED lights installed
- Installation of occupancy sensors in toilets
- Installation of Automatic Power Factor Controller panels to maintain unity power factor for the factory premises
- Installed Energy efficient air conditioning units at some of the offices

Main Kagal Plant

- Development of in house small wind turbine for powering streetlights in the factory premises
- Installation of Power analyzer for energy measurement and power quality analysis
- Usage of electronic forklift instead of diesel forklift
- Installation of energy efficient pumps for Effluent Treatment Plant
- Construction of Rainwater Recharge Pit in order to increase level of groundwater
- Energy Efficient LED lights installed
- Certification for maximum usage of natural resources for building located in the factory premises

KMW Kagal Plant

- Energy Efficient LED lights installed
- Installation of water saver taps
- Installation of Solar hot water system instead of electric heaters to machine for components washing
- Installation of Energy monitoring system

Nasik Plant

- Energy Efficient LED lights installed
- Installation of Fiber Reinforced Plastic fans for cooling tower in order to save energy

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

During the year under review, 46% of total electricity energy consumption at Kagal plant, with an approximate savings of Rs. 6.03 Crs. was through units generated from Solar Captive Power Plant installed and Third Party Windmill Units were purchased from independent Windmill generators under open access policy.

11% of total electricity energy consumption at Khadki, Pune plant, with an approximate savings of Rs. 0.87 lakhs was through units generated from Solar Captive Power Plant installed in this year and Third Party Windmill Units were purchased from independent Windmill generators under open access policy.

III. **The capital investment on energy conservation equipment**

The Company made a capital investment of Rs. 1.08 Crores 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 works 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.**

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

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**

(₹ In Crs.)

Sr. No.	Particulars	2019-20	2018-19
1	Revenue Expenditure	73.69	83.19
2	Capital Expenditure	5.49	9.09
3	Total R & D expenditure	79.18	92.28
4	Total R&D expenditure as % to sales	2.8%	3.0%

C. Foreign exchange earnings and outgoes

Total foreign exchange used and earned

(₹ In Crs.)

Total Foreign Exchange used & earned	2019-20	2018-19
Used	113.88	117.45
Earned	239.95	214.29

ANNEXURE 'E' 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 'E-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 'E-2'
3	The percentage increase in the median remuneration of employees in the Financial Year	12.74%
4	The number of permanent employees on the rolls of company	2342
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: (10.73) percentile Average percentile increase in salaries of non-managerial personnel: 20.05 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 TO BOARD REPORT - Annexure "E-1"

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	86.52
2	Mr. Nihal G. Kulkarni	59.07
3	Mr. Rajendra R. Deshpande	132.57
4	Mr. Rahul C. Kirloskar	2.24
5	Mr. Pratap G. Pawar *	NA
6	Mr. R. Srinivasan *	NA
7	Mr. M. Lakshminarayan	7.94
8	Mr. Mahesh R. Chhabria	22.06
9	Ms. Gauri Kirloskar	7.47
10	Mr. Pradeep R. Rathi	4.94
11	Mr. Vinesh Kumar Jairath	8.23
12	Mr. Satish Jamdar	5.29
13	Mr. Sunil Shah Singh	0.94
14	Mrs. Mrunalini Deshmukh	1.18
15	Dr. Shalini Sarin *	NA
16	Mr. K. M. Abraham *	NA

Note:

1. Median is computed on the basis of permanent employees on the rolls of the Company for the full Financial Year 2019-20.
2. * Directors were appointed/resigned/retired during the year ended 31/03/2020. As such the remuneration of these Directors is not considered.

ANNEXURE TO BOARD REPORT- Annexure “E-2”

Sr. No.	Name of the Director/KMP	Designation	% Increase/(decrease) in the Remuneration
1	Mr. Atul C. Kirloskar	Director & KMP	-41.84%
2	Mr. Nihal G. Kulkarni	Director & KMP	-21.75%
3	Mr. Rajendra R. Deshpande	Director & KMP	3.65%
4	Mr. Rahul C. Kirloskar	Director	2.70%
5	Mr. Pratap G. Pawar (upto 11 August 2019)*	Director	NA
6	Mr. R. Srinivasan (Resigned w.e.f. 25 October 2019)	Director	NA
7	Mr. M. Lakshminarayan	Director	19.47%
8	Mr. Mahesh R. Chhabria	Director	2.74%
9	Ms. Gauri Kirloskar	Director	1.60%
10	Mr. Pradeep R. Rathi	Director	90.91%
11	Mr. Vinesh Kumar Jairath	Director	44.33%
12	Mr. Satish Jamdar	Director	16.88%
13	Mr. Sunil Shah Singh	Director	60.00%
14	Mrs. Mrunalini Deshmukh	Director	33.33%
15	Mr. K. M. Abraham*	Additional Director	NA
16	Dr. Shalini Sarin*	Additional Director	NA
17	Mr. T. Vinodkumar (upto 6 March 2020)*	CFO & KMP	NA
18	Mr. Pawan Kumar Agarwal (w.e.f. 7 March 2020)*	CFO & KMP	NA
19	Ms. Smita A. Raichurkar	CS & KMP	30.68%

Note:

* Directors/KMP were appointed / resigned/ retired during the year ended 31/03/2020. As such the remuneration of these Directors/KMP is not considered.

ANNEXURE 'F' 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] and pursuant to Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

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 L29120PN2009PLC133351) 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, 2020 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, 2020 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; No further action in terms of implementation of KOEL ESOP 19 has been taken since its approval at the last AGM held on 9th August 2019.

(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; [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 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 the Board has approved to make further investment to the extent of Rs. 473.50 Cr. in the capital of Arka Fincap Limited a wholly owned subsidiary of the Company, which might have a major bearing on the enterprise risk of the Company.

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 June, 2020
Place: Pune

PR - 208/2015

UDIN: F000810B000350522

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.

Note: In view of nationwide lock-down declared by the Government of India with effect from 25th March 2020 to contain spread of pandemic COVID-19; I was unable to visit the office of the Company for physical verification of documents after 31st March 2020. However, this report has been given on the basis of visit to the office of the Company for interim audit in 2019 and on the basis of records and documents received from the Company from time to time through electronic means.

Place: Pune
Date: 19th June, 2020

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

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY AND MARKETS

The year 2019 was a difficult year for the global economy with world output growth estimated to grow at its slowest pace of 2.9 % since the global financial crisis of 2008, declining from a subdued 3.6 % in 2018 and 3.8 % in 2017. It was a challenging year for the Indian Economy as well. The Indian economy registered a slowdown in 2019-20 with GDP growth falling from 6.8% in 2018-19 to 4.5%. India has slipped in the World Bank's Gross Domestic Product (GDP) rankings to 7th position.

Several sectors such as real estate, aviation, automobile and construction sectors suffered a constant decline in demand. On the other hand, the Banking sector and financial services witnessed serious crises due to rising NPAs & bad loans and squeezed credit limits. The deceleration in GDP growth can be understood within the framework of a slowing cycle of growth with the financial sector acting as a drag on the real sector.

The budget for 2020-21 aimed at energizing the Indian economy through a combination of short-term, medium-term and long-term measures.

In the second half of January 2020, a new risk emerged for economic growth and market performance: the spread of a new virus i.e. COVID-19 in Wuhan, China, which rapidly transformed into a pandemic. As this document is being drafted, it has spread worldwide, triggering restrictive measures on the circulation of people and on economic activity of various levels of severity put into place by many governments to limit the possibility of contagion. This health emergency, along with the financial market crisis that has accentuated starting from the second week of March 2020 threatens to have global medium term repercussions that cannot yet be fully appreciated. The impact of this health emergency on the global economy will certainly be considerable in the first and second quarters of the Financial Year 2020-21; it is not clear whether the impact may also drag on into subsequent quarters of Financial Year 2020-21.

This report will provide insights and an update on the Company performance through the Financial Year 2019-20 with a brief outlook for the Financial Year 2020-21.

INDUSTRY AND COMPANY OVERVIEW

Kirloskar Oil Engines Limited (KOEL), being one of the pioneers of the 'Made in India' concept since Independence, continues to work towards bringing innovative product offerings to the customer at competitive prices. The Company's drive towards excellence continued unabated.

The Company was bestowed the prestigious "CII Exim Bank Award for Business Excellence" for the year 2019, becoming the FIRST Indian Diesel Engines / Gensets manufacturing company to bag this prestigious recognition. The award acknowledges excellence in Total Quality Management in areas such as leadership, strategy, people, partnerships, customer-driven processes and performance in creating value for all its stakeholders. The Confederation of Indian Industry and the Export-Import Bank of India, jointly, instituted the CII EXIM Bank Award for Business Excellence in the year 1994. It is today recognized as one of the most prestigious awards in India for Business Excellence. In the last 25 years only 20 companies have been bestowed with this prestigious award. The rigorous assessment process is as per the guidelines of European Foundation of Quality Management (EFQM).

A. POWER GENERATION BUSINESS

Your company is actively dominating the Power Generating sets product market for over 3 decades offering the widest range of Petrol and Diesel Power Generating sets (2-1010 kVA) used for power back-up in Industrial, Residential & Commercial establishments and also in special applications such as Telecom. Products are marketed under KOEL Green and KOEL Chhota Chilli brands. Your company is rapidly transitioning from being a source of Reliable products to a Complete Power back-up solution provider offering turn-key solutions for diverse customer applications.

In the Financial Year 2019-20, the overall genset industry beheld slowdown owing to unfavorable economic conditions. Liquidity crunch, sluggish movement of infrastructure projects, lower industrial growth, floods in major parts of the country, a major decline in Telecom majorly in the first half of Financial Year impacted industries' growth.

Business Overview

The Company's revenue in Financial Year 2019-20 from Power Generation Business stood at Rs. 1148 Crores as compared to Rs. 1222 Crores in Financial Year 2018-19. The overall Genset retail market (excluding Telecom) witnessed 4% decline, while telecom segment shrunk by 49%.

Even with unfavorable economic circumstances your company further gained on to its dominant market share and upheld its leadership position in Low and Medium kVA segments by 7% primarily due to iGreen and also gained 3% share in the High kVA segment.

Share gain through iGreen Value Pack

The Company has gained market share through newly launched iGreen Gensets in Low and Medium kVA ranges, offering an array of customer-centric features. Features such as Automatic Mains Failure (AMF), remote monitoring, new aesthetics and several class-leading features in canopies have received excellent response from customers across segments. The range now called KOEL iGreen is the first to offer the IOT-enabled Genset as a standard feature. The new iGreen range promises to further strengthen KOEL's position in respective segments. This year your company has also launched a new value pack, "Anubandh"- comprehensive annual maintenance contract, which will further strengthen the iGreen offerings.

Major gains in HHP segment due to execution of Turnkey solutions through channel partners

Turnkey solution drive in Financial Year 2019-20 yielded results with customer appreciating our innovative solutions to address challenges of space constraint in realtor segment, uninterrupted power requirement of health care, unmanned back up power systems for mobility and exhaust solutions to meet emission compliance for high rise/ industries. This proved to be the major enabler to win major turnkey orders from Healthcare, Institution, Airports, Metro, Railway segment and helped your company to gain market share in HHP segment.

Railways Powercar business

Having entered this segment in late Financial Year 2017-18, the Company's Power Generation business made strong strides in this application with a robust order book and large supply & installation base. This segment promises to be a growth driver in times to come.

Telecom business

Telecom business witnessed major decline due to massive drop in demand from telecom segment. However, 5G expansion may reopen the window in this segment.

Channel Motivation

To bring enthusiasm among KOEL Channel Partners, this year the Company organized 5 regional conferences.

Future outlook

With the introduction of iGreen range, HHP solutions foray and Powercar business gains, the power gen business is poised to grow profitably.

In addition to this, the new emission norms for power generating sets are likely to be implemented in the next Financial Year 2021-22 and your company is fully geared up for this transition and will fully support Government of India's drive for the green cause.

B. AGRICULTURE AND ALLIED BUSINESSES

The Agriculture and allied business comprises diesel engines & pumpsets, electric pump sets and related oil & spares. The diesel pump sets market continues to shrink at the rate of 12% resultant of increased availability of electricity in rural India and changes in the process of subsidy in key states like Karnataka, Assam, Odisha and Andhra Pradesh which were large revenue contributing states for the segment.

On the other hand, all these factors are proving to be advantageous for electric pump segment. Government of India's schemes such as "Deendayal Upadhyay Gram Jyoti Yojana" for rural electrification, "Saubhagya Yojana" for rural household electrification are majorly contributing for growth of Electric Pump market.

Rapid urbanization, growing construction in rural markets and government push for infrastructure development is supporting diesel engines demand used in construction equipment's like Concrete mixers.

Business Overview

CROP IRRIGATION

The Company's revenue in Financial Year 2019-20 from the Agri Crop Irrigation Business stood at Rs. 330 Crores, as compared to Rs. 366 Crores in Financial Year 2018-19. The sales of diesel engines and pumpsets decreased by 21% over last year due to external factors like change in the government's subsidy policy and availability of electricity in rural areas due to rapid electrification. Despite this decrease in sales numbers, our market share is expected to remain at a robust 27%.

To continue maximum extraction from market and to bridge the existing product gap in the lightweight 5 HP water cooled pumpset market, KOEL has introduced a new product in this category which was very well received. Further a new monobloc pumpset in the 5 HP diesel engine category has been developed to cater specifically to the Uttar Pradesh and Rajasthan market which will boost sales in these markets in the coming Financial Year. The Company continued to focus on development of new models of diesel engine to improve presence and this year developed few models in the category of concrete mixture OEM.

KOEL continued its impressive performance in electric pump business with a growth of 31 % over previous year. KOEL has launched several new products for Agri application. This new products will help KOEL in the coming Financial Year.

KOEL is also digitizing its entire service channel which will ensure faster and better customer service.

New Product introduced

Future Outlook

The central government in the budget for Financial Year 2020-21 has put Agriculture, Irrigation, and Rural Development as one of the three components of the Aspirational India theme and Rs. 2.83 Lacs Crores are allocated for this. This impetus along with KOEL's better market reach & availability of newer products suited to local markets augurs well for the overall outlook for Financial Year 21 for the electric pumps business. The diesel pumpset market will continue to de grow as in previous years. But the diesel engines segment where KOEL enjoys a good position due to its deep presence in the concrete mixture machine OEM market is expected to perform.

FARM MECHANIZATION

The Company's revenue from Farm Mechanisation Business for Financial Year 2019-20 stood at Rs. 132 Crores as compared to Rs. 138 Crores in Financial Year 2018-19.

1 HP Shallow Well Jet Pump –X9M

To cater to higher discharge requirement from North India.

New XL 50 Light weight Engines

To cater to lightweight engine and pump applications

Demand for Power Tiller which is the leading product of Farm Mechanization division is highly seasonal and government subsidy driven. In Financial Year 19-20 Government subsidy remained as dominant factor in power tiller sales all across India. Direct benefit transfer (DBT) to end beneficiary is extended to almost all states across India apart from tender supplies. Though the seasonality patterns for various markets are known, monsoon patterns of the year also decides regional demand. In Financial Year 19-20, overall Power tiller market witnessed 12% decline as compared to Financial Year 18-19. Lok Sabha elections held in May '19 impacted subsidy disbursement in Q1 Financial Year 19-20, affecting power tiller sales in peak season. While the market was showing signs of recovery in Q4, yearend sales target in March 2020 was missed due to the COVID-19 pandemic.

Your company captured 14% share of overall market and dominated 15HP market segment with more than 50% market share with KMW MEGA T15.

New Products Launched

In Financial Year 19-20 also, your company continued innovation and introduction of new product range to address the market requirements in 12HP lightweight segment and Power Weeder segment.

LWS 12HP Power Tiller

Light weight 12 HP Power Tiller targeted at the deep puddling areas & walk behind 12 HP market segment.

8 HP Power Weeder -

8HP deluxe Power Weeder introduced to meet deweeding & earthing up requirements of narrow row crops.

Ultra Light 5HP

Ultra light 5 HP Petrol Power Weeder targeting Hilly regions requirement.

Future Outlook

Agriculture & related industries are expected to be on priority for government & formulations of policies post the COVID-19 pandemic and will most likely benefit the overall Farm Mechanization sector. Return to normalcy, preferable before Kharif season peak in June-July would be critical for Farm Mechanization business. Subsidy from Government will be a key driver for power tiller sales in Financial Year 2020-21. All of existing Power Tiller and Power Weeder models manufactured by your company are already enrolled in subsidy schemes across India and new models which are under testing will get enrolled in the coming Financial Year. Your company will continue its efforts on establishing new product range in the market and will be a key driver for growth in Financial Year 2020-21.

C. INDUSTRIAL ENGINES BUSINESS

Your Company continued to strengthen its longstanding partnerships with key stakeholders including key Original Equipment Manufacturers (OEMs), end-users across operating segments, Company's suppliers, employees and the communities.

During the year, Industrial Engine Business Unit continued to demonstrate commitment towards providing innovative products and services to cater to the ever evolving needs of the Company's OEM partners as well as the end customers.

In the Industrial business, your Company was able to strengthen its market presence across operating segments by providing the right 'Fit for Market' product offerings which are also backed by the strong after sale support network of KOEL CARE across India.

Business Overview

The Construction and Off Highway Industry faced a challenging year. The demand scenario was affected because of the General Elections held in first quarter of Financial Year 2019-20. The overall demand for the Construction Equipment Industry further weakened in next two quarters because of unfavourable macroeconomic environment led by slow movement in award of Road Construction projects, delay in payment to the contractors and overall tightness in the financing environment & lack of liquidity in the market. Demand for Tractor engines also remained muted in the Financial Year 2019-20 due to prolonged liquidity crunch and weak rural demand. This has resulted into decline in the growth of Industrial Segment.

The Company's revenue in Financial Year 2019-20 from Industrial Engine Business stood at Rs. 435 Crores, as compared to Rs. 596 Crores in Financial Year 2018-19.

KOEL is a leading independent engine manufacturer in India and is a preferred choice of all the Construction Equipment OEMs in India – both domestic as well as Global players. Your company was awarded "Supplier Excellence Award" by Action Construction Equipment Ltd.

New Product Developments

To address the upcoming Construction Equipment Vehicle - Bharat Stage Four (CEV-BSIV) emission changes in the Indian market in 2020, your Company initiated a program to launch superior electronic engines with key customers last year. CE industry BS-VI norms for automobiles and is going to get implemented on wheeled equipment from October 2020.

This program has now progressed well and your Company has developed multiple power nodes of the BS IV engine models to cater to a vast range of equipment range across the Construction Equipment Vehicles. These include power nodes in the range from 74 hp to 130 hp. Your company is working with all the leading OEMs across India for several applications such as Backhoe Loader, Compactor, Self-Loading Mixer, Cranes, Wheel Loader, Paver, Telehandler etc. and has supplied proto engines to all these players. The machines are under validation and your company will be ready ahead of the time with the new, technologically superior products as the industry transition to the next level emissions.

KOEL 4R1190TA – 110 HP, BS IV Engine

KOEL 4R1190NA – 74.5 HP, BSIV Engine

Future outlook

Your Company has strong partnerships with all major equipment manufacturers and will continue to leverage technology leadership to continue our growth in this sector.

The Financial Year 2020-21 brings new and unprecedented challenges to all the businesses and your Company is not an exception to this. While the Company is in the midst of a VUCA (Volatile, Uncertain, Complex and Ambiguous) business environment in short term due to the COVID-19 outbreak and resultant outcomes associated with the same, your Company believes that the long term India's growth story remains intact, driven by strong private consumption and public push for Infrastructure spend coupled with a speed of execution on road building & infrastructure development thrust by the Government.

D. CUSTOMER SUPPORT

KOEL's after sales service support, provided through its wide spread digitally connected 421 service outlets Pan India with robust digitized processes and 3000 + trained service team makes it a dominant service brand and Industry benchmark.

Acknowledging all traits of the market like lesser utilization of Industrial Engines and changing of DG sets utilization patterns, your Company continuously strives for increasing service reach and long term retention of customer through preventive maintenance which is vital for maintaining revenue growth.

Preference to engage OEM's for after sales service has seen a positive trend in Corporate, Institutional & Government sector & customers are also assertive in direct connect and transaction with the brand.

This year ICICI Bank recognized KOEL service efforts by awarding Platinum Partner Award for providing efficient and proactive services to 2000+ DG sets installed at their branches pan India and covered under KOEL AMC.

Innovative Service Products & New Initiatives

With the introduction of innovative service products such as Bandhan & Anubandh, gives your Company is now directly engaged with retail customers for the long term and delivers assurance of best in class after sales service for their DG. These products are trend setting in Genset Industry and 30000+ assets of retail customers are enrolled under KOEL Bandhan as of 31st March 2020.

Four regional training centers across India are supporting KOEL in continuous improvement of competencies of our field service and are actually proving to be the back bone for any new service products and initiatives.

Many digital initiatives taken by your Company to enhance customer experience are the benchmark in service industry and set your Company apart from its competition. New initiatives taken by your company this year includes

- System based tracking of below KPIs to improve customer confidence and Service image viz :-
    - FTR (First Time Right)
    - FVR (First Visit Resolution)
- Customer Delight Index (CDI) score consistently above 90+
- Power Car Service Support & Processes established (New Segment)
- 24 hours Maximum Time To Restore (MaxTTR) monitoring for improved response time and restoration

With all the above mentioned initiatives, despite a volatile market situation and overall slowdown in industrial segment the customer support division could maintain its revenue at Rs. 403 Crores in Financial Year 2019-20 as against Rs. 409 Crores of Financial Year 2018-19.

Future outlook

In the current volatile and difficult situation due to outbreak of COVID-19 pandemic and its post effects, your company will continue to engage with customers and partners in the best way possible and ensure its highest support.

Your company will continue customer retention drive like Mission Bandhan and Anubandh in PG in order to sustain revenue growth. Institutional sales like KOEL AMC, Railways, Government & Defence will grow as a matter of preference to OEMs. Your company will build robust processes with the support of a strong CRM system for ensuring long term customer connect and engagement with KOEL CARE. Capability building to handle BSIV and CPCB IV technology through structured training programmes will be a key focus for this year. Your Company will also invest in enhancing our digital ecosystem to support performance measurement and Rewards & Recognition initiatives to keep Service Dealers Manpower motivated and engaged with the brand.

E. INTERNATIONAL BUSINESS

The Company's exports of its products – diesel engines, generating sets and spare parts, covers a vast range of Power Generation, Industrial and Agriculture applications.

The world economy growth rate estimate was at around 3% for 2019-20. The Middle East and Africa Regions, which have been our traditional strongholds and contributing markets for long, faced some new challenges. Political volatility continued in large parts of the Middle East. Some Latin American markets were hit by adverse foreign exchange conditions.

Further, towards the end of the year, the business and marketing environment has been seriously impacted due to the Covid-19 pandemic. This is bound to hamper the global estimated growth rate. All these factors will need to be duly considered for forecasting international business in 2020-21.

Commodity prices were lower in 2019-20, especially oil prices. This may affect projects in the gulf region. The year 2020-21 anticipates an improvement in energy commodity prices, with metals and minerals also expected to show marginal improvement. This augurs well for boosting business in the Industrial and Off-Highway segment. On the flipside, the Agriculture segment is expected to shrink further, which would further impact business in the respective traditional markets.

Business overview

KOEL's International Business Revenue for the Financial Year 2019-20 amounted to Rs. 233 Crores, as compared to Rs. 206 Crores in the last Financial Year 2018-19. The organizational efforts in focus markets as well as adding new OEMs to our portfolio enabled a growth of 12% over the previous fiscal year. Power Generation and Firefighting segments were the major growth contributors. New markets and segments contributed to about 31% of the overall export revenues.

The Company achieved a notable double digit growth in key South East Asian and African markets, while the Gulf countries and South Africa contributed significantly to export revenues. We made a promising start to power generation business in the USA, while business in the rest of the Americas region remained steady. On the other hand, competition from multinational companies has extremely intensified in the Power Generation and Industrial segments. KOEL also faces severe price competition from Chinese and domestic players in the agriculture segment.

Some of the highlights in the International Business for the Financial Year 2019-20 include:

- Concentrated intensified efforts resulted in a growth of over 70% in South Africa and United Arab Emirates, both of which were identified as focus markets for KOEL.
- FMUL fire-fighting engines business contributed to about 14% of the overall export business. As part of the business strategy, KOEL implemented a regional stocking arrangement in the UAE, and this was instrumental to the business growth.
- In the USA, we introduced EPA-certified Tier 3 diesel engines suitable for up to 100 kWe Stand-by Generating sets, and also made a beginning with OEM business. These are expected to be one of the growth drivers in Financial Year 2020-21.
- KOEL made significant strides in South East Asia in the Power Generation segment, especially in Vietnam and Myanmar. We intend to use this as a platform to build further, during the new Financial Year.

Future outlook

Decline in secondary sales at the beginning of Financial Year 2020-21 is anticipated in all the markets. Efforts will be done to engage actively with Channel partners, OEM's and Customers and to explore new business opportunities to minimize loss of sales.

The focus in Financial Year 2020-21 will continue to be on the market penetration in focus markets identified. On products front the company will make sustained efforts on selling high horse power range and FMUL engines for firefighting pump sets and will also explore opportunities for gas engines.

KOEL Americas Corporation, USA (a wholly owned subsidiary company) commenced sales of EPA certified engines in USA and has also developed re-exports business of generating sets to South America. This will boost business growth during Financial Year 2020-21.

F. LARGE ENGINES BUSINESS

The Company's revenue in Financial Year 2019-20 from Large Engines Business stood at Rs. 160 Crores, as compared to Rs. 179 Crores in Financial Year 2018-19.

Large Engine Business division with its acquired acumen over the years of project management and execution serves Government and Institutional customers with a foucs on Defence and Marine. The supplies include energy systems for radars, communication systems, battery charging systems, vehicle repowering, propulsion engines and gensets for Marine. Demand for supplies is based on launch of large government projects which that have long gestation period and are cyclical in nature. To counter balance the supplies uncertainties, your Company has entered into and continues to focus on fishing boat engines market. In addition to this your Company has now entered nuclear power plants market for emergency equipment DG sets with DV series engines.

Business Overview

Developing customized products along with meeting stringent qualification requirements of customer remained the focused area for growth. The Company has developed two more models of compact generating sets as per customers' requirements and also obtained necessary approval from defence authorities for these sets. Going one step ahead, capitalizing on skill set of execution of complex projects, your Company made an entry into the system integration domain by acquiring an order from a defence PSU for emergency or back up power along with electrical package for naval surveillance system. The scope includes supply, site installation testing and commissioning of complete system.

Responding to the fishing boat market requirements of specific horse power engines, your Company developed 8 more engines nodes and continues to gain the market share. Engines commissioned on fishing boats have clocked more than 4500 hours and performance is well appreciated by customers. Engine commissioned on Coast guard vessel clocked more than 12,500 hours this year, which is an important mile stone proving our capability.

Future outlook

Expanding customized product offerings, growth in Defence and Marine power & propulsion segment, increase market reach and gain market share in fishing boat engines will be the focus for the Large Engines business. Governments focus on increasing exports of defence equipments is expected to open up additional business avenues for Large Engine Business for existing products and will create opportunities for new product development. Your company will continue development of compact and lightweight DG sets for Defence and development of durable and efficient engines as per market requirement for fishing boats. With the success of supplying material for 1st phase of naval surveillance emergency power system your company is geared up for installation and commissioning activities and expecting order booking for next phases in Financial Year 21. The Nashik plant will continue to be the main Product development, manufacturing and assembly hub for the business especially with all defence and marine engines and DG sets assembly.

RESEARCH AND APPLICATION ENGINEERING

Research is a key enabler that helps KOEL remain relevant and competitive in the global markets and drives growth through innovative solutions and enhanced product offerings. Over the years, your Company has set up a state of the art R&D facility, operated by a very competent team, which works closely with different businesses to deliver high value products to customers. R&D expenditure is focused on expanding product range, emission upgrades and solutions for sustainable future growth. In pursuit of excellence in product performance and enhancing value to customers through new and improved products, the research team is working towards achieving benchmarked parameters both in the domestic and global markets to offer the most advanced and comprehensive range of products. During the year, the team supported the launch of several innovative products that enabled your Company to fortify its market leadership position. First firing of K4300 engine platform of HHP segment and R550 engine platform of LHP segment was achieved in Financial Year 19-20.

The launch of new products includes range of gensets developed for applications such as power car for Indian Railways, Biogas gensets of 4 kVA to 125 kVA ratings. Prompt response from development team enabled acquisition of new OEMs and new applications from existing OEM's of Construction equipment's. In the Fire Fighting domain, FM/UL listed fire pump engines upto 3000 rpm and HHP fire pump engines are now part of regular production. With regards to certifications, 3 models of genset used in emergency standby application received EPA certification.

The R&D team developed additional power nodes and upgrades for the following:

- Bharat Stage III (BS III) emission compliant engines for construction equipment
- CPCB stage II emission norms applicable for power generation
- Bharat (TREM) Stage III A emission norm compliant engines for tractor application, Power Tiller and Power Weeder

Innovating for a sustainable future

The major focus areas of R&D wherein the team is putting efforts for sustainable future are as below–

- Cost effective emission solution for Tier 4 Final / BS IV CEV norms
- Development of new engine platforms namely K4300 and R550
- Implementation of critical chain project management methodology for new product development
- Development of special marine, railways and defense applications
- Product portfolio and emission strategy for CPCB IV+ norms

Future Outlook

The R&D is actively tracking/learning/developing products involving disruptive and/or futuristic technology trends such as alternate fuels, Electrification of engines, energy storage and alternate methods of electricity depending upon technology maturity. The One global engine platform and One HHP platform are under development and will be one of the key focus area for the coming Financial Year. Your Company will continue its development of new applications like marine, defence and railways and will also work on development of engine technology for alternate fuels for natural gas, biogas, methanol etc. The R&D strategy will continue to focus on increasing efficiency, enhancing customer satisfaction and strengthening business presence in key strategic growth markets.

QUALITY ASSURANCE

A consistent focus on quality led to significant reduction in defect level and customer complaints across various product categories. AC Neilson's Customer Satisfaction Survey results confirm the leadership position of KOEL on product quality.

Focused Quality improvement programs were initiated and sustained through

- Customer Centric Initiatives
- Black belt certification programs
- Projects on new product quality improvement.

KOEL follows a structured roadmap of **Quality Systems Deployment** for suppliers. With a pool of qualified VDA 6.3 (Verband der Automobilindustrie - German Quality Management Standard) assessors, process audits are conducted in a systematic manner and focused improvement actions are initiated at supplier end. Through the initiative **"Journey towards ZERO Defect"** suppliers are trained through participative workshops. This approach drives the participants to identify gaps in their manufacturing / business processes and execute improvement projects systematically. An enabling culture of **'Share, Learn and Apply'** is nurtured and best practices are shared amongst the suppliers through various forums for effective implementation.

SUPPLY CHAIN

Supply Chain of your company has fully embraced the "Project Unlock" as a foundation for sustaining the benchmark delivery commitments to end customers. The "Project Unlock" philosophy has been implemented across the value stream and the complete value chain is benefited from it. This is considered as one of the industry best business practice by its stake holders due to the high level of transparency of the system. In order to optimize the system further, your Company has undertaken initiative of 'Lean Clusters' with critical suppliers for identification and elimination of waste and making the supply chain more flexible to end users requirements. Through successful implementation of "Project Unlock" in new product development processes, your company has demonstrated development of new platforms meeting stringent time lines of implementation while ensuring a best in class quality. Improving supplier part quality has been a continual project; your company has embraced VDA 6.3 philosophy for supplier up gradation and developed a structured 'Zero Defect Journey' roadmap which is being implemented across the critical supplier base. Not limiting to individual supplier end projects, your Company publicizes the philosophy of 'Share Learn and Apply'. As part of the same, this year your company organized the 11th consecutive edition of Supplier Quality Improvement contest, a platform for suppliers to showcase their best practices. Digital transformation of the supplier base is critical to your Company and various digital initiatives are now used with in the supply chain for real time information flow. Further, the Company has lined up initiatives like discussion forums and implementation support in order to make the supply chain Industry 4.0 ready.

During Lockdown period towards the end of the Financial Year, KOEL conducted several training programs for its supplier base. Considering the expected downturn in plant capacity utilization at Supplier end, they are expected to have fixed cost burden. The KOEL Supply Chain Management team has provided necessary guidance on measure to be taken on post lock down scenario. This is from the operation management as well as the financial management perspective.

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY (EHS)

During the year, numerous initiatives were undertaken in your Company's plants and offices in the areas of Environment, Occupational Health and Safety (EHS).

The Company continued to undertake across all plants environmental initiatives viz., celebration of World Environment Day for awareness creation amongst employees & nearby villages, Celebration of Kirloskar Vasundhara International Film Festival for society environmental awareness and plantation of trees. As a part of Occupational Health, organization your Company organized Blood donation camps, Eye checkup camps, health awareness sessions and periodical medical checkup for employees. With regards to safety your Company conducted programs like Behavioral Based Safety awareness, road safety awareness, mock drills for safety awareness, Firefighting Training for employees etc. as a drive under safety initiatives.

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.

Some of the key initiatives are listed below:

Environment initiatives

A. Kagal Plant

- Conversion of Diesel operated forklift into Battery Operated forklift to reduce air and noise pollution
- Construction of Rain Water Harvesting structures in order to increase level of groundwater
- Utilization of water from treated effluent for sewage system

- Extension of Chip Bin shed to store hazardous waste in most scientific and technical manner
- Installation of fuel conversion plant to utilize waste plastic
- Completed Carbon Sequestration and Bio-Diversity assessment of plant

B. Khadki Plant

- Constructed four rain water harvesting structures and one bore well recharge structure to increase use of harvested rainwater
- Installed piezometer for measurement of level of ground water
- Utilization of water from treated effluent for sewage system in addition to gardening

Safety Initiatives

- Installation of lifeline for safe unloading at HSD and Lube oil yard at Kagal Plant
- Installation of new earth pits for transformer yard to meet electrical safety standards at Khadki, Pune plant.

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 8th annual Corporate Sustainability Report as per the Global Reporting Initiative (GRI), Netherlands, for the year 2018-19 was released in December 2019.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company continues to maintain healthy and harmonious industrial relations across all its manufacturing plants and offices. The Human Resources function has been enabling business transformation by striking a balance between business needs and individual aspirations. The company has a dedicated human capital of over 2342 employees spread across locations in the organization.

The Company has received the ‘Golden Peacock HR Excellence Award’ for the year 2019 in the category of Engineering & Manufacturing industries.

The Company recognizes that it’s human capital is critical to the Company's success and therefore, is committed to training, skilling and up skilling its human capital on an ongoing basis which ensures that its employees are able to adopt to evolving technologies, processes and techniques.

Some of the significant initiatives that were undertaken during the year on the human resources front to ensure that the Company can continuously cater to the changing business opportunities and challenges are as below:

- Continued to implement programs for upgrading skills of employees such as Behavioral Training and Technical Training calendar for Sales and Service Executives, Upgraded program for workforce of Kagal Manufacturing Plant through ‘Gurukul’ an in-house training centre.
- 360 degree assessment for Senior Managerial employees for their Individual Development Plan.
- A culture of acknowledgement and recognition is being fostered through Rewards and Recognition program ‘Samman’;
- Our Fun @ Work club, Tarang, continued to conduct events which has fostered employee engagement. At Kirloskar Group level this year “A Fitness Challenge Program” is introduced and well participated by the employees. This program includes the importance of a balance diet, yoga and other fitness plans.
- Continued the endeavor to create a transformational industrial relations culture, under which

self-driven & passionate employees align themselves to organizational goals, while their fair expectations are proactively met. Employees are encouraged to partake in various ongoing programs like Kaizen, ENCON, Quality Circles, Safety, 5S', WASH, Sports, Cultural Programs, Kirloskar Vasundhara Film Festival, Corporate Social Responsibility(CSR) initiatives etc.

- Continued efforts on arranging lectures on health, fitness, common ailments/diseases and life style improvement, with a view to enhance employee awareness.
- Signing of wage settlement agreement for plant located at Nasik, prior to expiry of the earlier settlement, without losing a single man-day, for 2nd consecutive year.
- Some of the Corporate Social Responsibility activities are designed to have maximum participation by the employees of the Company.

FINANCE, ACCOUNTS, LEGAL AND SECRETARIAL

The Finance function has increasingly played the role of a business partner and has led several strategic initiatives that ensure improved efficiency and profitability in the organization. The overall business environment has remained highly competitive and it was imperative that profit improvement and value engineering initiatives were taken up in order that the Company's products remained competitive and accessible to customers.

In the last couple of years, your Company has taken several initiatives, cutting across the length and breadth of the organization to ensure that it is future ready and geared to accelerate its growth strategy with prospects of a better economic and industrial climate. With a strong cash position and excellent working capital management the Company's Balance Sheet remains strong and poised for accelerated growth.

The finance function has also taken several initiatives to improve data integrity and support business decision making. IT enablement of several erstwhile manual processes has ensured improvement in speed and reliability of information at reduced cost. Adherence to statutory and regulatory compliance has always been given the highest importance. Your Company uses a work flow based legal compliance software tool that monitors and ensures compliance of all applicable regulations across all factories and offices. This year the Company received recognition as "Most Innovative Legal Team of the Year" for its Legal function.

During the year under review, the Company has arranged, for the consecutive 2nd year, factory visit to Prestigious Kagal Plant for shareholders of the Company.

Shareholders' Visit to Kagal Plant

INTERNAL CONTROLS AND RISK MANAGEMENT

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 Audit Department (IAD) maintains a repository of internal controls which is tested and updated through its internal audits to ensure that adequacy and effectiveness of all major internal controls.

The IAD develops a risk based audit plan on a yearly basis which 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 the Audit Committee.

The IAD's 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.

The internal audit and control self-assessments processes are automated to promote efficient tracking open audit issues without manual intervention.

The IAD facilitates the risk management program in the Company as per the Risk Management Policy. The IAD works with the businesses and functions in identifying and assessing the risks. The mitigation plans for enterprise and business risks are reviewed and updated on periodic basis. The enterprise risks and their mitigation plans are presented by the risk owners to the Risk Management Committee. The ERM framework is aimed at effectively mitigating the business and enterprise risks through strategic actions.

AWARDS, RECOGNITIONS AND CERTIFICATIONS

Some of the other recognitions received for our relentless efforts of quality delivery and operational excellence included:

- Kagal plant
  a. "Golden Peacock Award" - 2019 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.
  b. "GreenCo Platinum" rating by CII National forum. (This is league of organizations following world class green practices)
  c. On the World Environment Day our Kagal plant achieved the "Carbon Neutrality" certification under the guidelines of PAS 2060:2014 for 2018-19 by offsetting carbon emissions to the highest standards.
  d. "Excellent Energy Efficient Unit" at 20th National Award organized by Confederation of Indian Industry (CII)
  e. "National Energy Leader" award for its continuous efforts and excellent work in the field of energy management.
  f. 'Certificate of Merit' at 14th State Level EC Award towards energy conservation in Automobile and Engineering industry category through Maharashtra Energy Development Agency (MEDA)
  g. "Highest Par Excellence Award" and "Sliver Award" at International Convention on Quality Control Circles, 2019 at Tokyo in categories viz. Quality Assurance, 5S and Gold Award safety skit from Quality Circle Forum of India, Pune Chapter
- Nasik Plant - "Excellent Energy Efficient Unit" at 20th National Award organized by Confederation of Indian Industry (CII) for the first time.

RISKS, OPPORTUNITY AND THREATS

The ERM framework addresses the risks and opportunities in line with the Company's strategy / projects. Some of the major risks, opportunities and threats in the Company radar are detailed below:

Risks

- The Coronavirus (COVID-19), being a 'Black Swan' event, has resulted in a severe economic contraction on a global and domestic front for all countries. It has adversely affected the three major contributors to India's GDP viz. private consumption, investment and external trade. The severe disruptive impact on demand caused by the pandemic will create large cash flow gaps for corporates across all sectors.
- India's GDP growth for the current fiscal is expected to slow down to 4.8 per cent according to a UN report, as the coronavirus-induced lockdown is causing significant disruption across multiple sectors, says a report.
- There is a risk of global recession in 2020 as larger economies may curb or shut down economic activity due to COVID 19. This may have a high impact on demand and supply affecting production in developing and under developed countries.
- Evolving alternate technologies to ease out impact on climate change.

Opportunities

- During this crisis of COVID-19, even the most brick and mortar organizations will be forced to go digital. There will be a real and immediate opportunity to drive efficiencies through digital. This crisis will highlight the need for investment in enabling technologies like cloud, data and cyber security.
- Possibility of shift of manufacturing processes from China to India due to the rising input costs in China and the US-China trade war.
- To reduce overall business costs, outsourcing will be looked upon as an opportunity to lower fixed costs.

Threats

- The pandemic has exposed the world's risky dependence on vulnerable nodes in global supply chains. China, for example, accounts for about 50 to 70 percent of global demand for copper, iron ore, metallurgical coal, and nickel. There could be a massive restructuring as production and sourcing move closer to end users and companies localize or regionalize their supply chains.
- In the long term, in India, given the low income levels especially in the unorganized sector and absence of adequate social security, unless reforms are not planned, the impact of COVID 19 will be the highest.

COVID 19 - IMPACT

The 'severe acute respiratory syndrome coronavirus 2' (SARS-CoV-2) virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in the global and Indian economy. On 11th March 2020 the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Numerous governments and companies, including your Company, have introduced a variety of measures to contain the spread of virus.

The Company is following the developments concerning the spread of COVID-19 very closely and has adopted all the necessary prevention and control measures, in conjunction with the local authorities, and in line with the directives issued by the State and Central Government at all its premises involved. As the situation is still evolving, the full impact of outbreak is still uncertain.

The Company has started the Financial Year 2020-21 under the uncertain clouds of 'COVID-19'. The priority is on the health and safety of employees, business partners, customers, and the communities in which the Company operates, hand in hand with the work of authorities. Outlook for Financial Year 2020-21, at least in the near term, is unpromising with the current COVID-19 pandemic. Global trade and economic growth are adversely impacted by lockdowns and travel restrictions, which result in disruptions to business operations. The uncertainty over US-China trade relations and the geopolitical tensions in the Middle-East further aggravate the situation. The Company assumes that economic conditions in Financial Year 2020-21 will remain particularly volatile and uncertain overall, including certain contextual difficulties in a few markets, both in India and overseas, with additional pressure on the world economy.

Manufacturing facilities of the Company in Maharashtra were closed on 23rd March 2020 following countrywide lockdown due to COVID-19. The Company has since obtained required permissions and restarted its places of business, albeit, partially since 22nd April 2020. Based on the immediate assessment of the impact of COVID-19 on the operations of the Company and ongoing discussions with customers, vendors and service providers, the Company is confident of serving customer orders and obtaining regular supply of raw materials and logistics services after resumption of full operations.

Due to COVID-19 linked disruption, business conditions are challenging in the near term. Many of the end user industries of our products are also impacted by this pandemic induced crisis. As a result, our customers are not unable to predict their requirements for the Financial Year 2020-21. We are continually engaging with our customers and keeping a very close watch on the developments across all our businesses. The Company has, therefore, taken several cost-cutting measures to sustain the operations and to optimise the allocation and use of its financial resources with an objective to lower the Break Even Point and protect profitability.

As announced by the government most parts of the Country are announced to remain under lockdown. This might lead to continued supply chain bottlenecks, non-availability of necessary contract workers, and disruption in transportation goods in the short term. As of now the Company anticipate some impact on raw material availability, logistics, labour and other elements of supply chain in the near term but not significant enough to affect operations in a material manner.

Given the global nature of the COVID-19 pandemic, and the uncertainty around the severity and duration of the impact across multiple markets, the Company is not in a position to accurately assess the impact of this on its future financial performance. The extent to which the COVID-19 pandemic will impact your Company's results will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by your Company. The impact assessment of COVID-19 is a continual process given the uncertainties associated with its nature and duration. Furthermore, the impact of COVID-19 may be different from that estimated as at the date of approval of these financial results, and the Board and Management will continue to closely monitor the developments.

REPORT ON CORPORATE GOVERNANCE

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 CSR 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.

A. BOARD OF DIRECTORS

- **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, 2015). The Board comprised of 14 directors as on 31st March 2020. The composition of the Board was as under:

Category of Directors	No. of directors
Executive (including Executive Chairman)	3
Non-Executive and Independent (including 2 Women Directors)	7
Non-Executive and Non-Independent (including 1 Woman Director)	4
Total	**14**

- **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 four months.

  During Financial Year 2019-20, the Board met 6 times on 2nd April 2019, 17th May 2019, 9th August 2019, 24th October 2019, 31st January 2020 and 6th March 2020.

  The Annual General Meeting of the Company was held on 9th August 2019.

- **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.

The Board also, inter-alia, reviews quarterly / half yearly / annual results, the strategy of business, annual operating plan, reports for all laws applicable to the Company, review of major legal cases, minutes of Meetings of Committee of the Board, review of internal control framework and risk management etc. 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. 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 drawn up setting out roles / terms of references and processes of functioning of the Board including Committees of the Board.

- **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 2019-20 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 2020 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 2020 are given in Table B:

I. Table A

Sr. No.	Name of Director	No. of Director-ships 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. Nihal G. Kulkarni *^	4	1	1	6	Yes	NA
3	Mr. Rajendra R. Deshpande ^^	1	-	-	5	Yes	NA
	Non-Executive and Non-Independent Directors						
4	Mr. Rahul C. Kirloskar *	4	-	2	5	Yes	1,77,82,902
5	Ms. Gauri Kirloskar *	3	-	2	6	Yes	-
6	Mr. Mahesh R. Chhabria	6	2	1	6	Yes	11,552
7	Mr. Vinesh Kumar Jairath	5	-	6	6	Yes	-
	Non-Executive and Independent Directors						
8	Mr. M. Lakshminarayan	7	3	4	4	Yes	-
9	Mr. Pradeep R. Rathi	4	1	3	6	Yes	-
10	Mr. Satish Jamdar	1	-	1	6	Yes	-
11	Mrs. Mrunalini Deshmukh	1	-	-	5	Yes	-
12	Mr. Sunil Shah Singh	3	3	2	4	No	-
13	Mr. Pratap G. Pawar (Retired with effect from 11th August 2019)$	-	-	-	2	No	5,355

Sr. No.	Name of Director	No. of Director-ships 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	
14	Mr. R. Srinivasan (Resigned with effect from 25th October 2019)$	-	-	-	4	Yes	3,750
15	Mr. Kandathil Mathew Abraham #	1	-	1	3	NA	-
16	Dr. Shalini Sarin ##	3	-	2	2	NA	-

Notes:

* Deemed as Promoters within the meaning of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011.

** Includes only Audit Committee and Stakeholder Relationship Committee as per Regulation 26 of the SEBI Listing Regulations, 2015.

@ 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.

Appointed as Additional Independent Director of the Company with effect from 10th August 2019.

Appointed as Additional Independent Director of the Company with effect from 25th October 2019.

$ Information as on date of resignation/retirement

^ Mr. Nihal G. Kulkarni (DIN 01139147) resigned as the Managing Director of the Company, which was effective from close of working hours of 28th April 2020.

^^ The term of re-appointment of Mr. Rajendra R. Deshpande (DIN 00007439) as Managing Director & Chief Executive Officer of the Company expired on 28th April 2020. Consequent to this he ceased as the Director and Key Managerial Person of the Company with effect from the close of working hours of 28th April 2020. The Board of Directors in its meeting held on 6th March 2020, subject to approval of members of the Company, appointed Mr. Sanjeev Nimkar (DIN 07869394), as an Additional Director and also as a Managing Director of the Company, with effect from 29th April 2020.

II. Table B:

Sr. No.	Name of Director	Name of the other Listed entities in which Director holds Directorship	Category of Directorship
1	Mr. Atul C. Kirloskar	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

Sr. No.	Name of Director	Name of the other Listed entities in which Director holds Directorship	Category of Directorship
2	Mr. Rahul C. Kirloskar	Kirloskar Ferrous Industries Limited	Non-Independent Non-Executive Director
		Kirloskar Pneumatic Company Limited	Non-Independent Executive Director
3	Mr. Nihal G. Kulkarni	Kirloskar Industries Limited	Non-Independent Non-Executive Director
		G. G. Dandekar Machine Works Limited	Non-Independent Non-Executive Director
4	Mr. Rajendra R. Deshpande	Swaraj Engines Limited	Non-Independent Non-Executive Director
5	Ms. Gauri Kirloskar	The Bombay Burmah Trading Corp. Limited	Independent Non-Executive Director
		The Bombay Dyeing and Manufacturing Company Limited	Independent Non-Executive Director
6	Mr. Mahesh R. Chhabria	Kirloskar Industries Limited	Non-Independent Executive Director
		Deepak Fertilisers and Petrochemicals Corporation Limited	Independent Non-Executive Director
		Kirloskar Ferrous Industries Limited	Non-Independent Non-Executive Director
		Tube Investments of India Limited	Independent Non-Executive Director
7	Mr. Vinesh Kumar Jairath	Kirloskar Industries Limited	Non-Independent Non-Executive Director
		The Bombay Dyeing and Manufacturing Company Limited	Independent Non-Executive Director
		Wockhardt Limited	Independent Non-Executive Director
		The Bombay Burmah Trading Corp. Limited	Independent Non-Executive Director

Sr. No.	Name of Director	Name of the other Listed entities in which Director holds Directorship	Category of Directorship
8	Mr. M. Lakshminarayan	Rane (Madras) Limited	Independent Non-Executive Director
		WABCO India Limited	Independent Non-Executive Director
		TVS Electronics Limited	Independent Non-Executive Director
		ASM Technologies Limited	Non-Independent Non-Executive Director
		Wendt (India) Limited	Independent Non-Executive Director
		Suprajit Engineering Limited	Independent Non-Executive Director
9	Mr. Pradeep R. Rathi	Sudarshan Chemical Industries Limited	Non-Independent Non-Executive Director
		Finolex Industries Limited	Independent Non-Executive Director
		Sanghvi Movers Limited	Independent Non-Executive Director
10	Mr. Satish Jamdar	Kirloskar Industries Limited	Independent Non-Executive Director
11	Mrs. Mrunalini Deshmukh	Kirloskar Industries Limited	Independent Non-Executive Director
12	Mr. Sunil Shah Singh	Kirloskar Industries Limited	Independent Non-Executive Director
		Kirloskar Pneumatic Company Limited	Independent Non-Executive Director
		ITD Cementation India Limited	Independent Non-Executive Director
13	Mr. Kandathil Mathew Abraham	Muthoot Capital Services Limited	Independent Non-Executive Director
14	Dr. Shalini Sarin	Linde India Limited	Independent Non-Executive Director
		Automotive Axles Limited	Independent Non-Executive Director

Note:

None of the Directors on the Board of the Company is a Director of more than 8 listed entities nor, an Independent Director of more than 7 listed entities as at 31st March 2020.

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 is director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other public limited Companies.

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.

- **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. For the newly appointed Directors Induction Programme is conducted and On-Boarding Manual is provided for their information and awareness. A detailed Letter of Appointment is also issued to them. The details of familiarization programme imparted to the Independent Directors are available on the website of the Company. (Web-link. http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2020/KOEL%20Familiarisation%20Programme%20for%20Independent%20Directors_31%20March%202020.pdf)

- **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 C. Kirloskar	Nihal G. Kulkarni	Rajendra R. Deshpande	Rahul C. Kirloskar	Vinesh Kumar Jairath	Mahesh R. Chhabria	Gauri Kirloskar	M. Lakshminarayan	Sunil Shah Singh	Satish Jamdar	Mrunalini Deshmukh	Shalini Sarin	Kandathil Mathew Abraham	Pradeep R. Rathi
A	**Technical**														
1	Finance		✓	✓		✓	✓	✓	✓		✓			✓	✓
2	Law					✓	✓					✓		✓	
3	Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
4	Sales & Marketing	✓	✓	✓					✓	✓					✓
5	Manufacturing & Operations	✓	✓	✓					✓						
6	Research & Development	✓		✓					✓					✓	
7	Human Resources	✓		✓				✓	✓				✓	✓	
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		✓	✓			✓		✓		✓		✓		

- **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.

- **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.

- **Reasons for the resignation of Independent Directors during the Financial Year 2019-2020, if any**

  Mr. R. Srinivasan, Independent Director, whose term of appointment was upto 11th August 2022, resigned from the Board of the Company with effect from 25th October 2019, due to his pre-occupation. He also confirmed that there was no other material reason for his resignation.

- **Separate meeting of Independent Directors**

  The Independent Directors meet at least once in a year without the presence of Executive Directors or Management representatives. They also have a separate meeting with the Chairman of the Board to discuss 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.

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 2019-20, 6 meetings of the Committee were held on 2nd April 2019, 17th May 2019, 9th August 2019, 24th October 2019, 31st January 2020 and 6th March 2020.

The composition of the Committee and attendance at its meetings as at 31st March 2020 are given below:

Sr. No.	Name of the Member Director	Category	No. of meetings attended
1	Mr. M. Lakshminarayan (Chairman)	Non-Executive and Independent (Chairman with effect from 25th October 2019 prior to that acting as Member with effect from 12th August 2019)	2
2	Mr. R. Srinivasan	Non-Executive and Independent (Chairman upto 24th October 2019)	4
3	Mr. Pratap G. Pawar	Non-Executive and Independent (Member upto 11th August 2019)	2
4	Mr. Mahesh R. Chhabria	Non-Executive and Non-Independent	6
5	Mr. Vinesh Kumar Jairath	Non-Executive and Non-Independent	6
6	Mr. Pradeep R. Rathi	Non-Executive and Independent	6
7	Mr. Satish Jamdar	Non-Executive and Independent	6
8	Mr. Kandathil Mathew Abraham	Non-Executive and Independent (Member with effect from 25th October 2019)	2

The Company Secretary acts as the Secretary to the Audit Committee. The Executive Directors and the Chief Financial Officer attend the Audit Committee Meetings. The representatives of the Internal Auditor, Statutory Auditors, Cost Auditors and Business Unit / Operation Heads are 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.

2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of 4 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 2019-20, 5 meetings of the Committee were held on 17th May 2019, 9th August 2019, 24th October 2019, 9th January 2020 and 6th March 2020.

The composition of the Committee and attendance at meeting as at 31st March 2020 is given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Mr. Satish Jamdar	Non-Executive and Independent (Chairman w.e.f. 31st January 2020 prior to that acting as Member)	5
2	Mr. M. Lakshminarayan	Non-Executive and Independent (Member w.e.f. 31st January 2020 prior to that acting as Chairman)	4
3	Mr. Mahesh R. Chhabria	Non-Executive and Non-Independent	5
4	Mr. Rahul C. Kirloskar	Non-Executive and Non-Independent	5

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 read with 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. Stakeholder Relationship Committee

- **Constitution of Committee**

The Stakeholder Relationship Committee comprises 3 Directors out of which the Chairman is an Independent Director. The composition is in conformity with Regulation 20 of SEBI Listing Regulations, 2015. 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 transfer of shares, 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 2020 are given below:

During the Financial Year 2019-20, the Committee met on 11th September 2019 and 31st January 2020.

Sr. No.	Name of the Member Director	Category	No. of meetings attended
1	Mr. Pradeep R. Rathi (Chairman)	Non-Executive and Independent (Chairman with effect from 12th August 2019)	2

Sr. No.	Name of the Member Director	Category	No. of meetings attended
2	Mr. Pratap G. Pawar	Non-Executive and Independent (Chairman & Member upto 11th August 2019)	-
3	Mr. Rajendra R. Deshpande	Executive Director (Upto 28th April 2020)*	2
4	Ms. Gauri Kirloskar	Non-Executive and Non-Independent	1

* Mr. Sanjeev Nimkar has been appointed as a Member of the Stakeholder Relationship Committee with effect from 29th April 2020.

Status of Investor's Complaints as on 31st March 2020 and reported under Regulation 13 of SEBI Listing Regulations, 2015 is as under:

Complaints as on 1st April 2019	1
Received during the year	6
Resolved during the year	7
Pending as on 31st March 2020	0

The Company had no share transfer requests pending as on 31st March 2020.

(In view of the ongoing lockdown because of COVID 19 spread, this report is based on the system generated statements received from Registrar and Share Transfer Agent, without verification of physical documents.)

Name, designation and address of Compliance Officer

Ms. Smita A. Raichurkar, Company Secretary

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 ID on its website for the use of investors.

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 2019-20, 5 meetings of the Committee were held on 2nd April 2019, 24th April 2019, 9th August 2019, 24th October 2019 and 6th March 2020.

The composition of the Committee and attendance at meeting as at 31st March 2020 is 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. Satish Jamdar	Non-Executive and Independent	5
3	Mr. Pradeep R. Rathi	Non-Executive and Independent	5

The role / terms of references of the Committee are as specified under SEBI Listing Regulations, 2015.

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 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 read with 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 read with 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.

During the year, there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors apart from sitting fees and commission and reimbursement of expenses incurred by them for the purpose of attending meetings of the Board / Committee of the Company. The Company has not granted any stock options to any of its directors.

Following are the details of the remuneration paid / payable to Directors during Financial Year 2019-20:

(Amount in ₹)

Sr. No.	Name of director	Basic Salary	Allowances	Statutory Contributions	Perquisites*	Commission	Sitting Fees	Total
	Executive Directors							
1	Mr. Atul C. Kirloskar	1,71,33,333	20,00,000	46,26,000	30,15,231	1,00,00,000	-	3,67,74,564
2	Mr. Nihal G. Kulkarni	1,08,00,000	20,00,000	29,16,000	43,90,312	50,00,000	-	2,51,06,312
3	Mr. Rajendra R. Deshpande	1,04,62,069	14,50,000	28,24,758	16,12,541	4,00,00,000	-	5,63,49,368
	Non- Executive Directors							
4	Mr. Rahul C. Kirloskar	-	-	-	-	5,50,000	4,00,000	9,50,000
5	Mr. Pratap G. Pawar (upto 11th August 2019)	-	-	-	-	3,00,000	2,00,000	5,00,000
6	Mr. R. Srinivasan (resigned with effect from 25th October 2019)	-	-	-	-	6,00,000	4,00,000	10,00,000
7	Mr. M. Lakshminarayan	-	-	-	-	28,50,000	5,25,000	33,75,000
8	Mr. Mahesh R. Chhabria	-	-	-	-	86,50,000	7,25,000	93,75,000
9	Ms. Gauri Kirloskar	-	-	-	-	28,50,000	3,25,000	31,75,000
10	Mr. Pradeep R. Rathi	-	-	-	-	13,00,000	8,00,000	21,00,000
11	Mr. Vinesh Kumar Jairath	-	-	-	-	29,00,000	6,00,000	35,00,000
12	Mr. Satish Jamdar	-	-	-	-	14,00,000	8,50,000	22,50,000
13	Mrs. Mrunalini Deshmukh	-	-	-	-	2,50,000	2,50,000	5,00,000
14	Mr. Sunil Shah Singh	-	-	-	-	2,00,000	2,00,000	4,00,000
15	Mr. Kandathil Mathew Abraham (with effect from 10th August 2019)	-	-	-	-	3,50,000	2,50,000	6,00,000
16	Dr. Shalini Sarin (with effect from 25th October 2019)	-	-	-	-	1,00,000	1,00,000	2,00,000
	Total	3,83,95,402	54,50,000	1,03,66,758	90,18,084	7,73,00,000	56,25,000	14,61,55,244

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.

- **Employee Stock Option Plan**

  At the Annual General Meeting of Kirloskar Oil Engines Limited held on 9th August 2019, members of the Company 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 the Nomination and Remuneration Committee.

  During the year under review, the "KOEL ESOP 2019" has not been implemented.

D. 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
2017-18	4th August 2017	11.45 a.m.	Annual General	Sheraton Grand Pune Bund Garden Hotel, RBM Road, Pune – 411 001	Re-appointment of Mr. R Srinivasan [DIN: 00043658] as an Independent Director for second term of 5 years.
2018-19	10th August 2018	12.15 p.m.	Annual General	Sheraton Grand Pune Bund Garden Hotel, RBM Road, Pune – 411 001	Continuation of present second term of Mr. R. Srinivasan [DIN: 00043658] as an Independent Director of the Company.
2019-20	9th August 2019	12.15 p.m.	Annual General	Sheraton Grand Pune Bund Garden Hotel, RBM Road, Pune – 411 001	• Appointment of Mr. Sunil Shah Singh [DIN: 00233918] as Independent Director of the Company and continuation of his first term of appointment. • Re-appointment of Mr. M. Lakshminarayan [DIN: 00064750] as an Independent Director for second term of 3 years • Approval for 'Kirloskar Oil Engines Limited - Employees Stock Option Plan 2019'

No resolution was passed through the postal ballot during the Financial Year 2019-20.

E. 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.

F. 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 and official news releases are displayed on the Company's website www.koel.co.in and also available on the websites, viz. www.bseindia.com and www.nseindia.com

b. **Presentations to Institutional Investors / Analysts**

Presentations are made to analyst on quarterly basis. The presentations are displayed on Company's website www.koel.co.in under Investors' Relations section.

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.

G. GENERAL INFORMATION FOR SHAREHOLDERS

a. Annual General Meeting

Corporate Identification Number (CIN)	L29120PN2009PLC133351 (Registrar of Companies, Pune)
Annual General Meeting	**Date and Day : 28th August 2020, Friday** **Time : 11.30 am** Venue : Through Video Conferencing (VC) / Other Audio Visual Means (OAVM)
Financial Year ended	31st March 2020
Book Closure	22nd August 2020 to 28th August 2020 (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 2019-20	During Financial Year 2019-20 the results were announced as under: First quarter : 9th August 2019 Second quarter : 24th October 2019 Third quarter : 31st January 2020 Fourth quarter : 19th June 2020
International Security Identification Number (ISIN)	INE146L01010
Name 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 2019-20 has been paid to BSE and NSE, where the Company's shares are listed.

b. **Shareholding Pattern as on 31st March 2020**

Category	No. of shares of ₹ 2/- each	% of Shareholding
Promoter and Promoter Group	8,59,62,905	59.44
Foreign Institutional Investors (FII)	1,48,87,778	10.29
Foreign National	1,132	0.00
Individuals	2,24,54,180	15.53
Insurance Companies	40,11,936	2.77
Financial Institution and Banks (FI & Banks)	54,93,167	3.80
Mutual Fund	86,88,169	6.01
Bodies Corporate	18,33,774	1.27
Non Resident Indians	5,08,829	0.35
Alternate Investment Funds	1,11,521	0.08
Investor Education and Protection Fund	6,14,559	0.42
Others	45,911	0.03
TOTAL	**14,46,13,861**	**100.00**

c. **Distribution of shareholding as on 31st March 2020**

Range of Shares	No. of shareholders	No. of Shares	% to total shares
1- 500	27,549	26,65,697	1.84
501-1000	3,378	23,71,336	1.64
1001-5000	3,592	74,86,664	5.18
5001-10000	452	31,62,189	2.19
10001-20000	180	25,00,543	1.73
20001-30000	53	12,74,850	0.88
30001-40000	31	11,02,295	0.76
40001-50000	21	9,27,730	0.64
50001-100000	18	13,32,313	0.92
100001-Above	36	12,17,90,244	84.22
Total	35,310	14,46,13,861	100.00

Dematerialization of shares and liquidity (as on 31st March 2020)	13,90,86,667 Equity Shares (96.18%)
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 2019-20 on the BSE and NSE are as below:

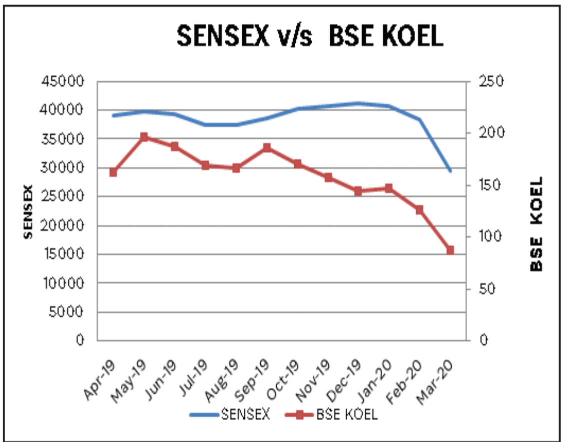
BSE

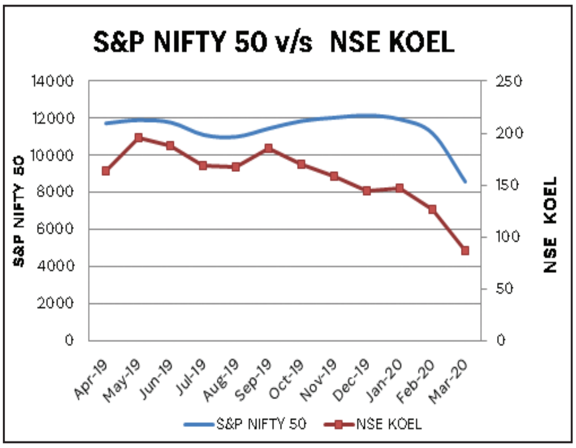
Month	High Price	Low Price
Apr-19	181.60	152.10
May-19	205.00	150.10
Jun-19	199.50	185.05
Jul-19	199.00	167.10
Aug-19	178.65	153.00
Sep-19	198.85	160.45
Oct-19	189.35	165.50
Nov-19	177.25	156.75
Dec-19	164.15	142.55
Jan-20	159.20	144.00
Feb-20	152.00	125.60
Mar-20	144.95	70.05

NSE

Month	High Price	Low Price
Apr-19	184.00	162.00
May-19	204.90	154.60
Jun-19	198.85	185.15
Jul-19	199.80	165.35
Aug-19	178.00	152.55
Sep-19	199.70	163.00
Oct-19	188.75	165.15
Nov-19	179.70	156.35
Dec-19	164.20	142.95
Jan-20	158.75	143.05
Feb-20	149.00	125.25
Mar-20	131.45	76.05

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 2019-20





e. **Share Transfer System**

Pursuant to amendments to Regulation 40 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, no requests for effecting transfer of securities held in physical format shall be processed after 1st April 2019. However, there is no restriction on transmission/ transposition of securities held in physical form.

During the year under review applications for transfer of shares which were executed prior to 1st April 2019 in physical form are processed by Registrar and Share Transfer Agent of the Company and are returned after registration of transfer within 15 days from the date of receipt, subject to validity of all documents lodged with the Company. The transfer applications are approved at regular intervals.

Pursuant to the SEBI Listing Regulations, 2015, a certificate on half yearly basis is issued by the Practicing Company Secretary for compliance with share transfer formalities 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' Relations 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. **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	Engines, Gensets and Pumpsets
		Plant II - Plot No. A-262, Phase I, 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District - Kolhapur Maharashtra – 416236	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	Power Tiller
3	Nasik	A-11/1, MIDC, Ambad, Nashik Maharashtra - 422 010	Engines and Gensets
4	Bhare	Plot No. 10 A, Gat No. 405, Village – Bhare, Tal. Mulshi, Dist. Pune, Maharashtra – 412115	Gensets and Pumpsets

H. 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, 2015.

This Corporate Governance Report of the Company for the Financial Year 2019-20 is in compliance with the requirements of Corporate Governance under SEBI Listing Regulations, 2015.

a. Related Party Transactions

There are 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. 39.5.12 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 – http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2020/Policy%20on%20Related%20Party%20transaction.pdf)

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.

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 – http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2019/Policy%20on%20Material%20Subsidiaries.pdf)

During the year under review, as per the audited Consolidated Financial Statements of the Company for Financial Year 2018-19, La-Gajjar Machineries Private Limited was a “material subsidiary” of the Company as per Regulation 16(1)(c) of the SEBI Listing Regulations, 2015.

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 – http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/KOEL-Dividend-Distribution-Policy-25Jan2017.pdf)

f. 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. The details of foreign currency exposure are disclosed in Note No. 39.5.16 to the financial statements in the Annual Report.

g. **CEO/CFO Certification**

The CEO/CFO Certificate signed by Mr. Sanjeev Nimkar, Managing Director and Mr. Pawan Kumar Agarwal, Chief Financial Officer was placed before the meeting of the Board of Directors held on 19th June 2020.

h. **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 2020, the total unclaimed equity shares are 4,92,842.

(In view of the ongoing lockdown because of COVID 19 spread, this report is based on the system generated statements received from Registrar and Share Transfer Agent, without verification of physical documents.)

i. 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.

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

k. Statement of fees paid by the Company along with its Subsidiary Company to Statutory Auditors

Fees of Rs. 54,06,400/- paid by the Company and Fees of Rs. 13,32,192/- by La-Gajjar Machineries Private Limited, Subsidiary Company to M/s P. G. Bhagwat, Chartered Accountants, Statutory Auditors of the Company during the Financial Year 2019-20.

l. There were no complaints filed / pending with the Company during the year in relation to sexual harassment of women at workplace.

m. Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) –

Not Applicable

n. **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 Chairman and Managing Director 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/-

Place: Pune
Date: 19th June 2020

Sanjeev Nimkar
Managing Director

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

To

The Members

Kirloskar Oil Engines Limited

1. This certificate is issued in accordance with the terms of our engagement letter dated 13th August 2019.

2. This report contains details of compliance of conditions of corporate governance by Kirloskar Oil Engines Limited ('the Company') for the year ended 31st March 2020 as stipulated in regulations 17-27, clause (b) to (i) of regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as amended from time to time.

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

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

Auditors' Responsibility

4. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of corporate governance as stipulated in Listing Regulations for the year ended 31st March 2020.

6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) (the 'Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. In our opinion, and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above-mentioned Listing Regulations.

9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Restriction on use

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

FOR **M/S P G BHAGWAT**
Chartered Accountants
Firm Registration Number:101118W

Sd/-
Nachiket Deo
Partner
Membership number: 117695
UDIN: 20117695AAAAAU9675

Pune
Date: 19th June 2020

Business Responsibility Report for Financial Year 2019-20

OVERVIEW

In keeping with the Company's commitment to responsibility and accountability towards all its stakeholders, Kirloskar Oil Engines Limited (KOEL) is pleased to present its Business Responsibility Report in line with Regulation 34 (2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder read with SEBI circular No. CIR/CFD/CMD/10/2015 dated 4th November 2015, including amendments thereof and 'National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business' as released by Ministry of Corporate Affairs in 2011. This report outlines the Company's efforts to conduct business with responsibility.

GENERAL INFORMATION

1	Corporate Identity Number (CIN) of the Company	L29120PN2009PLC133351	
2	Name of the Company	Kirloskar Oil Engines Limited	
3	Registered Address	Laxmanrao Kirloskar Road, Khadki, Pune – 411 003	
4	Website	www.koel.co.in	
5	E-mail id	sustainability@kirloskar.com	
6	Financial Year Reported	2019 – 20	
7	Sectors that the Company is engaged in (Industrial Activity Code wise)	Engineering	
		NIC Code	Product Description
		281	Engines
		271	Genset
		As per National Industrial Classification for India (NIC)	
8	List three key products that Company manufactures/ provides	Gensets	
		Engines	
		Pumps Sets and Power Tillers	
9	Total number of locations where business activity is undertaken by the Company		
	i) International Locations	None	
	ii) National Locations	Bhare (Pune), Khadki (Pune), Kagal (Kolhapur) and Nasik.	
10	Markets served by the Company	India and selected countries in North America, South America, Africa, Europe and Asia.	

FINANCIAL DETAILS

1	Paid up capital (Rs.)	28.92 Crs.
2	Total turnover (Rs.)	2,841 Crs.
3	Total profit after taxes (Rs.)	170 Crs.
4	Total spending on Corporate Social Responsibility (CSR) as % of average profit for last 3 Financial Years (Rs.)	5.49 Crs.
5	Activities under which expenditure on 4 above has been incurred include: a) Health: Health Check-up camps (HIV/AIDS awareness), Hygiene awareness program WASH, which includes clean drinking water, sanitation and hygiene. b) Education: Financial assistance for education, career guidance program for youth, workshop on computer programming, vocational training program for women on income generation, Mini Science Project and Sports training to the students of the schools. c) Environment: Kirloskar Vasundhara Eco Rangers and Kirloskar Vasundhara International Film Festival. d) Rural development: Community Development Project for Rural Areas. e) Disaster Management: Rehabilitation of Flood Affected People at Kagal (Kolhapur).	

OTHER DETAILS

1	Does the Company have any Subsidiary Company/ Companies?	As on 31st March 2020, the Company has three subsidiaries viz. 1) KOEL Americas Corp., USA, 2) La-Gajjar Machineries Private Limited, Ahmedabad and 3) Arka Fincap Limited (previously known as Kirloskar Capital Limited), Mumbai.
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with / participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities (less than 30%, 30-60%, more than 60%).	No

BUSINESS RESPONSIBILITY (BR) INFORMATION

Director/Directors responsible for implementation of BR Policy/Policies

Name	Designation	DIN	Telephone No.	Email ID
Mr. Rahul C. Kirloskar	Non-Executive Non- Independent Director & Chairman of CSR Committee	00007319	020–25810341	Rahul.Kirloskar@kirloskar.com
Mr. Nihal G. Kulkarni	Non-Executive Director (w.e.f. 29th April 2020 before that Managing Director till 28th April 2020) & Member of CSR Committee	01139147	020–25810341	Nihal.Kulkarni@kirloskar.com
Mr. Pradeep R. Rathi	Non-Executive Independent Director & Member of CSR Committee	00018577	020–25810341	prrathi@sudarshan.com
Mr. Rajendra R. Deshpande	Managing Director & CEO till 28th April 2020	00007439	020–25810341	Rajendra.Deshpande@kirloskar.com
Mr. Sanjeev Nimkar	Managing Director w.e.f. 29th April 2020	07869394	020–25810341	Sanjeev.Nimkar@kirloskar.com

BR Head

Name	Designation	Telephone No.	Email ID
Mr. T. Vinodkumar	Chief Financial Officer upto 6th March 2020	020–25810341	T.Vinodkumar@kirloskar.com
Mr. Pawan Kumar Agarwal	Chief Financial Officer w.e.f. 7th March 2020	020–25810341	Pawan.Agarwal@kirloskar.com

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

Principle 1 (P1)	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
Principle 2 (P2)	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
Principle 3 (P3)	Businesses should promote the well-being of all employees.
Principle 4 (P4)	Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
Principle 5 (P5)	Businesses should respect and promote human rights.
Principle 6 (P6)	Businesses should respect, protect and make efforts to restore the environment.

Principle 7 (P7)	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
Principle 8 (P8)	Businesses should support inclusive growth and equitable development.
Principle 9 (P9)	Businesses should engage with and provide value to their customers and consumers in a responsible manner.

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

BR Policies and coverage of NVG nine principles

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

Y Yes

N No

NA Not Applicable

Few Policies are adopted under the authority given by the Board

* Policies available on internal portal, which is accessible only to employees

** Policies available on Company's website – www.koel.co.in

@ All policies are evaluated internally

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

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

* Human Rights: The Company does not have a standalone Human Rights policy. Aspects of human rights such as child labour, forced labour, occupational safety, non-discrimination are covered by its various Human Resource policies.

Governance of BR

The Managing Director and Senior Leadership Team review the BR performance of the Company periodically as part of the overall Management Review process. KOEL continues to publish its Sustainability Report, in conformance with the Global Reporting Initiative (GRI) guidelines. The hyperlink of latest report for 2018-19 – http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2019/KOEL-Sustainability%20Report-2018-19.pdf

NVG PRINCIPLE-WISE PERFORMANCE

ETHICS, TRANSPARENCY AND ACCOUNTABILITY

PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

The Core Purpose of KOEL is captured in two words “Enriching Lives”. KOEL believes in conducting its business in a fair and transparent manner.

The Company has laid down a Code of Conduct (CoC), applicable to all employees, with the objective of establishing and upholding high ethical conduct with utmost transparency and accountability.

The Company’s Directors and Senior Management are additionally required to abide by a CoC adopted as per Companies Act, 2013 & rules thereof including amendments thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder. Their affirmation to the CoC is communicated to all stakeholders by the Managing Director through a declaration in the Annual Report.

Integrity is a core value at KOEL and the values are widely communicated to all relevant stakeholders. The values of the Company are align with all the Senior Leadership Management’s thoughts & actions towards achieving long term goals of the Company.

The Company’s commitment towards doing business responsibly is built upon its CoC and is complemented by -

- Robust governance structure
- A well-articulated Enterprise Level Risk Management Framework
- Well-structured internal control systems for regular assessment of effectiveness of Company’s CoC policy and its adherence.

The Company also has an Internal Complaints Committee (ICC) to redress complaints received with respect to sexual harassment. There were no complaints received in 2019-20.

The Company does not follow any abusive, corrupt or anti-competitive behavior and is not complicit in violations of applicable regulations and ethical practices by its business partners.

KOEL also has an effective Vigil Mechanism/Whistleblower Policy in place, which enables employees and other stakeholders to report instances of unethical behaviour including leakages of Unpublished Price Sensitive Information instances and any violation of the Company's CoC. A senior Company official is designated as Values Ombudsman and is entrusted with the responsibility to administer complaints related to violation of CoC, Values and Vigil Mechanism/Whistleblower Policy of the Company. Under the Vigil Mechanism/Whistleblower Policy of the Company, there were no complaints received in 2019-20.

The Company has implemented an IT tool which helps track statutory compliances as close as possible to the actual date. Any deviations are highlighted for prompt corrective actions. Functional owners take responsibility for putting in preventive steps. The web based compliance management system not only helps adhere to the regulatory requirements but also develops a culture of self-regulation and accountability within the organization. In the present times, when governance is looked upon as a critical aspect of sustainability, the Company believes that its Compliance Management System plays a significant role in ensuring good corporate governance practices.

The Company has defined a separate Supplier Code of Conduct, which is communicated to the supplier community.

The status of complaints of shareholders received and resolved in the Financial Year 2019-20 are forming part of Report on Corporate Governance section of this Annual Report.

PRODUCT STEWARDSHIP

PRINCIPLE 2: BUSINESSES SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFECYCLE.

The Company believes in developing sustainable products with optimum use of resources over the life-cycle of the product i.e. from design to disposal. Product lifecycle management is core to the organization.

KOEL is committed to creating and preserving a clean environment. KOEL is committed to minimizing any potentially negative environmental and social impact of its products during manufacture, use and disposal. KOEL's management is environmentally conscious and it makes best possible efforts to minimize its environmental footprint.

KOEL embarks on a remarkable journey towards environmental conservation. On the occasion of World Environment Day, 2019, KOEL Kagal Plant has achieved Carbon Neutrality under the guidelines of PAS 2060:2014.

The Company ensures that its products uphold the highest levels of safety, quality and environment friendliness. The Company's products are designed factoring in various environmental and social norms and regulations restricting emissions and noise. The products of the Company have received a variety of certifications like FMUL (Factory Mutual Underwriters Laboratory). The Company's operations adhere to and are certified for ISO 9001 and all manufacturing units are certified for adherence to ISO 14001 and OHSAS 18001. The Company's products are also certified by BIS (Bureau of Indian Standards) and 'Conformite Europeene' (CE) or European Conformity label.

The Company's standard operating practices, product information and labelling etc. are designed to ensure that everyone connected with the product lifecycle i.e. designers, producers, value chain members, customers and recyclers are aware of their responsibilities.

The resource consumption towards water and energy for production is as under:

1) **Specific Energy Consumption (SEC) of production**

Plant	SEC (kWh/ BHP)		Highlight/ Remark
	2018-19	2019-20	
Kagal	2.35	2.27	3.4% lower than previous year
Nasik	13.23	13.43	1.5% more than previous year due to change in product mix and activities

2) **Specific water consumption of production**

Plant	Specific water consumption (m3/ BHP)		Highlight/ Remark
	2018-19	2019-20	
Kagal	13.40	12.23	9% lower than previous year
Nasik	0.30	0.24	20% lower than previous year

The Company has an IT enabled legal compliance monitoring system that ensures compliance with all statutes and regulations. There are no incidents of non-compliance with regulations or voluntary codes resulting in fine, penalty or notice concerning emissions, health and safety impacts of its products and services during their life cycle.

The Company promotes and has taken strategic steps to ensure business with local and small producers. The structured supply Chain policy also recommends procurement of material from suppliers in a radius of 250 KM. Over 50% of the parts procured come from such strategic supplier partners. Further, in order to improve business competency of the suppliers to manage the external challenges in business, the Company has taken forward second stage of a very well accepted initiative ‘Samvardan’ which aims at improving the business acumen of SME suppliers and making them future ready in a structured road map.

The Company continues to focus on ‘Lean Clusters’ deployment in order to improve the productivity levels of the supplier base and support suppliers to augment their capacities. The initiatives has supported the participant suppliers to identify and eliminate waste at various stages of the value chain. In order to deploy a strong and sustained quality culture, the Company has undertaken a structured ‘Zero Defect’ drive that aims at gap identification and project closure. The Zero Defect initiative is one of the benchmark initiatives in the manufacturing domain which follows a defined roadmap to identify, prioritize and monitor the Zero Defect projects.

The Company’s suppliers are assessed periodically based on quality, environment and occupational health and safety management systems, among other deliverables. Forums are made available by the Company on periodic intervals which support their suppliers to share best practices in EHS and process improvements.

The Company has a defined Green Supply Chain Policy that aids alignment of actions along with supply chain in managing projects in an environmental friendly manner, judiciously using resources, recycling waste and adopting responsible business practices such as minimizing the use of wood.

As an outcome, the Company has planted around 1500 trees during the year 2019-20. The total wood savings are to the tune of 33,985 CFT. The usage of plastic for packaging the finished product is as per norms laid down by the Pollution Control Board. Further the processes in place for receipt and disposal of plastic are also as per norms applicable within the jurisdiction of Maharashtra.

The Company's logistics service provider's base is formed with a predefined sustainable selection process. The logistics service providers are key partners in developing logistics solutions with a collaborative approach. The Company had designed CAR carriers for some of the finished products. The Company also executed process improvement through digitization in the logistics of secondary sale for some agricultural products.

The vendors comply with the local environmental policies. The Company has conducted awareness programs for use of non-conventional sources of energy and encourages installation of solar power to improve the carbon footprint.

Product recycling is not practiced in our industry sector. However, some of the products such as DG sets are reconditioned to improve efficiency and extend the serviceable life. In the Financial Year 2019-20, we have reconditioned 109 engines and 658 DG sets.

Further, the lube oil used in all our manufacturing facilities is recycled via certified oil recyclers. In Financial Year 2019-20, we recycled Rs. 2.12 Lacs liters of lube oil.

The Company also recycles plastic bags and covers used in packaging. In financial year 2019-20, the Company recycled packaging materials worth approximately Rs. 2.92 Lacs.

EMPLOYEE WELL - BEING

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

KOEL guided by its core values, treats its employees, who are key to the long-term sustainability of the Company, as their most valuable resource. Employee health is critical for the Company's sustainable growth and in keeping with this, annual health checkups are conducted for employees across the organization followed by necessary corrective and preventive action.

The Company's HR processes address the well-being of its employees at all levels and offers equal opportunity to all without any discrimination. These processes are guided by the inherent values of the company and are always in conformity with labour laws, human rights and other legislations promulgated from time to time. The Company strongly condemns any form of child labour and recruits employees only of employable age.

Employee category	Number of Employees	% Trained on Safety	% Trained for Skill Up-gradation
Permanent	2,342	53.03%	25.01%
Permanent Female	72	14.45%	5.41%
Temporary/Contractual	1,682	88.32%	7.84%
Disabled Employees	NIL	NIL	NIL

There were no complaints relating to child labour, forced labour, involuntary labour or sexual harassment in the last Financial Year and pending, as at the end of Financial Year 2019-20.

Collective Bargaining and Employee Engagement

The Company respects and is committed to the right to freedom of association, participation and collective bargaining. The Company provides equal opportunity to each employee to learn, grow and develop, irrespective of religion, gender and caste. At every manufacturing plant, a committee addresses the issues raised through grievance redressal mechanism or otherwise.

The Company conducts Employee Engagement Survey (EES) to measure employee perceptions and has a SAY, STAY and STRIVE policy for employee engagement. Trends and results emanating from the EES survey are carefully analyzed and worked upon for remedial and improvement actions.

Occupational Health & Safety

KOEL continues to maintain healthy and harmonious industrial relations at all manufacturing plants. There are also formal agreements with the trade union covering Health & Safety topics such as responsibility of the workers for using Personal Protective Equipment, compliance with provisions of the Factories Act etc. KOEL is setting a BENCHMARK in Indian Industry for maintaining peaceful and healthy industrial relations for more than five decades (Considering Pre and Post Demerger period) at both the locations i.e. Pune & Nasik, the settlements are operative for three years and the terms and conditions of service are renewed immediately after three years.

The Company has adopted a range of top-down, bottom-up and horizontal communication channels to effectively communicate with its employees. The Company provides a safe workplace environment and imparts training to all its employees on regular basis as required. The on-going tool box talks to the employees, explaining the existing manuals, covering safety and machine handling aspects is another mode to address safety. Kaizens, ENCON, Quality Management, Safety Management and WASH Pledge are some of the forums and methods where initiatives to improve occupational health and safety are conceptualized, planned and deployed.

STAKEHOLDER ENGAGEMENT

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

The Company strongly believes in 'Enriching Lives' of the communities in which it operates. The Company's key stakeholder groups include customers, dealers and distributors, suppliers and vendors, shareholders, employees and the local communities around its manufacturing plants.

The Company considers stakeholders as partners in business and engages with internal and external stakeholder groups, beyond normal transactional engagement. This also ensures effective two way communications and also helps identify and address any concerns and creation of a shared value.

KOEL identifies vulnerable and disadvantaged sections amongst the stakeholders and takes special efforts to address their concerns. Amongst employees we address specific concerns of women and differently–abled. Amongst suppliers, KOEL handholds small and medium sized enterprises. The Company’s community initiatives are addressed specifically to alleviate issues and problems of the vulnerable and disadvantaged sections.

RESPECT FOR HUMAN RIGHTS

PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

KOEL recognizes that human rights as articulated in the Constitution of India and various other instruments such as the International Bill of Human Rights are inherent, universal, indivisible and interdependent in nature.

While the Company does not have a standalone Human Rights policy, different aspects of human rights such as child labour, forced labour, occupational safety, non-discrimination are covered by its various Human Resource Policies.

Currently human rights are a part of employee induction training. Whistleblower, Ombudsman and Grievance Redressal mechanisms are in place for receiving and addressing complaints and feedback related to human rights violations and process improvement. KOEL is not complicit in any human rights violations by its contractors or suppliers.

There were no stakeholder complaints related to human rights violations during 2019-20.

PROTECTION AND RESTORATION OF ENVIRONMENT

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

The Company is committed to creating and preserving a clean environment. The Integrated Management Systems including ISO 14001 based Environmental Management System, is the main framework to address protection and restoration of the environment. The Company makes all efforts to minimise the environmental impact due to its manufacturing activities as also due to use of its products. It makes efforts to restore and address some environmental problems in the neighbourhood of its manufacturing plants.

The Company directs its commitment towards the environment through the mitigation of air and water pollution and management of hazardous waste and resource conservation.

The Company monitors its Green House Gas (GHG) emissions and related KPIs are part of its IMS monitoring system. Various energy efficient initiatives in operations and products are planned by the Company to reduce its carbon footprint.

The Details of GHG emissions from production are as below:

Plant	Total GHG emissions (tons of CO2)	
	FY 2018-19	FY 2019-20
Main Plant I at Kagal	14,870	11,344
Khadki, Pune	8,921	10,593
Nasik	576	447
Plant III (KMW) at Kagal	NA	342
Total	**24,367**	**22,726**

During the year 2019-20, KOEL has been certified as “Carbon neutral factory” aligning to PAS 2060:2014 “Specification for the demonstration of carbon neutrality”.

46% of total electricity energy consumption at Kagal plant was through units generated from Solar Captive Power Plant installed and Third Party Windmill Units were purchased from independent Windmill generators under open access policy. 11% of total electricity energy consumption at Khadki, Pune plant, was through units generated from Solar Captive Power Plant installed in this year and Third Party Windmill Units were purchased from independent Windmill generators under open access policy.

The respect for and compliance with environmental requirements is also extended to its suppliers and contractors.

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

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

PUBLIC POLICY ADVOCACY

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

The Company participates in policy advocacy and discussions on issues relevant to its industry sector. The Company’s Senior Leadership Team interacts with various professional bodies and organizations to anticipate and understand the economic scenario, industrial environment, future emission norms, government regulations and advancement of public goods and services. These inputs are used for defining future growth drivers and enabling new product development.

The Company is an active member of several industry and trade bodies and regularly participates in industry events and stakeholder consultation/ dialogue leading to policy formulation by various regulatory bodies. Some of the key associations of which the Company is an active member include:

a) Bombay Chamber of Commerce and Industry

b) Confederation of Indian Industry (Western region)

c) Engineering Export Promotion Council

d) Federation of Indian Chambers of Commerce & Industry

e) Federation of Indian Export Organizations

f) Mahratta Chamber of Commerce Industries and Agriculture

g) The Automotive Research Association of India

INCLUSIVE GROWTH

PRINCIPLE 8: BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

The Company supports, to the extent practicable, activities that contribute to inclusive growth and equitable development.

The Company has adopted a Corporate Social Responsibility ('CSR') policy and a CSR committee of the Board guides policy implementation, monitoring and reporting. The CSR policy is available on the website of the Company. The CSR programs are undertaken through employee volunteering led by an internal team and a few external NGOs. The CSR Report has been dealt with more exhaustively in the annexure to the Board's Report for Financial Year 2019-20.

The CSR program impact assessment is done from time to time and the number of beneficiaries and the change in their livelihood and income levels is monitored.

DELIVERING VALUE TO CUSTOMERS

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

The Company continues to focus on value creation for its customers by developing unique featured and environment compliant products.

The Company has launched last year the new iGreen gensets in Low and Medium kVA ranges, offering an array of customer-centric features. Features such as Automatic Mains Failure (AMF), remote annunciation, new aesthetics and several class-leading features in canopies have received excellent response from customers across segments. The range now called as KOEL iGreen is the first to offer the IOT-enabled Genset as a standard feature. The new iGreen range promises to further strengthen KOEL's position in respective segments.

The Company's subsidiary company viz. KOEL Americas Corporation received certification from Environment Protection Agency (EPA) for its' 3 intended engine families at the end of Financial Year 2019-20.

KOEL became the first company in the industry to introduce unique 900/910 kVA DG set. This is completely customer centric product offering which provides huge cost savings to end customers in terms of installation costs. The product is well accepted in the market and now considered best in class on most parameters.

The Company has dedicated 24 X 7 Helpdesk in place, with 120 customer care executives addressing the customer concerns / queries, which ensures active communication. The helpdesk contact details are made available to customers via. Stickers affixed on the DG Set, Company's website and all Point of Sale Materials (POSMs). A KOEL employee personally handles each complaint by a 'detractor customer' (customer who has given a score of 6 or less in feedback) and ensures its resolution.

The Company ensures that it creates social value by serving its customers through competitive value propositions by innovating strategies that maximize sustainable livelihood creation. Some initiatives of the Company are "Customer Connect" and Engagement Programs like Customer Meets, Van Campaign and Customer and Operators training program.

Company has leveraged the usage of technology and has implemented many path breaking digital initiatives for proactive engagement with customers and providing efficient after sales service support:

- System based tracking of below KPIs to improve customer confidence and Service image viz.:
    - ✓ FTR (First Time Right)
    - ✓ FVR (First Visit Resolution)
- Customer Delight Index (CDI) score consistently above 90+
- Power Car Service Support & Processes established (New Segment)
- 24 hours Maximum Time To Restore (MaxTTR) monitoring for improved response time and restoration

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

The latest Customer Survey indicates excellent scores.

INDEPENDENT AUDITOR'S REPORT

To The Members of **Kirloskar Oil Engines Limited**

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

Opinion

We have audited the accompanying standalone Ind AS financial statements of Kirloskar Oil Engines Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of Significant Accounting Policies and other explanatory information (hereinafter referred to as "the Standalone Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 standalone state of affairs of the Company as at March 31, 2020, and its standalone profit (including Other Comprehensive Income), standalone changes in equity and its standalone cash flows for the year ended on that date.

Basis for Opinion

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

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

Emphasis of Matter

We draw your attention to Note No. 39.3.2 to the standalone Ind AS financial statements, which describes uncertainty of impact due to COVID-19 pandemic on Company's financial performance, which is dependent on future developments.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Revenue recognition:

During the financial year the company has recognised revenue from contracts with customers for sale of goods and services of Rs. 2,840.57 Crores (Refer Note 28 of standalone financial statements). Revenue is recognised as per revenue recognition policy described in Note 39.4.18.

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

Our opinion on the standalone Ind AS Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone Ind AS Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS Financial Statements that give a true and fair view of the standalone financial position, standalone financial performance (including other comprehensive Income), standalone changes in equity and standalone cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS Financial Statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to standalone Ind AS financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone Ind AS Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS Financial Statements, including the disclosures, and whether the standalone Ind AS Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS Financial Statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A; a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
   c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
   d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.
   e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
   f) With respect to the adequacy of the internal financial controls with reference to standalone Ind AS financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B" to this report.
   g) As required by section 197 (16) of the Act; in our opinion and according to information and explanation provided to us, the remuneration paid/ provided for by the company to its directors is in accordance with the provisions of section 197 of the Act and remuneration paid to directors is not in excess of the limit laid down under this section.
   h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
      (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 39.5.1 to the financial statements.
      (ii) The Company did not have any long-term contracts including derivative contracts as at March 31, 2020.
      (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **M/s P. G. Bhagwat**
Chartered Accountants
ICAI Firm Registration Number- 101118W

Sd/-
Nachiket Deo
Partner
Membership Number: 117695
UDIN: 20117695AAAAAT5614

Pune
Date: June 19, 2020

Annexure A to Independent Auditor's Report

Referred to in paragraph 1 of Report on Other Legal and Regulatory Requirements section of the Independent Auditor's Report of even date to the members of Kirloskar Oil Engines Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2020

(i) (a) The company has maintained proper records showing full particulars including quantitative details and situation, of property, plant and equipment.

(b) The property, plant and equipment have been physically verified by the management according to the phased program of three years which is reasonable with regard to size of the company and nature of its assets.

(c) According to records of the company examined by us the title deeds of immovable properties are held in the name of the company.

(ii) The physical verification of inventory have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

(iii) According to information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

(iv) According to the information and explanations provided to us, there are no loans, guarantees and security given by the Company, covered under the provisions of section 185 of the Companies Act, 2013. According to the information and explanations provided to us, provisions of section 186 of the Companies Act, 2013 have been complied with respect to investment.

(v) In our opinion and according to information and explanation given to us, the Company has not accepted public deposits, hence the directive issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, are not applicable to it. According to information and explanation given to us, no order has been passed against the company by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under sub-section (l) of section 148 of the Companies Act, 2013 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of records with a view to determine whether they are accurate and complete.

(vii) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, employees' state insurance, sales tax, income tax, service tax, duty of customs, duty of excise, value added tax, Goods and Service Tax, cess and other material statutory dues, as applicable, with the appropriate authorities.

According to the information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31st March, 2020, for a period more than six months from the date they became payable.

(b) According to the information and explanations given to us, the particulars of dues of income tax, sales tax, wealth tax, service tax, custom duty, goods and service tax, excise duty and cess as at 31st March, 2020 which has not been deposited on account of disputes are as follows:

Name of the Statue	Nature of dispute due	Amount under dispute not deposited (Rs in Crs.)	Period to which amount is related	Forum where the dispute is pending
Sales Tax	Sales tax, disallowance for non- receipt of Forms and penalty for pump set	2.17	1992-1993 2004-2005 2007-2008	High Court
	Demand for Disallowance of Claims	5.52	1995-1996 2006-2008 2011-2015	Tribunal
	Non receipt of Forms & Disallowance of Credit¬	0.74	1996-97 2004-06 2008-09 2011-16	Appellate authority - Up to Commissioner level
Service Tax	Disallowance of credit	0.03	2007-2010	High Court
		0.68	2006 2013-2015 2016-2018	Tribunal
		0.20	2005-2007 2012-2016	Appellate authority - Up to Commissioner level
Excise Duty	Valuation & exemption disputes and disallowance of cenvat credit against the excise duty	5.30	1999-2002 2004-2013	Tribunal
		11.71	1996 2014-17	Appellate authority - Up to Commissioner level
Customs Duty	Dispute related to exemption and other matters	0.86	1994-1997 2011-2012	Appellate authority - Up to Commissioner level

(viii) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government as at the balance sheet date.

(ix) According to the information and explanation given to us, the company has not raised money by way of initial public offer or further public offer (including debt instrument) and not availed term loan during the year. Accordingly, the Provisions of clause 3(ix) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

(xi) According to the information and explanation given to us, the company has paid/provided managerial remuneration within the limit prescribed under section 197 of the Companies Act, 2013. Accordingly no requisite approval is required to be sought.

(xii) In our opinion, the company is not a Nidhi company. Accordingly, the provisions specified in Paragraph 3(xii) of Companies (Auditor's Report) order, 2016 are not applicable to the company.

(xiii) According to the information and explanation given to us and in our opinion, transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 and requisite details have been disclosed in the Financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanation given to us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures for raising funds during the year. Accordingly, the provisions of clause 3 (xiv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.

(xv) According to the information and explanation given to us, the company has not entered into a non-cash transaction with any of the directors or persons connected with directors. Accordingly, the provisions of clause 3 (xv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.

(xvi) In our opinion and according to the information and explanation given to us, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions in Paragraph 3(xvi) of Companies (Auditor's Report) order, 2016 are not applicable.

For **M/s P. G. Bhagwat**
Firm Registration Number: 101118W
Chartered Accountants

Sd/-
Nachiket Deo
Partner
Membership Number: 117695
UDIN: 20117695AAAAAT5614

Pune
June 19, 2020

Annexure B to the Independent Auditor's Report of even date on the Standalone Ind AS Financial Statements of Kirloskar Oil Engines Limited.

Report on the Internal Financial Controls with reference to Standalone Ind AS Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to Standalone Ind AS Financial Statements of Kirloskar Oil Engines Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to standalone Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to standalone Ind AS financial statements, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to standalone Ind AS financial statements were established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to standalone Ind AS financial statements.

Meaning of Internal Financial Controls over financial reporting with reference to standalone Ind AS financial statements

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

Inherent Limitations of Internal Financial Controls over financial reporting with reference to standalone Ind AS financial statements

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone Ind AS financial statements and such internal financial controls were operating effectively as at March 31, 2020, 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 **M/S P.G.BHAGWAT**
Firm Registration Number: 101118W
Chartered Accountants

Sd/-
Nachiket Deo
Partner
Membership Number : 117695
UDIN: 20117695AAAAAT5614

Pune
Date: June 19, 2020

Balance Sheet as at 31 March 2020

₹ in Crs.

Particulars	Note No.	As at 31 March 2020	As at 31 March 2019
ASSETS			
I. Non-current assets		**1,324.15**	**836.66**
(a) Property, plant and equipment	1a	329.82	372.23
(b) Capital work-in-progress	1a	30.30	17.88
(c) Right-of-use assets	1b	11.45	-
(d) Other Intangible assets	2	21.00	27.05
(e) Intangible assets under development	2	44.10	23.04
(f) Financial assets			
(i) Investments	3	782.37	282.38
(ii) Loans	4	0.05	0.03
(iii) Other financial assets	5	35.94	55.59
(g) Other non-current assets	6	69.12	58.46
II.Current assets		**1,134.20**	**1,590.54**
(a) Inventories	7	300.33	242.17
(b) Financial assets			
(i) Investments	8	319.04	711.21
(ii) Trade receivables	9	362.83	355.19
(iii) Cash and cash equivalents	10a	2.89	49.71
(iv) Bank balance other than (iii) above	10b	14.24	136.40
(v) Loans	11	0.03	0.13
(vi) Other financial assets	12	61.88	41.34
(c) Assets held for sale	13	0.12	2.17
(d) Other current assets	14	72.84	52.22
Total Assets		**2,458.35**	**2,427.20**
EQUITY AND LIABILITIES			
Equity		**1,830.24**	**1,775.12**
(a) Equity share capital	15	28.92	28.92
(b) Other equity			
Capital redemption reserve	16	0.20	0.20
General reserve	16	608.39	608.39
Retained earnings	16	1,192.73	1,137.61
Liabilities			
I. Non-current liabilities		**74.72**	**63.98**
(a) Financial liabilities			
Other financial liabilities	17	18.55	17.35
(b) Provisions	18	34.43	31.89
(c) Deferred tax liabilities (net)	19	5.16	6.35
(d) Other non-current liabilities	20	16.58	8.39
II.Current liabilities		**553.39**	**588.10**
(a) Financial liabilities			
(i) Borrowings	21	15.26	13.07
(ii) Trade and other payables	22		
a) total outstanding dues of micro enterprises and small enterprises		22.24	29.72
b) total outstanding dues of creditors other than micro enterprises and small enterprises		325.85	352.26
(iii) Lease liabilities	23	0.36	-
(iv) Other financial liabilities	24	51.81	60.52
(b) Other current liabilities	25	79.22	67.51
(c) Provisions	26	57.95	64.17
(d) Government grants	27	0.70	0.85
Total Equity and Liabilities		**2,458.35**	**2,427.20**
Significant accounting policies	39		

The accompanying notes are an integral part of the financial statements.

As per our attached report of even date

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695
Pune : 19 June 2020

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN:07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune : 19 June 2020

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Statement of Profit and Loss for the year ended 31 March 2020

₹ in Crs.

Particulars	Note No.	2019-20	2018-19
Income			
Revenue from operations	28	2,877.48	3,202.74
Other income	29	40.21	60.58
Total Income		**2,917.69**	**3,263.32**
Expenses			
Cost of raw materials and components consumed	30	1,302.98	1,444.10
Purchase of traded goods	31	598.75	618.70
Changes in inventories of finished goods, work-in-progress and traded goods	32	(27.76)	8.27
Employee benefits expense	33	217.81	215.73
Finance costs	34	3.82	3.59
Depreciation and amortisation expense	35	66.63	72.86
Other Expenses	36	555.63	568.17
Expense capitalised		(8.90)	(3.64)
Total expenses		**2,708.96**	**2,927.78**
Profit before exceptional items and tax		**208.73**	**335.54**
Exceptional Items [Income/(Expense)]	37	16.49	-
Profit before tax		**225.22**	**335.54**
Tax expense		**54.84**	**110.56**
Current tax	38	55.38	110.89
(Excess)/short provision related to earlier years		-	(0.11)
Deferred tax	38	(0.54)	(0.22)
Profit for the year		**170.38**	**224.98**
Other comprehensive income			
A. Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		**(1.94)**	**(0.03)**
Re-measurement gains / (losses) on defined benefit plans		(2.59)	(0.05)
Income tax effect on above		0.65	0.02
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (A)		**(1.94)**	**(0.03)**
Total other comprehensive income for the year, net of tax [A]		**(1.94)**	**(0.03)**
Total comprehensive income for the year		**168.44**	**224.95**
Earnings per equity share [nominal value per share ₹ 2/- (31 March 2019: ₹ 2/-)]			
Basic		11.78	15.56
Diluted		11.78	15.56
Significant accounting policies	39		

The accompanying notes are an integral part of the financial statements.

As per our attached report of even date

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695
Pune : 19 June 2020

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

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Managing Director
DIN:07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975
Pune : 19 June 2020

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Cash Flow Statement for the year ended 31 March 2020

₹ in Crs.

Particulars	2019-20	2018-19
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	**225.22**	**335.54**
Adjustments to reconcile profit before tax to net cash flows:		
Add:		
Depreciation and Amortisation	66.63	72.86
Inventories written down	3.19	1.18
Bad debts and irrecoverable balances written off	0.54	1.84
Provision for doubtful debts and advances (net) (Including expected credit loss)	7.62	1.23
Loss /(profit) on Revalorisation on Imports Payable	0.29	(0.25)
Finance costs	3.82	3.59
Amortisation of rent expenses	0.75	0.89
	82.84	**81.34**
Less:		
Net Gain on disposal of property, plant & Equipment	0.30	(0.94)
Profit/ (loss) on Revalorisation on Exports Receivable	2.75	(0.82)
Profit / (Loss) on sale of mutual fund investment at FVTPL (net)	24.03	49.45
Marked to Market gain on investments measured at FVTPL	0.17	1.74
Unwinding of interest on deposits & Government Grant (Subsidy receivable under PSI scheme, 2001)	2.80	0.89
Exceptional Items (Profit on sale of leasehold Property)	16.49	-
Sundry Credit Balances Appropriated	3.51	0.38
Provisions no longer required written back	3.03	2.50
Revenue from deferred EPCG income	0.15	-
Dividend Income	0.00	0.00
	53.23	**53.20**
Operating Profit before working capital changes	**254.83**	**363.68**
Working Capital Adjustments		
(Increase) / Decrease in Government Grant Receivable	6.19	(20.66)
(Increase) / Decrease in Trade and Other Receivables	133.53	(77.33)
(Increase) / Decrease in Inventories	(61.33)	21.24
Increase / (Decrease) in Trade and other Payables	(38.81)	(29.76)
Increase / (Decrease) in Provisions	1.13	6.32
	40.71	**(100.19)**
Net Cash generated from operations	**295.54**	**263.49**
Direct taxes paid (net of refunds)	(67.87)	(117.02)
NET CASH FLOW FROM OPERATING ACTIVITIES	**227.67**	**146.47**

₹ in Crs.

Particulars	2019-20	2018-19
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of PPE & other intangible assets including advance	0.36	27.58
Commission on sale of leasehold Property	(0.38)	-
Proceeds from Sale of mutual funds (Net)	416.39	14.37
Dividend received	0.00	0.00
Investment in subsidiary	(499.50)	(27.00)
Investment in other than subsidiary	(0.49)	-
Payments for Purchase of Property, Plant and Equipment	(75.58)	(73.50)
NET CASH GENERATED FROM INVESTING ACTIVITIES	**(159.20)**	**(58.55)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from bill discounting & borrowings	15.26	13.07
Finance Costs	(3.78)	(3.59)
Payment for lease liabilities	(0.38)	-
Repayment of borrowings	(13.07)	(16.50)
Final and Interim Dividend Paid	(94.00)	(72.31)
Tax on Final and Interim Dividend	(19.32)	(14.86)
NET CASH USED IN FINANCING ACTIVITY	**(115.29)**	**(94.19)**
Net increase / (decrease) in cash and cash equivalents	**(46.82)**	**(6.27)**
Opening Cash and Cash equivalents	**49.71**	**55.98**
Closing Cash and Cash equivalents (Refer Note 10a)	**2.89**	**49.71**

As per our attached report of even date

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 19 June 2020

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN:07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Pune : 19 June 2020

Statement of changes in Equity for the year ended 31 March 2020

A. Equity Share Capital (Note 15)

₹ in Crs.

Equity Shares of ₹ 2 each issued, subscribed and fully paid	No. of Shares	Amount
At 1 April 2018	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	-	-
At 31 March 2019	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	-	-
At 31 March 2020	**14,46,14,326**	**28.92**

B. Other Equity (Note 16)

₹ in Crs.

Particulars	Reserves and Surplus			Items of OCI		Total
	Capital Redemption Reserve	General Reserve	Retained Earnings	FVOCI reserve	Foreign currency translation reserve	
As at 1 April 2018	**0.20**	**608.39**	**999.83**	**-**	**-**	**1,608.42**
Profit for the year	-	-	224.98	-	-	224.98
Other comprehensive income for the year	-	-	(0.03)	-	-	(0.03)
Total Comprehensive income for the year	**-**	**-**	**224.95**	**-**	**-**	**224.95**
Final dividend for year ended 31 March 2018	-	-	(36.15)	-	-	(36.15)
Tax on final dividend for the year ended 31 March 2018	-	-	(7.43)	-	-	(7.43)
Interim dividend for year ended 31 March 2019	-	-	(36.16)	-	-	(36.16)
Tax on Interim dividend for the year ended 31 March 2019	-	-	(7.43)	-	-	(7.43)
At 31 March 2019	**0.20**	**608.39**	**1,137.61**	**-**	**-**	**1,746.20**
As at 1 April 2019	**0.20**	**608.39**	**1,137.61**	**-**	**-**	**1,746.20**
Profit for the year	-	-	170.38	-	-	170.38
Other comprehensive income for the year	-	-	(1.94)	-	-	(1.94)
Total Comprehensive income for the year	**-**	**-**	**168.44**	**-**	**-**	**168.44**
Final dividend for year ended 31 March 2019	-	-	(36.15)	-	-	(36.15)
Tax on final dividend for the year ended 31 March 2019	-	-	(7.43)	-	-	(7.43)
Interim dividend for year ended 31 March 2020	-	-	(57.85)	-	-	(57.85)
Tax on Interim dividend for the year ended 31 March 2020	-	-	(11.89)	-	-	(11.89)
As at 31 March 2020	**0.20**	**608.39**	**1,192.73**	**-**	**-**	**1,801.32**

Significant accounting policies 39

The accompanying notes are an integral part of the financial statements.

As per our attached report of even date

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 19 June 2020

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN:07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Pune : 19 June 2020

Notes to the Financial Statements

Note 1a : Property, Plant and Equipment

₹ in Crs.

Particulars	Land Leasehold	Buildings	Plant & Equipment*	Furniture & Fixture	Vehicles	Aircraft*	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
Gross Block											
As At 1st April 2018	**12.88**	**179.34**	**954.74**	**30.35**	**10.61**	**42.65**	**5.30**	**65.13**	**37.88**	**1,338.88**	**17.96**
Additions	-	17.53	32.55	0.22	0.18	-	0.32	4.25	2.25	57.30	57.22
Asset Held of Disposal	-	-	5.70	-	-	-	-	-	-	5.70	-
Deductions / Amortization	-	-	3.27	0.09	0.57	16.77	0.03	5.35	-	26.08	57.30
As At 31 Mar 2019	**12.88**	**196.87**	**978.32**	**30.48**	**10.22**	**25.88**	**5.59**	**64.03**	**40.13**	**1,364.40**	**17.88**
Additions	-	0.34	17.97	0.31	1.29	-	0.18	2.32	0.43	22.84	35.26
Reclassified on account of Adoption of Ind AS 116	12.88	-	-	-	-	-	-	-	-	12.88	-
Asset Held of Disposal	-	-	1.11	-	-	-	-	-	-	1.11	-
Deductions / Amortization	-	-	5.30	0.12	0.04	-	-	0.04	0.65	6.15	22.84
As At 31 Mar 2020	**-**	**197.21**	**989.88**	**30.67**	**11.47**	**25.88**	**5.77**	**66.31**	**39.91**	**1,367.10**	**30.30**
Depreciation											
Upto 1 April 2018	**1.50**	**46.83**	**772.72**	**16.83**	**7.79**	**25.68**	**4.60**	**54.08**	**25.93**	**955.96**	**-**
For the year	0.14	6.51	36.66	2.60	1.36	2.18	0.32	5.60	2.76	58.13	-
Asset Held of Disposal	-	-	5.46	-	-	-	-	-	-	5.46	-
Deductions / Amortization	-	-	3.25	0.09	0.57	7.17	0.03	5.35	-	16.46	-
As At 31 Mar 2019	**1.64**	**53.34**	**800.67**	**19.34**	**8.58**	**20.69**	**4.89**	**54.33**	**28.69**	**992.17**	**-**
For the year	-	7.05	34.17	2.48	1.16	1.69	0.28	4.24	2.62	53.69	-
Reclassified on account of Adoption of Ind AS 116	1.64	-	-	-	-	-	-	-	-	1.64	-
Asset Held of Disposal	-	-	1.11	-	-	-	-	-	-	1.11	-
Deductions / Amortization	-	-	5.04	0.12	0.04	-	-	0.04	0.59	5.83	-
As At 31 Mar 2020	**-**	**60.39**	**828.69**	**21.70**	**9.70**	**22.38**	**5.17**	**58.53**	**30.72**	**1,037.28**	**-**
Net Block											
As At 1st April 2018	**11.38**	**132.51**	**182.02**	**13.52**	**2.82**	**16.97**	**0.70**	**11.05**	**11.95**	**382.92**	**17.96**
As At 31 Mar 2019	**11.24**	**143.53**	**177.65**	**11.14**	**1.64**	**5.19**	**0.70**	**9.70**	**11.44**	**372.23**	**17.88**
As At 31 Mar 2020	**-**	**136.82**	**161.19**	**8.97**	**1.77**	**3.50**	**0.60**	**7.78**	**9.19**	**329.82**	**30.30**

Notes :

1. Gross block is at Cost.
2. For Depreciation and amortisation refer accounting policy (Note 39.4.3).
3. Capital work in progress: Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is Rs. 30.30 Crores (31 March, 2019: Rs 17.88 crores).
4. The company had adopted deemed cost exemption under IND AS 101, on transition date of 1 April 2015. The information of Gross block, and accumulated Depreciation as on 1 April 2015 is carried forward for disclosures.

5.* Includes certain assets provided on cancellable operating lease (Note 39.5.18)

6. 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 Crs.

Particulars	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block										
As At 1st April 2018	**-**	**-**	**94.75**	**5.30**	**-**	**-**	**0.13**	**1.68**	**3.53**	**105.39**
Additions	-	-	7.53	-	-	-	-	0.09	0.04	7.66
Inter transfers - Net	-	-	(0.78)	-	-	-	-	-	-	(0.78)
Asset Held of Disposal	-	-	5.02	-	-	-	-	-	-	5.02
Deductions / Amortization	-	-	0.08	0.01	-	-	-	-	-	0.09
As At 31 Mar 2019	**-**	**-**	**96.40**	**5.29**	**-**	**-**	**0.13**	**1.77**	**3.57**	**107.16**
Additions	-	-	3.70	-	-	-	-	0.04	-	3.74
Inter transfers - Net	-	-	(0.30)	-	-	-	-	-	-	(0.30)
Asset Held of Disposal	-	-	-	-	-	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-	-	-	-	-	-
As At 31 Mar 2020	**-**	**-**	**99.80**	**5.29**	**-**	**-**	**0.13**	**1.81**	**3.57**	**110.60**
Depreciation										
Upto 1 April 2018	-	-	47.69	1.89	-	-	0.11	1.37	1.35	52.41
For the year	-	-	7.37	0.68	-	-	-	0.18	0.38	8.61
Inter transfers - Net	-	-	(0.54)	-	-	-	-	-	-	(0.54)
Asset Held of Disposal	-	-	4.78	-	-	-	-	-	-	4.78
Deductions / Amortization	-	-	0.08	0.01	-	-	-	-	-	0.09
As At 31 Mar 2019	**-**	**-**	**49.66**	**2.56**	**-**	**-**	**0.11**	**1.55**	**1.73**	**55.61**
For the year	-	-	7.50	0.68	-	-	-	0.11	0.38	8.67
Inter transfers - Net	-	-	(0.30)	-	-	-	-	-	-	(0.30)
Asset Held of Disposal	-	-	-	-	-	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-	-	-	-	-	-
As At 31 Mar 2020	**-**	**-**	**56.86**	**3.24**	**-**	**-**	**0.11**	**1.66**	**2.11**	**63.98**
Net Block										
As At 1st April 2018	-	-	47.06	3.41	-	-	0.02	0.31	2.18	52.98
As At 31 Mar 2019	**-**	**-**	**46.74**	**2.73**	**-**	**-**	**0.02**	**0.22**	**1.84**	**51.55**
As At 31 Mar 2020	**-**	**-**	**42.94**	**2.05**	**-**	**-**	**0.02**	**0.15**	**1.46**	**46.62**

Notes to the Financial Statements

Note 1b : Right-of-use assets

₹ in Crs.

Particulars	Category of Right-of-use assets			Total
	Land	Building	Plant & Equipment	
Balance as on 1 April 2019 - on account of adoption of IND AS 116				
- Reclassified (refer to note 1a)	11.24	-	-	**11.24**
- Recognition	-	0.48	0.22	**0.70**
Depreciation	0.14	0.24	0.11	**0.49**
Balance as at 31 Mar 2020	**11.10**	**0.24**	**0.11**	**11.45**

1. The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.
2. Refer Note 39.5.18

Notes to the Financial Statements

Note 2 : Other Intangible assets

₹ in Crs.

Particulars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Intangibles under development
Gross Block						
As At 1 April 2018	**39.44**	**11.12**	**3.74**	**48.90**	**103.20**	**12.22**
Additions	1.77	0.61	-	-	2.38	13.20
Recoupment / Adjustment	-	-	-	-	-	-
Deductions	0.13	-	-	-	0.13	2.38
As At 31 Mar 2019	**41.08**	**11.73**	**3.74**	**48.90**	**105.45**	**23.04**
Additions	4.90	-	1.50	-	6.40	27.46
Recoupment / Adjustment	-	-	-	-	-	-
Deductions	-	-	-	-	-	6.40
As At 31 Mar 2020	**45.98**	**11.73**	**5.24**	**48.90**	**111.85**	**44.10**
Amortisation						
Upto 1 April 2018	**28.97**	**11.12**	**3.74**	**19.97**	**63.80**	**-**
For The Year	5.57	0.03	-	9.13	14.73	-
Recoupment / Adjustment	-	-	-	-	-	-
Deductions	0.13	-	-	-	0.13	-
As At 31 Mar 2019	**34.41**	**11.15**	**3.74**	**29.10**	**78.40**	**-**
For The Year	3.16	0.12	0.29	8.88	12.45	-
Recoupment / Adjustment	-	-	-	-	-	-
Deductions	-	-	-	-	-	-
As At 31 Mar 2020	**37.57**	**11.27**	**4.03**	**37.98**	**90.85**	**-**
Net Block						
As At 1 April 2018	**10.47**	**-**	**-**	**28.93**	**39.40**	**12.22**
As At 31 Mar 2019	**6.67**	**0.58**	**-**	**19.80**	**27.05**	**23.04**
As At 31 Mar 2020	**8.41**	**0.46**	**1.21**	**10.92**	**21.00**	**44.10**

Notes :

1. Intangible Assets are amortised on Straight Line method.
2. For Depreciation and amortisation refer accounting policy (Note 39.4.5).
3. Intangibles under development:

   Intangible assets under development comprise intangible assets not ready for the intended use on the date of the Balance Sheet. Total amount of Intangible assets under development is Rs. 44.10 Crores (31 March, 2019: 23.04 crores).
4. Note 2 of Other Intangible assets includes assets at Research & Development facility, the details of which are as under.

Notes to the Financial Statements

Other Intangible assets : Research and Development facility (Below figures are included in Note 2 : Other Intangible assets)

₹ in Crs.

Particulars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total
Gross Block					
As At 1 April 2018	**14.62**	**10.42**	**1.50**	**48.89**	**75.43**
Additions	0.82	0.61	-	-	1.43
Inter Transfers	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-
Deductions	0.13	-	-	-	0.13
As At 31 Mar 2019	**15.31**	**11.03**	**1.50**	**48.89**	**76.73**
Additions	0.25	-	1.50	-	1.75
Inter Transfers	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 Mar 2020	**15.56**	**11.03**	**3.00**	**48.89**	**78.48**
Amortisation					
Upto 1 April 2018	**10.01**	**10.42**	**1.50**	**19.98**	**41.91**
For The Year	1.65	0.03	-	9.13	10.81
Inter Transfers	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-
Deductions	0.13	-	-	-	0.13
As At 31 Mar 2019	**11.53**	**10.45**	**1.50**	**29.11**	**52.59**
For The Year	1.62	0.12	0.29	8.88	10.91
Inter Transfers	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 Mar 2020	**13.15**	**10.57**	**1.79**	**37.99**	**63.50**
Net Block					
As At 1 April 2018	**4.61**	**-**	**-**	**28.91**	**33.52**
As At 31 Mar 2019	**3.78**	**0.58**	**-**	**19.78**	**24.14**
As At 31 Mar 2020	**2.41**	**0.46**	**1.21**	**10.90**	**14.98**

Notes to the Financial Statements

Note 3 : Non-current investments

₹ in Crs

	Particulars	Par Value / Face Value Per Unit	As at 31 March 2020		As at 31 March 2019	
			Nos.	₹ in Crs	Nos.	₹ in Crs
(i)	**At Cost**					
	Investment					
	Investment In wholly owned Subsidiary					
	In Unquoted Equity Instruments					
	KOEL Americas Corp. - (Fully paid up)	0.001 $	50	1.59	50	1.59
	Arka Fincap Limited (earlier known as Kirloskar Capital Limited) - (Fully paid up)	10 ₹	52,65,00,000	526.50	2,70,00,000	27.00
	Investment In Subsidiary - Others					
	In Unquoted Equity Instruments					
	La-Gajjar Machineries Private Limited (LGM) fully paid up	10 ₹	8,17,760	253.78	8,17,760	253.78
(ii)	**At fair value through Other Comprehensive Income (FVOCI)**					
	In Unquoted Equity Instruments					
	Kirloskar Proprietary Limited - (Fully Paid up)	100 ₹	1	0.00	1	0.00
	S.L.Kirloskar CSR Foundation - (Fully paid up)	10 ₹	9,800	0.01	9,800	0.01
	Kirloskar Management Services Pvt Ltd (Fully paid up)	10 ₹	4,87,500	0.49	-	-
	Total			**782.37**		**282.38**

$: United States of America Dollar

Notes :

1. Aggregate amount of Unquoted Investments 782.37 282.38
2. Face value per unit in Rupees unless otherwise stated.
3. The Company has additionally invested Rs. 499.5 Crs in Arka Fincap Limited (earlier known as Kirloskar Capital Limited) during the FY 2019-20. (49,95,00,000 Shares of Rs. 10 each)
4. The Company has invested Rs. 0.49 Crs in Kirloskar Management Services Pvt Ltd during the FY 2019-20 (4,87,500 Shares of Rs. 10 each)
5. Refer Note 39.5.14 and 39.5.15 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments and for fair value hierarchy
6. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements

Note 4 : Loans (Non current)

₹. in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Loans to employees (unsecured, considered good)	0.05	0.03
Total	**0.05**	**0.03**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.
4. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.

Note 5 : Other financial assets (non current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Security deposits		
Unsecured, considered good	21.05	22.87
Doubtful	0.50	-
Less :Loss Allowance for doubtful deposits	(0.50)	-
Subsidy receivable under PSI scheme, 2001	14.66	32.47
Others	0.23	0.25
Total	**35.94**	**55.59**

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 31st 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 1st April 2008 to 31st March 2019 along with the extension of original operative period by 2 years and compliances thereof. The eligible receivables as on 31 March 2020, 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 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
4. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements

Note 6 : Other non-current assets

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Capital advances	9.62	4.22
Prepaid expenses	0.67	1.07
Tax paid in advance (net of provision)	58.28	53.17
Other Advances to suppliers	**0.55**	**-**
Unsecured, considered good	0.55	-
Doubtful	-	0.13
Less : Loss Allowance for doubtful advances	-	(0.13)
Total	**69.12**	**58.46**

Note 7 : Inventories

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Raw materials	**152.43**	**121.55**
Raw materials and components	150.94	119.23
Raw materials in transit	1.49	2.32
Work-in-progress	39.22	19.53
Finished goods	39.39	35.52
Traded goods	58.19	53.99
Stores and spares	11.10	11.58
Total	**300.33**	**242.17**

1. Write Downs of inventories to net realisable value amounted to Rs 3.19 Cr (31 March 2019 : Rs 1.18 Cr). These were recognised as an expense during the year.
2. Refer Note 21 for information on inventory hypothecation with bankers for the purpose of Working Capital facilities.
3. During the year the company has made the revision in its estimate for pecertage of write down of inventory. Change is recognised in this financial year by adjusting the effect to carrying value of inventory. The impact of change in estimate is not material on inventory as on 31st March 2020.

Notes to the Financial Statements

Note 8 : Current investments

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2020		As at 31 March 2019	
	In ₹	Nos.	₹ in Crs	Nos.	₹ in Crs
At fair value through Profit or Loss (FVTPL)					
Other Current Investment					
Investments In Mutual Funds					
LIQUID SCHEME - Growth Option					
Baroda Liquid Fund - Plan A Growth	1,000	-	-	93,694	20.04
Aditya Birla Sun Life Liquid Fund - Growth -Regular Plan	100	13,54,442	43.04	19,43,032	58.10
Aditya Birla Sun Life Money Manger Fund - Growth - Regular Plan	100	-	-	28,74,736	71.97
Aditya Birla Sun Life Money Manger Fund - Growth- Direct Plan	100	23,30,299	63.13	-	-
DSP Liquidity Fund - Regular Plan - Growth	1,000	-	-	1,28,272	34.10
Franklin India Liquid Fund - Super Institutional Plan	1,000	-	-	72,221	20.14
HDFC Money Market fund - Regular Plan - Growth	1,000	-	-	1,04,887	40.74
ICICI Prudential Liquid fund - Growth	100	-	-	18,18,036	50.07
ICICI Prudential Money Market Fund - Growth	100	-	-	27,78,763	71.92
ICICI Prudential Money Market Fund - Direct Plan - Growth	100	18,94,867	52.92	-	-
Invesco India Liquid Fund - Growth (LF-SG)	1,000	-	-	2,26,912	58.13
Kotak Liquid Regular Plan - Growth	1,000	-	-	1,32,672	50.05
Kotak Money Market Scheme - Growth (Regular Plan)	1,000	-	-	2,00,574	61.71
Kotak Money Market fund - Direct Plan - Growth (Erstwhile Kotak Floater ST)*	1,000	1,59,019	52.68	-	-
Reliance Liquid Fund - Growth Plan - Growth Option (LFIGG)	1,000	-	-	1,32,552	60.17
Nippon India Liquid Fund - Growth Plan - Growth Option (LFIGG)	1,000	97,629	47.08	-	-
SBI Liquid Fund Regular Growth	1,000	-	-	89,265	26.03
SBI Savings fund - Regular Plan - Growth	10	-	-	1,22,90,396	35.56
SBI Savings fund - Direct Plan - Growth	10	1,48,70,416	48.14	-	-
Sundaram Money Fund Regular Growth	10	-	-	64,84,520	25.44
Tata Liquid Fund Regular Plan - Growth	1,000	38,713	12.05	37,573	11.01
UTI Liquid Cash Plan - Regular Growth Plan	1,000	-	-	52,546	16.03
			319.04		**711.21**
Total			**319.04**		**711.21**

Notes :

1. Aggregate amount of Unquoted Investments 319.04 711.21
2. Face value per unit in Rupees unless otherwise stated.
3. Fair value disclosures for financial assets and liabilities are stated in Note 39.5.14 and fair value hierarchy disclosures for investment are stated in Note 39.5.15.
4. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements

Note 9 : Trade receivables

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Total Trade Receivables	**362.83**	**355.19**
Trade receivables [Refer note (1) below]	362.83	355.19
Break-up for security details:	**362.83**	**355.19**
Secured considered good	-	-
Unsecured considered good	362.83	355.19
Doubtful	24.31	19.45
Loss Allowance (for expected credit loss under simplified approach)	(24.31)	(19.45)
Total	**362.83**	**355.19**

Trade receivable which have significant increase in credit risk: Rs. Nil (PY 31 March 2019 Rs. Nil)

Trade receivable - credit impaired : Rs. Nil (PY 31 March 2019 Rs. Nil)

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 2020 Rs. 7.83 Crs. (31 March 2019 : Rs. 7.87 Crs.)
3. For related party receivables, refer Note 39.5.12
4. Movement of Loss Allowance (for expected credit loss under simplified approach)

Particulars	₹ in Crs.
At 1 April 2018	**18.14**
Allowance made/(reversed) during the year	2.60
written off	(1.29)
At 31 March 2019	**19.45**
Allowance made/(reversed) during the year	4.98
written off	(0.12)
At 31 March 2020	**24.31**

5. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
6. Refer Note 39.5.16 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.
7. The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, the Company has retained credit risks.

The Company therefore continues to recognise these assets in the entirety in its balance sheet. The amount repayable under this arrangement is presented as secured borrowings.

Notes to the Financial Statements

The relevant carrying amounts are as follows:

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Total transferred receivables w.r.t. Bills discounted	15.25	13.07
Related secured borrowings (Refer Note 21)	15.25	13.07

Note 10a : Cash and cash equivalents

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Balance with Bank		
Current accounts and debit balance in cash credit accounts	2.87	49.69
Cash on hand	0.02	0.02
Total	**2.89**	**49.71**

Note 10b : Other bank balances

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Unpaid dividend accounts	12.43	10.65
Deposits with original maturity of more than three months but less than 12 months	1.81	125.75
Total	**14.24**	**136.40**

1. Refer Note 39.5.16 for further details.
2. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.

Note 11 : Loans (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Loans to employees (unsecured, considered good)	0.03	0.13
Total	**0.03**	**0.13**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
4. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements

Note 12 : Other financial assets (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Security deposits (Unsecured, considered good)	5.52	0.05
Doubtful	0.44	-
Less : Loss Allowance for doubtful deposits	(0.44)	-
Subsidy receivable under PSI scheme, 2001 (Refer Note 5.1)	47.28	33.59
Export incentive receivable	6.01	5.22
Other Receivables	3.07	2.48
Total	**61.88**	**41.34**

1. Other financial assets are measured at amortised cost.
2. Other receivables due from private companies in which director of the company is , a director or a member as at 31 March 2020 Rs. 0.45 Crs. (31 March 2019 : Rs. NIL)
3. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
4. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

Note 13 : Assets held for sale (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Property, plant and equipment (net)	0.12	2.17
Total	**0.12**	**2.17**

1. Fair value hierarchy disclosures for Assets held for sale are in Note 39.5.15.
2. Property, plant and equipment classified as held for sale during the reporting period was measured at the lower of its carrying value and fair value less cost to sale at the time of reclassification, resulted in the recognition of write down in the statement of profit and loss account 31 March 2020 NIL (31 March 2019 : Rs 0.07 Crs). The fair value of property, plant and equipment was determined based on its estimated realisable value.

Note 14 : Other current assets

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Advance to suppliers	16.27	9.47
Sales tax / VAT / GST receivable	52.03	34.36
Prepaid expenses	4.38	8.33
Others	0.16	0.06
Total	**72.84**	**52.22**

Notes to the Financial Statements

Note 15 : Share capital

Authorised share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
At 1 April 2018	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2019	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2020	**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 Rs. 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.

Issued and subscribed share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
As at 1 April 2018	**14,46,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2019	**14,46,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2020	**14,46,14,326**	**28.92**

Subscribed and fully paid up

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
As at 1 April 2018	**14,46,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2019	**14,46,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2020	**14,46,13,861**	**28.92**

Notes to the Financial Statements

The Company has share suspense account which represents equity shares of Rs. 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 Crs.
As at 1 April 2018	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2019	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2020	**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 2020		As at 31 March 2019	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Atul Chandrakant Kirloskar	1,85,06,667	12.80	1,84,56,667	12.76
Rahul Chandrakant Kirloskar	1,77,82,902	12.30	1,77,32,902	12.26
Nalanda India Fund Limited	1,08,96,124	7.53	1,08,96,124	7.53
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
Jyotsna Gautam Kulkarni	1,29,85,432	8.98	1,29,85,432	8.98

2. Scheme of Arrangement and amalgamation

Hon’ble High Court of Judicature at Bombay vide its order dated 30 April 2015 had approved the Composite Scheme of Arrangement and Amalgamation (The Composite Scheme) between Kirloskar Brothers Investments Limited ('KBIL' - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited ('KOEL' - Transferee Company) and their respective shareholders and creditors under Sections 391 to 394 and other relevant Sections of the Companies Act, 1956, and the relevant Sections of the Companies Act, 2013, to the extent applicable. The said Scheme has been effective from 30 June 2015.

Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in the Company were cancelled on account of Cross holdings and same number of equity shares were allotted to the shareholders of KBIL on 14 July 2015. In view of the same there is no change in the paid-up capital of the Company pre and post the Composite Scheme.

Notes to the Financial Statements

Note 16 : Other Equity

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
CAPITAL REDEMPTION RESERVE	**0.20**	**0.20**
GENERAL RESERVE	**608.39**	**608.39**
RETAINED EARNINGS	**1,192.73**	**1,137.61**
Opening Balance	1,137.61	999.83
Add : Profit for the year	170.38	224.98
Add : Other Comprehensive income / (Loss)	(1.94)	(0.03)
	168.44	**224.95**
Less : Appropriations		
Final dividend	36.15	36.15
Tax on final dividend	7.43	7.43
Interim Dividend	57.85	36.16
Tax on Interim Dividend	11.89	7.43
	113.32	**87.17**
Total	**1,801.32**	**1,746.20**

Other reserves

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Capital redemption reserve	0.20	0.20
General reserve	608.39	608.39
Retained Earnings	1,192.73	1,137.61
Total other reserves	**1,801.32**	**1,746.20**

1. 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.
2. General reserve is created by setting aside amount from the Retained Earnings of the company for general purposes which is freely available for distribution.

Notes to the Financial Statements

3. Dividend distribution made and proposed

₹ in Crs.

Particulars	2019-20	2018-19
Cash dividends on Equity shares declared and paid		
Final dividend for the year ended 31 March 2019: Rs.2.5 per share	36.15	36.15
(31 March 2018: Rs 2.5 per share)		
Dividend distribution tax on final dividend	7.43	7.43
Interim dividend for year ended 31 March 2020: Rs 4 per share	57.85	36.16
(31 March 2019: Rs 2.5 per share)		
Dividend distribution tax on Interim dividend	11.89	7.43
	113.32	**87.17**
Proposed dividends on Equity shares		
Final cash dividend proposed for the year ended 31 March 2020:	-	36.15
(31 March 2019: Rs 2.5 per share)		
Dividend distribution tax on proposed dividend	-	7.43
	-	**43.58**

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 (including taxes thereon) as at 31 March.

Note 17 : Other financial liabilities (Non current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Deposits/ Retentions from customers and others	18.55	17.35
Total	**18.55**	**17.35**

1. Other financial liabilities are measured at amortised cost.
2. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
3. For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 39.5.16

Notes to the Financial Statements

Note 18 : Provisions (Non current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits	**24.59**	**20.92**
Provision for compensated absence	21.80	18.05
Provision for pension and other retirement benefits	2.79	2.87
Other provisions	**9.84**	**10.97**
Provision for warranty	9.84	10.97
Total	**34.43**	**31.89**

Refer Note 26 Provisions (Current) for additional disclosures.

Note 19: Deferred tax liabilities (net)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred Tax Liability	**22.87**	**29.14**
Depreciation	22.56	27.52
Others	0.31	1.62
Less : Deferred Tax Assets	**17.71**	**22.79**
Disallowances u/s 43 B of Income Tax Act	11.04	11.51
Provision for Doubtful debts & advances	6.12	6.80
VRS Compensation	-	0.74
Amalgamation/Demerger Expenses	-	2.62
Others	0.55	1.12
Total	**5.16**	**6.35**

1. Reconciliation of deferred tax assets / (liabilities), net

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Opening balance as of 1 April	**(6.35)**	**(6.59)**
Tax income/(expense) during the year recognised in profit or loss	0.54	0.22
Tax income/(expense) during the year recognised in OCI	0.65	0.02
Closing balance as at 31 March	**(5.16)**	**(6.35)**

Notes to the Financial Statements

2. **Tax Losses**

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Unused tax losses for which no Deferred Tax Assets have been recognised- Long Term capital loss on sale of Mutual Fund units	-	5.06
Potential Tax benefit	-	1.18

3. 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.

4. During the year ended 31 March 2020 and 31 March 2019, the Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Company believes that dividend distribution tax represents additional payment to taxation authority on behalf of the shareholders. Hence dividend distribution tax paid is charged to equity.

5. Refer Note no.38 for Income tax and deferred tax rate.

Note 20 : Other non current liabilities

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Advance from customers (Refer Note 39.5.9)	15.15	6.74
Revenue received in advance (Refer Note 39.5.9)	1.43	1.65
Total	**16.58**	**8.39**

Notes to the Financial Statements

Note 21 : Borrowings

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Interest bearing borrowings From Banks		
Loans : Export sales bill discounted	15.25	13.07
Cash credit	0.01	-
Total	**15.26**	**13.07**
Aggregate secured borrowings	**15.26**	**13.07**
Aggregate unsecured borrowings	-	-

1. Borrowings are measured at amortised cost.
2. Company's fund and non-fund based working capital facilities aggregating to Rs 410 Crs. are secured to the extent of Rs 410 Crs. 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).
3. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
4. For explanations on the company's Interest risk, foreign currency risk and liquidity risk management processes, refer to Note 39.5.16

Note 22 : Trade and other payables

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Acceptances	29.78	26.90
Due to micro, small and medium enterprises	22.24	29.72
Due to other than micro, small and medium enterprises	296.07	325.36
Total	**348.09**	**381.98**

1. Trade and other payables are measured at amortised cost.
2. For terms and conditions with related parties, refer to Note 39.5.12.
3. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
4. For explanations on the Company’s Foreign currency risk and liquidity risk management processes, refer to Note 39.5.16

Notes to the Financial Statements

Note 23 : Lease liabilities (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Lease Liabilities	0.36	-
Total	**0.36**	**-**

1. Lease liabilities are measured at amortised cost.
2. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
3. For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 39.5.16.

Note 24 : Other financial liabilities (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Deposits from customers	0.83	-
Unclaimed dividends	12.44	10.66
Payable for capital purchases	8.70	16.13
Employee benefits payable	22.81	27.93
Other Payables	7.03	5.80
Total	**51.81**	**60.52**

1. Other financial liabilities are measured at amortised cost.
2. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
3. For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 39.5.16.

Notes to the Financial Statements

Note 25 : Other Current liabilities (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Advance from customers (Refer Note 39.5.9)	55.49	28.86
Revenue received in advance (Refer Note 39.5.9)	18.39	12.60
Advance against asset held for sale	-	18.74
Statutory dues	5.27	7.24
Others	0.07	0.07
Total	**79.22**	**67.51**

Note 26: Provisions (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits	**10.80**	**11.25**
Provision for gratuity	0.10	-
Provision for compensated absence	10.30	10.82
Provision for pension and other retirement benefits	0.40	0.43
Others	**47.15**	**52.92**
Provision for warranty	31.91	29.90
Tax provision (Net of tax paid in advance)	-	7.39
Other Provision	15.24	15.63
Total	**57.95**	**64.17**

Refer Note 18 Provisions (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 39.5.10 for detailed disclosure.

2. **Breakup of others Provision**

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Non-current	9.84	10.97
Current	47.15	52.92
Total	**56.99**	**63.89**

3. **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.

Particulars	₹ in Crs.
At 1 April 2018	**37.63**
Arising during the year	44.51
Utilised	41.22
Unused amount reversed	0.05
At 31 March 2019	**40.87**
Arising during the year	42.00
Utilised	41.10
Unused amount reversed	0.02
At 31 March 2020	**41.75**

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 Rs 14.94 Crs. 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 Rs 7.47 Crs. 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 Rs 14.94 Crs. has been made.

Notes to the Financial Statements

c. Provision for stamp duty and liquidated damages has been made and same is disclosed as Short-term provision as under:

Particulars	₹ in Crs.
At 1 April 2018	**15.46**
Arising during the year	0.62
Utilised	0.41
Unused amount reversed	0.04
At 31 March 2019	**15.63**
Arising during the year	0.26
Utilised	0.44
Unused amount reversed	0.21
At 31 March 2020	**15.24**

Note 27 : Government grant

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Eligible incentives under Export Promotion Capital Goods Scheme	0.70	0.85
Total	**0.70**	**0.85**

Note :

1. The company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods. Refer Note 39.5.1 (b).

2. **Government grant**

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
As at 1 April	**0.85**	**0.85**
Availed during the year	-	-
Released to statement of profit and loss	(0.15)	-
As at 31 March	**0.70**	**0.85**

Notes to the Financial Statements

Note 28 : Revenue from operations

₹ in Crs.

Particulars	2019-20	2018-19
Sales and services	**2,840.57**	**3,117.19**
Sale of products	2,730.16	3,028.70
Sale of services	110.41	88.49
Other operating income	**36.91**	**85.55**
Sale of scrap	8.97	11.91
Government grant income (Refer Note 5.1)	-	51.52
Commission received	2.09	1.29
Export incentives	10.40	8.96
Sundry credit balances written back	3.51	0.38
Provisions no longer required written back	3.03	2.50
Miscellaneous receipts	8.91	8.99
Total	**2,877.48**	**3,202.74**

1. Export incentives includes incentive under EPCG scheme amounting to Rs 0.15 Crs (PY - NIL.)
2. Refer Note 39.3.1 & 39.4.18

Notes to the Financial Statements

Note 29 : Other income

₹ in Crs.

Particulars	2019-20	2018-19
Interest on income Tax and Sales Tax Refund	4.03	0.42
Interest income on financial assets measured at amortised cost		
(i) Bank Deposits	0.38	5.28
(ii) Unwinding of interest on security deposits	0.73	0.89
(iii) other financial assets	3.27	0.75
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	0.17	1.74
Gain on Sale of Mutual Fund measured at fair value through profit or loss	24.03	49.45
Net Gain/(loss) on disposal of property, plant & Equipment	0.30	(0.94)
Exchange gain/(loss) on translation of assets and liabilities	2.82	0.70
Rent income (Refer Note 29.2)	1.05	0.94
Miscellaneous income	3.43	1.35
Total	**40.21**	**60.58**

1. Fair value gain/(loss) on financial instruments at fair value through profit or loss relates to the gain/(loss) 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 39.3.1 ,39.4.11 & 39.5.18

Note 30 : Cost of raw materials and components consumed

₹ in Crs.

Particulars	2019-20	2018-19
Raw materials and components consumed	1,302.98	1,444.10
Total	**1,302.98**	**1,444.10**

Note 31 : Purchases of Traded goods

₹ in Crs.

Particulars	2019-20	2018-19
Engines and Gensets	205.89	149.61
K-Oil	109.66	115.20
Alternators, Batteries and Others	283.20	353.89
Total	**598.75**	**618.70**

Notes to the Financial Statements

Note 32 : Changes in inventories of finished goods, work-in-progress and traded goods

₹ in Crs.

Particulars	2019-20	2018-19
Opening inventory	**109.04**	**117.31**
Work-in-process	19.53	20.20
Finished goods	35.52	63.81
Traded goods	53.99	33.30
Closing Inventory	**136.80**	**109.04**
Work-in-process	39.22	19.53
Finished goods	39.39	35.52
Traded goods	58.19	53.99
(Increase)/decrease in inventory	**(27.76)**	**8.27**
Total	**(27.76)**	**8.27**

Note 33 : Employee benefits expense

₹ in Crs.

Particulars	2019-20	2018-19
Salaries, wages, bonus, commission, etc.	183.78	181.91
Gratuity (Refer Note 39.5.10)	3.96	3.71
Contribution to provident and other funds	12.58	11.22
Welfare and training expenses	17.11	18.55
Provident and other funds' expenses	0.38	0.34
Total	**217.81**	**215.73**

Note 34 : Finance costs

₹ in Crs.

Particulars	2019-20	2018-19
Interest & discounting charges	2.62	2.39
Interest on Lease Liability	0.05	-
Other Finance cost	1.15	1.20
Total	**3.82**	**3.59**

Notes to the Financial Statements

Note 35 : Depreciation and amortization expense

₹ in Crs.

Particulars	2019-20	2018-19
Depreciation and amortization expense	**66.63**	**72.86**
Depreciation on Tangible & ROU assets	54.18	58.13
Amortization on Intangible assets	12.45	14.73
Total	**66.63**	**72.86**

Note 36 : Other expenses

₹ in Crs.

Particulars	2019-20	2018-19
Manufacturing expenses	**228.91**	**231.01**
Stores consumed	57.38	69.01
Power and fuel	24.31	24.81
Machinery spares	6.74	8.77
Repairs to machinery	7.96	7.89
Job work charges	27.47	32.22
Labour charges	12.37	12.04
Cost of services	81.84	64.93
Other manufacturing expenses	10.84	11.34
Selling expenses	**163.54**	**159.83**
Commission	19.37	13.36
Freight and forwarding	69.49	74.44
Warranty	42.03	44.77
Royalty	6.98	7.59
Advertisement and publicity	14.16	14.85
Provision for doubtful debts and advances (net) (Including expected credit loss)	7.62	1.23
Others selling expenses	3.89	3.59
Administration expenses	**163.18**	**177.33**
Rent	32.30	37.03
Rates and taxes	2.17	2.76
Insurance	1.40	0.96
Repairs to building	1.79	1.80
Other repairs and maintenance	32.52	31.91
Travelling and conveyance	24.39	25.39
Communication expenses	3.99	4.42
Printing and stationery	1.27	1.60
Professional charges	41.58	43.51
Auditor's remuneration (Refer Note 39.5.6)	0.62	0.61
Donations	0.12	0.18
Spend on CSR activities (Refer Note 39.5.19)	5.49	4.59
Non Executive Directors' fees & commission	2.79	2.49
Miscellaneous expenses	12.21	18.24
Bad debts and irrecoverable balances written off	0.54	1.84
Total	**555.63**	**568.17**

Notes to the Financial Statements

Note 37 : Exceptional items

₹ in Crs.

Particulars	2019-20	2018-19
Profit on sale of leasehold Property	16.49	-
Total	**16.49**	**-**

During the year, the company has sold its leasehold property situated at Ahemednagar, which was classified as "assets held for sale" as at March 31, 2019. The net profit arising on sale of the same is Rs 16.49 Cr.

Note 38 : Income tax

The note below details the major components of income tax expenses for the year ended 31 March 2020 and 31 March 2019. The note further describes the significant estimates made in relation to company's income tax position, and also explains how the income tax expense is impacted by non-assessable and non-deductible items.

₹ in Crs.

Particulars	2019-20	2018-19
Current tax	**55.38**	**110.78**
Current income tax	55.38	110.89
MAT credit utilised	-	-
(Excess)/short provision related to earlier years	-	(0.11)
Deferred tax	**(0.54)**	**(0.22)**
Relating to origination and reversal or temporary difference	(0.54)	(0.22)
Income tax expense reported in the statement of profit and loss	**54.84**	**110.56**

Other Comprehensive Income (OCI)

₹ in Crs.

Particulars	2019-20	2018-19
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	(0.65)	(0.02)
Deferred tax charged to OCI	**(0.65)**	**(0.02)**

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 2020 and 31 March 2019.

Notes to the Financial Statements

Current tax

₹ in Crs.

Particulars	**2019-20**	**2018-19**
Accounting profit before income tax expense	225.22	335.54
Tax @ 25.168% (31 March 2019 : 34.944%)	**56.68**	**117.25**
Tax effect of adjustments in calculating taxable income:	**(1.84)**	**(6.69)**
Corporate Social Responsibility expenses/Donations	0.77	0.89
Other Disallowances/(allowances)	0.48	1.87
Debit Balances written Off	0.78	0.17
Interest on MSMED	0.01	0.02
Dividend	-	(0.00)
Weighted Deduction of research & development expenditure (net)	-	(9.53)
Deferred tax Impact due to rate change on opening liability	(1.78)	-
Permanent Allowance against capital gain on sale of land including difference in tax rates	(2.10)	-
(Excess)/short provision related to earlier years	-	(0.11)
At the effective income tax rate of 24.35 % (31 March 2019 : 32.95%)	**54.84**	**110.56**

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 concessional rate of 22% plus applicable surcharge and cess. This new rate is available only if company forgoes certain exemptions and deductions. Since this new rate is beneficial, company has adopted the new tax rate of 25.168% (i.e.22% including surcharge and cess) for computing Income tax & deferred Tax for year ended 31st Mar, 2020 (the rate for 31st March 2019 was 34.944%)

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

1 Corporate Information

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

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

2 Basis of preparation of Financial Statements

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

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

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

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

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

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

3 Significant accounting judgements, estimates and assumptions

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

3.1 Judgements

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

Government grant

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

Leases

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

Revenue Recognition

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

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

3.2 Estimates and assumptions

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

Defined benefit plans

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

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

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

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

Development costs

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

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

Warranty

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

Deferred Tax

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

Business combinations

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

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

Uncertainty relating to Global health pandemic on COVID-19

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

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

4 Significant Accounting Policies

4.1 Current Vs. Non Current Classification

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

An asset is treated as current when it is:

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

b. Held primarily for the purpose of trading

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

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

All other assets are classified as non - current.

A liability is current when it is:

a. Expected to be settled in normal operating cycle

b. Held primarily for the purpose of trading

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

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

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

The Company classifies all other liabilities as non-current.

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

4.2. Fair value measurement

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

- In the principal market for the asset or liability

  Or

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

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

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

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

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

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

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

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

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

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

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

4.3 Property , Plant and Equipment

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

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

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

Depreciation and Amortization

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

Asset Category	Life in Years	Basis for useful life
Factory Buildings	30	Life as prescribed under Schedule-II of Companies Act, 2013
Building- Non Factory		
RCC Frame Structure	60	
*Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
Building – Roads		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	
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 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 Companies Act, 2013
End user devices, such as, desktops, laptops, etc.	3	

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

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

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

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

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

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

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

4.4 Investment properties

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

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

Depreciation & Amortisation

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

<table>
<tr><th>Asset Category</th><th>Life in Years</th><th>Basis for charging Depreciation</th></tr>
<tr><td>Factory Buildings</td><td>30</td><td rowspan="9">Life as prescribed under Schedule-II of Companies Act, 2013</td></tr>
<tr><td>Building- Non Factory</td><td></td></tr>
<tr><td>RCC Frame Structure</td><td>60</td></tr>
<tr><td>Other than RCC Frame Structure</td><td>30</td></tr>
<tr><td>Fence, Wells, Tube wells</td><td>5</td></tr>
<tr><td>Building - Roads</td><td></td></tr>
<tr><td>Carpeted Roads- RCC</td><td>10</td></tr>
<tr><td>Carpeted Roads- Other than RCC</td><td>5</td></tr>
<tr><td>Non Carpeted Roads</td><td>3</td></tr>
</table>

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

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

4.5 Intangible Assets

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

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

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

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

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

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

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

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

4.6. Borrowing Cost

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

4.7. Impairment of Non Financial Assets

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

4.8 Financial instruments – initial recognition and subsequent measurement

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

a. Financial assets

i Initial recognition and measurement of financial assets

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

ii Subsequent measurement of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

Equity Instrument :

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

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

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

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

iii Derecognition of financial assets

A financial asset is derecognised when:

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

  or

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

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

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

iv Reclassification of financial assets

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

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

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

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

v **Impairment of financial assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. Financial Liabilities

i Initial recognition and measurement of financial liabilities

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

ii **Subsequent measurement of financial liabilities**

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

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

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

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

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

- **Loans and Borrowings at amortised Cost**

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

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

iii **Derecognition of financial liabilities**

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

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

iv Offsetting of financial instruments

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

4.9 Derivatives

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

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

4.10 Foreign Currency Transactions

a Initial Recognition

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

b Conversion

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

c Exchange Differences

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

4.11 Leases

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

a Where the Company is a lessee

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

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

Right-of-use assets:

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

Lease Liability

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

Lease Modification

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

b Where the Company is a lessor

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

4.12 Inventories

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

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

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

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

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

4.13 Cash and cash equivalents

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

4.14 Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

Sales tax / GST

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

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

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

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

4.15 Non-Current Assets held for sale and Discontinuing operations

a Non-Current Assets held for sale

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

b Discontinuing operations

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

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

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

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

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

OR

iii Is a subsidiary acquired exclusively with a view to resale

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

4.16 Employee Benefits

a Short Term Employee Benefits

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

b Post-Employment Benefits

i Defined contribution plan

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

ii Defined benefit plan

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

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

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

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

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

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

c Other long term employment benefits:

The employee's long term compensated absences are Company's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on a net basis.

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

d Termination Benefits:

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

4.17 Provisions, Contingencies and Commitments

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

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

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

4.18 Revenue Recognition

Revenue from operations

a Sale of Goods & services:

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

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

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

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

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

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

b **Contract Balances**

Contract assets

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

Trade receivables

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

Contract liabilities

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

Other Income

a **Interest Income from a Financial Assets**

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

b **Dividend Income**

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

c **Others**

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

4.19 Exceptional items

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

4.20 Government Grant

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

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

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

a **Export Incentives**

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

b. **Industrial Promotion Subsidy**

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

c. **Export Promotion Capital Goods**

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

4.21 Cash dividend

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

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

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

4.22 Earnings Per Share

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

4.23 Cash Flow Statement

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

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

4.24 Segment Reporting

a Identification of Segments

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

b Allocation of common costs

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

c Unallocated items

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

5 Additional Notes to the Financial Statements

5.1 Contingent Liabilities

₹ in Crs.

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

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

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

5.5 Commitment w.r.t. Acquisitions

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

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

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

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

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

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

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

₹ in Crs.

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

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

5.9 **Revenue Recognition**

a **Disaggregation of Revenue**

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

₹ in Crs.

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

b **Revenue recognised in relation to contract liabilities**

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

c **Information About Performance Obligation**

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

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

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

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

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

iii The company provides to its customers warranties in the forms of Repairs or Replacement warranty under its standard terms and recognizes it as Warranty Provision as per Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets d **Unsatisfied Performance Obligations as at the end of reporting period:**

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

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

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

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

₹ in Crs.

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

5.10. Disclosure pursuant to Employee benefits:

A. Defined contribution plans:

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

B. Defined benefit plans:

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

(a) Gratuity

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

March 31, 2020 : Changes in defined benefit obligation and plan assets

₹ In Crs

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

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

₹ In Crs

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

C. Other long-term employment benefits

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

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

₹ In Crs.

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

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

₹ In Crs.

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

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

₹ In Crs.

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

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

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

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

Gratuity

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

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

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

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

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

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

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

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

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

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

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

Risk Exposure

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

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

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

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

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

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

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

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

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

Funding policy:

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

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

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

a Description of Related Parties

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

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

ii Key Management Personnel and their relatives:

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

b Transactions with Related Parties

₹ in Crs.

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

₹ in Crs.

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

₹ in Crs.

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

₹ in Crs.

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

₹ in Crs.

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

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

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

Terms and conditions of transactions with related parties

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

Commitments with related parties

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

Transactions with key management personnel

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

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

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

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

5.13 Earnings Per Share (Basic and Diluted)

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

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

5.14 Fair value disclosures for financial assets and financial liabilities

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

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

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

5.15 Fair Value Measurement hierarchy

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

₹ In Crs.

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

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

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

5.16 Financial instruments risk management objectives and policies

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

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

a. Market risk

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

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

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

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

Interest rate risk

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

Foreign currency risk

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

Amounts in Foreign Currencies in 000's

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

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

Foreign currency sensitivity

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

₹ in Crs.

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

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

Commodity price risk

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

Other Price Risk

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

b. **Credit risk**

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

Trade receivables

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

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

Financial instruments and cash deposits

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

c. **Liquidity risk**

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

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

Excessive risk concentration

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

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

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

₹ in Crs.

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

5.17 Capital management

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

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

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

5.18 Leases

a Lessee Accounting

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

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

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

₹ in Crs.

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

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

₹ in Crs.

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

b. **Lessor Accounting**

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

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

₹ in Crs.

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

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

Maturity analysis of lease payments

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

₹ in Crs.

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

5.19 Expenditure on CSR Activities

₹ in Crs.

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

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

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

40 (Net Debt)/Surplus Reconciliation

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

₹ In Crs.

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

₹ In Crs.

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

41 Standard issued but not effective

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

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

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

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

Form AOC-1

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

₹ in Crs.

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

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

a **Subsidiary Company**

KOEL Americas Corp.

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

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

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

b La-Gajjar Machineries Private Limited

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To The Members of **Kirloskar Oil Engines Limited**

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

Opinion

We have audited the accompanying consolidated Ind AS Financial Statements of Kirloskar Oil Engines Limited (hereinafter referred to as the "Holding Company"), KOEL Americas Corporation ("the subsidiary"), La - Gajjar Machineries Private Limited ("the subsidiary") and Arka Fincap Limited (formerly known as Kirloskar Capital Limited) ("the subsidiary"), (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated Balance Sheet as at March 31, 2020, and the consolidated statement of Profit and Loss (including Other Comprehensive Income), the consolidated statement of Changes in Equity and the consolidated statement of Cash Flows for the year then ended, and notes to the consolidated Ind AS Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Ind AS 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 auditor on separate Financial Statements and on the other financial information of the subsidiary, the aforesaid consolidated Ind AS Financial Statements give the information required by the Companies Act, 2013, as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, their consolidated profit (including other comprehensive Income), consolidated changes in equity and their consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit of consolidated Ind AS Financial Statements in accordance with the Standards on Auditing (SAs) as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the consolidated Ind AS 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 Ind AS Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

Emphasis of Matter

We draw your attention to Note No. 44.3.2 to the consolidated Ind AS financial statements, which describes uncertainty of impact due to COVID-19 pandemic on Group's financial performance, which is dependent on future developments.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Revenue Recognition

During the financial year the Group has recognised revenue from contracts with customers for sale of goods and services of Rs. 3,330.84 Crores (Refer Note 33 of consolidated financial statements). Revenue is recognised as per revenue recognition policy described in Note 44.4.18.

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 Group 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.
- 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.

Goodwill impairment assessment:

The Group carries goodwill of Rs. 184.50 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 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.

(Refer notes 44.3.2 and 44.5.26 to the consolidated Ind AS financial statements)

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 methodology included the following:

- 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 cash flows.
- Evaluated reasonableness of assumptions and methodologies used by the Group and external experts appointed by the Group.
- Analysed 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 analysed the adequacy and appropriateness of disclosures required as per Ind AS 36-Impairment of Assets.

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 Ind AS Financial Statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated Ind AS Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS 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 (including other comprehensive Income), 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 Ind AS 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 Ind AS Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS 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 Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal 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 Ind AS financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Ind AS Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS Financial Statements, including the disclosures, and whether the consolidated Ind AS 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 Ind AS 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 Ind AS Financial Statements of which we are the independent auditors. For the other entity included in the Consolidated Ind AS 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 Ind AS 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 Ind AS Financial Statements for the financial year ended March 31, 2020 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

We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of Rs 617.47 Crores and net assets of Rs 529.29 Crores as at March 31, 2020, total revenue of Rs. 48.44 Crores, net profit of Rs 6.10 Crores and net cash flows amounting to Rs 112.84 Crores for the year ended on that date, as considered in the consolidated Ind AS 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 Ind AS Financial Statements insofar as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiary is based solely on the report of the other auditor.

We did not audit the financial statements/financial information of one subsidiary whose financial statements/ financial information reflect total assets of Rs 11.94 Crores and net assets of Rs 4.52 Crores as at March 31, 2020, total revenue of Rs. 19.21 Crores, net profit of Rs 1.04 Crores and net cash flows amounting to Rs 1.33 Crores for the year ended on that date, as considered in the consolidated Ind AS financial statements. These financial statements/ financial information is unaudited and have been furnished to us by the Management, and our opinion on the consolidated Ind AS Financial Statements insofar as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiary is based solely on such unaudited financial statements/ financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements/ financial information is not material to the Group.

Our opinion on the consolidated Ind AS 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 auditor and the financial statements/ financial information 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 report of the other auditor on separate financial statements and the other financial information of subsidiary as noted in the 'other matters' paragraph we report, to the extent applicable, that:

    a) We/the other auditor whose report we have relied upon 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 Ind AS financial statements.

    b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS 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 Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.

    d) In our opinion, the aforesaid consolidated Ind AS 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 March 31, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, incorporated in India, none of the directors of the Group companies, incorporated in India is disqualified as on March 31, 2020 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 Ind AS financial statements of the Holding Company and its Subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”.

g) As required by section 197 (16) of the Act; in our opinion and according to the information and explanations given to us and based on the reports of the statutory auditors of such subsidiary company incorporated in India which was not audited by us, the remuneration paid/provided for during the current year by the Holding Company, its subsidiary company to its directors is in accordance with the provisions of section 197 of the Act. The remuneration paid to any director by the Holding Company and its subsidiary companies is not in excess of the limit laid down under 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 auditor on separate financial statements as also the other financial information of the subsidiary, as noted in the ‘other matter’ paragraph:

(i) The consolidated Ind AS financial statements disclose the impact, of pending litigations as at March 31, 2020 on the consolidated financial position of the Group, refer Note 44.5.1 to the consolidated Ind AS financial statements.;

(ii) The Group did not have any long-term contracts including derivative contracts as at March 31, 2020.

(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 subsidiary companies incorporated in India during the year ended March 31, 2020.

FOR **M/s. P. G. Bhagwat**
Firm Registration Number : 101118W
Chartered Accountants

Sd/-
Nachiket Deo
Partner
Membership Number: 117695
UDIN: 20117695AAAAAS2427

Pune
June 19, 2020

Annexure A to the Independent Auditor's Report of even date on the Consolidated Ind AS Financial Statements of Kirloskar Oil Engines Limited.

Report on the Internal Financial Controls with reference to Consolidated Ind AS Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to Consolidated Ind AS Financial Statements of Kirloskar Oil Engines Limited ("the Holding Company") and its subsidiary companies incorporated in India as of March 31, 2020 in conjunction with our audit of the Consolidated Ind AS Financial Statements of the Holding Company and its subsidiary companies incorporated in India and for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary companies 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 Ind AS financial statements of the Holding company and its subsidiary companies 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 Ind AS 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 Ind AS financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of internal financial controls with reference to consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated Ind AS 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 Ind AS 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 Ind AS financial statements.

Meaning of Internal Financial Controls over financial reporting with reference to consolidated Ind AS financial statements

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

Inherent Limitations of Internal Financial Controls over financial reporting with reference to consolidated Ind AS financial statements

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

Opinion

In our opinion, the Holding company and its subsidiary companies incorporated in India, have, in all material respects, adequate internal financial controls with reference to consolidated Ind AS financial statements and such internal financial controls were operating effectively as at March 31, 2020, 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 Matters

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 Ind AS financial statements of the Holding Company, insofar as it relates to its one subsidiary company incorporated in India, is based on the corresponding report of the auditors of such subsidiary incorporated in India.

FOR **M/s. P. G. Bhagwat**
Firm Registration Number : 101118W
Chartered Accountants

Sd/-
Nachiket Deo
Partner
Membership Number: 117695
UDIN: 20117695AAAAAS2427

Pune
Date: June 19, 2020

Consolidated Balance Sheet as at 31 March 2020

₹ in Crs.

Particulars	Note No.	As at 31 March 2020	As at 31 March 2019
ASSETS			
I. Non-current assets		**1,082.19**	**842.18**
(a) Property, plant and equipment	1a	352.32	399.84
(b) Capital work-in-progress	1a	30.32	17.89
(c) Right-of-use assets	1b	24.94	-
(d) Goodwill	2	184.50	184.50
(e) Other Intangible assets	2	61.02	78.95
(f) Intangible assets under development	2	47.45	23.03
(g) Financial assets			
(i) Investments	3	74.33	0.01
(ii) Receivables of Financial Service Business	4	181.13	-
(iii) Loans	5	0.28	0.33
(iv) Other financial assets	6	49.22	70.92
(h) Deferred tax assets (net)	24 (a)	3.02	6.75
(i) Other non-current assets	7	73.66	59.96
II.Current assets		**1,679.70**	**1,759.96**
(a) Inventories	8	405.77	309.58
(b) Financial assets			
(i) Investments	9	358.29	711.21
(ii) Trade receivables	10	412.10	407.58
(iii) Cash and cash equivalents	11a	128.34	61.74
(iv) Bank balance other than (iii) above	11b	14.25	136.63
(v) Receivables of Financial Service Business	12	180.75	-
(vi) Loans	13	0.26	0.19
(vii) Other financial assets	14	63.42	44.30
(c) Assets held for sale	15	0.12	2.17
(d) Current tax assets (net)	16	0.64	1.66
(e) Other current assets	17	115.76	84.90
Total Assets		**2,761.89**	**2,602.14**
EQUITY AND LIABILITIES			
Equity		**1,745.16**	**1,698.58**
(a) Equity share capital	18	28.92	28.92
(b) Other equity			
Capital redemption reserve	19	0.20	0.20
General reserve	19	608.39	608.39
Statutory Reserve	19	1.22	-
Employee stock option reserve	19	4.72	-
Retained earnings	19	1,101.40	1,060.81
Reserves representing unrealised gains/ losses	19	0.31	0.26
Equity attributable to equity holders of the parent		**1,745.16**	**1,698.58**
Non-controlling interests	19	-	-
Liabilities			
I. Non-current liabilities		**268.73**	**181.58**
(a) Financial liabilities			
(i) Borrowings	20	64.44	16.69
(ii) Lease Liabilities	21	7.51	-
(iii) Other financial liabilities	22	129.33	98.16
(b) Provisions	23	35.73	32.91
(c) Deferred tax liabilities (net)	24 (b)	15.14	25.43
(d) Other non-current liabilities	25	16.58	8.39
II.Current liabilities		**748.00**	**721.98**
(a) Financial liabilities			
(i) Borrowings	26	84.92	64.78
(ii) Trade and other payables	27		
a) total outstanding dues of micro enterprises and small enterprises		55.96	56.37
b) total outstanding dues of creditors other than micro enterprises and small enterprises		357.61	383.03
(iii) Lease Liabilities	28	2.37	-
(iv) Other financial liabilities	29	90.29	71.96
(b) Other current liabilities	30	87.11	70.92
(c) Provisions	31	69.04	74.07
(d) Government grants	32	0.70	0.85
Total Equity and Liabilities		**2,761.89**	**2,602.14**
Significant accounting policies	44		

The accompanying notes are an integral part of the financial statements.

As per our attached report of even date

For and on behalf of the board of directors

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN:07869394

NACHIKET DEO
Partner
Membership Number : 117695

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Pune : 19 June 2020

Pune : 19 June 2020

Consolidated Statement of Profit and Loss for the year ended 31 March 2020

₹ in Crs.

Particulars	Note No.	2019-20	2018-19
Income			
Revenue from operations	33	3,379.45	3,626.39
Other income	34	42.51	65.13
Total Income		**3,421.96**	**3,691.52**
Expenses			
Cost of raw materials and components consumed	35	1,576.92	1,673.73
Purchase of traded goods	36	625.51	632.89
Changes in inventories of finished goods, work-in-progress and traded goods	37	(60.25)	22.24
Employee benefits expense	38	270.37	242.91
Finance costs	39	14.21	12.97
Depreciation and amortisation expense	40	87.34	94.40
Other Expenses	41	688.51	684.56
Expense capitalised		(8.90)	(3.64)
Total expenses		**3,193.71**	**3,360.06**
Profit before exceptional items and tax		**228.25**	**331.46**
Exceptional Items [Income/(Expense)]	42	16.49	-
Profit before tax		**244.74**	**331.46**
Tax expense		**56.85**	**111.84**
Current tax	43	65.08	115.24
MAT credit		-	(1.92)
(Excess)/short provision related to earlier years		(0.48)	(0.11)
Deferred tax	43	(7.75)	(1.37)
Profit for the year		**187.89**	**219.62**
Other comprehensive income			
A. Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences in translating the financial statements of a foreign operation	19	0.05	0.16
Income tax effect		-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods (A)		**0.05**	**0.16**
B. Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		**(2.19)**	**0.01**
Re-measurement gains / (losses) on defined benefit plans		(2.92)	0.01
Income tax effect on above		0.73	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (B)		(2.19)	0.01
Total other comprehensive income for the year, net of tax [A+B]		**(2.14)**	**0.17**
Total comprehensive income for the year		**185.75**	**219.79**
Profit for the year attributable to:			
Owners of the Company		185.18	219.17
Non-controlling interest		2.71	0.45
		187.89	**219.62**
Other comprehensive income attributable to:			
Owners of the Company		(2.09)	0.16
Non-controlling interest		(0.05)	0.01
		(2.14)	**0.17**
Total comprehensive income attributable to:			
Owners of the Company		183.09	219.33
Non-controlling interest		2.66	0.46
		185.75	**219.79**
Earnings per equity share [nominal value per share ₹ 2/- (31 March 2019: ₹ 2/-)]			
Basic		12.81	15.16
Diluted		12.81	15.16
Significant accounting policies	44		

The accompanying notes are an integral part of the financial statements.

As per our attached report of even date

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 19 June 2020

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN:07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Pune : 19 June 2020

Statement of Consolidated Cash Flow the year ended 31 March 2020

₹ in Crs.

Particulars	2019-20	2018-19
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	**244.74**	**331.46**
Adjustments to reconcile profit before tax to net cash flows:		
Add:		
Depreciation and Amortisation	87.34	94.40
Net Loss on disposal of property, plant & Equipment	2.77	1.96
Inventories written down	5.94	3.74
Bad debts and irrecoverable balances written off	2.93	2.09
Provision for doubtful debts and advances (net) (Including expected credit loss)	6.89	1.99
Loss on Revalorisation on Imports Payable	0.30	(0.23)
Loss on Revalorisation on Forex Loans	1.17	-
Provisions for share based payments	4.72	-
Unrealised Exchange Differences in translating the financial statements of a foreign operation	0.05	0.16
Finance cost	14.21	12.97
Amortisation of rent expenses	1.42	2.03
	127.74	**119.11**
Less:		
Profit on Revalorisation on Exports Receivable	3.81	(0.41)
Amortised discount income on commercial paper	7.42	-
Interest received on debt instrument	5.40	-
Profit / (Loss) on sale of mutual fund investment at FVTPL (net)	24.03	49.45
Marked to Market gain on investments measured at FVTPL including of financial service business	0.25	1.74
Unwinding of interest on deposits & Government Grant (Subsidy receivable under PSI scheme, 2001)	3.93	1.99
Exceptional Items (Profit on sale of leasehold Property)	16.49	-
Sundry Credit Balances Appropriated	3.70	0.61
Provisions no longer required written back	3.52	4.44
Revenue from deferred EPCG income	0.15	-
Dividend received	0.00	0.00
	68.70	**57.82**
Operating Profit before working capital changes	**303.78**	**392.75**
Working Capital Adjustments		
(Increase) / Decrease in Government Grant Receivables	6.19	(20.64)
(Increase) / Decrease in Trade and Other Receivables	129.78	(51.48)
(Increase) / Decrease in Receivables of Financial Service Business	(363.14)	-
(Increase) / Decrease in Inventories	(102.13)	31.25
Increase / (Decrease) in Trade and other Payables	(24.14)	(45.87)
Increase / (Decrease) in Provisions	2.79	7.00
	(350.65)	**(79.74)**
Net Cash generated from operations	**(46.87)**	**313.01**
Direct taxes paid (net of refunds)	(77.30)	(121.20)
NET CASH FLOW FROM OPERATING ACTIVITIES	**(124.17)**	**191.81**

₹ in Crs.

Particulars	2019-20	2018-19
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of PPE & other intangible assets including advance	1.07	28.09
Commission on sale of leasehold Property	(0.38)	-
Proceeds from Sale of Investments (Net)	310.80	15.22
Interest received on debt instrument	5.24	-
Dividend received	0.00	0.00
Investment in equity instrument of other than subsidiary companies	(0.49)	-
Payments for Purchase of Property, Plant and Equipment	(82.89)	(81.16)
NET CASH GENERATED FROM INVESTING ACTIVITIES	233.35	(37.85)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment for lease liabilities	(3.10)	-
Finance cost	(13.35)	(13.66)
Proceeds/(Repayment) bill discounting & borrowings (Net)	87.69	(51.92)
Stamp duty paid on right issue by subsidiary company (Arka Fincap Limited)	(0.50)	-
Final and Interim Dividend Paid	(94.00)	(72.31)
Tax on Final and Interim Dividend	(19.32)	(14.86)
NET CASH USED IN FINANCING ACTIVITY	(42.58)	(152.75)
Net increase / (decrease) in cash and cash equivalents	**66.60**	**1.21**
Opening Cash and Cash equivalents	**61.74**	**60.53**
Closing Cash and Cash equivalents (Refer Note 11a)	**128.34**	**61.74**

Refer Note No 45

As per our attached report of even date

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 19 June 2020

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN:07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Pune : 19 June 2020

Statement of changes in Equity for the year ended 31 March 2020

A. Equity Share Capital (Note 18)

₹ in Crs.

Equity Shares of ₹ 2 each issued, subscribed and fully paid	No. of Shares	Amount
At 1 April 2018	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	-	-
At 31 March 2019	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	-	-
As at 31 Mar 2020	**14,46,14,326**	**28.92**

B. Other Equity (Note 19)

₹ in Crs.

Particulars	Attributable to the owners of the Company							Non-controlling interests	Total equity
	Reserves and Surplus					Items of OCI	Total		
	Capital Redemption Reserve	General Reserve	Statutory Reserve	Employee Stock Option Reserve	Retained Earnings	Foreign currency translation reserve			
At 1 April 2018	**0.20**	**608.39**	-	-	**937.84**	**0.10**	**1,546.53**	-	**1,546.53**
Profit for the year	-	-	-	-	219.17	-	219.17	0.45	219.62
Other comprehensive income for the year	-	-	-	-	0.00	0.16	0.16	0.01	0.17
Total Comprehensive income for the year	-	-	-	-	**219.17**	**0.16**	**219.33**	**0.46**	**219.79**
Final dividend for year ended 31 March 2018	-	-	-	-	(36.15)	-	(36.15)	-	(36.15)
Tax on final dividend for the year ended 31 March 2018	-	-	-	-	(7.43)	-	(7.43)	-	(7.43)
Interim dividend for year ended 31 March 2019	-	-	-	-	(36.16)	-	(36.16)	-	(36.16)
Tax on Interim dividend for the year ended 31 March 2019	-	-	-	-	(7.43)	-	(7.43)	-	(7.43)
Adjustment towards Present value of future purchase consideration payable (Refer Note. 44.5.20)	-	-	-	-	(9.03)	-	(9.03)	(0.46)	(9.49)
As at 31 March 2019	**0.20**	**608.39**	-	-	**1,060.81**	**0.26**	**1,669.66**	-	**1,669.66**

₹ in Crs.

Particulars	Attributable to the owners of the Company							Non-controlling interests	Total equity
	Reserves and Surplus					Items of OCI	Total		
	Capital Redemption Reserve	General Reserve	Statutory Reserve	Employee Stock Option Reserve	Retained Earnings	Foreign currency translation reserve			
As at 1 April 2019	**0.20**	**608.39**	**-**	**-**	**1,060.81**	**0.26**	**1,669.66**	**-**	**1,669.66**
Profit for the year	-	-	-	-	185.18	-	185.18	2.71	187.89
Share based payment expense	-	-	-	4.72	-	-	4.72	-	4.72
Other comprehensive income for the year	-	-	-	-	(2.14)	0.05	(2.09)	(0.05)	(2.14)
Total Comprehensive income for the year	**-**	**-**	**-**	**4.72**	**183.04**	**0.05**	**187.81**	**2.66**	**190.47**
Stamp duty paid on equity issue by subsidiary (ARKA Fincap Limited)	-	-	-	-	(0.50)	-	(0.50)	-	(0.50)
Final dividend for year ended 31 March 2019	-	-	-	-	(36.15)	-	(36.15)	-	(36.15)
Tax on final dividend for the year ended 31 March 2019	-	-	-	-	(7.43)	-	(7.43)	-	(7.43)
Interim dividend for year ended 31 March 2020	-	-	-	-	(57.85)	-	(57.85)	-	(57.85)
Tax on Interim dividend for the year ended 31 March 2020	-	-	-	-	(11.89)	-	(11.89)	-	(11.89)
Adjustment towards Present value of future purchase consideration payable (Refer Note. 44.5.20)	-	-	-	-	(27.41)	-	(27.41)	(2.66)	(30.07)
Transfer to Special Reserve under Section 45-IC of The Reserve Bank of India Act, 1934	-	-	1.22	-	(1.22)	-	-	-	-
As at 31 Mar 2020	**0.20**	**608.39**	**1.22**	**4.72**	**1,101.40**	**0.31**	**1,716.24**	**-**	**1,716.24**

The accompanying notes are an integral part of the financial statements.

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

Notes to the Consolidated Financial Statements

Note 1a : Property, Plant and equipment

₹ in Crs.

Particulars	Leasehold land and lease hold improvements	Buildings	Plant & Equipment*	Furniture & Fixture	Vehicles	Aircraft*	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
Gross Block											
As At 1 April 2018	**14.20**	**179.33**	**1,004.87**	**35.13**	**14.18**	**42.65**	**10.71**	**68.76**	**37.88**	**1,407.71**	**17.96**
Additions	3.45	17.53	34.83	0.30	0.88	-	0.47	4.97	2.25	64.68	57.40
Asset Held of Disposal	-	-	5.70	-	-	-	-	-	-	5.70	-
Asset Written off / Scrap	-	-	9.74	3.30	-	-	2.67	2.67	-	18.38	
Deductions / Amortization	-	-	4.11	0.11	0.62	16.77	0.06	5.44	-	27.11	57.47
As At 31 March 2019	**17.65**	**196.86**	**1,020.15**	**32.02**	**14.44**	**25.88**	**8.45**	**65.62**	**40.13**	**1,421.20**	**17.89**
Additions	0.11	0.34	20.21	0.43	1.29	-	0.31	3.11	0.43	26.23	35.46
Inter transfers - Net	2.07	-	(0.75)	0.09	-	-	(1.42)	(0.06)	-	(0.07)	-
Reclassified on account of Adoption of Ind AS 116	12.88	-	-	-	-	-	-	-	-	12.88	
Asset Held of Disposal	-	-	1.11	-	-	-	-	-	-	1.11	-
Asset written off scrap	-	-	6.44	0.26	-	-	0.67	0.18	-	7.55	
Deductions / Amortization	-	-	6.27	0.12	0.53	-	-	0.10	0.65	7.67	23.03
As At 31 March 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**
Depreciation											
Upto 1 April 2018	**2.22**	**46.83**	**796.93**	**20.55**	**10.17**	**25.69**	**8.37**	**57.38**	**25.93**	**994.07**	**-**
For the year	0.70	6.51	43.13	3.05	1.78	2.18	1.01	5.97	2.76	67.09	-
Asset Written off / Scrap	-	-	8.83	3.27	-	-	2.65	2.67	-	17.42	
Asset Held of Disposal	-	-	5.46	-	-	-	-	-	-	5.46	-
Deductions / Amortization	-	-	3.53	0.11	0.61	7.17	0.06	5.44	-	16.92	-
As At 31 March 2019	**2.92**	**53.34**	**822.24**	**20.22**	**11.34**	**20.70**	**6.67**	**55.24**	**28.69**	**1,021.36**	**-**
For the year	1.58	7.05	36.30	2.63	1.47	1.69	0.40	4.63	2.62	58.37	-
Inter transfers - Net	1.24	-	(0.26)	(0.16)	-	-	(0.83)	(0.04)	-	(0.05)	-
Reclassified on account of Adoption of Ind AS 116	1.64	-	-	-	-	-	-	-	-	1.64	-
Asset Written off / Scrap	-	-	3.76	0.16	-	-	0.50	0.18	-	4.60	
Asset Held of Disposal	-	-	1.11	-	-	-	-	-	-	1.11	-
Deductions / Amortization	-	-	5.19	0.12	0.50	-	-	0.10	0.59	6.50	-
As At 31 March 2020	**4.10**	**60.39**	**848.22**	**22.41**	**12.31**	**22.39**	**5.74**	**59.55**	**30.72**	**1,065.83**	**-**

Particulars	Leasehold land and lease hold improvements	Buildings	Plant & Equipment*	Furniture & Fixture	Vehicles	Aircraft*	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
Net Block											
As At 1 April 2018	11.98	132.50	207.94	14.58	4.01	16.96	2.34	11.38	11.95	413.64	17.96
As At 31 March 2019	14.73	143.52	197.91	11.80	3.10	5.18	1.78	10.38	11.44	399.84	17.89
As At 31 March 2020	2.85	136.81	177.57	9.75	2.89	3.49	0.93	8.84	9.19	352.32	30.32

Notes :

1. Gross block is at Cost.
2. For Depreciation and Amortisation refer accounting policy (Note 44.4.3).
3. Capital work in progress:

   Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is Rs. 30.32 Crores (31 March, 2019: Rs 17.89 crores).
4. The Group had adopted deemed cost exemption under IND AS 101, on respective transition dates. The information of Gross block, and Accumulated Depreciation as on transition dates are carried forward for disclosures.
5. * Includes certain assets provided on cancellable operating lease (Note 44.5.17)
6. Note 1a of Property, Plant and equipment includes assets at Research & Development facility, the details of which are as under.

Notes to the Consolidated Financial Statements

Property, Plant and equipment : Research and Development facility (Below figures are included in Note 1a: Property, Plant and equipment)

₹ in Crs.

Particulars	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block										
As At 1st April 2018	**-**	**-**	**94.75**	**5.30**	**-**	**-**	**0.13**	**1.68**	**3.53**	**105.39**
Additions	-	-	7.53	-	-	-	-	0.09	0.04	7.66
Inter transfers - Net	-	-	(0.78)	-	-	-	-	-	-	(0.78)
Asset Held of Disposal	-	-	5.02	-	-	-	-	-	-	5.02
Deductions / Amortization	-	-	0.08	0.01	-	-	-	-	-	0.09
As At 31 Mar 2019	**-**	**-**	**96.40**	**5.29**	**-**	**-**	**0.13**	**1.77**	**3.57**	**107.16**
Additions	-	-	3.70	-	-	-	-	0.04	-	3.74
Inter transfers - Net	-	-	(0.30)	-	-	-	-	-	-	(0.30)
Asset Held of Disposal	-	-	-	-	-	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-	-	-	-	-	-
As At 31 Mar 2020	**-**	**-**	**99.80**	**5.29**	**-**	**-**	**0.13**	**1.81**	**3.57**	**110.60**
Depreciation										
Upto 1 April 2018	-	-	47.69	1.89	-	-	0.11	1.37	1.35	52.41
For the year	-	-	7.37	0.68	-	-	-	0.18	0.38	8.61
Inter transfers - Net	-	-	(0.54)	-	-	-	-	-	-	(0.54)
Asset Held of Disposal	-	-	4.78	-	-	-	-	-	-	4.78
Deductions / Amortization	-	-	0.08	0.01	-	-	-	-	-	0.09
As At 31 Mar 2019	**-**	**-**	**49.66**	**2.56**	**-**	**-**	**0.11**	**1.55**	**1.73**	**55.61**
For the year	-	-	7.50	0.68	-	-	-	0.11	0.38	8.67
Inter transfers - Net	-	-	(0.30)	-	-	-	-	-	-	(0.30)
Asset Held of Disposal	-	-	-	-	-	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-	-	-	-	-	-
As At 31 Mar 2020	**-**	**-**	**56.86**	**3.24**	**-**	**-**	**0.11**	**1.66**	**2.11**	**63.98**
Net Block										
As At 1st April 2018	**-**	**-**	**47.06**	**3.41**	**-**	**-**	**0.02**	**0.31**	**2.18**	**52.98**
As At 31 Mar 2019	**-**	**-**	**46.74**	**2.73**	**-**	**-**	**0.02**	**0.22**	**1.84**	**51.55**
As At 31 Mar 2020	**-**	**-**	**42.94**	**2.05**	**-**	**-**	**0.02**	**0.15**	**1.46**	**46.62**

Notes to the Consolidated Financial Statements

Note 1b : Right-of-use assets

₹ in Crs.

Particulars	Category of Right-of-use assets			Total
	Land	Building	Plant & Equipment	
Balance as on 1 April 2019 - on account of adoption of IND AS 116				
- Reclassified (refer to note 1a)	11.24	-	-	11.24
- Recognition	-	17.31	0.22	17.53
Depreciation	0.14	3.58	0.11	3.83
Balance as at 31 Mar 2020	**11.10**	**13.73**	**0.11**	**24.94**

1. The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.
2. Refer Note 44.5.17

Notes to the Consolidated Financial Statements

Note 2 : Other Intangible assets and Goodwill

₹ in Crs.

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 2018	**39.55**	**11.12**	**7.02**	**47.22**	**22.18**	**48.90**	**175.99**	**184.50**	**12.22**
Additions	1.87	0.60	-	-	-	-	2.47	-	13.19
Inter Transfers	-	-	-	-	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-
Deductions	0.13	-	-	-	-	-	0.13	-	2.38
As At 31 Mar 2019	**41.29**	**11.72**	**7.02**	**47.22**	**22.18**	**48.90**	**178.33**	**184.50**	**23.03**
Additions	5.68	-	-	-	1.50	-	7.18	-	30.82
Inter Transfers	0.08	-	-	-	-	-	0.08	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	6.40
As At 31 Mar 2020	**47.05**	**11.72**	**7.02**	**47.22**	**23.68**	**48.90**	**185.59**	**184.50**	**47.45**
Amortisation									
Upto 1 April 2018	**29.00**	**11.12**	**0.31**	**6.30**	**5.50**	**19.97**	**72.20**	**-**	**-**
For The Year	5.60	0.03	0.47	9.45	2.63	9.13	27.31	-	-
Inter Transfers	-	-	-	-	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-
Deductions	0.13	-	-	-	-	-	0.13	-	-
As At 31 Mar 2019	**34.47**	**11.15**	**0.78**	**15.75**	**8.13**	**29.10**	**99.38**	**-**	**-**
For The Year	3.30	0.12	0.47	9.45	2.93	8.87	25.14	-	-
Inter Transfers	0.05	-	-	-	-	-	0.05	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	-
As At 31 Mar 2020	**37.82**	**11.27**	**1.25**	**25.20**	**11.06**	**37.97**	**124.57**	**-**	**-**

Particulars	Computer Software	Drawings & Designs	Brand	Customer Relationship	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Goodwill	Intangible assets under development
Net Block									
As At 1 April 2018	10.55	-	6.71	40.92	16.68	28.93	103.79	184.50	12.22
As At 31 Mar 2019	6.82	0.57	6.24	31.47	14.05	19.80	78.95	184.50	23.03
As At 31 Mar 2020	9.23	0.45	5.77	22.02	12.62	10.93	61.02	184.50	47.45

Notes :

1. Intangible Assets are amortised on Straight Line method.
2. For Depreciation and Amortisation refer accounting policy (Note 44.4.5).
3. Intangibles under development:

   Intangible assets under development comprise intangible assets not ready for the intended use on the date of the Balance Sheet. Total amount of Intangible assets under development is Rs. 47.45 Crores (31 March, 2019: 23.03 crores).
4. Note 2 of Other Intangible assets includes assets at Research & Development facility, the details of which are as under.
5. Goodwill includes Rs 183.23 Crs arising on account of consolidation (Refer Note 44.5.20)

Other Intangible assets : Research and Development facility (Below figures are included in Note 2 : Other Intangible assets)

₹ in Crs.

Particulars	Computer Software	Drawings & Designs	Brand	Customer Relationship	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total
Gross Block							
As At 1 April 2018	**14.62**	**10.42**	**-**	**-**	**1.50**	**48.89**	**75.43**
Additions	0.82	0.61	-	-	-	-	1.43
Inter Transfers	-	-	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-
Deductions	0.13	-	-	-	-	-	0.13
As At 31 Mar 2019	**15.31**	**11.03**	**-**	**-**	**1.50**	**48.89**	**76.73**
Additions	0.25	-	-	-	1.50	-	1.75
Inter Transfers	-	-	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-
As At 31 Mar 2020	**15.56**	**11.03**	**-**	**-**	**3.00**	**48.89**	**78.48**
Amortisation							
Upto 1 April 2018	**10.01**	**10.42**	**-**	**-**	**1.50**	**19.98**	**41.91**
For The Year	1.65	0.03	-	-	-	9.13	10.81
Inter Transfers	-	-	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-
Deductions	0.13	-	-	-	-	-	0.13
As At 31 Mar 2019	**11.53**	**10.45**	**-**	**-**	**1.50**	**29.11**	**52.59**
For The Year	1.62	0.12	-	-	0.29	8.88	10.91
Inter Transfers	-	-	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-
As At 31 Mar 2020	**13.15**	**10.57**	**-**	**-**	**1.79**	**37.99**	**63.50**

Particulars	Computer Software	Drawings & Designs	Brand	Customer Relationship	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total
Net Block							
As At 1 April 2018	4.61	-	-	-	-	28.91	33.52
As At 31 Mar 2019	3.78	0.58	-	-	-	19.78	24.14
As At 31 Mar 2020	2.41	0.46	-	-	1.21	10.90	14.98

Notes to the Consolidated Financial Statements

Note 3 : Non-current Investments ₹ in Crs.

Particulars	Par Value / Face Value Per Unit in ₹	As at 31 March 2020		As at 31 March 2019	
		Nos.	₹ in Crs	Nos.	₹ in Crs
(i) At Amortised Cost					
Quoted Investment					
Investments in debentures or bonds (quoted)					
12.50% Sterlite Power Transmission Limited	10,00,000	500	49.63	-	-
9.45% ECL Finance Limited	1,000	2,50,000	24.33	-	-
Less: Provision for expected credit loss	-	-	(0.13)	-	-
			73.83		-
(ii) At fair value through Other Comprehensive Income (FVOCI)					
Investment					
In Unquoted Equity Instruments					
Kirloskar Proprietary Limited - (Fully Paid up)	100	1	0.00	1	0.00
S.L.Kirloskar CSR Foundation - (Fully paid up)	10	9,800	0.01	9,800	0.01
Kirloskar Management Services Pvt Ltd (Fully paid up)	10	4,87,500	0.49	-	-
			0.50		**0.01**
Total			**74.33**		**0.01**

Notes :

1.	Aggregate amount of Quoted Investments	73.83	-
	Aggregate amount of Unquoted Investments	0.50	0.01

2. Face value per unit in Rupees unless otherwise stated.
3. The Parent Company has invested Rs. 0.49 Crs in Kirloskar Management Services Pvt Ltd during the FY 2019-20 (4,87,500 Shares of Rs.10 each)
4. Refer Note 44.5.13 and 44.5.14 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments and for fair value hierarchy
5. Refer Note 44.5.15 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 Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Receivables of Financial Service Business	**181.13**	**-**
Secured, considered good	182.26	-
Less : Provision for expected credit loss for receivables of financial service business	(1.13)	-
Total	**181.13**	**-**

1. Receivables of Financial Service Business are measured at amortised cost.
2. Refer Note 44.4.8 for policy on provision for expected credit loss.
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Note 5 : Loans (Non current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Loans to employees (unsecured, considered good)	0.28	0.33
Total	**0.28**	**0.33**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 6 : Other financial assets (non current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Security deposits		
Unsecured, considered good	34.33	38.20
Doubtful	0.98	0.76
Less : Loss Allowance for doubtful deposits	(0.98)	(0.76)
Subsidy receivable under PSI scheme, 2001	14.66	32.47
Others	0.23	0.25
Total	**49.22**	**70.92**

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 31st 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 01st April 2008 to 31st March 2019 along with the extension of original operative period by 2 years and compliances thereof. The eligible receivables as on 31 March 2020, 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 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Note 7 : Other non-current assets

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Capital advances	10.00	4.27
Prepaid expenses	2.01	2.27
Tax paid in advance (net of provision) (Refer Note 16)	60.90	53.17
Balance with Government authorities	0.20	0.25
Other Advances to suppliers	**0.55**	-
Unsecured, considered good	0.55	-
Doubtful	-	0.13
Less : Loss Allowance for doubtful advances	-	(0.13)
Total	**73.66**	**59.96**

Notes to the Consolidated Financial Statements

Note 8 : Inventories

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Raw materials	**178.77**	143.09
Raw materials and components	177.28	140.77
Raw materials in transit	1.49	2.32
Work-in-progress	59.04	35.87
Finished goods	86.11	58.11
Traded goods	68.43	59.35
Stores and spares	13.42	13.16
Total	**405.77**	**309.58**

1. Write Downs of inventories to net realisable value amounted to Rs 5.93 Cr (31 March 2019 : Rs 3.74 Cr). These were recognised as an expense during the year.
2. Refer Note 26 for information on inventory hypothecation with bankers for the purpose of Working Capital facilities.
3. During the year the parent company and one of the subsidiary has made the revision in its estimate for percentage of write down of inventory . Change is recognised in this financial year by adjusting the effect to carrying value of inventory. The impact of change in estimate is not material on inventory as on 31st March 2020.

Note 9 : Current Investments

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2020		As at 31 March 2019	
	In ₹	Nos.	₹ in Crs.	Nos.	₹ in Crs.
At Amortized Cost					
Investments in debentures or bonds (quoted)					
8.65% Avanse Financial Services Limited	10,00,000	200	20.22	-	-
Less: Provision for expected credit loss	-	-	(0.04)	-	-
			20.18		-
At fair value through Profit or Loss (FVTPL)					
Investments In Mutual Funds					
LIQUID SCHEME - Growth Option					
Baroda Liquid Fund - Plan A Growth	1,000	-	-	93,694	20.04
BNP Paribas Liquid Fund Direct Growth	1,000	9,851	3.01	-	-
Aditya Birla Sun Life Liquid Fund - Growth - Regular Plan	100	13,54,442	43.04	19,43,032	58.10
Aditya Birla Sun Life Money Manger Fund - Growth - Regular Plan	100	-	-	28,74,736	71.97
Aditya Birla Sun Life Money Manger Fund - Growth-Direct Plan	100	23,30,299	63.13	-	-
DSP Liquidity Fund - Regular Plan - Growth	1,000	-	-	1,28,272	34.10

Notes to the Consolidated Financial Statements

Note 9 : Current Investments [continuation]

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2020		As at 31 March 2019	
	In ₹	Nos.	₹ in Crs.	Nos.	₹ in Crs.
Franklin India Liquid Fund - Super Institutional Plan	1,000	-	-	72,221	20.14
Franklin India Liquid Fund - Super inst. Plan - Direct	1,000	26,935	8.04	-	-
HDFC Money Market fund - Regular Plan - Growth	1,000	-	-	1,04,887	40.74
ICICI Prudential Liquid fund - Growth	100	-	-	18,18,036	50.07
ICICI Prudential Liquid Fund-Direct Plan-Growth	100	2,73,383	8.03	-	-
ICICI Prudential - Money Market Fund - Growth	100	-	-	27,78,763	71.92
ICICI Prudential Money Market Fund - Direct Plan - Growth	100	18,94,867	52.92	-	-
Invesco India Liquid Fund - Growth (LF-SG)	1,000	-	-	2,26,912	58.13
Kotak Liquid Regular Plan - Growth	1,000	-	-	1,32,672	50.05
Kotak Money Market Scheme - Growth (Regular Plan)	1,000	-	-	2,00,574	61.71
Kotak Money Market fund - Direct Plan - Growth (Erstwhile Kotak Floater ST)*	1,000	1,59,019	52.68	-	-
Reliance Liquid Fund - Growth Plan - Growth Option (LFIGG)	1,000	-	-	1,32,552	60.17
Nippon India Liquid Fund - Growth Plan - Growth Option (LFIGG)	1,000	97,629	47.08	-	-
SBI Liquid Fund Regular Growth	1,000	-	-	89,265	26.03
SBI Savings fund - Regular Plan - Growth	10	-	-	1,22,90,396	35.56
SBI Savings fund - Direct Plan - Growth	10	1,48,70,416	48.13	-	-
Sundaram Money Fund Regular Growth	10	-	-	64,84,520	25.44
Tata Liquid Fund Regular Plan - Growth	1,000	38,713	12.05	37,573	11.01
UTI Liquid Cash Plan - Regular Growth Plan	1,000	-	-	52,546	16.03
			338.11		**711.21**
Total			**358.29**		**711.21**

Notes :

1.	Aggregate amount of quoted Investments	20.18	-
	Aggregate amount of Unquoted Investments	338.11	711.21

2. Face value per unit in Rupees unless otherwise stated.
3. Refer Note 44.5.13 and 44.5.14 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments and for fair value hierarchy
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 10 : Trade receivables

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Total Trade Receivables	**412.10**	**407.58**
Trade receivables [Refer note (1) below]	412.10	407.58
Break-up for security details:	**412.10**	**407.58**
Secured, considered good	-	1.78
Unsecured, considered good	412.10	405.80
Doubtful	25.29	22.59
Loss Allowance (for expected credit loss under simplified approach)	(25.29)	(22.59)
Total	**412.10**	**407.58**

Trade receivable which have significant increase in credit risk: Rs. Nil (PY 31 March 2019 Rs.Nil)

Trade receivable - credit impaired :Rs. Nil (PY 31 March 2019 Rs.Nil)

1. Trade receivables are measured at amortised cost.
2. Trade or other receivables due from firms or private companies in which any director is a partner, a director or a member Rs. 7.83 Crs. (31 March 2019 : Rs. 7.87 Crs.)
3. For related party receivables, refer Note 44.5.11
4. **Movement of Loss Allowance (for expected credit loss under simplified approach)**

Particulars	₹ in Crs.
At 1 April 2018	**23.16**
Allowance made/(reversed) during the year	0.72
written off	(1.29)
At 31 March 2019	**22.59**
Allowance made/(reversed) during the year	5.11
written off	(2.41)
At 31 March 2020	**25.29**

5. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
6. Refer Note 44.5.15 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, the Group has retained credit risks.

   The Group therefore continues to recognise these assets in the entirety in its balance sheet. The amount repayable under this arrangement is presented as secured borrowings.

Notes to the Consolidated Financial Statements

The relevant carrying amounts are as follows:-

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Total transferred receivables w.r.t. Bills discounted	15.25	13.07
Related secured borrowings (Refer Note 26)	15.25	13.07

Note 11a : Cash and cash equivalents

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Balance with Bank		
Current accounts and debit balance in cash credit accounts	78.31	52.71
Fixed deposits with original maturity of less than 3 months	50.00	9.00
Cash on hand	0.03	0.03
Total	**128.34**	**61.74**

Note 11b : Other bank balances

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Unpaid dividend accounts	12.43	10.65
Deposits with original maturity of more than three months but less than 12 months	1.82	125.98
Total	**14.25**	**136.63**

1. Refer Note 44.5.15 for further details
2. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.

Notes to the Consolidated Financial Statements

Note 12 : Receivables of Financial Service Business (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Receivables of Financial Service Business	**180.75**	**-**
Secured, considered good	180.88	-
Less : Provision for expected credit loss for receivables of financial service business	(0.13)	-
Total	**180.75**	**-**

1. Receivables of Financial Service Business are measured at amortised cost.
2. Refer Note 44.4.8 for policy on provision for expected credit loss.
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Note 13 : Loans (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Loans to employees (unsecured, considered good)	0.26	0.19
Total	**0.26**	**0.19**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 14 : Other financial assets (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Security deposits (Unsecured, considered good)	5.60	1.08
Doubtful	0.44	-
Less : Loss Allowance for doubtful deposits	(0.44)	-
Subsidy receivable under PSI scheme, 2001 (Refer Note 6.1)	47.28	33.59
Export incentive receivable	7.76	6.78
Other Receivables	2.78	2.85
Total	**63.42**	**44.30**

1. Other financial assets are measured at amortised cost.
2. Other receivables due from private companies in which director of the parent company is, a director or a member as at 31 March 2020 Rs. 0.45 Crs. (31 March 2019 : Rs. NIL)
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Note 15 : Assets held for sale (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Property, plant and equipment (net)	0.12	2.17
Total	**0.12**	**2.17**

1. Fair value hierarchy disclosures for Assets held for sale are in Note 44.5.14.
2. Parent Company has classified Property, plant and equipment as held for sale during the reporting period and was measured at the lower of its carrying value and fair value less cost to sale at the time of reclassification, resulted in the recognition of write down in the statement of profit and loss account 31 March 2020 Rs Nil (31 March 2019 : Rs 0.07 Crs). The fair value of property, plant and equipment was determined based on its estimated realisable value.

Note 16 : Current tax assets (net)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Tax Paid in Advance (Net of Provision)	0.64	1.66
Total	**0.64**	**1.66**

Non-current Tax paid in advance included in Note 7.

Notes to the Consolidated Financial Statements

Note 17 : Other current assets

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Advance to suppliers	20.59	14.10
Sales tax / VAT / GST receivable	88.43	59.66
Prepaid expenses	6.44	10.94
Others	0.30	0.20
Total	**115.76**	**84.90**

Note 18 : Share capital

Authorised share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
At 1 April 2018	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2019	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2020	**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 Rs. 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.

Issued and subscribed share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
As at 1 April 2018	**14,46,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2019	**14,46,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2020	**14,46,14,326**	**28.92**

Notes to the Consolidated Financial Statements

Subscribed and fully paid up

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
As at 1 April 2018	**14,46,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2019	**14,46,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2020	**14,46,13,861**	**28.92**

The Company has share suspense account which represents equity shares of Rs. 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 Crs.
As at 1 April 2018	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2019	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2020	**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 2020		As at 31 March 2019	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Atul Chandrakant Kirloskar	1,85,06,667	12.80	1,84,56,667	12.76
Rahul Chandrakant Kirloskar	1,77,82,902	12.30	1,77,32,902	12.26
Nalanda India Fund Limited	1,08,96,124	7.53	1,08,96,124	7.53
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
Jyotsna Gautam Kulkarni	1,29,85,432	8.98	1,29,85,432	8.98

2. Scheme of Arrangement and amalgamation

Hon'ble High Court of Judicature at Bombay vide its order dated 30 April 2015 had approved the Composite Scheme of Arrangement and Amalgamation (The Composite Scheme) between Kirloskar Brothers Investments Limited ('KBIL' - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited ('KOEL' - Transferee Company) and their respective shareholders and creditors under Sections 391 to 394 and other relevant Sections of the Companies Act, 1956, and the relevant Sections of the Companies Act, 2013, to the extent applicable. The said Scheme has been effective from 30 June 2015.

Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in the Company were cancelled on account of Cross holdings and same number of equity shares were allotted to the shareholders of KBIL on 14 July 2015. In view of the same there is no change in the paid-up capital of the Parent Company pre and post the Composite Scheme.

Notes to the Consolidated Financial Statements

NOTE 19 : Other Equity

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
CAPITAL REDEMPTION RESERVE	**0.20**	**0.20**
GENERAL RESERVE	**608.39**	**608.39**
STATUTORY RESERVE U/S 45-IC OF THE RESERVE BANK OF INDIA ACT, 1934	**1.22**	**-**
EMPLOYEE STOCK OPTION RESERVE	**4.72**	**-**
FOREIGN CURRENCY TRANSLATION RESERVE	**0.31**	**0.26**
RETAINED EARNINGS	**1,101.40**	**1,060.81**
Opening Balance	1,060.81	937.84
Add : Profit for the year	185.18	219.17
Add : Other Comprehensive income / (Loss)	(2.14)	0.00
	183.04	**219.17**
Less : Appropriations		
Stamp duty paid on equity issue by subsidiary	0.50	-
Adjustment towards Present value of future purchase consideration payable	27.41	9.04
Transfer to Special Reserve under Section 45-IC of The Reserve Bank of India Act, 1934	1.22	-
Final Dividend	36.15	36.15
Tax on final dividend	7.43	7.43
Interim Dividend	57.85	36.15
Tax on Interim Dividend	11.89	7.43
	142.45	**96.20**
NON-CONTROLLING INTEREST		
Opening Balance	-	-
Add : Profit for the year	2.71	0.45
Add : Other Comprehensive income / (Loss)	(0.05)	0.01
Less : Adjustment towards Present value of future purchase consideration payable (Refer Note. 44.5.20)	(2.66)	(0.46)
Closing Balance	-	-
Total	**1,716.24**	**1,669.66**

Notes to the Consolidated Financial Statements

Other reserves ₹ in Crs.

Particulars	**As at 31 March 2020**	**As at 31 March 2019**
Capital redemption reserve	0.20	0.20
General reserve	608.39	608.39
Statutory Reserve	1.22	-
Employee Stock Option Reserve	4.72	-
Foreign currency translation reserve	0.31	0.26
Retained Earnings	1,101.40	1,060.81
Total other reserves	**1,716.24**	**1,669.66**

1. 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.
2. General reserve is created by setting aside amount from the Retained Earnings of the company for general purposes which is freely available for distribution.
3. Statutory Reserve is created pursuant to the provision of section 45(IC) of Reserve Bank of India Act, 1934, The Subsidiary Company ARKA Fincap Limited has transferred ₹ 1.12 Crore (Previous Year : ₹ nil) towards statutory reserve fund.
4. Refer note no. 44.5.19 for disclosure on Employee Stock option Plan (ESOP) of subsidiary company ARKA Fincap Limited.
5. Dividend distribution made and proposed

₹ in Crs.

Particulars	**2019-20**	**2018-19**
Cash dividends on Equity shares declared and paid		
Final dividend for the year ended 31 March 2019: Rs.2.5 per share (31 March 2018: Rs 2.5 per share)	36.15	36.15
Dividend distribution tax on final dividend	7.43	7.43
Interim dividend for year ended 31 March 2020: Rs 4 per share (31 March 2019: Rs 2.5 per share)	57.85	36.16
Dividend distribution tax on Interim dividend	11.89	7.43
	113.32	**87.17**
Proposed dividends on Equity shares		
Final cash dividend proposed for the year ended 31 March 2020: (31 March 2019: Rs 2.5 per share)	-	36.15
Dividend distribution tax on proposed dividend	-	7.43
	-	**43.58**

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 (including taxes thereon) as at 31 March.

Notes to the Consolidated Financial Statements

Note 20 : Non-current Borrowings

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Interest bearing borrowings From Banks		
Term Loan	64.36	16.44
Vehicle Loan	0.05	0.15
Interest bearing borrowings From NBFC		
Vehicle Loan	0.03	0.10
Total	**64.44**	**16.69**
Aggregate secured borrowings	64.44	16.69

1. Borrowings are measured at amortised cost.

2. **Term Loans from Banks**

Subsidiary - ARKA Fincap Limited

(i) The term Loans availed from Indusind Bank are Secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments of the Subsidiary ARKA Fincap Limited (formerly known as Kirloskar Capital Limited).

Subsidiary - La Gajjar Machineries Private Limited

(i) The term Loans availed from Federal Bank and Yes Bank are secured by a First Pari Passu charge by way of Hypothecation of Plant & Machinery and other assets purchased out of the term loan and second charge on entire current assets of the Subsidiary La Gajjar Machineries Private Limited.

(ii) The subsidiary company La Gajjar Machineries Private Limited has availed moratorium of three months on payment of all instalments falling due between 1st March 2020 and 31st May 2020 as per COVID-19 regulatory package announced by Reserved bank of India on 27th March 2020.

(iii) Term Loan of ₹ 3 Crs to be repaid in 60 monthly installments of ₹ 0.05 Crs each starting from July 2016 at rate of interest 9.00%. Accordingly total ₹ 0.6 Crs have been repaid in the year 2019-20 after considering moratorium effect. The repayment obligation of future 12 months is reflected in Current maturity of Long term debts (Note 29).

(iv) Term Loan of ₹ 7 Crs to be repaid in 60 monthly installments of ₹ 0.12 Crs each starting from November 2016 at rate of interest 9.00%. Accordingly total ₹ 1.28 Crs have been repaid in the year 2019-20. The repayment obligation of future 12 months is reflected in Current maturity of Long term debts (Note 29).

(v) Working Capital Term Loan of ₹ 14 Crs to be repaid in 60 monthly installments of ₹ 0.23 Crs each starting from May 2018 at rate of interest 9.00%. Accordingly total ₹ 2.57 Crs have been repaid in the year 2019-20 after considering moratorium effect. The repayment obligation of future 12 months is reflected in Current maturity of Long term debts (Note 29).

(vi) Working Capital Term Loan of ₹ 6 Crs to be repaid in 12 Quarterly installments of ₹ 0.5 Crs each starting from July 2018 at rate of interest 10.50%. Accordingly total ₹ 2.00 Crs have been repaid in the year 2019-20 after considering moratorium effect. The repayment obligation of future 12 months is reflected in Current maturity of Long term debts (Note 29).

Maturity profile of Term Loans from Banks and NBFC (Current and Non-Current) **₹ in Crs.**

Period	As at 31 March 2020	As at 31 March 2019
Less than Three Months	0.52	2.05
More Three Months Up to One Year	6.15	6.15
More than One Year Up to Three Years	11.86	13.40
More than Three Years Up to Five Years	-	3.03

3. **Loan for Purchase of Vehicles - Banks**

Loans for purchase of vehicles are secured against Hypothication of vehicles

4. **Loan for Purchase of Vehicles - NBFC**

Loans for purchase of vehicles are secured against Hypothecation of vehicles

These loans are to be repayed in 36 to 60 monthly installments at an agreed installment rates as per respective sanction terms.

Maturity profile of Vehicle Loans from Banks and NBFC (Current and Non-Current) **₹ in Crs.**

Period	As at 31 March 2020	As at 31 March 2019
Less than Three Months	0.03	0.03
More Three Months Up to One Year	0.11	0.11
More than One Year Up to Three Years	0.09	0.25
More than Three Years Up to Five Years	-	-

5. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15
6. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
7. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 21 : Lease liabilities (Non Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Lease Liabilities	7.51	-
Total	**7.51**	**-**

1. Lease liabilities are measured at amortised cost.
2. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
3. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15

Note 22 : Other financial liabilities (Non current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Deposits/ Retentions from customers and others	19.16	18.06
Present value of future purchase consideration payable	110.17	80.10
Total	**129.33**	**98.16**

1. Other financial liabilities are measured at amortised cost.
2. Present value of future purchase consideration payable (Refer Note - 44.5.20)
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15

Note 23 : Provisions (Non Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits	**24.86**	**20.99**
Provision for gratuity	0.18	0.03
Provision for compensated absence	21.90	18.09
Provision for pension and other retirement benefits	2.78	2.87
Other provisions	**10.87**	**11.92**
Provision for warranty	10.87	11.92
Total	**35.73**	**32.91**

Refer Note 31 Provisions (Current) for additional disclosures.

Notes to the Consolidated Financial Statements

Note 24 (a): Deferred tax assets (net)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred Tax Assets	**3.26**	**6.09**
Disallowances u/s 43 B of Income Tax Act	0.43	0.41
Provision for Doubtful debts & advances	0.25	1.09
Amalgamation/Demerger Expenses	0.20	0.31
Carried Forward Business Loss	-	2.06
MAT Credit Entitlement	-	1.92
Others	2.38	0.30
Less : Deferred Tax Liability	**0.24**	**(0.66)**
Depreciation	0.24	(0.94)
Others	-	0.28
Total	**3.02**	**6.75**

1. Reconciliation of deferred tax assets / (liabilities), net

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Opening balance as of 1 April	**6.75**	**8.98**
Tax income/(expense) during the year recognised in profit or loss	(1.89)	(4.13)
Others	(1.92)	1.92
Tax income/(expense) during the year recognised in OCI	0.08	(0.02)
Closing balance as at 31 March	**3.02**	**6.75**

2. Tax Losses

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Unused tax losses for which no Deferred Tax Assets have been recognised	12.87	17.93
Potential Tax benefit	3.00	4.18

Notes to the Consolidated Financial Statements

Note 24 (b): Deferred tax liability (net)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred Tax Liability	**33.25**	**48.35**
Depreciation	32.94	46.73
Others	0.31	1.62
Less : Deferred Tax Assets	**18.11**	**22.92**
Disallowances u/s 43 B of Income Tax Act	11.04	11.51
Provision for Doubtful debts & advances	6.12	6.80
VRS Compensation	-	0.74
Amalgamation/Demerger Expenses	-	2.62
Others	0.95	1.25
Total	**15.14**	**25.43**

1. **Reconciliation of deferred tax liabilities (net)**

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Opening balance as of 1 April	**(25.43)**	**(30.95)**
Tax income/(expense) during the year recognised in profit or loss	9.64	5.50
Tax income/(expense) during the year recognised in OCI	0.65	0.02
Closing balance as at 31 March	**(15.14)**	**(25.43)**

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 relate to income taxes levied by the same tax authority.
4. During the year ended 31 March 2020 and 31 March 2019, the Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Company believes that dividend distribution tax represents additional payment to taxation authority on behalf of the shareholders. Hence dividend distribution tax paid is charged to equity.
5. Refer Note 43 for Income Tax & Deferred Tax rate.
6. 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
7. The unused tax losses were incurred by the one of 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 .

Notes to the Consolidated Financial Statements

Note 25 : Other non current liabilities

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Advance from customers (Refer Note 44.5.8)	15.15	6.74
Revenue received in advance (Refer Note 44.5.8)	1.43	1.65
Total	**16.58**	**8.39**

Note 26 : Borrowings

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Secured Interest bearing borrowings From Banks		
Loans: Export sales bill discounted	15.25	13.07
Cash credit	69.67	41.71
Unsecured loans		
From Bank	-	10.00
Total	**84.92**	**64.78**
Aggregate secured borrowings	**84.92**	**54.78**
Aggregate unsecured borrowings	**-**	**10.00**

1. Borrowings are measured at amortised cost.
2. Parent Company's fund and non-fund based working capital facilities aggregating to Rs 410 Crs. are secured to the extent of Rs 410 Crs. 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).
3. Indian Subsidiary La Gajjar Machineries Pvt Ltd. fund and non fund based working capital facilities of Rs. 135.63 Crs are secured by first charge by way of hypothecation on the whole of the current assets of the Company both present and future and also the second charge on the whole of the movable Plant and machinery and other fixed assets of the 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 unutilised portion of subsidiary company's La Gajjar Machineries Pvt Ltd. Cash Credit Limit is Rs.5.34 crs (Rs. 23.29 crs in FY 2018-2019)
5. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
6. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15

Notes to the Consolidated Financial Statements

Note 27 : Trade and other payables

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Acceptances	29.78	26.90
Due to micro, small and medium enterprises	55.96	56.37
Due to other than micro, small and medium enterprises	327.83	356.13
Total	**413.57**	**439.40**

1. Trade and other payables are measured at amortised cost.
2. For terms and conditions with related parties, refer to Note 44.5.11
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15

Note 28 : Lease liabilities (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Lease Liabilities	2.37	-
Total	**2.37**	**-**

1. Lease liabilities are measured at amortised cost.
2. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
3. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15

Notes to the Consolidated Financial Statements

Note 29 : Other financial liabilities (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Deposits from customers	0.83	-
Unclaimed dividends	12.44	10.66
Payable for capital purchases	9.40	16.30
Employee benefits payable	30.62	30.79
Current Maturities of Non-Current Borrowings	29.31	8.34
Interest Accrued but Not Due	0.16	0.04
Other Payables	7.53	5.83
Total	**90.29**	**71.96**

1. Other financial liabilities are measured at amortised cost.
2. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
3. For explanations on the Group’s Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15

Note 30 : Other Current liabilities

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Advance from customers (Refer Note 44.5.8)	59.28	29.42
Revenue received in advance (Refer Note 44.5.8)	20.70	13.96
Advance against asset held for sale	-	18.76
Statutory dues	7.06	8.71
Others	0.07	0.07
Total	**87.11**	**70.92**

Notes to the Consolidated Financial Statements

Note 31 : Provisions (Current)

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits	**11.73**	**11.81**
Provision for gratuity	0.63	0.22
Provision for compensated absence	10.69	11.16
Provision for pension and other retirement benefits	0.41	0.43
Others	**57.31**	**62.26**
Provision for warranty	42.02	38.67
Tax provision (Net of tax paid in advance)	0.05	7.96
Other Provision	15.24	15.63
Total	**69.04**	**74.07**

Refer Note 23 Provisions (Non current)

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 Indian 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 44.5.9 for detailed disclosure.

2. **Breakup of others Provision**

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Non-current	10.87	11.92
Current	57.31	62.26
	68.18	**74.18**

Notes to the Consolidated Financial Statements

3. 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.

Particulars	₹ in Crs.
At 1 April 2018	**46.44**
Arising during the year	58.24
Utilised	54.04
Unused amount reversed	0.05
At 31 March 2019	**50.59**
Arising during the year	56.16
Utilised	53.84
Unused amount reversed	0.02
At 31 March 2020	**52.89**

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 Rs 14.94 Crs. 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 Rs 7.47 Crs. 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 Rs 14.94 Crs. has been made.

Notes to the Consolidated Financial Statements

c. Provision for stamp duty and liquidated damages has been made and same is disclosed as Short-term provision as under:

Particulars	₹ in Crs.
At 1 April 2018	**15.46**
Arising during the year	0.62
Utilised	0.41
Unused amount reversed	0.04
At 31 March 2019	**15.63**
Arising during the year	0.26
Utilised	0.44
Unused amount reversed	0.21
At 31 March 2020	**15.24**

Note 32 : Government grant

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
Eligible incentives under Export Promotion Capital Goods Scheme	0.70	0.85
Total	**0.70**	**0.85**

Note :

1. The Parent company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods. Refer Note 44.5.1(b).
2. Government grant

₹ in Crs.

Particulars	As at 31 March 2020	As at 31 March 2019
As at 1 April	**0.85**	**0.85**
Availed during the year	-	-
Released to statement of profit and loss	(0.15)	-
As at 31 March	**0.70**	**0.85**

Notes to the Consolidated Financial Statements

Note 33 : Revenue from operations

₹ in Crs.

Particulars	2019-20	2018-19
Sales and services	**3,282.64**	**3,527.50**
Sale of products	3,172.23	3,439.01
Sale of services	110.41	88.49
Income of Financial Service Business	**48.20**	**0.33**
Other operating income	**48.61**	**98.56**
Sale of scrap	15.25	18.44
Government grant income (Refer Note 6.1)	-	51.52
Commission received	2.09	1.29
Export incentives	15.09	13.25
Sundry credit balances written back	3.70	0.61
Provisions no longer required written back	3.52	4.44
Miscellaneous receipts	8.96	9.01
Total	**3,379.45**	**3,626.39**

1. Export incentives of Parent Company includes incentive under EPCG scheme amounting to Rs 0.15 Crs (PY - NIL.)
2. Refer Note 44.3.1 & 44.4.18

Note 34 : Other income

₹ in Crs.

Particulars	2019-20	2018-19
Interest on income Tax and Sales Tax Refund	4.03	0.42
Interest income on financial assets measured at amortised cost		
(i) Bank Deposits	0.40	5.31
(ii) Unwinding of interest on security deposits	1.86	1.99
(iii) other financial assets	3.93	1.01
Dividend income from equity investments designated at fair value through other comprehensive income	0.00	0.00
Net gain on financial instruments mandatorily measured at fair value through profit or loss	0.17	1.74
Gain on Sale of Mutual Fund mandatorily measured at fair value through profit or loss	24.03	49.45
Exchange gains/(losses) on translation of assets and liabilities	4.70	2.92
Rent income (Refer Note 34.2)	1.05	0.94
Miscellaneous income	2.34	1.35
Total	**42.51**	**65.13**

1. Fair value gain/(loss) on financial instruments at fair value through profit or loss relates to the gain/(loss) 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 44.3.1 ,44.4.11 & 44.5.17

Notes to the Consolidated Financial Statements

Note 35 : Cost of raw materials and components consumed

₹ in Crs.

Particulars	2019-20	2018-19
Raw materials and components consumed	1,576.92	1,673.73
Total	**1,576.92**	**1,673.73**

Note 36 : Purchases of Traded goods

₹ in Crs.

Particulars	2019-20	2018-19
Engines and Gensets	192.24	143.81
K-Oil	109.66	115.20
Alternators, Batteries and Others	323.61	373.88
Total	**625.51**	**632.89**

Note 37 : Changes in inventories of finished goods, work-in-progress and traded goods

₹ in Crs.

Particulars	2019-20	2018-19
Opening inventory	**153.33**	**175.57**
Work-in-process	35.87	41.55
Finished goods	58.11	95.30
Traded goods	59.35	38.72
Closing Inventory	**213.58**	**153.33**
Work-in-process	59.04	35.87
Finished goods	86.11	58.11
Traded goods	68.43	59.35
Increase/(decrease) in inventory	**(60.25)**	**22.24**
Total	**(60.25)**	**22.24**

Note 38 : Employee benefits expense

₹ in Crs.

Particulars	2019-20	2018-19
Salaries, wages, bonus, commission, etc.	228.45	206.68
Gratuity (Refer Note 44.5.9)	4.32	4.03
Contribution to provident and other funds	14.41	12.31
Welfare and training expenses	18.06	19.54
Provident and other funds expenses	0.41	0.35
Share Based Payment to employees	4.72	-
Total	**270.37**	**242.91**

Notes to the Consolidated Financial Statements

Note 39 : Finance costs

₹ in Crs.

Particulars	2019-20	2018-19
Interest and discounting charges	9.54	10.03
Other Finance cost	2.98	2.24
Other Bank charges	0.95	0.70
Interest on Lease Liability	0.74	-
Total	**14.21**	**12.97**

Note 40 : Depreciation and amortization expense

₹ in Crs.

Particulars	2019-20	2018-19
Depreciation and amortization expense	**87.34**	**94.40**
Depreciation on Tangible & ROU Asset	62.20	67.09
Amortization on Intangible assets	25.14	27.31
Total	**87.34**	**94.40**

Note 41 : Other expenses

₹ in Crs.

Particulars	2019-20	2018-19
Manufacturing expenses	**303.46**	**292.03**
Stores consumed	75.32	84.31
Power and fuel	26.29	26.59
Machinery spares	6.74	8.78
Repairs to machinery	8.85	8.65
Job work charges	27.47	32.22
Labour charges	65.49	55.08
Cost of services	81.84	64.93
Other manufacturing expenses	11.46	11.47
Selling expenses	**192.60**	**187.63**
Commission	20.15	14.85
Freight and forwarding	77.81	81.95
Warranty	56.19	58.50
Royalty	6.98	7.59
Advertisement and publicity	22.09	19.10
Provision for doubtful debts and advances (net) (Including expected credit loss)	5.46	1.99
Others selling expenses	3.92	3.65

Notes to the Consolidated Financial Statements

₹ in Crs.

Particulars	2019-20	2018-19
Administration expenses	**192.45**	**204.90**
Rent	34.46	41.74
Rates and taxes	2.37	3.39
Insurance	2.13	1.55
Repairs to building	2.20	2.15
Other repairs and maintenance	37.97	35.36
Travelling and conveyance	29.41	29.90
Communication expenses	4.57	4.92
Printing and stationery	1.44	1.75
Professional charges	47.11	49.17
Auditor's remuneration (Refer Note No.44.5.5)	0.94	0.84
Donations	0.12	0.18
Spend on CSR activities (Refer Note 44.5.18)	5.55	4.59
Non Executive Directors' fees and commission	2.97	2.55
Miscellaneous expenses	14.08	22.76
Provision for expected credit loss of financial service business	1.43	-
Loss on assets sold, demolished, discarded and scrapped	2.77	1.96
Bad debts and irrecoverable balances written off	2.93	2.09
Total	**688.51**	**684.56**

Note 42 : Exceptional items

₹ in Crs.

Particulars	2019-20	2018-19
Profit on sale of leasehold Property	16.49	-
Total	**16.49**	**-**

During the year, the parent company has sold its leasehold property situated at Ahemednagar, which was classified as "assets held for sale" as at March 31, 2019. The net profit arising on sale of the same is Rs 16.49 Cr.

Note 43 : Income tax

The note below details the major components of income tax expenses for the year ended 31 March 2020 and 31 March 2019. The note further describes the significant estimates made in relation to Group's income tax position, and also explains how the income tax expense is impacted by non-assessable and non-deductible items.

₹ in Crs.

Particulars	2019-20	2018-19
Current tax	**64.60**	**113.21**
Current income tax	65.08	115.24
MAT credit	-	(1.92)
(Excess)/short provision related to earlier years	(0.48)	(0.11)
Deferred tax	**(7.75)**	**(1.37)**
Relating to origination and reversal or temporary difference	(7.75)	(1.37)
Income tax expense reported in the statement of profit and loss	**56.85**	**111.84**

Other Comprehensive Income (OCI)

₹ in Crs.

Particulars	2019-20	2018-19
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	0.73	0.00
Deferred tax charged to OCI	**0.73**	**0.00**

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 2020 and 31 March 2019.

Notes to the Consolidated Financial Statements

Current tax ₹ in Crs.

Particulars	2019-20	2018-19
Accounting profit before income tax expense	244.74	331.46
Tax (as per rate enacted by Income Tax Act, 1961) (31 March 2019 : 34.944 %)	**62.53**	**115.83**
Tax effect of adjustments in calculating taxable income:	**(5.68)**	**(3.99)**
Corporate Social Responsibility expenses/Donations (net)	0.78	0.89
Debit Balances written Off	0.81	0.19
Interest on MSMED	0.01	0.28
Dividend Received	0.00	0.00
Weighted Deduction of research & development expenditure (net)	-	(9.53)
Deferred tax Impact due to rate change on opening liability	(6.27)	-
Permanent Allowance against capital gain on sale of land including difference in tax rates	(2.10)	-
Profit on Sale of Investment	-	-
(Excess)/short provision related to earlier years	(0.48)	(0.11)
Difference in Tax Rate of foreign subsidiary	0.01	0.48
Warranty	-	0.60
Other Disallowances/(allowances)	1.56	3.21
At the effective income tax rate of 23.23 % (31 March 2019 : 33.74%)	**56.85**	**111.84**

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 concessional rate of 22% plus applicable surcharge and cess. This new rate is available only if company forgoes certain exemptions and deductions. Since this new rate is beneficial, Parent and one of subsidiary company has adopted the new tax rate of 25.168% (i.e. 22% including surcharge and cess) for computing Income tax & deferred Tax for year ended 31st Mar, 2020 (the rate for 31st March 2019 was 34.944%)

NOTE 44: NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2020

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 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. BSE 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 FY 2015-16, the parent had invested USD 250,000 in "KOEL Americas Corp." (50 Shares of USD 5000 each), incorporated under State of Delaware laws, United States of America and based in Houston, Texas. With this, "KOEL Americas Corp." is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 23 June 2015.

During FY 2017-18, the parent has invested Rs. 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-Aug-2017.

During FY 2018-19 and 2019-20, the parent has invested Rs. 27 Crores and Rs.499.50 Crores respectively in "ARKA Fincap Limited (formerly known as Kirloskar Capital Limited)." The Company is registered as a non-banking financial institution and has obtained certificate of registration from Reserve Bank of India bearing no. N-13.02282 dated 29 October 2018 in pursuance of Section 45-IA of the 'RBI' Act, 1934. With this, ARKA Fincap Limited (formerly known as "Kirloskar Capital Limited.") is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 20 April 2018.

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.

Amounts in the consolidated 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 consolidated financial statements were approved by the Board of Directors and authorized for issue on 19 June 2020

- **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 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 company 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. 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.

d. 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
KOEL Americas Corp.	State of Delaware Laws, United States of America based in Houston, Texas	100%	Subsidiary
La Gajjar Machineries Pvt. Ltd.	India	76%	Subsidiary
ARKA Fincap Limited (formerly known as Kirloskar Capital Limited)	India	100%	Subsidiary

e. The accounting policies of the parent are best viewed in its independent financial statements. Differences in accounting policies followed by the KOEL Americas Corp., La Gajjar Machineries Pvt Ltd. and ARKA Fincap Limited have been reviewed and no adjustments have been made, since the impact if any of these differences is not significant.

3 Significant accounting judgments, 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.

3.1 Judgments

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 grant

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 Mar 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 statement of profit and loss.

Lease

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

Revenue Recognition

The 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 company's performance towards complete satisfaction of performance obligation. Practical expedient of "right to consideration" is also considered while recognizing revenue in the amount to which the entity has right to invoice.

In case performance obligation is satisfied at a point in time, the group generally recognises revenue when the control is transferred i.e. in case of goods either on shipment or upon delivery in domestic & on bill of lading date in case of export. In case of services, the revenue is recognized based on completion of distinct performance obligation. Refer significant accounting policy note 44.4.18 on revenue recognition for information about methods, input and assumptions w.r.t transaction price & 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 recognized in 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 recognized 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.

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 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 44.5.9

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 utilized.

Impairment of Goodwill recognized 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.

Uncertainty relating to Global health pandemic on COVID-19

The 'severe acute respiratory syndrome coronavirus 2' (SARS-CoV-2) virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in global and Indian economy. On 11 March 2020 the COVID-19 outbreak was declared as a global pandemic by the World Health Organization. The Government of India declared a lock down effective from 25 March 2020 and accordingly, the manufacturing facilities/offices of the Parent Company and subsidiary companies in India were closed. The Parent Company and its subsidiary companies in India has since obtained required permissions and restarted its manufacturing facilities & places of business, albeit, partially.

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

4 Significant Accounting Policies

4.1 Current Vs Non Current Classification

The 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

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 treated as current when it is:

a. Expected to be settled in normal operating cycle

b. Held primarily for the purpose of trading

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

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

All other liabilities are treated as non - current.

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

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.

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 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.

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 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.

d One of the subsidiary company La-Gajjar Machineries Private Limited had been depreciating its property, plant and equipment over its useful life following Written Down Value Method of Depreciation till end of Financial Year 2018-19. Effective 1st April,2019, the company has decided to change its method of depreciation from Written Down Value Method to Straight Line Method considering the following facts:

- Usage of Plant and Machinery for Electric Pump Manufacturing is simple which gives consistent product Output throughout its useful life.
- Property, Plant and equipment other than Plant & Machinery also are used in normal course of business with no accelerated use.
- Accuracy of machining remains at equal standard throughout majority of life.
- The subsidiary company wanted to change depreciation method to Straight Line to align its accounting estimation in line with parent company.

Impact of Change in Accounting Estimate (Including fair value impact of consolidation):

₹ in Crs

Financial Year	Depreciation as per Written down value method	Depreciation as per Straight Line method	Increase/Decrease in Depreciation
2019-20	7.95	5.98	-1.97
2020-21	6.48	5.35	-1.13
2021-22	5.36	5.17	-0.20
2022-23	4.42	4.66	0.23
2023-24	2.38	2.74	0.36
2024-25	1.25	1.76	0.51

Depreciation and Amortization

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 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 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 Companies Act, 2013
End user devices, such as, desktops, laptops, etc.	3	
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 Companies Act, 2013

Asset Category	Life in Years	Basis for useful life
***Furniture & Fixture**		
Furniture, Fixtures and Electrical Fittings	10	Life as prescribed under Schedule-II of Companies Act, 2013
Furniture , AC , Refrigerators and Water coolers - Residential Premises	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
AC, Refrigerators and Water coolers - Company and Guest House Premises	5	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Office Equipment	3 to 10	Lower useful life considered based on past history of usage and supported by Technical Evaluation
***Vehicles**		Lower useful life considered based on past history of usage and supported by Technical Evaluation
Motorcars, Jeep	5 to 8	
Trucks	5	
Other Vehicles	5 to 10	
***Aircrafts**	15	Lower useful life considered based on past history of usage and supported by Technical Evaluation

- 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 31st March 2020, Properties, Plant & Equipment of subsidiary La-Gajjar Machineries Private Limited with a carrying amount of Rs. 13.70 Crs (31st March 2019 Rs. 16.07 Crs) are subject to first charge to secure bank loan. Refer Note 20 “Borrowings”

4.4 Investment properties

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

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

Depreciation & Amortisation

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

<table>
<tr><th>Asset Category</th><th>Life in Years</th><th>Basis for charging Depreciation</th></tr>
<tr><td>Factory Buildings</td><td>30</td><td rowspan="9">Life as prescribed under Schedule-II of Companies Act, 2013</td></tr>
<tr><td>Building- Non Factory</td><td></td></tr>
<tr><td>RCC Frame Structure</td><td>60</td></tr>
<tr><td>Other than RCC Frame Structure</td><td>30</td></tr>
<tr><td>Fence, Wells, Tube wells</td><td>5</td></tr>
<tr><td>Building – Roads</td><td></td></tr>
<tr><td>Carpeted Roads- RCC</td><td>10</td></tr>
<tr><td>Carpeted Roads- Other than RCC</td><td>5</td></tr>
<tr><td>Non Carpeted Roads</td><td>3</td></tr>
</table>

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

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

4.5. Intangible Assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the 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 & 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 years
2	Drawings & Designs	10 years
3	Technical Knowhow – acquired	6 to 7 years
4	Technical Knowhow - Internally generated	3 to 5 years
5	Brand	15 years
6	Customer Relationship	5 years

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

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

Intangible assets 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"

4.6 Borrowing Cost

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

4.7 Impairment of Non Financial Assets

The 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 recognized in the profit and loss account. If at any subsequent balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the profit and loss account. 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.

4.8. Financial instruments – initial recognition and subsequent measurement

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

a. Financial assets

i Initial recognition and measurement of financial assets

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

ii Subsequent measurement of financial assets

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

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

- **Debt Instrument :**

  A financial asset is measured at amortised cost if:

  - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

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

  This category is most relevant to the 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.

  Investments in equity instruments 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 Group may elect to classify a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as ‘accounting mismatch’).

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

iii **Derecognition of financial assets**

A financial asset is derecognised when:

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

  or

- The 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 amortized cost and fair value is recognised in the statement of Profit and loss.
FVTPL	Amortised cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to statement of profit and loss at the reclassification date.

v Impairment of financial assets

In accordance with Ind AS 109, the 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, the Subsidiary Company (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.

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

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

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

For assessing increase in credit risk and impairment loss, the 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 recognized in OCI. These gains/ loss are not subsequently transferred to P&L. 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 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.

4.9 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.

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.

4.10 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.

4.11 Leases

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

a Where the Company is a lessee

A lessee is required to recognise assets and liabilities for all leases and to recognise depreciation of leased assets separately from interest on lease liabilities in the statement of Profit and Loss. The 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 recognized as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets:

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

Lease Liability

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

Lease Modification

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

4.12 Inventories

a The subsidiary company La-Gajjar Machineries Private Limited had been valuing its inventories using the FIFO formula Method of Inventory Valuation till the end of Financial Year 2018-19. Effective 1st April,2019, it has decided to change its method of Inventory valuation to Weighted Average formula Method considering the following facts:

- The FIFO formula method assumes that the items of inventory that were purchased or produced first are sold first, and consequently the items remaining in inventory at the end of the period are those most recently purchased or produced, which may not always be the case due to the companies commercial activities spread across various geographical locations.

- Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. This will provide for a more reliable valuation of the inventories and also ensure consistency in valuation of similar products.

- To align its valuation policy in line with its Parent Company.

- There is no material impact identified due to the change in methods on the inventory valuation as on 31st March 2020 and 31st March 2019 and hence the accounting policy change has not been applied retrospectively.

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

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

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

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

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

4.13 Cash and cash equivalents

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

4.14 Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

Sales tax / GST

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

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

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

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

4.15 Non-Current Assets held for sale and Discontinuing operations

a Non-Current Assets held for sale

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

b Discontinuing operations

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

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

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

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

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

OR

iii Is a subsidiary acquired exclusively with a view to resale

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

4.16 Employee Benefits

a Short Term Employee Benefits

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

b Post-Employment Benefits

i Defined contribution plan

The 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.

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 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.

4.17 Provisions, Contingencies and Commitments

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

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

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

4.18 Revenue Recognition

Revenue from operations

a **Sale of Goods & services:**

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

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

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

Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the 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 Company 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 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 rate of interest (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 company 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 recognized in profit or loss to the extent the carrying amount of the contract asset exceeds the remaining amount of consideration that the company expects to receive towards remaining performance obligations (after deducting the costs that relate directly to fulfill such remaining performance obligations).

Trade receivables

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the 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.

Other Income

a **Interest Income from a Financial Asset**

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

b **Dividend Income**

Dividend Income is recognized 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.

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 group is treated as an exceptional item and the same is disclosed in the note 42

4.20 Government Grant

Grants and subsidies from the government are recognized 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 recognized as other operating income in the statement of profit and loss if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

b **Industrial Promotion Subsidy**

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

c **Export Promotion Capital Goods**

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

4.21 Cash dividend

The 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 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 Share based employee payments

Equity settled share-based payments

The Subsidiary Company ARKA Fincap Limited (formerly known as Kirloskar Capital Limited) has granted stock options to employees. The Options are measured at the fair value of the options at the grant date. The fair value of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight-line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

4.23 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.

4.24 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.

4.25 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.

5 Additional Notes to the Financial Statements

5.1 Contingent Liabilities

₹ in Crs.

		As at 31 March 2020	As at 31 March 2019
a	**Contingent Liabilities not provided for**		
i	Disputed Central Excise Demands	16.30	16.30
ii	Disputed Sales Tax & Octroi Demands	13.04	10.18
iii	Disputed Customs Duty Demands	0.86	0.86
iv	Disputed Income Tax Liability – matter under appeal	8.43	10.07
v	Claims against Company not acknowledged as debts	61.72	61.36
vi	Disputed ESI Demands	0.26	0.35

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 against which, remaining future obligations aggregates NIL (PY - USD 0.75 million). Non fulfillment of export obligations, if any, entails options/ rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export obligation to be fulfilled by the company is achieved by the company under the said scheme in financial year 19-20.

5.2	**Charge of Hypothecation referred to in Note no. 26 for working capital facilities extends to letter of credit issued by the Company's bankers**		
a	Aggregate amount of such letters of credit outstanding	22.92	9.37
b	Aggregate amount of such letters of bank guarantees outstanding (relating to subsidiary)	16.09	15.43
	Capital & Other Commitments		
5.3	**Capital Commitment**		
	Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	78.91	19.90
5.4	**Other Commitment**		
a	Purchase of Bearings from KSPG Automotive India Pvt. Ltd. on a non-exclusive basis	-	10.10
	The Parent Company has given assurance to one of subsidiary's bankers of not diluting its stake less than 74%.		

5.5 Payment to Auditors (Net of taxes) **₹ in Crs**

Sr No	Particulars	2019-20	2018-19
a	**Statutory Auditors**		
i	As Auditors	**0.76**	**0.67**
	Audit Fees	0.60	0.51
	Tax Audit Fees	0.08	0.08
	Limited Review	0.08	0.08
ii	Certification fees & Assurance Services	**0.06**	**0.06**
iii	Reimbursement of expenses	**0.02**	**0.01**
	TOTAL (a)	**0.84**	**0.74**
b	**Cost Auditors**		
i	As auditors	0.10	0.10
ii	In other capacity		
	Certification fees	0.00	0.00
	Reimbursement of expenses	0.00	0.00
	TOTAL (b)	**0.10**	**0.10**
	Grand Total (a+b)	**0.94**	**0.84**

5.6 The Sales for the current year includes an amount of 0.29 Crs (PY Rs 3.44 Crs) 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 Mar 2020. The disclosure pursuant to the said Act is as under.

₹ in Crs.

Particulars	2019-20	2018-19
Principal outstanding to MSME suppliers	53.91	54.36
Payment made to suppliers (other than interest) beyond the appointed day, during the year	5.15	84.08
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.03	0.85
Interest due on principle amount remaining unpaid as on year end date	0.01	0.00
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	2.05	2.01

The Information has been given in respect of such vendors on the basis of information available with the group.

5.8 Revenue Recognition

a Disaggregation of Revenue

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

₹ in Crs

Business	Engines	Electric Pumps	Financial Services	Other Segments	Total
Power Generating Business	1,150.97		-	-	1,150.97
Agriculture & Allied Business	239.76	529.46	-	132.36	901.58
Industrial Engine Business	434.59		-	-	434.59
Customer Support	402.74		-	-	402.74
International Business	232.82		-	-	232.82
Large Engine Business	159.94		-	-	159.94
Financial Services Business	-		48.20	-	48.20
Total	**2,620.82**	**529.46**	**48.20**	**132.36**	**3,330.84**
Other Reconciling Amounts	-		-	-	1.80
Other Operating Income	34.61	11.70	-	0.50	46.81
Totals	**2,655.43**	**541.16**	**48.20**	**132.86**	**3,379.45**

b Revenue recognised in relation to contract liabilities

The group has generated revenue of Rs 36.06 Crs (PY: Rs 5.25 Cr) during the year from its Contract Liabilities as on 1st April, 2019. The Contract liabilities are presented in Note 25 & 30 as advance from customer and revenue received in advance.

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

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

When the 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 7 days to 90 days depending on product/market segment and market channel.

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

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

As on 31st March, 2020, the group has unsatisfied performance obligation of Rs 73.46 Cr (31st March 2019 : Rs 77.14 Cr). The Group expects that Rs 36.36 Cr will be recognised as revenue in financial year 2020-21 and remaining in subsequent years based on contractual terms.

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

The group has recognized an asset as on 31st March, 20 of Rs 1.36 Cr (31 March 2019 : Rs 2.50 Cr) from cost incurred to obtain a contract & fulfil a contract. Asset is included in Note 17 other current asset Pre-Paid Expenses.

f **Reconciliation of the group’s revenue from contract price with revenue:**

₹ in Crs

Particulars	**2019-2020**	**2018-2019**
Contract Price	3,396.26	3,585.85
Adjustment for :		
Contract Liabilities: Discounts, Incentives & Late delivery Charges	(65.42)	(58.02)
Revenue from contracts with customers	**3330.84**	**3527.83**

Note 5.9: Disclosure pursuant to Employee benefits

A. **Defined contribution plans:**

Amount of Rs. 14.41 Crs. (March 31, 2019: Rs. 12.31 Crs.) 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

March 31, 2020 : Changes in defined benefit obligation and plan assets

₹ In Crs

Particulars	April 1, 2019	Gratuity cost charged to statement of profit and loss			Benefit paid	Remeasurement gains/(losses) in other comprehensive income					Contributions by employer	March 31, 2020
		Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 38)		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	(45.46)	(4.56)	(3.32)	(7.88)	2.50	-	0.03	0.31	(0.68)	(0.34)	-	(51.18)
Fair value of plan assets	45.57	-	3.57	3.57	(2.45)	(0.02)	-	(0.14)	(2.49)	(2.65)	6.33	50.37
Benefit liability	0.11	(4.56)	0.25	(4.31)	0.05	(0.02)	0.03	0.17	(3.17)	(2.99)	6.33	(0.81)
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(3.30)	(0.05)	(0.24)	(0.29)	0.34	-	0.02	(0.12)	0.16	0.06	-	(3.19)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(3.30)	(0.05)	(0.24)	(0.29)	0.34	-	0.02	(0.12)	0.16	0.06	-	(3.19)
Total benefit liability	**(3.19)**	**(4.61)**	**0.01**	**(4.60)**	**0.39**	**(0.02)**	**0.05**	**0.05**	**(3.01)**	**(2.93)**	**6.33**	**(4.00)**

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

₹ In Crs

Particulars	April 1, 2018	Cost charged to statement of profit and loss			Benefit paid	Remeasurement gains/(losses) in other comprehensive income					Contributions by employer	March 31, 2019
		Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 38)		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	(40.59)	(4.20)	(3.08)	(7.28)	2.24	-	0.33	(2.23)	2.07	0.17	-	(45.46)
Fair value of plan assets	41.80	-	3.27	3.27	(2.18)	(0.00)	-	0.28	(0.30)	(0.02)	2.70	45.57
Benefit liability	1.21	(4.20)	0.19	(4.01)	0.06	(0.00)	0.33	(1.95)	1.77	0.15	2.70	0.11
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(3.20)	(0.06)	(0.24)	(0.30)	0.34	-	0.10	(0.06)	(0.18)	(0.14)	-	(3.30)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(3.20)	(0.06)	(0.24)	(0.30)	0.34	-	0.10	(0.06)	(0.18)	(0.14)	-	(3.30)
Total benefit liability	**(1.99)**	**(4.26)**	**(0.05)**	**(4.31)**	**0.40**	**(0.00)**	**0.43**	**(2.01)**	**1.59**	**0.01**	**2.70**	**(3.19)**

C. Other long-term employment benefits

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

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

₹ In Crs

Particulars	Cost charged to statement of profit and loss							
	April 1, 2019	Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in statement of profit and loss (Note 38)	Benefit paid	Contributions by employer	March 31, 2020
Compensated absences								
Defined benefit obligation	(28.91)	(3.60)	(2.07)	(0.27)	(5.94)	2.61	-	(32.24)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit liability	**(28.91)**	**(3.60)**	**(2.07)**	**(0.27)**	**(5.94)**	**2.61**	**-**	**(32.24)**

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

₹ In Crs

Particulars	Cost charged to statement of profit and loss							
	April 1, 2018	Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in statement of profit and loss (Note 38)	Benefit paid	Contributions by employer	March 31, 2019
Compensated absences								
Defined benefit obligation	(26.01)	(3.67)	(1.95)	0.63	(4.99)	2.09	-	(28.91)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit liability	**(26.01)**	**(3.67)**	**(1.95)**	**0.63**	**(4.99)**	**2.09**	**-**	**(28.91)**

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

Particulars	Year ended March 31, 2020 ₹ In Crs	Year ended March 31, 2019 ₹ In Crs
Special Deposit Scheme	-	7.86
(%) of total plan assets	0%	17%
Insured managed funds	50.37	2.76
(%) of total plan assets	100%	6%
Others	-	34.95
(%) of total plan assets	0%	77%

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

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Discount rate	6.40% - 6.84%	7.50% - 7.79%
Future salary increase	7.00% - 8.00%	6.50% - 8.00%
Expected rate of return on plan assets	6.84% - 7.50%	7.79% - 7.80%
Expected average remaining working lives (in years)		
Gratuity	5.59 - 14	10.23 - 15.00
Pension, Post retirement medical scheme and Long-term award scheme	9.73 - 11.78	9.54 - 12.60
Compensated Absences	11.35	10.23
Withdrawal rate (based on grade and age of employees)		
Gratuity	0%-15%	0%-12%
Pension, Post retirement medical scheme and Long-term award scheme	0%-13%	0%-12%
Compensated Absences	0%-13%	0%-12%

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

Gratuity

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact) Year ended March 31, 2020 (₹ In Crs)	Year ended March 31, 2019 (₹ In Crs)
Discount rate	1% increase	3.55	3.12
	1% decrease	(4.09)	(3.58)
Future salary increase	1% increase	(3.54)	(3.10)
	1% decrease	3.15	2.76
Withdrawal rate	1% increase	0.04	0.08
	1% decrease	(0.02)	(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

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

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

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

Particulars	Year ended March 31, 2020 (₹ In Crs)	Year ended March 31, 2019 (₹ In Crs)
Within the next 12 months (next annual reporting period)		
Gratuity	7.57	7.00
Pension, Post retirement medical scheme and Long-term award scheme	0.36	0.43
Compensated absences	-	-
Between 2 and 5 years	-	-
Gratuity	20.84	19.38
Pension, Post retirement medical scheme and Long-term award scheme	1.60	1.79
Compensated absences	-	-
Beyond 5 years	-	-
Gratuity	25.22	23.68
Pension, Post retirement medical scheme and Long-term award scheme	2.00	2.26
Compensated absences	-	-
Total expected payments	**57.59**	**54.54**

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

Particulars	Year ended March 31, 2020 Years	Year ended March 31, 2019 Years
Gratuity	10.97 - 11.00	10.00 - 10.43
Pension, Post retirement medical scheme and Long-term award scheme	8.99 -11.59	8.66 -12.25

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

Particulars	Year ended March 31, 2020 (₹ In Crs)	Year ended March 31, 2019 (₹ In Crs)
Gratuity	7.72	2.57

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.

5.10 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 ₹ in Crs

Particulars	2019-20					
	Engines	Electric Pumps	Financial Services	Other Segments	Other Reconciling amounts	Consolidated Total
Segment Revenue	2,655.43	541.16	48.20	132.86	1.80	3,379.45
Total Revenue	**2,655.43**	**541.16**	**48.20**	**132.86**	**1.80**	**3,379.45**
Profit before exceptional items and tax	**203.96**	**12.93**	**10.17**	**(14.96)**	**16.15**	**228.25**
Depreciation and Amortisation	62.36	18.48	2.46	2.35	1.69	87.34
Interest Expenses	2.12	7.76	2.66	0.08	1.59	14.21

₹ in Crs.

Particulars	2018-19					
	Engines	Electric Pumps	Financial Services	Other Segments	Other Reconciling amounts	Consolidated Total
Segment Revenue	2997.33	488.99	0.33	138.92	0.82	3626.39
Total Revenue	**2997.33**	**488.99**	**0.33**	**138.92**	**0.82**	**3626.39**
Profit before exceptional items and tax	**301.93**	**7.07**	**(9.90)**	**(11.92)**	**44.28**	**331.46**
Depreciation and Amortisation	67.31	21.47	0.24	3.20	2.18	94.40
Interest Expenses	3.48	9.41	-	0.08	-	12.97

B. Capital Employed of reportable segment ₹ in Crs

Particulars	As at 31st March 2020					
	Engines	Electric Pumps	Financial Services	Other Segments	Other Reconciling amounts	Consolidated Total
Assets	1,175.74	486.46	617.47	66.69	415.53	2,761.89
Total Assets (I)	**1,175.74**	**486.46**	**617.47**	**66.69**	**415.53**	**2,761.89**
Liabilities	496.90	202.40	88.18	69.05	160.20	1,016.73
Total Liabilities (II)	**496.90**	**202.40**	**88.18**	**69.05**	**160.20**	**1,016.73**

₹ in Crs.

Particulars	As at 31st March 2019					
	Engines	Electric Pumps	Financial Services	Other Segments	Other Reconciling amounts	Consolidated Total
Assets	1,083.41	451.18	20.33	74.56	972.66	2,602.14
Total Assets (I)	**1,083.41**	**451.18**	**20.33**	**74.56**	**972.66**	**2,602.14**
Liabilities	538.69	178.71	3.23	43.29	139.64	903.56
Total Liabilities (II)	**538.69**	**178.71**	**3.23**	**43.29**	**139.64**	**903.56**

C. Geographical based bifurcation of operating segments revenue ₹ in Crs.

Particulars	2019-20	2018-19
Domestic	3,023.59	3,303.48
Export	354.06	322.09
Total	3,377.65	3,625.57

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.

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

a Description of Related Parties

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

Sr. No.	Related Party Category	Company
1	Entity controlled by Key Managerial Personnel	Achyut & Neeta Holdings & Finance Private Limited
		Expert Quality Cloud Information Technology Private Limited
		Kirloskar Energen Private Limited
		Kirloskar Solar Technologies Private Limited
		Kloudq Technologies Limited
		Lakeland Universal Limited BVI
		Navsai Investments Private Limited
2	Entity controlled by Close Member of Key Managerial Personnel	Alpak Investments Private Limited Beluga Whale Capital Management Pte Limited Snow Leopard Technology Ventures LLP
3	Promoter/Promoter group which hold(s) 10% or more shareholding	Atul C. Kirloskar Rahul C. Kirloskar

Sr. No.	Related Party Category	Company
4	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

ii **Key Management Personnel and their relatives:**

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

b **Transactions with Related Parties**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2019-20		2018-19	
		Amount	Amount from major parties	Amount	Amount from major parties
1	**Sales Return**				
	Entity controlled by Key Managerial Personnel	-		0.00	
	Kirloskar Solar Technologies Private Limited		-		0.00
	Total	-	-	0.00	0.00
2	**Purchases of Other Intangible Assets - Computer Software**				
	Entity controlled by Key Managerial Personnel	0.96		-	
	Kloudq Technologies Limited		0.96		-
	Total	0.96	0.96	-	-

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2019-20		2018-19	
		Amount	Amount from major parties	Amount	Amount from major parties
3	**Purchases of goods**				
	Entity controlled by Key Managerial Personnel	**6.29**		**1.33**	
	Kloudq Technologies Limited		6.29		1.33
	Total	**6.29**	**6.29**	**1.33**	**1.33**
4	**Rendering of Services from**				
	Key Management Personnel	**11.83**		**14.98**	
	Atul C. Kirloskar		3.68		6.33
	Nihal G. Kulkarni		2.51		3.21
	Rajendra R. Deshpande		5.64		5.44
	Close member of Key Managerial Personnel	**0.42**		**0.40**	
	Rahul C. Kirloskar		0.10		0.09
	Gauri A. Kirloskar (Kolenaty)		0.32		0.31
	Entity controlled by Key Managerial Personnel	**22.04**		**22.69**	
	Kloudq Technologies Limited		22.04		22.69
	Total	**34.29**	**34.29**	**38.07**	**38.07**
5	**Expenses paid to**				
	Entity controlled by Key Managerial Personnel	**0.48**		**0.45**	
	Kirloskar Solar Technologies Private Limited		0.40		0.45
	Kloudq Technologies Limited		0.08		-
	Total	**0.48**	**0.48**	**0.45**	**0.45**
6	**Reimbursement / (recovery) of Expenses**				
	Entity controlled by Key Managerial Personnel	**-**		**0.09**	
	Kirloskar Solar Technologies Private Limited		-		0.09
	Total	**-**	**-**	**0.09**	**0.09**
7	**Interim Dividend and Final Dividend Paid**				
	Key Management Personnel	**16.35**		**9.32**	
	Atul C. Kirloskar		12.02		9.23
	Nihal G. Kulkarni		4.32		0.08
	Rajendra R. Deshpande		0.01		0.01
	Close member of Key Managerial Personnel	**28.84**		**25.42**	
	Rahul C. Kirloskar		11.55		8.87
	Arti A.Kirloskar		4.59		3.53
	Jyotsna G. Kulkarni		8.44		12.99
	Suman C. Kirloskar		0.04		0.03
	Ambar Kulkarni		4.22		-
	Entity controlled by Key Managerial Personnel	**0.07**		**0.04**	
	Achyut & Neeta Holdings & Finance Pvt. Ltd.		0.07		0.04
	Navsai Investments Pvt. Ltd.		0.00		0.00
	Entity controlled by Close Member of Key Managerial Personnel	**0.00**		**0.00**	
	Alpak Investments Private Limited		0.00		0.00
	Total	**45.26**	**45.26**	**34.78**	**34.78**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2019-20		2018-19	
		Amount	Amount from major parties	Amount	Amount from major parties
8	**Contributions Paid**				
	Post-Employment Benefit Plan of Parent Company	**8.35**		**4.36**	
	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund		6.00		2.00
	Kirloskar Oil Engines Limited Employees' Gratuity Trust		0.11		0.13
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		2.14		2.14
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.10		0.09
	Total	**8.35**	**8.35**	**4.36**	**4.36**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2019-20		2018-19	
		Amount	Amount from major parties	Amount	Amount from major parties
	Outstanding				
1	**Accounts Payable**				
	Key Management Personnel				
	Commission	**5.50**		**9.25**	
	Atul C. Kirloskar		1.00		4.00
	Nihal G. Kulkarni		0.50		1.25
	Rajendra R. Deshpande		4.00		4.00
	Close member of Key Managerial Personnel	**0.35**		**0.35**	
	Rahul C. Kirloskar		0.06		0.06
	Gauri A. Kirloskar (Kolenaty)		0.29		0.29
	Entity controlled by Key Managerial Personnel	**1.39**		**0.80**	
	Kloudq Technologies Limited		1.33		0.76
	Kirloskar Solar Technologies Private Limited		0.06		0.04
	Post-Employment Benefit Plan of Parent Company	**0.61**		**0.61**	
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		0.53		0.53
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.08		0.08
	Total	**7.85**	**7.85**	**11.01**	**11.01**

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

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

Terms and conditions of transactions with related parties

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

Commitments with related parties

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

Transactions with key management personnel

Compensation of key management personnel of the Group

₹ in Crs.

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

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

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

5.12 Earnings Per Share (Basic and Diluted)

₹ in Crs.

Particulars	**2019-20**	**2018-19**
Profit for the year after taxation (Rs in Crs.)	185.18	219.17
Total number of equity shares at the end of the year (One Equity share of face value of ₹ 2/- each)	144614326	144614326
Weighted average number of equity shares for the purpose of computing Earning Per Share	144614326	144614326
Basic and Diluted Earnings Per Share (in Rs)	**12.81**	**15.16**

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 FVPL, loans and others), current financial assets (e.g., cash and cash equivalents, trade and other receivables, loans), non-current financial liabilities and current financial liabilities (e.g. Trade payables and other payables and others) approximate their carrying amounts.

The Group has not performed a fair valuation of its investment in unquoted ordinary shares other than subsidiary, which are classified as FVOCI (refer Note 3), as the Group believes that impact of change 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

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

₹ In Crs.

Particulars	Note	Carrying Amount	Level of Input Used in		
			Level 1	Level 2	Level 3
As at 31 March 2020					
Financial Assets					
Investment at FVTPL					
Mutual Funds	9	338.11		338.11	
Investments at FVTOCI					
Unquoted Equity Shares	3	0.50			0.50
Other Financial assets at FVTPL					
Assets held for disposal	15	0.12			0.12
As at 31 March 2019					
Investment at FVTPL					
Mutual Funds	9	711.21		711.21	
Investments at FVTOCI					
Unquoted Equity Shares	3	0.01			0.01
Other Financial assets at FVTPL					
Assets held for disposal	15	2.17			2.17

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

5.15 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.

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

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

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

Interest rate risk

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 Crs.

Particulars	**31-Mar-20**	**31-Mar-19**
Long Term Fixed Interest Loans	0.23	0.39
Short Term Fixed Interest Loans	0.01	10.00
Long Term Floating Interest Loans	18.52	24.63
Short Term Floating Interest Loans	69.66	41.71

b. Interest Rate Sensitivity **₹ in Crs.**

Financial Year	**Change in Interest rate**	**Effect on profit before tax**	**Effect on pre-tax equity**
31-Mar-20	Increase 50 bps	(0.41)	(0.41)
	Decrease 50 bps	0.41	0.41
31-Mar-19	Increase 50 bps	(0.62)	(0.62)
	Decrease 50 bps	0.62	0.62

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-Mar-20	31-Mar-19
Receivable	USD	9,130	9,716
Payable	USD	4,857	1,159
	EUR	398	293
	GBP	1	4
	SEK	250	298
	JPY	176	-

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

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD & EUR exchange rates, with all other variables held constant. The impact on the 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 Crs.

As at	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
31-Mar-20	+5%	1.59	1.59
	-5%	(1.59)	(1.59)
31-Mar-19	+5%	2.95	2.95
	-5%	(2.95)	(2.95)

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

Commodity price risk

The 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.

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

Subsidiary Company ARKA Fincap Limited 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.

Subsidiary company ARKA Fincap Limited 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.

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 subsidiary company ARKA Fincap Limited (NBFC) 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.

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 Crs.

Particulars	On demand	Upto 3 months	> 3 months to 1 year	1 year to 5 years	More than 5 years	Total
Year ended 31 March 2020						
Interest bearing borrowings	69.66	10.13	34.44	64.44	-	**178.67**
Other financial liabilities	16.86	21.09	23.04	110.17	19.15	**190.31**
Lease liabilities	-	0.40	1.97	7.51	-	**9.88**
Trade payables	9.08	398.25	6.24	-	-	**413.57**
Total	**95.60**	**429.87**	**65.69**	**182.12**	**19.15**	**792.43**
Year ended 31 March 2019						
Interest bearing borrowings	51.71	15.15	6.26	16.69	-	**89.81**
Other financial liabilities	14.65	7.79	41.19	80.14	18.01	**161.78**
Lease liabilities	-	-	-	-	-	**-**
Trade payables	3.99	430.41	5.00	-	-	**439.40**
Total	**70.35**	**453.35**	**52.45**	**96.83**	**18.01**	**690.99**

5.16 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 2020 and 31 March 2019.

5.17 Leases

a. Lessee Accounting

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

- The lease liability is measured at the present value of the outstanding lease payments only for leases previously classified as operating leases according to Ind AS 17 which are discounted using incremental borrowing rate at 1 April 2019. The respective right-of-use asset is generally recognized at an amount equal to the lease liability.

- An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognized in the balance sheet as at 31 March, 2019.

- Regardless of their original lease term, leases for which the lease term ends at the latest on 31 March, 2020 are recognized as short-term leases.

- At the date of initial application, The measurement of a right-of-use asset excludes the initial direct costs.

- Information in hindsight is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

- The difference between the lease commitment disclosed under Ind AS 17 as at 31st March 2019 and the lease liability recognised in the balance sheet as at 1st April 2019 are in respect of,

    1. Discounting of such lease payments

    2. Option to extend the lease term for a period of 6 months which has been considered in the calculation of the lease liability in accordance with the extant guidance provided in Ind AS 116 (In case of one of the subsidiary)

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

₹ in Crs

Particulars	**2019-20**
Initial Measurement of Right-of-use assets including reclassification under Ind AS 116 amounting to Rs 11.24 Cr (refer to Note 1b)	23.01
Initial Measurement of Lease liabilities	8.22
Depreciation charged on right-of-use asset	3.83
Interest expense on lease liability	0.74
Expense for short term leases/Low value leases	2.51
Cash outflow for leases	3.10
Carrying amount of right-of-use asset as on 31st March 2020	24.94
Carrying amount of Lease liabilities as on 31st March 2020	9.88

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

₹ in Crs

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

The subsidiary company La Gajjar industries (p) Ltd. has also agreed for a binding extension of the lease agreement for land and building which has lock in period up to December 2021. The said agreement has an extension option for further 18 months up to July 2023. The company has considered these extension period for the purpose of recognizing lease liability considering economic incentive. The lease payments during the said extended period are as follows :

₹ in Crs

Period of Balance Term	Annual Lease Payment
From 1st August, 2020 to 31st December, 2021	1.00
From 1st January, 2022 to 31st July, 2023	1.86

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.

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

₹ in Crs

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

Lease Income generated during the year is Rs . 1.05 Cr (Note 34)

Maturity analysis of lease payments

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

₹ in Crs

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

5.18 **Expenditure on CSR Activities** ₹ in Crs.

Sr No	Particulars	2019-20	2018-19
1	Gross amount required to be spent by the group during the year	5.42	4.48
2	Amount spent during the year	5.55	4.59

5.19 **Employee Stock Option Plans (ESOP)**

The Subsidiary Company 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 2020, the Subsidiary Company has the following share-based payment arrangements

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 April 24, 2019 and by the shareholders in EGM dated May 2, 2019 for issue of 5,00,00,000 options representing 5,00,00,000 Equity shares of Rs. 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 Plan/Scheme	ESOP-2019	ESOP-2019
Date of Grants	06-May-19	01-Nov-19
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	

b. **Option Movement during the year ended Mar 2020**

Particulars	ESOP Grant 1	ESOP Grant 2
No. of Options outstanding at the beginning of the year	-	-
Options granted during the year	2,06,50,000	13,00,000
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
No. of Options exercisable at the end of the year	-	-
The weighted average share price of shares exercised during the year ended 31st March 2020	NA	NA

c. **Weighted average remaining contractual life of outstanding options (in years)**

Particulars	ESOP Grant 1	ESOP Grant 2
No. of Options outstanding at the end of the year	2,06,50,000	13,00,000
Contractual Life: Granted but not vested (in years)	0.85	2.32
Contractual Life: Vested but not exercised (in years)	NA	NA

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
Risk Free Interest Rate	7.40%	6.60%
Weighted average expected life (in years)	6.00	7.00
Expected Volatility	1.00%	1.00%
Weighted average exercise price (Rs.per share)	10.00	10.00

e. **Effect of share-based payment transactions on the entity's Profit or Loss for the period:**

₹ in Crs

Particulars	31-Mar-20	31-Mar-19
Employee share based expenses	4.72	-
Total ESOP reserve outstanding at the end of the period	4.72	-

5.20 Acquisitions (Business Combination)

La Gajjar Machineries Private Ltd

The Parent Company, on June 21, 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 1st August 2017 the Parent company acquired 76% of equity shares of LGM as per the terms of share purchase agreement for consideration of Rs. 252.93 crs. 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 DEC 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 Rs. 0.85 crs 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 Mar 2019.

Further, the Parent company had entered into a shareholders agreement on June 21, 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 equity shares to be exercised after holding period at a price based on mutually agreed upon formula. However, if the options are not exercised in the given option period, the parent company has to purchase remaining equity shares at the end of the option period by applying same formula agreed at the time of exercising options.

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

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 Combinations.

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 Rs. 110.17 (PY Rs. 80.10) 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 derecognized 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.

5.21 Disclosure in terms of Schedule III of the Companies Act, 2013

₹ in Crs.

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. 2019-20								
1. Parent:								
Kirloskar Oil Engines Ltd.	104.88%	1,830.24	92.00%	170.38	92.83%	(1.94)	91.99%	168.44
2. Subsidiary (Foreign):								
KOEL Americas Corp.	0.26%	4.52	0.56%	1.04	(2.39%)	0.05	0.60%	1.09
3. Subsidiary (Domestic):								
ARKA Fincap Limited	30.33%	529.29	3.29%	6.09	0.95%	(0.02)	3.31%	6.07
La-Gajjar Machineries Pvt. Ltd.	5.23%	91.33	6.22%	11.52	11.00%	(0.23)	6.17%	11.29
Add/(Less): Minority interests in all subsidiaries	0.00%	-	(1.46%)	(2.71)	(2.39%)	0.05	(1.45%)	(2.66)
Add/(Less): Inter-company eliminations	(40.70%)	(710.22)	(0.61%)	(1.14)	0.00%	-	(0.62%)	(1.14)
Total	**100.00%**	**1,745.16**	**100.00%**	**185.18**	**100.00%**	**(2.09)**	**100.00%**	**183.09**
F.Y. 2018-19								
1. Parent:								
Kirloskar Oil Engines Ltd.	104.51%	1775.12	102.65%	224.98	(18.75%)	(0.03)	102.57%	224.95
2. Subsidiary (Foreign):								
KOEL Americas Corp.	0.20%	3.43	0.21%	0.46	100%	0.16	0.28%	0.62
3. Subsidiary (Domestic):								
ARKA Fincap Limited	1.15%	19.50	(3.42%)	(7.50)	0.00%	-	(3.42%)	(7.50)
La-Gajjar Machineries Pvt. Ltd.	4.71%	80.04	0.88%	1.92	25.00%	0.04	0.89%	1.96
Add/(Less): Minority interests in all subsidiaries	0.00%	0.00	(0.21%)	(0.45)	(6.25%)	(0.01)	(0.21%)	(0.46)
Add/(Less): Inter-company eliminations	(10.57%)	(179.51)	(0.11%)	(0.24)	0.00%	-	(0.11%)	(0.24)
Total	**100.00%**	**1698.58**	**100.00%**	**219.17**	**100.00%**	**0.16**	**100.00%**	**219.33**

5.22 Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015 as applicable to the Company are disclosed under standalone financial statements.

5.23 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	
		2019-20	2018-19
KOEL Americas Corp.	U.S.A.	100%	100%
La-Gajjar Machineries Pvt. Ltd.	India	76%	76%
ARKA Fincap Limited (formerly known as Kirloskar Capital Limited)	India	100%	100%

b. Details of Non-Wholly Owned subsidiaries that have material Non-controlling interest:

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 (₹ in Crs)		Accumlated Non-controlling interest (₹ in Crs)	
		2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
La-Gajjar Machineries Pvt. Ltd	India	24%	24%	3.94	2.76	14.51	10.62

* Excluding Effects of Consolidation Adjustment

Refer Acquisition Note - 44.5.20

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 Pvt. Ltd. **₹ in Crs**

Particulars	2019-20	2018-19
Current Assets	199.31	156.12
Non Current Assets	43.95	40.46
Current Liabilities	166.09	133.97
Non Current Liabilities	16.69	18.34
Equity Interest attributable to the owners	45.97	33.65
Non-controlling interest	14.51	10.62
Total Income	470.69	430.36
Expenses	454.25	418.85
Profit / (Loss) for the year	16.43	11.51
Profit / (Loss) attributable to the owners of the company	12.49	8.75
Profit / (Loss) attributable to the Non-controlling interest	3.94	2.76
Dividends paid to Non-controlling interest	-	-
Opening Cash & Cash Equivalents	1.17	0.90
Closing Cash & Cash Equivalents	0.22	1.17
Net Cash inflow/(outflow)	(0.95)	0.27

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

The approval for weighted deduction received from DSIR for the period 01st April 2019 to 31st March 2020 vide order no. TU/IV-15(476)/35(2AB)/3CM/333/2019 dated 20th January 2020. However, during the year, new section 115BAA is introduced by the CBDT. As per this section, option is given to all existing companies to either pay Income tax as per existing rates (i.e. 25% or 30% plus applicable surcharge and cess) or as per new concessional rate of 22% plus applicable surcharge and cess.

This new rate is available only if company forgoes certain deductions including weighted deduction u/s 35(2AB). The Parent Company decided to adopt new rate u/s 115BAA. Since provisions of section 115BAA of the Income tax act, 1961 are applicable , company is not entitled to avail weighted deduction u/s 35(2AB) of the income tax act, 1961 , for FY 2019-20. Thus the parent company will not avail weighted deduction benefit on in-house R&D expenditure for FY 2019-20 and subsequent financial years. However, parent company will continue to maintain separate set of books for in-house R &D activities

5.25 Disclosures pursuant to RBI Notification No. RBI/2019-20/170 DOR(NBFC) CC.PD.No.109/22.10106/2019-20 dated 13 March 2020 related to subsidiary company of ARKA Fincap Limited (NBFC) are presented in standalone financials of ARKA Fincap Limited.

5.26 Goodwill

Following is the summary of changes in carrying amount of goodwill: **₹ in Crs**

Particulars	31-Mar-20	31-Mar-19
Balance at the beginning of the year	184.50	184.50
Balance at the end of the year	184.50	184.50

Allocation of goodwill by segments is as follows: **₹ in Crs**

Particulars	31-Mar-20	31-Mar-19
Electric Pumps	184.50	184.50

Allocation of goodwill to cash-generating units:-

Goodwill has been allocated for impairment testing purposes to the underlying cash generating unit ('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:

Particulars	Year ended 31.03.2020
Terminal growth rate	3%**
Pre-tax discount rate	21.50%

** 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 2020

₹ in Crs.

Particulars	31-Mar-20	31-Mar-19
Cash and Cash Equivalents	128.34	61.74
Current Borrowings	(84.92)	(64.78)
Non-Current Borrowings	(64.44)	(16.69)
(Net Debt)/Surplus	(21.02)	(19.73)

₹ in Crs.

Particulars	Other Assets	Liabilities from financing activity	Total
	Cash and Cash Equivalents	Current Borrowings	
(Net Debt)/Surplus as on 1st April 2019	61.74	(81.47)	(19.73)
Cash Flows	66.60	(67.89)	(1.29)
(Net Debt)/Surplus as on 31st March 2020	128.34	(149.36)	(21.02)

46 Standard issued but not effective

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

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

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

47 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 47, forming part of the Consolidated Financial Statements.

As per our attached report of even date

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 19 June 2020

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN:07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Pune : 19 June 2020

Notes

Notes

Enriching Lives

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A Kirloskar Group Company

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