Kirloskar Oil Engines

19th July 2023

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 and Annual Report for the FY 2022-23

Pursuant to Regulation 30 and Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 and amendments thereunder, please find enclosed herewith copy of Annual Report for the Financial Year 2022-23 including Notice of Annual General Meeting (AGM) of the Company to be held on 11th August 2023.

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, the General Circular No. 20/2020 dated 5th May 2020, the General Circular No. 02/2021 dated 13th January 2021, the General Circular No. 19/2021 dated 8th December 2021, the General Circular No. 21/2021 dated 14th December 2021, the General Circular No. 2/2022 dated 5th May 2022 and General Circular No. 10/2022 dated 28th December 2022, issued by the Ministry of Corporate Affairs and the Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January 2021, SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated 13th May 2022 and SEBI/HO/CFD/PoD-2/P/CIR/2023/4 dated 5th January 2023, issued by the Securities and Exchange Board of India, the Annual Report for Financial Year 2022-23 including 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.

Kirloskar Oil Engines Limited
A Kirloskar Group Company

Regd. Office: Laxmanrao Kirloskar Road,
Khadki, Pune, Maharashtra - 411 003 India.
Tel: +91 (20) 25810341, 66084000
Fax: +91 (20) 25813208, 25810209
Email: info@kirloskar.com | Website: **www.kirloskaroilengines.com**
CIN: L29100PN2009PLC133351

The Annual Report for Financial Year 2022-23 including Notice of AGM are also available on the website of the Company at www.kirloskaroilengines.com.

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: 2023.07.19 19:02:55 +05'30'

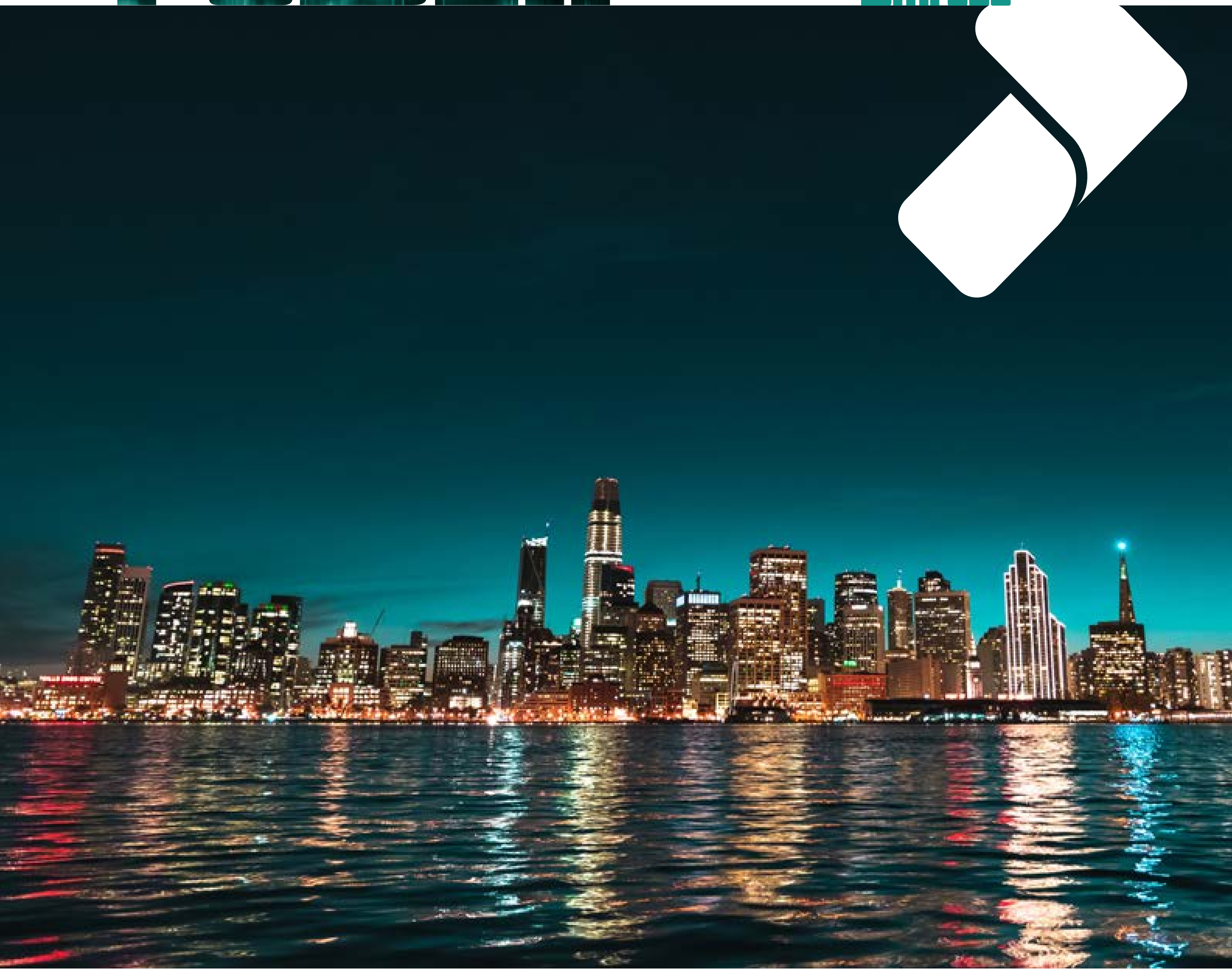
Smita Raichurkar
Company Secretary and Head Legal

Encl.: As above.

Kirloskar Oil Engines Limited
A Kirloskar Group Company

kirloskar
Oil Engines

MAY THE POWER ALWAYS BE WITH YOU



Annual Report
2022-23

Contents

Performance in FY 2022-23

Gross Sales

₹ **4,073** Crore

EBITDA

₹ **427** Crore

PBT

₹ **364** Crore

PAT

₹ **270** Crore

Standalone performance - the numbers are rounded off to the nearest decimal.

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

About the report

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

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

Scope and boundary

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

Reporting period

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

Auditors' reports

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

Stakeholder feedback

Stakeholders' constructive participation and feedback are welcomed and appreciated.
Email: investors@kirloskar.com
Website: www.kirloskaroilengines.com

Forward-looking statements

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

Our Capitals

Financial Capital	Manufactured Capital	Intellectual Capital
Human Capital	Social and Relationship Capital	Natural Capital

Corporate information

BOARD OF DIRECTORS

Atul Kirloskar
Executive Chairman upto 31st March 2023 and Non-Executive Non-Independent Director & Chairman w.e.f. 1st April 2023

Gauri Kirloskar
Managing Director

Rahul Kirloskar

Mahesh R. Chhabria

Vinesh Kumar Jairath

M. Lakshminarayan
upto 11th August 2022

Satish Jamdar

Sunil Shah Singh

Kandathil Mathew Abraham

Dr. Shalini Sarin

Yogesh Kapur

Purvi Sheth

Arvind Goel
Additional Director w.e.f. 19th May 2023

CHIEF FINANCIAL OFFICER

Anurag Bhagania
w.e.f. 22nd September 2022

COMPANY SECRETARY AND HEAD LEGAL

Smita Raichurkar

STATUTORY AUDITORS

G. D. Apte & Co., Chartered Accountants

SECRETARIAL AUDITOR

Mr. Mahesh J. Risbud,
Practicing Company Secretary

BANKERS

State Bank of India

Bank of Maharashtra

HDFC Bank Limited

ICICI Bank Limited

HSBC Limited

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited

Block No. 202, 2nd Floor,

'Akshay' Complex, Near Ganesh Temple,

Off Dhole Patil Road, Pune- 411 001

Ph. No. 020 - 26161629 / 26160084

REGISTERED OFFICE

Laxmanrao Kirloskar Road, Khadki,

Pune - 411 003, Maharashtra.

Ph. No. 020 - 25810341

www.kirloskaroilengines.com

LOCATION OF FACTORIES

Pune, Kagal, Nasik, Rajkot and Bhare

CIN: L29100PN2009PLC133351

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

Decade at a glance

₹ in Crore (unless otherwise stated)

Sr. No.	Particulars	Ind AS								Indian GAAP	
		2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
1	Gross Sales	4,073	3,268	2,664	2,841	3,117	2,860	2,818	2,587	2,641	2,475
2	Net Sales	4,073	3,268	2,664	2,841	3,117	2,804	2,614	2,406	2,473	2,287
3	Profit Before Tax	364	263	231	225	336	222	252	205	205	243
4	Profit After Tax	270	208	170	170	225	150	174	165	143	178
5	Dividend (%)	250	200	200	200	250	250	250	250	250	250
6	Dividend per share (₹)	5	4	4	4	5	5	5	5	5	5
7	Dividend Amount	72	58	58	58	72	72	72	72	72	72
8	Earning Per Share (₹)	19	14	12	12	16	10	12	11	10	12
9	Book Value Per Share (₹)	161	148	137	126	123	113	112	100	93	88
10	Share Capital	29	29	29	29	29	29	29	29	29	29
11	Reserves and Surplus	2,303	2,111	1,954	1,801	1,746	1,608	1,588	1,415	1,313	1,238
12	Shareholders' Funds	2,332	2,139	1,983	1,830	1,775	1,637	1,617	1,444	1,341	1,267
13	Loan Funds	75	97	78	15	13	17	12	7	-	-
14	Total Capital Employed	2,407	2,236	2,061	1,845	1,788	1,654	1,629	1,451	1,341	1,267
15	Net Block	425	450	446	362	399	422	440	477	514	543

Till 30 June 2017 Excise duty was applicable and included in Gross sale
All numbers are rounded off

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

Limitless

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

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

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

To the dreamers and the drivers of growth, we say-

May the power always be with you

At Kirloskar Oil Engines, we believe that partnership powers progress. Progress of a company, of an industry and of a nation. As we partner various sectors that drive the economy, we do everything in our power to understand their unique requirements and anticipate emerging trends while consistently supporting them in their endeavours. We design, develop and build offerings that innovate new avenues of growth for industries, empowering them to be limitless.

Powering life to be limitless

We understand that for life to be limitless, power is essential. The power to move. The power to change. The power to grow. Hence, as we look to the future, we continue to evolve our solutions to enable industries to harness this power. From engines that help the infrastructure sector bridge today with tomorrow to enabling manufacturing industries scale up. Our farm mechanisation equipment is made to empower farmers nurture a better yield. We instil peace of mind with our firefighting solutions and ensure uninterrupted supply of power to hospitals and airports with our generator sets. We keep pace with the ever-changing world by innovating and adopting newer, cleaner and better technologies - from building combustion engine platforms that use natural gas, ethanol, methanol and biogas based systems to developing higher complex diesel engine systems. But at the heart of our offerings, lies an emphasis on service. We cater to our customers' varied needs, empowering them to unlock a future that is limitless.

By addressing the needs of a diverse pool of consumers, we tirelessly ensure that power stays with millions of citizens.

Kirloskar Group

Innovation that empowers and enriches

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

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

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

Today, Kirloskar is recognised as the leader in castings, diesel engine manufacturing, backup power solutions, pneumatic packages, and cooling solutions, serving as a cornerstone for various industries.

With a trail of pioneering achievements, we constantly innovate solutions that defy conventions and unlock a boundless future.

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

134+ Years
Of engineering excellence

05
Listed companies

₹ 20,320 crore
Combined market cap*

₹ 8,439 crore
Combined net worth of the Group*

6,800+
Employees across the group companies

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

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

KOEL at a glance

Powering a limitless future

Kirloskar Oil Engines Limited (KOEL) is one of the world's major engine manufacturers, specialising in products that serve a wide range of industries.

We are a part of the esteemed Kirloskar Group which has a legacy that spans over a century. Our diverse offerings include indigenous engines for gensets, industrial segments like construction, railways, marine, defence, agriculture and others catering to an extensive range of customers. We also offer products like pumps, farm mechanisation equipment, motors and other allied products.

Our product range spans a broad spectrum of engines, ranging from 2.5HP to 1500HP engines to fuel agnostic gensets with an impressive power output of 2.8 kVA to 3000 kVA

Our exceptional engineering capabilities, underpinned by our cutting-edge research centre, enable us to continuously create unique value propositions for our customers through novel product offerings. Our cutting-edge manufacturing facilities are complemented by our skilled workforce and an extensive service and distribution network that allow us to cater to customers worldwide.

76+
Years of legacy*

8
Manufacturing facilities**

2,292
Employees on payroll

₹ 5,701 crore
Market capitalisation#

* Including merger and de-merger

** Including subsidiaries

Based on closing market price on March 31,2023

OUR VALUES

EXCELLENCE

INTEGRITY

COLLABORATION

EMPATHY

VALUE CREATION

INNOVATIVE THINKING

VISION & MISSION

ARE THE VALUES THAT PROPEL OUR VISION WHERE

WE POWER A CARING, PROSPEROUS AND SUSTAINABLE FUTURE.

THIS VISION PROPELS US ON A MISSION WHERE

WE ENGINEER SOLUTIONS TO ENABLE OUR CUSTOMERS TO LIVE THEIR LIMITLESS POTENTIAL.

Milestones

An inspiring journey of excellence

1946
Engines' company was established for manufacturing diesel engines

1979
Established collaboration with SEMT Pielstick, France for 1.6 MWe to 5 MWe Gensets and 1.6MW to 8.9 MW Marine Propulsion

1992
Received ISO 9001 certificate for manufacturing operations

1998
Received QS 9000 certificate

1999
Received ISO 14001 certificate for environment-friendly manufacturing facilities

2004
Received TS16949 accreditation

2009
Inauguration of Kirloskar Oil Engines, Kagal Plant

2011
KOEL launches its first Corporate Sustainability Report

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

2013
KOEL enters Limca book of records for signing wage agreement on time, before its expiry, for 7 consecutive years

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

2015
- Launch of Kirloskar KMW-MEGA-T Power Tiller
- CII EXIM Bank award for Business excellence
- International IMS certification from ABS

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

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

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

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

2021
- Brand refresh to Limitless
- Launch of Kirloskar Firefighting Pumpset
- Engines upgraded to Bharat Stage (BS) IV emission normsW
- Environment Protection Agency (EPA) Tier IV Final

2022
- Acquisition of Optiqua Pipes & Electricals (P) Ltd
- Optiqua formed a JV with ESVA Pumps India (P) Ltd

2023
- Business transformation and Strategic Roadmap - 2X-3Y
- CPCB IV+ transition
- LGM Acquisition completion
- Introduction of alternate fuel engines and Gensets (Natural Gas, Ethanol and Methanol)
- Nasik Plant won "First Prize for National Energy Conservation Award 2022", organised by the Bureau of Energy Efficiency under the Ministry of Power, Government of India, presented by the Honourable President of India, Smt. Droupadi Murmu

Business overview – products and customer segments

Wide canvas of operations

We offer a comprehensive range of bespoke products and solutions that cater to the diverse needs and preferences of our esteemed customers. Our areas of expertise encompass power generation and industrial solutions for railways, defence, marine, infrastructure and other nation building segments, water management solutions and farm mechanisation — all of which have earned us a sterling industry reputation owing to their exceptional functionality, durability and performance. We operate through various product segments that are dedicated to delivering optimal value and superior quality to our valued clients across the industry.

B2B business segment

Power Generation

Engines, Gensets, Backup Solutions, across a wide range of power output from 2 kVA - 3000kVA

Downstream usage

Across industries to provide power and backup electricity in Data Centres, Healthcare facilities, Emergency Power Operations, Power in remote locations, Reefer containers etc.

Customer segments

- Residential gensets
- Telecom
- Infrastructure
- Realty
- Hospitality
- Banks
- Defence
- Retail
- Healthcare
- Manufacturing
- Data centre

B2B business segment

Industrial

Products from 20 hp to 750 hp in the Industrial Engine space.

Downstream usage

Used in more than 85 industrial applications across various sectors including earth moving, construction, material handling, firefighting, agriculture and other niche applications.

Customer segments

Earth moving
Construction
Railways
Mining
Marine
Agriculture
Fishery
Defence
Oil & Gas

Distribution and Aftermarket

The distribution and aftermarket business unit aims to provide excellent customer support, expand market reach, and offer a comprehensive range of solutions to meet the diverse needs of customers across industries. The newly created business unit consists of the following sub-units:

Customer support and service

Through this team, we focus on providing exceptional service to customers. Our team is responsible for addressing customer inquiries, resolving issues, and ensuring customer satisfaction throughout their association with us.

Retail channel

This channel specialises in distributing spare parts, oil and other allied products. It serves as a crucial link between suppliers and end-users, ensuring availability and accessibility.

B2C business segment

Water Management Solutions

Consists of products in the diesel engines, pumpset , electric pumpset , induction motors, column pipes and cables segments. Most of the products are manufactured in one of our 4 units based in Ahmedabad, Coimbatore and Rajkot. WMS caters to customers in the Domestic and Agriculture categories through a well-developed 500+ strong distribution channel spread across India. KOEL is the market leader in the Diesel Engines and Pumpset category and a fast growing player in the electric pumpset category.

Downstream usage

A wide range of solutions to cater to various customer needs across retail, Industrial, and agriculture segments. Backward integrated with in-house capability for winding wire manufacturing and forward integrated with allied products like cables and pipes.

Customer segments

Retail
Agriculture
Industrial

Farm Mechanisation

Fit for market farm mechanisation equipment catering to the agriculture segment.

Downstream usage

Products such as tillers, weeders, brush cutters etc. are designed to cater to the specific needs of unorganised agriculture segment in India. Sales and service channels are also optimised according to specific needs.

Customer segments

Agriculture

Strategy for growth

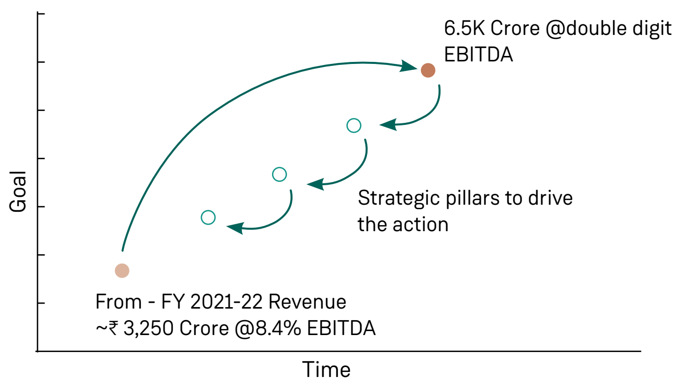
Deploying the 2X-3Y strategy to deliver value

The current economic and regulatory environment provide us with favourable conditions to achieve our business objectives.

We remain committed to delivering exceptional value to our clients while upholding the highest standards of environmental responsibility and sustainability. We hold an optimistic outlook on our growth prospects, given the improving operating environment. We have formulated a robust strategy, 2X-3Y, to achieve our ambitious goal of doubling our revenue within the next three years.

2X-3Y Strategy:

Looking to drive exponential growth over the next 3 years



Favourable macroeconomic trends

Increasing power requirement

We anticipate a strong demand for our core business owing to the prevailing power deficit and energy requirements in the country. With the government's renewed focus on infrastructure development, we expect a surge in demand for our products and services, thereby facilitating our growth trajectory.

Evolving compliance landscape

The changing compliance and ESG requirements provide an opportunity to showcase our commitment towards sustainability. Our focus on eco-friendly products and minimising our carbon footprint positions us well to capitalise on the increasing demand for environmentally conscious solutions.

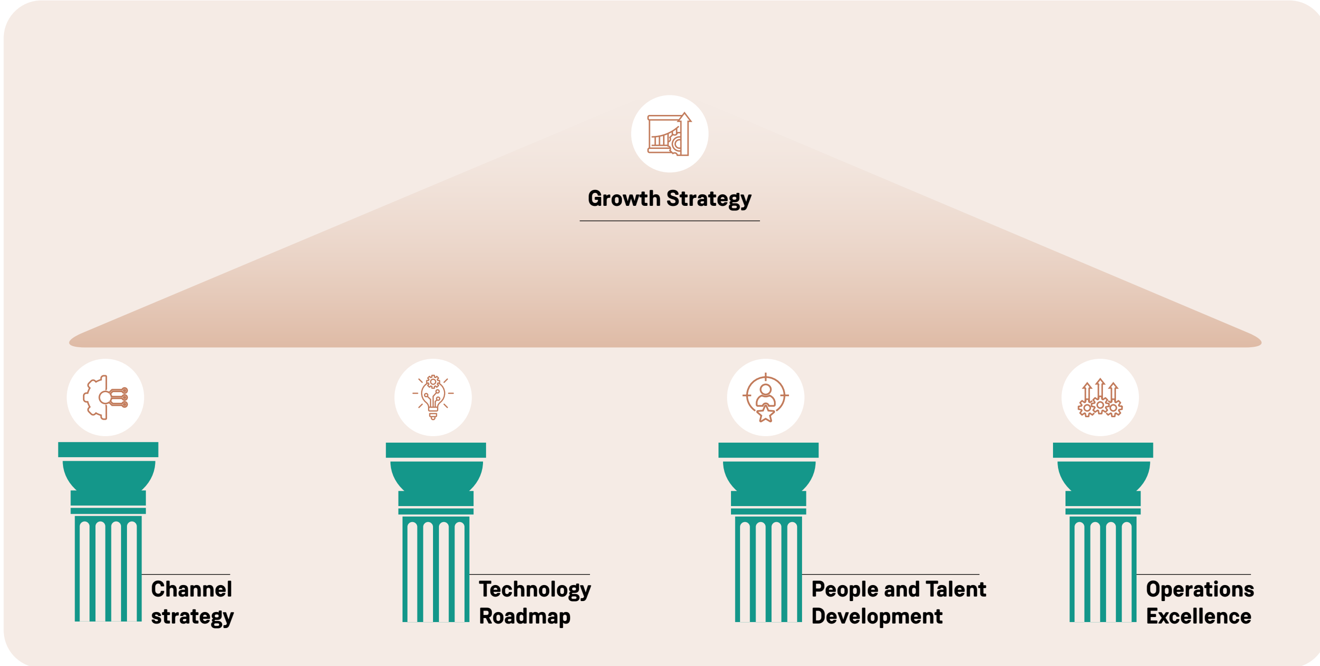
Dynamic consumer needs

We recognise the growing demand of our customers for enhanced service quality, asset availability and total cost of ownership. We are leveraging technology-enabled conveniences to fulfil these expectations and gain a competitive edge in the market.

Accessibility to global markets

The trend of global OEMs seeking credible partners in India due to the China+1 strategy, combined with the implementation of CPCB 4+ standards, presents an opportunity for us to expand our market presence and strengthen our revenue and profitability. Looking to drive exponential growth, we have put a well-defined plan in place to achieve our growth objectives, anchored on five strategic pillars including channel, technology, growth strategy, people, and operation excellence. Our rigorous efforts to strengthen these pillars are already underway, and we are confident that our commitment to excellence in these areas will drive our success in achieving our ambitious goals.

2X-3Y Strategic Pillars



1. Growth strategy

Core growth strategy

We are focusing on strategic segments including our foray into high horsepower (HHP) segment to enter key markets. We are also experiencing market gains in high growth segments of infrastructure, construction and defence.

Destination 'Zero'

We are working towards achieving carbon and emissions neutrality by developing new products with alternate fuels and energy sources (gas, ethanol, methanol and hydrogen).

International markets

The emergence of new regulations presents an opportunity for us to expand our business in key international markets. We aim to optimise our channels and expand our reach.

Partnership with OEMs

Our business strategy involves collaboration with original equipment manufacturers (OEMs) to maximise asset utilisation and promote mutual growth.

[For more information refer manufactured capital section on page 40]

2. Channel strategy

We recognise the importance of a strong channel to connect with our customers and provide them with the right solutions in a timely manner. We remain adaptable and responsive to the current market volatility by empowering our channel partners and encouraging swift decision-making. Our focus is to capitalise on any potential opportunities in localised markets in an agile manner.

[For more information refer social and relationship capital section on page 58]

3. Technology roadmap

We improve our digital capabilities continually by leveraging best-in-class technology. Our focus is on staying flexible and delivering value to stakeholders in a dynamic market scenario.

Leveraging big data

We prioritise digital, telematics, and analytics to improve product reliability and gain valuable customer insights. By doing so, we aim to drive innovation and exceed expectations for all our stakeholders.

Build/Buy/Borrow

Our approach involves enhancing our product portfolio through the adoption of newer technologies using a flexible strategy of buy, build, and borrow. Our focus is on staying competitive while delivering value to stakeholders.

Connected factory

We optimise our factory operations in real-time using Robotics, AI, and ML, enabling us to enhance productivity and reduce costs. This helps maintain competitive advantage and achieving sustainable growth.

Integrated supply chain

We are building an integrated supply chain system to enhance product availability at the final mile, ensuring reliable delivery to our customers.

[For more information refer intellectual capital section on page 46]

4. People and talent development

We prioritise talent development and aim to become one of the best employers by creating a supportive ecosystem and investing in our employees. Our commitment to a stimulating workplace aligns with our vision for sustainable growth and industry leadership.

Leadership

- Leadership Culture
- Organisation design
- Succession in key roles

Talent Management

- Talent strategy
- Campus hiring
- Talent pipeline

Performance Culture

- Meritocratic organisation
- Retention programmes for critical talent

- Develop critical skills
- Onboarding
- Great place to work framework

[For more information refer human capital section on page 52]

5. Operational excellence

We are committed to operational excellence, establishing resilient processes to meet delivery and quality targets while optimising efficiency and minimising costs. Our focus on excellence supports our vision for sustainable growth and industry leadership.

Supply chain management

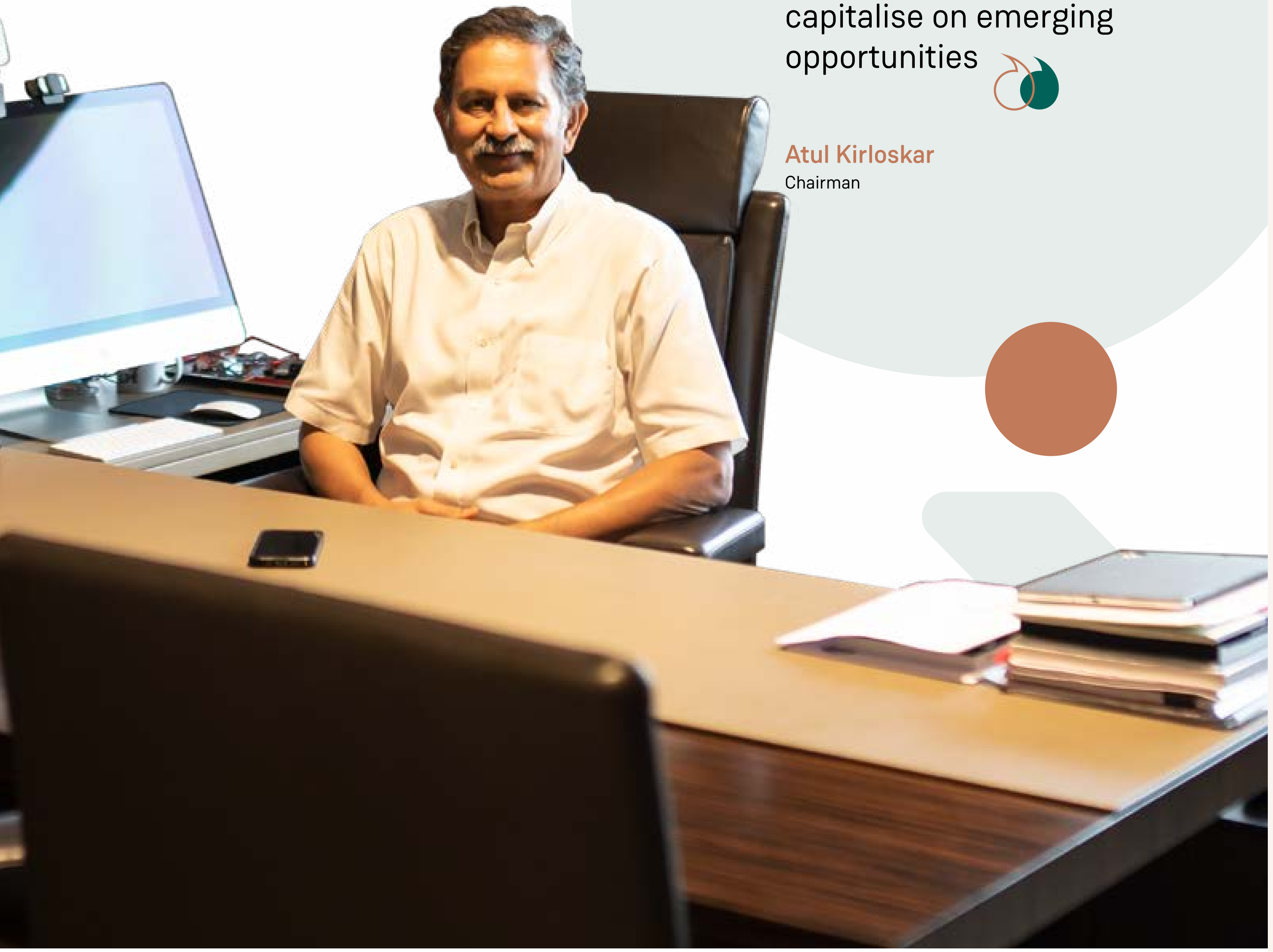
We aim to improve the procurement and supply chain processes to meet profitability targets, drive sustainable growth and maintain our competitive advantage.

Manufacturing excellence

We prioritise manufacturing excellence to deliver our products with optimal cost, quality and timing, continuously improving our processes to exceed customer expectations.

[For more information refer manufactured capital section on page 40]

Chairman's message



Over the past year, we have undertaken a comprehensive business transformation journey to adapt to the evolving market dynamics and capitalise on emerging opportunities

Atul Kirloskar
Chairman

Dear Shareholders,

As we embark on a new chapter in our company's journey, I am pleased to provide you with an update on the performance of Kirloskar Oil Engines Limited for the fiscal year 2023. It has been an eventful year marked by significant milestones and transformational initiatives that have positioned us for long-term success.

Business Transformation Journey:

Over the past year, we have undertaken a comprehensive business transformation journey to adapt to the evolving market dynamics and capitalise on emerging opportunities. This transformation was driven by the vision to create sustainable value for all stakeholders and secure Kirloskar Oil Engines' position as a leading player in the industry.

One of the key aspects of our transformation journey has been a relentless focus on innovation and technological advancements. We firmly believe that nurturing homegrown talent and expertise is crucial for fostering innovation, driving technological advancements, and maintaining our competitive edge. By investing in our in-house R&D capabilities, we have been able to develop cutting-edge solutions tailored to the unique needs of our customers and the markets we serve. This emphasis on indigenous R&D not only strengthens our position as a technology leader but also contributes to the growth and self-reliance of our nation's engineering ecosystem. We remain committed to fostering a culture of innovation and continuous learning as we navigate the exciting opportunities that lie ahead.

Furthermore, we recognised the importance of embracing digitalisation and leveraging data-driven insights to drive growth. We have implemented advanced analytics and automation across various functions, enabling us to optimise processes, enhance customer experience, and gain a competitive edge in the market. This digital transformation has positioned us as a forward-thinking organisation capable of delivering sustainable results.

CPCB IV+ Readiness:

In line with our commitment to environmental sustainability and regulatory compliance, I am pleased to inform you that Kirloskar Oil Engines has made significant progress in achieving readiness for the Central Pollution Control Board (CPCB) IV+ norms. These norms, which aim to reduce emissions and promote cleaner technologies, are a testament to our dedication to creating a greener future.

We are incredibly proud of our steadfast dedication to in-house and indigenous research and development initiatives, which have played a crucial role in ensuring our products are prepared for this phase of transition.

Through rigorous testing and validation processes, we have successfully developed a range of environment-friendly engines that deliver high performance with a reduced carbon footprint, in line with the regulatory requirements.

Sustainable business Practices:

At Kirloskar Oil Engines Limited, we fully appreciate the importance of environmental, social, and governance (ESG) factors in fostering sustainable growth. Over the course of the year, we have achieved notable milestones in establishing a strong governance structure and implementing a comprehensive policy framework to guide our ESG initiatives.

Our unwavering commitment lies in reducing our carbon footprint, preserving resources, and championing responsible manufacturing practices as the focal points of our endeavours.

As we continue our journey, we remain steadfast in our commitment to delivering sustainable value to all our stakeholders while contributing to a cleaner and healthier planet.

Thank you for your continued support and trust in Kirloskar Oil Engines Limited. Together, we aim to foster a limitless future of sustainable growth and success.

Warm regards,

Atul Kirloskar
Kirloskar Oil Engines Limited
Chairman

Managing Director's message

Our revenue for FY 2023 increased by 25% compared to the previous year, driven by robust demand for our products across domestic and international markets.

Gauri Kirloskar
Managing Director

Dear Shareholders,

I would like to take this opportunity to provide you with an update on the operational performance of Kirloskar Oil Engines Ltd. and share some key highlights from the past year.

FY 2023 Performance Highlights:

I am pleased to report that despite the challenging economic environment, Kirloskar Oil Engines has delivered a strong financial performance in the fiscal year 2023. Here are some key highlights:

Revenue Growth: Our revenue for FY 2023 increased by 25% compared to the previous year, driven by robust demand for our products across domestic and international markets. This growth was underpinned by our strategic focus on expanding our customer base and diversifying our product offerings.

Profitability Enhancement: We have significantly improved our profitability through operational efficiencies, cost optimisation, and pricing strategies. As a result, EBITDA for FY2023 improved by 59% and profit before tax and exceptional items improved by 73%.

Sharing the Profits - The Board of Directors with the approval of all our esteemed shareholders has recommended a final dividend of ₹ 2.50 per equity share (125%), taking the total dividend for the year to ₹ 5.00 per equity share (250%).

Focus on Growth:

Leveraging the positive macroeconomic trends, we established a resilient strategy, 2X-3Y, at the start of this year, aiming to double our revenue within the next three years. This strategy is built upon our growth pillars and key projects that we are fully committed to. As we conclude the first year of this transformative journey, I am satisfied with our progress along this growth trajectory, and our FY 2023 results demonstrate the outcomes of our dedicated efforts.

Business Restructuring:

During the year, we embarked on a business transformation journey. The aim is to adjust to the changing market landscape and leverage emerging prospects.

One of the very first things that we did as part of this company-wide transformation was to evaluate whether we are adequately structured to deliver the growth ambitions that we have. We have actively worked on this and have made some changes to our business structures and some of this has translated into changes in our segmental reporting.

We have three main business segments: B2B. B2C and Financial Services. While the B2B businesses focus on internal combustion engines and related businesses, our B2C businesses focus on water management solutions and agri-related businesses. The Financial Services segment comprises of Arka Group.

We acknowledged the fundamental differences in these segments and felt that it is important to structure the organisation accordingly and bring in leadership with experience in these segments. With this thought, Rahul Sahai is leading the B2B segment, Aseem Srivastav leads B2C segment and the Arka team financial services team is under Vimal Bhandari. Each one of these leaders bring years of experience to the organisaton and continue to enrich Kirloskar Oil Engines with their deep commitment to excellence.

Product Innovation and R&D:

Kirloskar Oil Engines remains committed to driving innovation and investing in research and development. In FY 2023, we continued to enhance our product portfolio, introducing several advanced and environment-friendly engines that comply with the latest emission norms. We have also made significant progress in developing hybrid and alternate fuel solutions, keeping in line with our commitment to sustainable energy solutions.

Operational Efficiencies:

Improving operational efficiencies has been a key focus area for us in FY 2023. We have implemented various measures to streamline our operations, optimise our supply chain, and reduce costs. These efforts have yielded positive results, contributing to improved margins and profitability.

Outlook and Future Prospects:

Looking ahead, we are confident about the future prospects of Kirloskar Oil Engines. We expect to capitalise on the growth opportunities in key sectors, including exports, infrastructure, and data centres. Our strategic initiatives, coupled with a strong focus on customer satisfaction and operational excellence, is expected to drive our growth trajectory in the years ahead.

I would like to express my heartfelt gratitude to our valued shareholders for your unwavering support, trust, and confidence in Kirloskar Oil Engines. We remain committed to delivering sustainable value and long-term growth for all stakeholders.

I look forward to our Annual General Meeting, where we will have the opportunity to engage further and discuss the progress of our company in detail.

Thank you once again for your continued support.

Warm regards,

Gauri Kirloskar
Kirloskar Oil Engines Limited
Managing Director

Business model

Empowering with a robust value framework

Inputs

Financial Capital
- Shareholders' fund ₹ 2,332 Crore
- Loan fund ₹ 75 Crore

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

Human Capital
- Employees 2,292**
- Training and development hours: 26,938 hours.
- Training programmes conducted: 300+
- Mock drills organised: 34

Intellectual Capital
- R&D Expenditure: ₹ 84.64 Crore
- R&D employees: 234

Natural Capital
- Water consumption through harvested rainwater at Kagal Plant: 18%
- Usage of recycled water for various processes:24%
- Recycling of plastic as per guidelines of Extended Producer Responsibility (EPR) : 100%
- Solar power plant at Kagal unit: 8.18MWp

Social and Relationship Capital
- CSR Expenditure ₹ 4.4 Crore

*Including subsidiaries
**Employees on payroll

What we offer

Product Lines

- Engines and Gensets
- Industrial Engines
- Power Solutions for Large / Institutional Project Clients (Marine, Defence etc)
- After Sales Support
- Retail Channel – Tractor spares, Oil, Batteries
- Engine based Pump Sets
- Electric Pumps (KOEL)
- Electric Pumps (LGM)
- Farm Equipment
- Financial Service

Business Segments

B2B Business Segment
- Power Gen
- Industrial
- Distribution and After Market

B2C Business Segment
- Water Management Solutions
- Farm Mechanisation

- Arka Group

International Business

Industries served

Residential gensets, Healthcare, Hospitality, IT, Food and Beverage, Data Centre, Manufacturing, Infrastructure and construction, Real estate, Compressors, Marine, Oil & Gas, Agriculture, Commercial marine, Fishery, Defence, Telecom, Banks, Railways, Earth moving, Retail, Industrial, Mining

Outcomes

- Gross Sales ₹ 4,073 Crore
- Revenue ₹ 4,116 Crore
- EBITDA ₹ 427 Crore
- PAT ₹ 270 Crore

Segment wise sales
- B2B - ₹ 3,531 Crore
- B2C - ₹ 542 Crore

- Zero accidents across all plants
- Employees trained

- Alternate fuel engines launched
- Number of Patents granted: 3

- Decrease in Energy intensity per rupee of turnover (GJ/Crore): 9%
- Reduction in scope-1 and scope-2 emission intensity (Metric tonnes of CO_2 equivalent / ₹ Crore): 15%

- Beneficiaries of healthcare services: 2,904
- Students from Kolhapur and Pune covered under our educational initiatives : 5,000+
- Fostering mutually beneficial relationships for all our stakeholders, nurturing connections that contribute to their growth and success.

UN SDGs

Governance

Adhering to highest standards of integrity

We follow strong corporate governance practices, emphasising transparency and accountability. Led by an experienced management team and overseen by our visionary Board, we adhere to the highest standards of integrity, with good governance as a fundamental aspect of our operations. Our decisions are guided by the values and principles of the Kirloskar Group, at every level of the organisation.

Board profile

Our Board of Directors comprises accomplished stalwarts from diverse backgrounds and expertise to provide strategic guidance to the management team. With an optimal number of Independent Directors, we put a lot of emphasis on accountability and transparency.

Our committees

Audit committee

- **Sunil Shah Singh**
  Non-Executive - Independent Director (Chairperson)
- **Satish Jamdar**
  Non-Executive - Independent Director
- **Kandathil Mathew Abraham**
  Non-Executive - Independent Director
- **Yogesh Kapur**
  Non-Executive - Independent Director
- **Mahesh R. Chhabria**
  Non-Executive – Non-Independent Director
- **Vinesh Kumar Jairath**
  Non-Executive – Non-Independent Director

Nomination and remuneration committee

- **Satish Jamdar**
  Non-Executive - Independent Director (Chairperson)
- **Purvi Sheth**
  Non-Executive - Independent Director
- **Mahesh R. Chhabria**
  Non-Executive – Non-Independent Director

Risk Management Committee

- **Satish Jamdar**
  Non-Executive - Independent Director (Chairperson)
- **Shalini Sarin**
  Non-Executive - Independent Director
- **Kandathil Mathew Abraham**
  Non-Executive - Independent Director

Stakeholders Relationship Committee

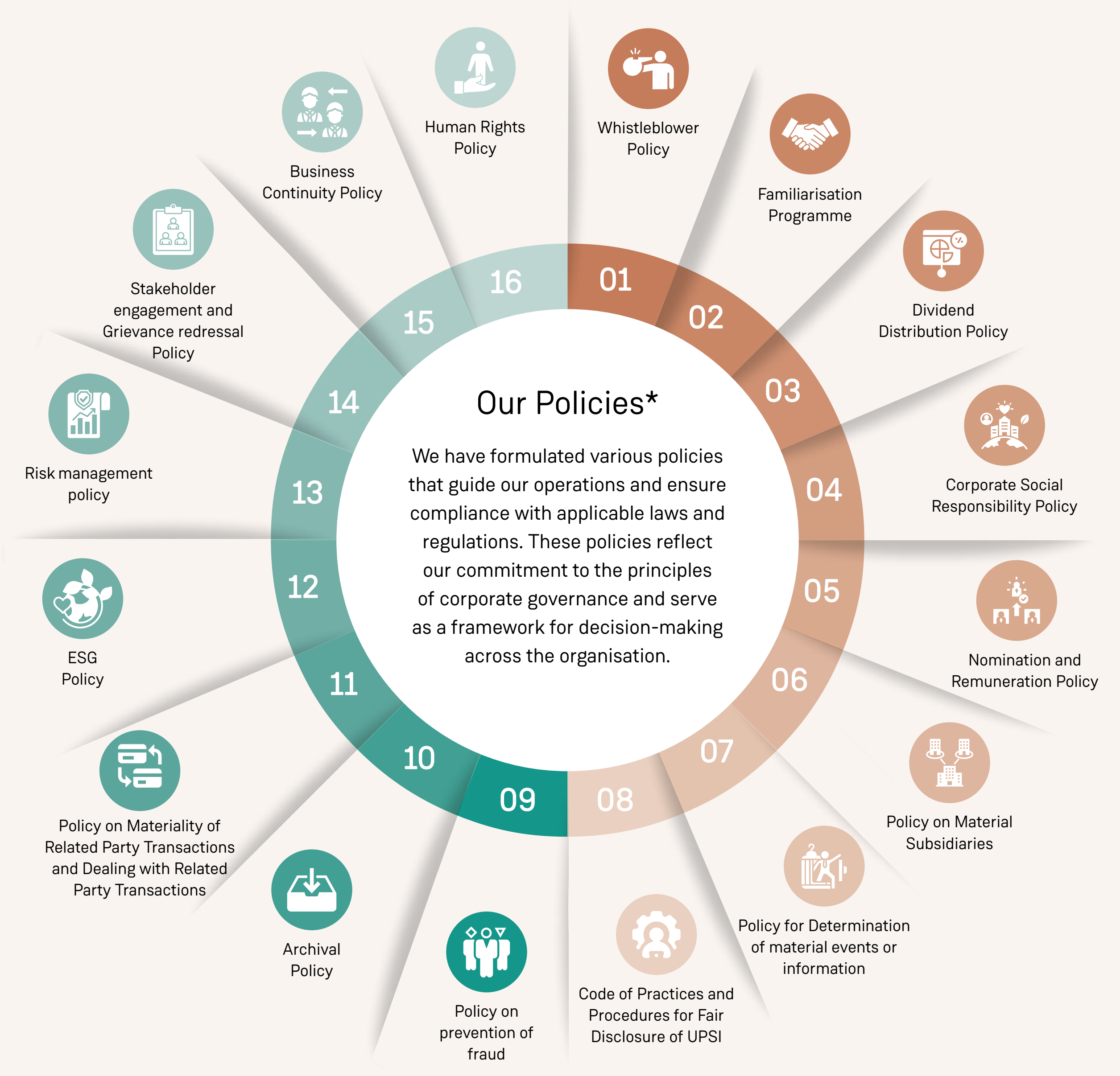
- **Sunil Shah Singh**
  Non-Executive - Independent Director (Chairperson)
- **Yogesh Kapur**
  Non-Executive - Independent Director
- **Gauri Kirloskar**
  Managing Director

Corporate Social Responsibility Committee

- **Rahul C. Kirloskar**
  Non-Executive – Non-Independent Director (Chairperson)
- **Shalini Sarin**
  Non-Executive - Independent Director
- **Gauri Kirloskar**
  Managing Director

Key policies

Group Policies Framework



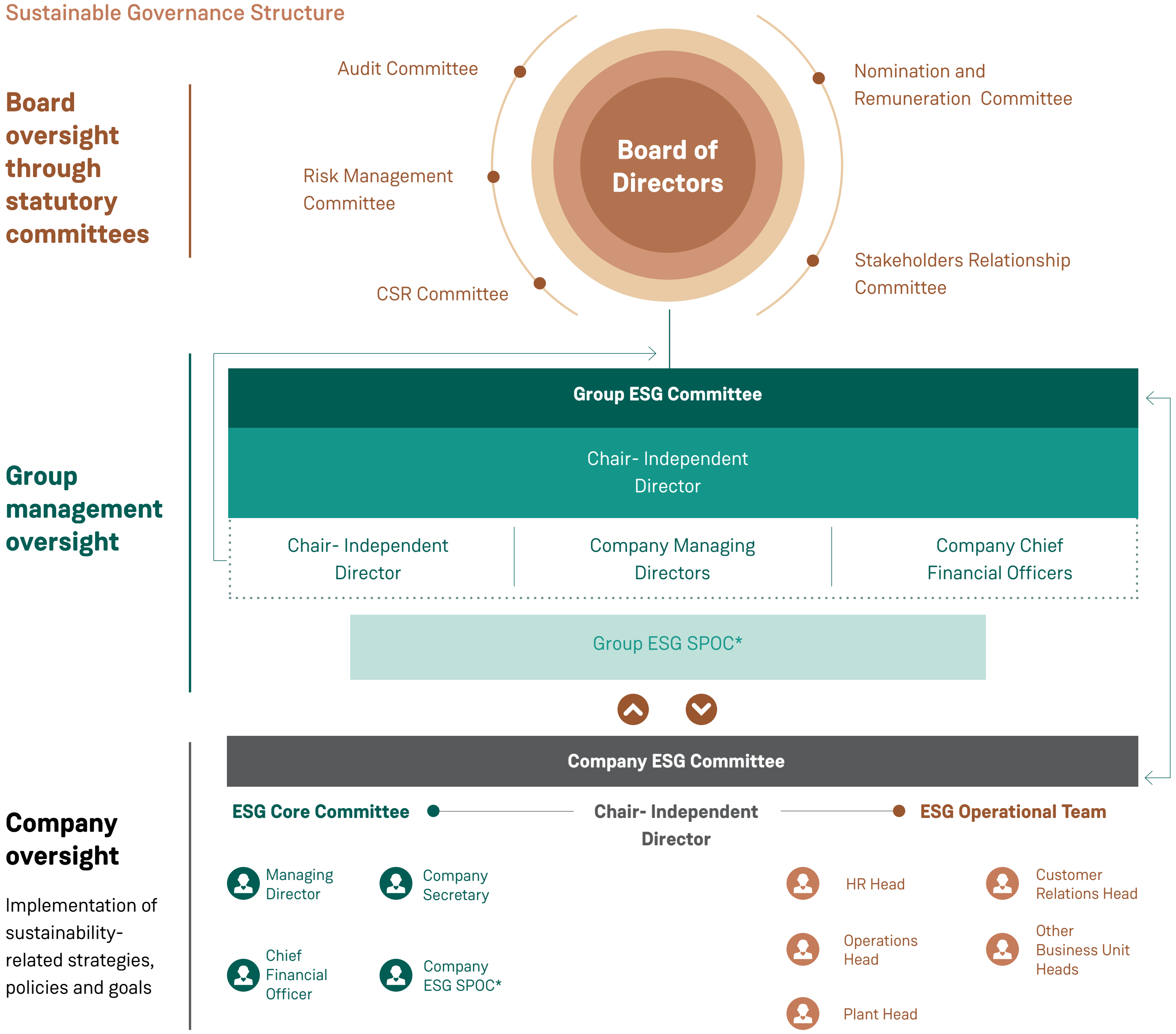
*Indicative list of policies

ESG excellence

Our commitment to drive sustainable success

Our ESG framework is a set of principles and standards that are used to measure and manage our environmental, social, and governance (ESG) performance. ESG factors are increasingly becoming important to investors, customers, and employees, and we are committed to demonstrate a strong ESG performance that gives us a competitive advantage. This has helped our group with an improved risk management framework, increased shareholder value, improved reputation, and helped to attract and retain the right talent.

Sustainable Governance Structure



SPOC - Single Point Of Contact

Key material issues

Focused ESG approach based on refreshed materiality study

KOEL places great emphasis on the materiality assessment process, which plays a crucial role in identifying key material topics and its impact to both internal and external stakeholders. This proactive approach enables us to develop effective strategies for risk management and leverage opportunities for growth.

Our updated Key Material Issues

ENVIRONMENT	SOCIAL	GOVERNANCE
		
High priority	**Medium priority**	**Low priority**
1 Employee Health & Safety	6 Responsible Supply Chain	9 Cybersecurity & Data Privacy
2 Talent Management	7 Innovation Management	
3 Circular Economy	8 Labour Practices & Human Rights	
4 Climate Action		
5 Stakeholder Relations		
10 Corporate Governance		

Areas covered under key material issues

Circular economy

Areas covered under the key material issue

- Waste Management
- Water Management
- Product Stewardship and Lifecycle Management

Climate action

- GHG Emissions
- Energy Management

Corporate governance

- Business Ethics
- Board Structure and Management
- Risk Management
- Tax Transparency

Stakeholder relations

- Shareholders
- Customers
- Community
- Supply Chain Partners

Labour practices & human rights

- Diversity, Equity, and Inclusion
- Human Rights

Stakeholder engagement

Progressing with a stakeholder-driven approach

KOEL engages with all its key stakeholders through periodic meetings to receive feedback and address their concerns. It allows us to regularly communicate with our stakeholders and implement changes that lay the foundation for a mutually beneficial relationship.

Stakeholder Group	Channels of communication	Purpose and scope of engagement including key topics and discussion during such engagement
Employees	Town Hall meetings Quarterly appraisals Performance Review forums Employee Engagement Survey Trainings Employee onboarding External consultants' interactions AOP/LRP deployment meets Feedback from unions IR Committee / Grievance handling committee / Dept. Safety Committee Intranet	To stay in touch with the employees, listen to their needs and to address their concerns **Key topics** New initiatives, strategic direction, and organisational progress Emerging business trends Healthy and safe operations Career development Diversity & Inclusion Training & Development Motivation and job satisfaction Employee well-being Reward and recognition Grievance and concerns Policy updates
Shareholders and Investors	Annual General Meetings Analyst meets Media Releases Annual Report	To stay abreast of developments in the company; To apprise quarterly and annual results **Key topics** Business strategy, financial performance and outlook Future investments Governance practices Grievances received and addressed Compliance with applicable laws Sustainability
Customers	One-on-one interaction Customer satisfaction surveys Helpdesk Customer events Camps and Exhibitions	To develop relationships, anticipate short-term and long-term needs and expectations, and improve customer experience. **Key topics** Brand awareness Information about new and existing products Availability, quality and pricing of products Grievance redressal and transparency Product Development feedback Pre and post sales service
Dealers and Distributors	One-on-one interaction Monthly/ Quarterly reviews Helpdesk Dealer conferences and Meets	To understand mutual expectations, to apprise of KOEL's policies and process communication, update on new products and sales strategy, to understand market conditions, and to know customer expectations and experience **Key topics** KOEL expectations and need assessment Product availability Product portfolio Quality and timely delivery Market conditions and requirements Customer expectations and experience Brand awareness Contractual obligations
Technical Collaborators	One-on-one interaction	To strengthen relationships by creating win-win situations **Key topics** Business opportunities New product development Utilising mutual strengths Product knowledge
Banks	Consortium Meetings: Periodical meetings/ interactions with members of the Banks in the consortium	To approve funding and non-funding limits for the company **Key topics** Funding and non-funding limits Financial performance Strategic business direction
Suppliers and Vendors	One-on-one interaction Supplier meets /conference (yearly) Quality audit SQI visit Supplier 'A' Panel Meet Technology Day Quality contests (yearly) Supplier Satisfaction Survey BPR (Buffer Penetration Report) Supplier Web Portal Supplier Performance index Joint improvement activities Samvardhan programme Value Engineering exercises	To mutually share needs and expectations and to develop strategic partnerships and value creation, to share technology **Key topics** Quality, cost, and delivery improvement Technology sharing Contractual obligations Innovation opportunities Long-term associations
Society / Local Communities	One-on-one interaction Vasundhara Film festival CSR committee meetings CSR survey Society Perception Survey	To contribute towards social development by implementing various initiatives, to spread awareness on environmental and social issues **Key topics** Need assessment and brand perception Community development and welfare initiatives
Regulator / Government	Economic Publication in journals/seminars/ media reports Interaction with District and State Authorities / Central Govt./ PCB meetings with Direct/ Indirect Tax officials	To discuss various regulations and amendments, inspections, approvals **Key topics** Compliance with applicable laws and regulations Regular tax payments Employment generation Social responsibility Industry concerns and policy advocacy Government expectations

Note: Frequency for the interaction with aforesaid stakeholders – Periodically.

We have aligned our capital deployment with the pace set by our 2X-3Y strategy. We remain committed to focusing on five crucial pillars: core growth, technology, channel footprint, operational excellence and people. We are witnessing encouraging progress in each of these areas, with some already delivering positive outcomes, and others expected to do so in the near future.

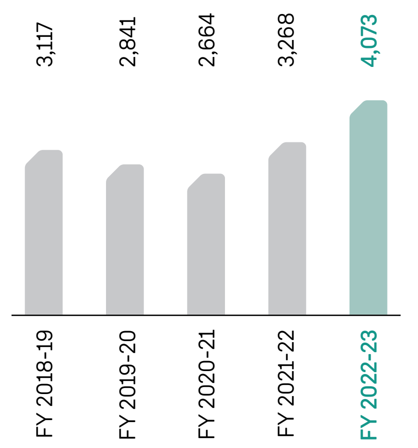
Financial Capital

We strategically plan the allocation of financial resources to ensure higher returns with better operating leverage. Our consistent effort to significantly monitor and improve our cash flow has helped us to strengthen our balance sheet and pursue our growth ambitions.

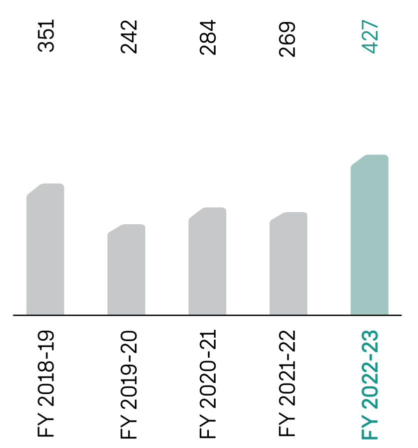
We are optimistic about our growth plans, and have charted the roadmap to double our revenue in the next three years. This translates into a CAGR of around 26% and we are confidently moving towards that ambition. With a robust capital allocation system and a Board-approved regular dividend policy to reward shareholders, we are constantly striving to enhance the value for our stakeholders.

Financial performance

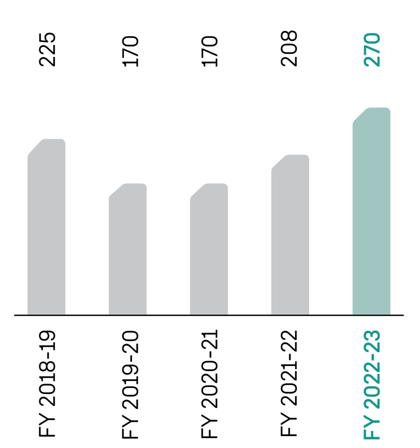
Gross sales (₹ in crore)



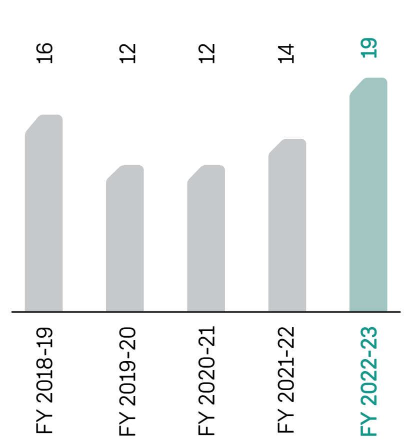
EBITDA (₹ in crore)



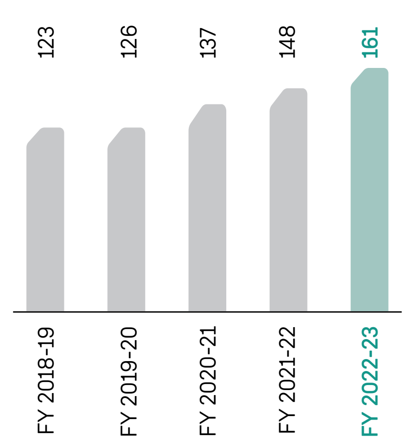
PAT (₹ in crore)



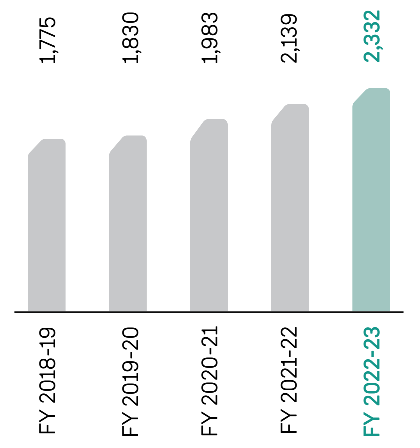
EPS (₹)



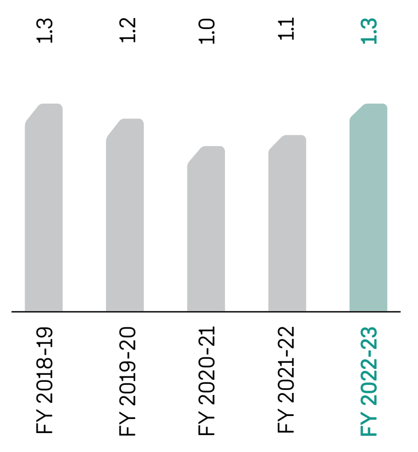
Book Value (₹)



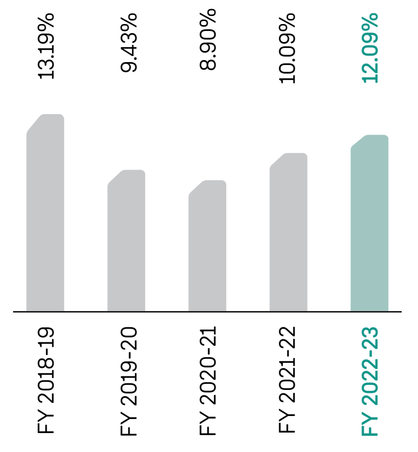
Shareholders' Fund (₹ in crore)



Asset Turnover Ratio



ROE %



Operating ROCE %

Robust financial growth

With our enhanced effort and proactive management of external risks pertaining to price fluctuations of raw materials, we have been able to report a strong volume growth and significant improvement in profitability margins.

We have also recorded a strong international business growth, which continues to remain a key priority for both B2B and B2C segments.

One year down the 2X-3Y journey

25% Top line growth (FY 23 YOY)	₹ 4,116 Crore FY23 Revenue	10.4% FY23 EBITDA Margin
74%* FY23 PAT* YoY	₹ 210 Crore Strong net cash position#	59% FY23 EBITDA YoY

*Excluding one-time gain on sale of ARKA shares
Please note that the above numbers represent standalone performance
#Net of debt; includes treasury investments and excludes unclaimed dividends.

Capital allocation strategies

We prioritise our capital allocation to ensure the highest value for our stakeholders. With the market transitioning from petrol/diesel pumps to electric pumps, KOEL ventured into the elecric pumps through the acquisition of La-Gajjar Machineries Private Limited (LGM). During the year, we made additional investments in LGM, thereby making LGM a 100% subsidiary.

We are further allocating capital towards developing our internal combustion engines portfolio to be emission compliant, not just for the Indian market but also for customers in different parts of the world. All our engine platforms are being developed to be fuel agnostic and capable of running on Diesel, Natural Gas and less complex carbon chain fuels like ethanol, methanol & hythane.

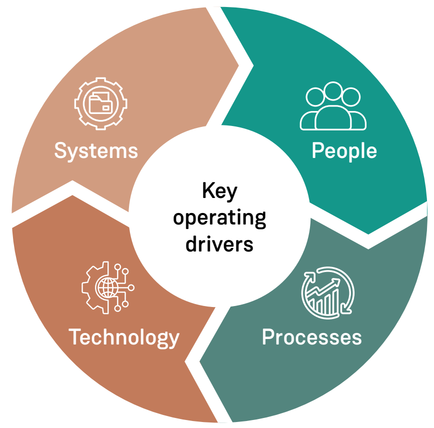
Manufactured Capital

We are consistently optimising our manufacturing facilities and the technologies that empower them to manufacture best-in-class solutions for diverse clients across sectors. Our state-of-the-art manufacturing assets and technologies have enabled us to accomplish enhanced efficiency, safety and brand reliability.

As the world transitions and embraces emerging technologies, it gives us an opportunity to be the 'manufacturer for the world'. There is an opportunity to use our capacity to produce for the world, both through partnerships and also by directly entering to international markets.

Our manufacturing facilities

Manufacturing locations



Kagal facility

The Kagal manufacturing plant is situated close to the culturally diverse city of Kolhapur in Maharashtra. It plays a crucial role in our business operations both in India and abroad. The entire plant area spans 163 acres, with a production and warehousing area of 6,50,900 Square meter. The facility is equipped with advanced machining centres, single piece flow, no special foundations, C-type layouts with in-built quality control processes. The facility was constructed within a record timeframe of 19 months. The manufacturing plant comprises three units that are solely dedicated to the production of engines and gensets.

6,50,900 sq meters

Area of Kagal facility

Engine plant

- Used for the production of crankcase, crankshaft, camshaft, cylinder head, cambox and connecting rods
- Makes use of best-in-class CNC machines to ensure standardised quality
- Dedicated assembly lines with high agility, digital tools with built in POKA YOKE and in-process verifications to ensure best-in-class products with flexibility as per customer requirements

Genset plant

- Makes use of advanced technology, Single piece flow, Conveyorised assembly
- Produces high-quality products through automated machining systems.

Digital transformation

We are ushering in a digital transformation in our Kagal manufacturing facility. Through robust implementation plans in 3 phases, we will be converting the entire plant into a SMART manufacturing facility by 2025.

Digital transformation in 3 phases

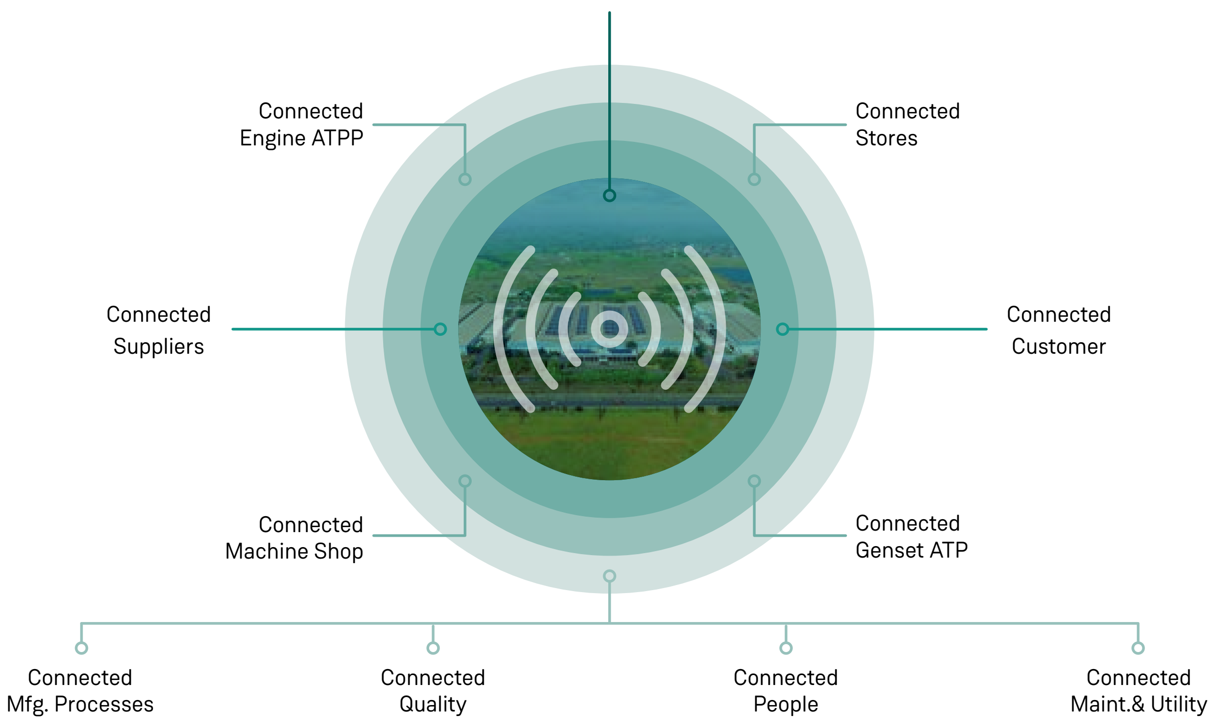
Enabling seamless communication

We have already connected the Kagal plant with our customers as well as our supply chain partners through our digital portals. We have also implemented digital solutions to connect the core manufacturing functions of the plant (such as Stores, Genset ATP, Engine ATPP, Machine Shop) with other internal support functions such as stores, manufacturing engineering, maintenance, utility, quality assurance and human resource.

Ensuring higher efficiency

We are identifying pilot projects across all our business verticals, to lay the foundation of sustainable operations. To offer solutions for critical problem,various proof of concepts(POCs) have been carried out digitally. To enable faster data transfer, we have strengthened our network system. Moreover, we are making extensive use of R code scanning, GPS system, Artificial Intelligence, Machine Learning and IoT gateways to increase the efficiency of our processes. It also empowers us to minimise product defects and ensure uality control.

Kagal SMART - Manufacturing Facility



Nashik facility

In Northern Maharashtra's Nashik city, we have established a manufacturing plant, spanning an area of 40,000 square metres. This plant is capable of producing large engines and gensets customised for defence applications and power plantsand has testing facilities for type and rain testing. The plant adheres to strict quality standards and has been recognised for its energy conservation efforts. It has also been awarded the 'Most Energy Efficient Unit' by the Confederation of Indian Industry. From concept to commissioning, the project management team handles most projects, including application engineering, contract management, manufacturing, testing, and after-sales service, with consistent focus on delivering quality and reliable products.

40,000
square metres
Area of Nashik facility

Rajkot Facility

The Rajkot manufacturing plant, plays a vital role in our manufacturing operations. With a focus on serving the agricultural and industrial sectors, the facility is dedicated to producing engines for pump sets and other agro-industrial equipment. The plant has dedicated assembly lines and qualified operators to meet customer requirements, abiding by the highest quality standards for manufacturing critical parts such as crankshafts, connecting rods, and cylinder heads. Equipped with advanced testing capabilities, including 100% engine testing, as well as efficient assembly and painting processes, the facility demonstrates our commitment to excellence.

Furthermore, the plant fosters a culture of continuous improvement through initiatives like Environmental Conservation projects, quality circles, kaizens, and safety-related training.

19,974
square metres
Area of Rajkot facility

Bhare facility

Located in Bhare, Pirangut Pune, in Maharashtra, the plant caters to both business-to-business (B2B) and business-to-consumer (B2C) markets. In the B2B segment, the plant specialises in small range gensets for power generation.

In the B2C segment, the plant caters to the farm mechanisation business, specifically power weeder engines. These engines are designed to enhance agricultural productivity by offering efficient and user-friendly solutions for farm mechanisation. Farmers can rely on our engines to power their weeding equipment, thereby enabling them to increase efficiency and throughput.

Capacity enhancement

During FY23,, we have undertaken various initiatives to ramp up our productivity and cater to the growing demand for specialised products. It has allowed us to utilise resources optimally and maintain production efficiency.

Improving productivity

With demand growth, we have enhanced productivity and output generation. We have successfully transitioned from BS IV to BS V electronic engines, to adhere to new emission norms and produce engines that are in tune with regulatory guidelines.

Quality assurance

We maintain an integrated system to standardise manufacturing processes and ensure strict adherence to quality parameters.

Minimising defects through quality management tools

All our manufacturing facilities are ISO certified for quality, environment, health and safety. We have implemented six sigma, failure mode and effect analysis, along with other quality tools to easily identify defects and improve processes across various disciplines. With the aim to become a zero-defect organisation, we are developing training and development programmes to set stringent safety standards and minimise deviation from norms.

Inauguration of Digital display board

To ensure the standardisation of our manufacturing plants, we also conduct VDA 6.3 audits across all our production facilities. This has led to the improvement of quality control across the manufacturing process and significantly reduced the defects in parts per million (PPM) and minimised customer complaints.

Quality 4.0

With Quality 4.0 we aspire to catalyse organisational excellence through the use of new technologies. It aims to reduce expenses, improve quality, simplify compliance and boost the efficiency of quality control processes.

It has also empowered us to be quality focused, enhance efficiency of our operations and reduce costs.

Major highlights of quality assurance process in FY23

- Integrated management system complying with Quality Management System (QMS), Environment, health and safety (EHS) and Occupational Health and Safety Assessment Series (OHSAS) standards.
- FM UL certified
- CE approved manufacturing plants
- IRS certified production facilities
- Ensuring proper gauging
- Implementation of digital checklist to simplify quality control procedures
- Digital history cards for engines help to understand past issues and working patterns to initiate corrective action, whenever required
- Regular process and product audits
- Conformity of Production (CoP) evidencing conducted to reduce delays
- Quality Circles and Six Sigma quality management tools implemented to solve challenges related to quality.

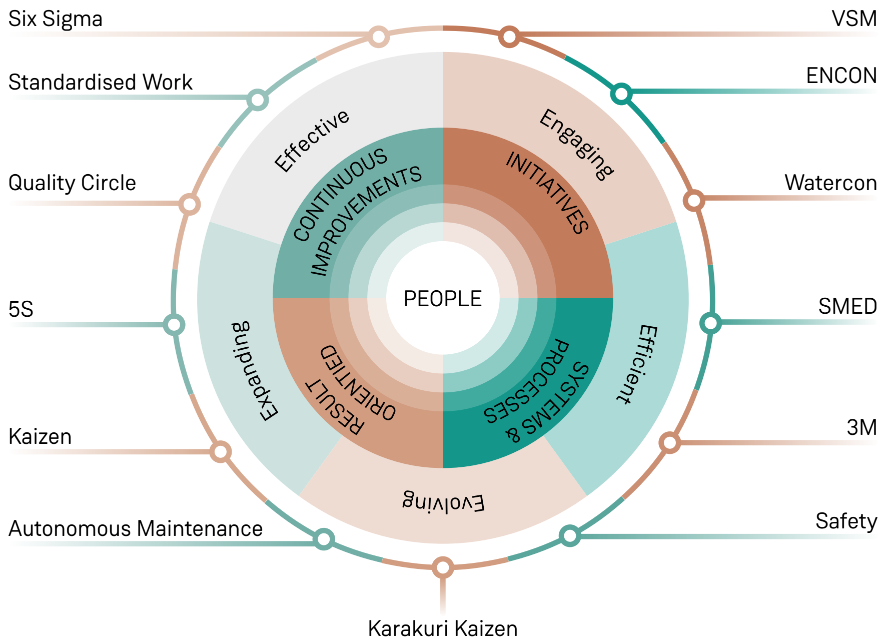
Focus on leaner practices

We are constantly innovating and implementing new ways to improve our production capability by optimising resources and reducing waste generation.

We have integrated our people, processes and systems to build advanced technology engines, which comply with BS-IV and CPCB IV+ standards.

Through KARAKURI Kaizen (Zero Energy management) concept we have improved the efficiency of material handling in various areas at the shop floor. The concept of Karakuri Kaizen will also help to create maintenance free material handling systems.

The LEAN practices , including 5S, Kaizen, Standardized work, Quality Circle, Six Sigma, VSM and SMED have enabled us to improve efficiencies, quality of products and created better working conditions. The Gurukul provides trainings to our people and helps to develop technical knowledge, and skills necessary to gain a competitive advantage in the industry.



Operational excellence

Strategies to drive growth

We are leveraging our business through focused efforts around developing our foray into high horsepower segment, which will drive growth through extended penetration in key markets. There is also a significant increase in demand for our products from the infrastructure, construction and defence sectors.

Ensuring sustainability

To achieve net zero target, we are innovating and developing our existing product portfolio, increasing the use of renewable energy and optimising energy usage. It is expected to further bolster our sustainability targets.

New market penetration

Through strategic partnerships with global equipment manufacturers we are expanding our international footprint. We are also increasing collaboration with Original Equipment Manufacturers (OEMs) to explore new opportunities of growth.

Supply chain management

Despite the external challenges and macro-economic crisis, we have shown resilience in our supply chain management. We remain focused on improving our procurement and supply chain to drive sustainability across our operations. At KOEL, we have deployed the right people and nurtured a promising team to deliver best-in-class services to our customers. We are also constantly making sincere efforts to maintain a positive and long-lasting relationship with our supply chain partners. It has enabled us to streamline the supply of products and secure supplies despite challenges in the operating environment. We are making our business model more efficient, resilient and growth-focused through forward and backward integration of our supply chain.

Intellectual Capital

One of the key pillars of our R&D strategy is our emphasis on in-house indigenous efforts. We believe in self-reliance and building core competencies, which is why we invest significantly in our internal R&D capabilities. Our team of skilled engineers, scientists, and technicians work collaboratively to develop innovative products and solutions. By relying on our in-house expertise, we retain greater control over the entire R&D process, enabling faster decision-making, customisation, and quality control.

₹ 84.64 crore
R&D expenditure in FY 2023

234
R&D team

Technology tracks – being future-ready

Products

IT Infrastucture

Customer Centricity

Products

B2B business

Expansion of our engine range to include higher HP engines with the K4300 platform

As part of our continuous efforts to meet evolving market demands, we are expanding our engine range to include higher horsepower engines with the K4300 platform. This expansion includes the development of 12, 16, and 20 cylinder engines that cater to both power generation and industrial applications.

These engines are designed to deliver exceptional power output, reliability, and efficiency, making them ideal for various applications in the power generation and industrial sectors. Whether it is powering large-scale industrial machinery or providing reliable backup power for critical facilities, our expanded engine range ensures that customers have access to the right solution for their needs. With the introduction of 12, 16, and 20 cylinder engines, we are able to provide customers with a broader range of options to suit their specific requirements.

OptiPrime - Innovation combined with optimal efficiency

Optimum Power

Optimum Savings

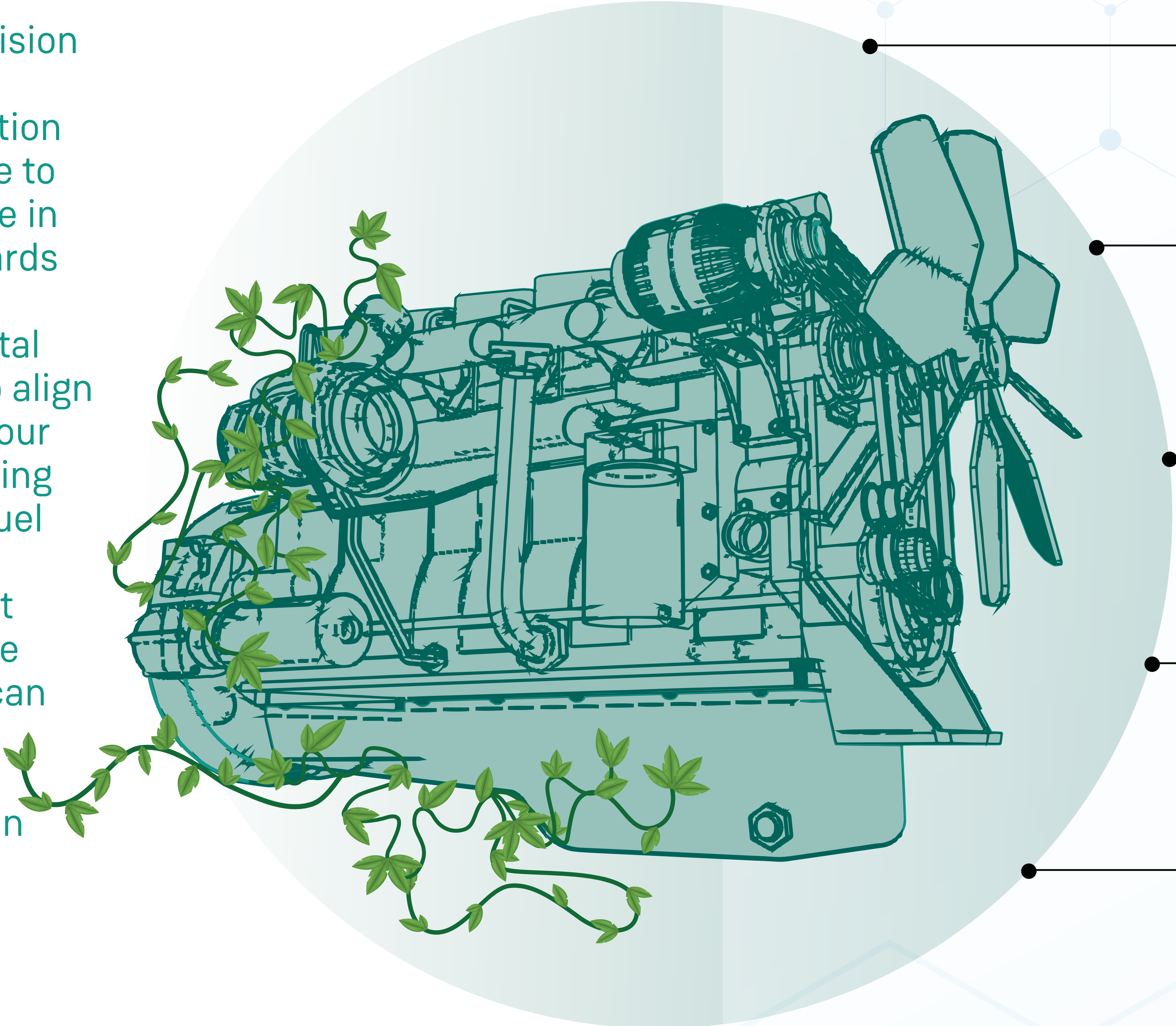
Optimum Space

The Kirloskar custom solutions, 'OptiPrime' is perfect for applications that have variable power needs. Whether that's due to the time of day or the current usage requirements. Fully loaded, the 'OptiPrime' solves low issues and reduces fuel consumption and CO_2 emissions up to 40% on variable load applications, thanks to the centralised control panel with an integrated Power Manager System that switches on/off the two power packs according to the load required.

The 'OptiPrime' can be used as a single unit, two different ones, prime and standby in the same box.

Fuel agnostic engines

At KOEL, we envision a future where internal combustion engines continue to play a crucial role in the journey towards decarbonisation and environmental sustainability. To align with this vision, our platforms are being designed to be fuel agnostic. The platforms are not limited to a single fuel source but can operate efficiently and effectively on a diverse range of fuels.



Gas

KOEL is a key member in the power generation market developing the widest range of dedicated PNG based Central Pollution Control Board (CPCB) compliant gensets from 15kVA to 500kVA range.

Benefits

- Significant reduction in emissions and smoke
- Low running cost and maintenance cost

Ethanol

KOEL developed technology to utilise 100% Ethanol fuel (E100) in power generation application and installed one set of 62.5kVA in field.

Benefits

- Reduced dependency on imported fossil fuels
- Significant reduction in noise and smoke emissions

H_2 blends: hythane and other blends

KOEL is working with Industry partners to deliver H_2 blended natural gas as a fuel to improve engine performance, emissions and reliability.

Benefits

- Significant reduction in CO_2 emissions
- Low fuel consumption and improved engine performance

Methanol

KOEL developed technology for 100% Methanol fuel (M100) in power generation application and two genset nodes 20kVA and 62.5kVA are under development.

Benefits

- Significant reduction in noise and smoke emissions
- Low running cost and low dependency on conventional fuels

Hybrid

KOEL is leveraging its patented hybrid technology to create hybrid and microgrid power systems combining power generators, batteries, grid, solar and other renewable energy sources to provide a complete power solution to its customers.

Benefits

- Truly uninterrupted power
- Maximum savings to the customer

B2C

Farm mechanisation

During FY23, we have continued our innovation journey and have introduced new K-Cool Engine range on our power tillers in 12 HP and 15 HP segments. The new K-Cool range has been very well accepted by the customers in the market and the farm mechanisation has registered a significant business growth on account of the customer acceptance in power weeder and power tiller segment.

K-Cool engine

Innovation in power tillers

We have developed and introduced an innovative product Harvester based on power tiller aggregates. This is addressing the harvesting needs in a multi crop environment. This is a simple machine to operate which needs minimum training and this is very cost effective solution, especially addressing the harvesting needs of the smaller and difficult - to access farms. This is well positioned for individual owners and fits well in harvester fleet operations. We have received an IPR- design registration for this harvester.

Water management solutions

WMS has a large portfolio of products in the domestic and agriculture segments. Additionally, we are developing products which are aimed at efficient handling and transfer of clean and waste water. The pumps we sell are backed by a strong and efficient customer service, fostering end user and channel trust.

Domestic and agriculture electric pumps

We provide products in the surface and submersible pump segments for regular water transfer and pressure boosting applications with engines and pumpsets ranging from 0.5 HP to 20 HP and a wide range of head and discharge combinations. We have products from 2.8 HP till 28 HP for the pumpset and prime moving applications including some OEM applications.

Sewage and cutter pumps

Under water management solutions, we have leveraged our manufacturing capabilities to develop efficient range of sewage pumps with a capability to handle solids upto size of 3.5 cm. These find applications in areas where waste and storm water is to be removed from basements and open pits. The typical user could be an individual, or an industrial or commercial user.

Single phase induction motor

We are in advanced stages of developing high reliability induction motors in the single phase category in our plants at Ahmedabad and Coimbatore. These motors would basically cater to the small industries and to the unorganised equipment manufacturing segment

Low-cost reliable diesel engines

We have developed and supplied low-cost diesel engines in the 6 and 8 HP range aimed at improving our presence in the unorganised OEM segment. This has been received well and we are in a process of expanding the sale of such engines in additional geographies. Along with this, we have introduced diesel engine in the 3.5 HP and 5 HP segment to cater to the agro industrial applications closing the product gap in the diesel engine category. The Company is also working to develop an inhouse supermono pumpset to improve the market share in the pumpset category.

Robust IT infrastructure

We have strengthened our information technology systems to enhance the experience of our customers. The development of our IT infrastructure has helped us to expand our operations to stay ahead of the competition and meet the expectation of our customers.

Business insights through digital ways

We are meeting our complex business needs through a robust and well-integrated plan of achieving the digital, technology and analytics vision of the organisation. The digital initiatives assist us in getting a consolidated insight, data democracy, and business insights through Artificial Intelligence (AI) and Business Intelligence (BI), which is backed by an agile IT infrastructure and application modernisation measures.

Data Lake technology

Data lake technology enables us to integrate data from several sources and obtain insights to make better and well-informed decisions. It is now feasible to predict future trends by analysing both operational and IT data using the AI engine. This contributes to meeting the objectives and key performance indicators. As an example, Data lake technology gives us a quick and comprehensive view of costs such as inventory, raw material prices and also daily sales figures. This facilitates rapid decision-making, streamlines operational processes, improves turnaround time and enhances overall business performance.

Remote monitoring app

Our Kirloskar Remote Monitoring (KRM) app uses Internet of Things (IoT) to monitor important genset parameters. The KRM software is used when combined with our 'Plug and Play' device, which is inserted in the machine harness. The app also helps to maintain our equipment, machines and facilities in proper condition through a preventive maintenance scheduling. The app monitors the machine health and performance parameters, along with giving timely alerts to take corrective actions at the earliest if there is any malfunctioning or service requirement. It also helps customers reduce operational expenses by ensuring that gensets are used effectively.

Strengthening our IT processes

Our strong IT infrastructure combined with a hybrid cloud strategy ensures scalable and adaptable infrastructure for all business demands. It is used in conjunction with appropriate cyber security to protect our systems, data, and product IP (Intellectual Property). Our ERP modernisation has aided in the standardisation of the Company's operations and the smooth supply of ERP modules for the efficient operation of various cycles such as lead to cash, procure to pay, and so on.

Enhancing customer connect through IT support

Our IT support is focused on delivering a seamless communication experience to customers, dealers and other stakeholders as its main objective. One of the initiatives that has been undertaken is the creation of online product catalogues with complete product family and component information, allowing dealers and other stakeholders to swiftly correlate the spares or specifications required for a certain product. This has been made possible through our online content management system.

KOEL connect self-service app

Our KOEL connect self-service app allows customers to remotely monitor their assets while also enabling them to book service requests and check status at their convenience. The app provides a one-stop solution to our customers to manage their assets, register for service requirement, understand the detailed functioning of the products, view the status of service request, view the history of services performed and also get instant help in case of any product related issues.

KRM dashboard

To expand the benefits of the KOEL connect app and provide customers with a one-stop solution, we have connected the KRM app dashboard with the KOEL connect app, allowing users to monitor the live parameters of gensets at all times.

KOEL Connect app is used by the consumers to file complaints about engine/ genset failures without calling the Service Dealer or the KOEL Helpdesk. Moreover, we have provided the KRM subscription plan details in the KRM dashboard, so that customers can get the subscription end date proactively and renew the subscription without interruption of services. This assists organisations in improving the consumer experience with their products and services.

Human Capital

The power that drives our business emanates from our diverse teams and the knowledge and experience they bring onboard. At KOEL, we have always invested to upskill our teams across various facets of our business and emerge as an employer of choice. We also empower our employees to take ownership of their roles and go the extra mile.

2,292*
Total strength

*Employees on payroll

Talent management strategy

KOEL believes in being invested and committed in the long-term development of talent. We believe that our talent management strategy must allow us to attract, develop and retain the right talent for the organisation. The organisation believes in building long-term relationships with it employees and believes in the power of its people to deliver exceptional results.

Our talent management strategy focuses on some key levers, starting from the right talent acquisition strategy, campus hire programmes, talent development programmes, succession planning, compensation strategy and reward and recognition.

Acquiring the right talent

KOEL's successful hiring strategy revolves around the belief of matching the right talent with the right roles. To achieve this objective, we consistently stay updated on market trends by conducting Compensation Benchmarking for appropriate positions. Additionally, we prioritise Employer Branding efforts to attract the right talent pool. A key aspect of our hiring approach involves building a strong talent pipeline through campus hiring, where we have established partnerships with reputable institutes.

To build a talent pipeline from the bottom up, 40% of our workforce are inducted from campuses. We also have a policy of hiring internally to give growth opportunities to the existing employees. Moreover, through annual succession planning, we identify potential successors for critical and leadership roles.

369
New talents hired

Retaining the best talents

We prioritise employee retention by implementing processes that span the whole employee life-cycle. We focused our efforts on grade harmonisation and remuneration changes in order to ensure fairness and competitiveness. We also gave essential staff Employee Stock Ownership Plans (ESOPs), which increased their sense of ownership and commitment.

We implemented an internal job posting policy to encourage job rotation and enrichment within the organisation to foster a diversified and enriching work experience. This project provides employees with extensive exposure as well as chances for personal and professional development.

Family Day Celebration at Kagal

Learning and development

We have designed many training and development programmes to strengthen the performance of the workforce, which will further drive sustainable growth of the organisation.

26,938
Hours invested in training and development during FY23

Future leaders' programme

This programme is intended to identify and develop promising individuals with potential for leadership. This is a structured development project aimed at nurturing future organisational leaders. This training has enabled the development of critical leadership abilities such as strategic thinking, communication and decision-making.

Campus to corporate

This is a transitional curriculum for recent graduates from academic institutions who are joining the organisation. It facilitates a smooth and effective transition from the campus to the corporate world. The programme, which includes orientation sessions, professional development workshops, and mentorship opportunities, provides new hires with the practical skills and knowledge required for their roles.

Harmonised onboarding programme

We have a comprehensive and standardised onboarding procedure in place to ensure a consistent and seamless experience for all new team members. It includes orientation to Company culture, regulations and procedures, as well as job-specific training and support to help employees integrate quickly into their responsibilities.

Education assistance policy

This policy encourages continuous learning and personal growth among the workforce. It helps the employees in pursuing further education or skill development. It also provides financial assistance or resources to employees who are seeking to enhance their knowledge.

Front line supervisor development programme

This is a specialised programme aimed at developing the skills of our front-line supervisors. It helps supervisors with the necessary tools to effectively lead and manage their teams. Through this initiative, the leadership abilities of supervisors are enhanced to drive team productivity and employee engagement.

Team building interventions

We conduct interactive workshops, activities and exercises to enhance teamwork, collaboration and cohesion within teams. This helps foster a positive work environment and strengthens relationships among our people.

Collaboration with Kirloskar Institute of Management Studies (KIMS)

We have an active partnership with KIMS executive development wing to strengthen the leadership skills of our people.

In FY 2023, our organisation introduced a comprehensive initiative called 'Passport to Leadership' aimed at fostering the development of managerial and leadership capabilities.

Diversity and inclusion

Diversity and inclusion foster innovation, enhance creativity and cultivate a sense of belonging, ultimately enriching organisations, communities and societies. We are focusing on having an inclusive and diversified work-culture with fairness, dignity and respect amongst people.

- We ensure equal treatment for all employees regardless of ethnicity, caste, gender, language, religion, national or social origin, political opinion, or other statuses
- Hiring, retention, promotion and all employee life cycle activities are carried out without discrimination
- Decisions regarding employees are solely based on merit and eligibility criteria set by the organisation
- The organisation puts in active efforts that the diverse talent feels included in the organisation. Active efforts are made in the space of inclusion, there is active efforts to be cognisant of unconscious biases through data analysis and awareness

Employee engagement

To improve employee experience in the organisation, various employee engagement initiatives are being driven across different departments and business units. We have started celebrating special occasions for our people along with periodic team outing, sports events and family gatherings.

The 3S of employee engagement

Say - Employee advocacy

At KOEL, we prioritise employee advocacy by fostering an all-encompassing culture of positivity. Through our policies and processes, such as the Code of Conduct and Whistle-blower policies, we provide a platform for employees to share their experiences and grievances related to wrongdoing and integrity. Our Ethics Helpline ensures confidentiality and non-retaliation, giving employees the confidence to voice their concerns and seek resolution. By promoting a supportive environment, we encourage employees to actively advocate for their peers and the organisation.

Stay - Retention

KOEL recognises the importance of retaining skilled employees and has implemented several approaches to boost employee engagement and promote longevity within the organisation. Through our consistent compensation benchmarking, we ensure that employees are justly compensated for their efforts.

We offer job rotations and internal job postings, enabling staff members to pursue professional growth and prevent feeling stuck in their roles. Our flexible work arrangements promote a healthy work-life balance, fostering job satisfaction and encouraging employees to stay. Moreover, we have established a comprehensive programme to reward and recognise exceptional performance, motivating employees to remain dedicated to the organisation

Strive - Extra effort

At KOEL, we have inculcated a culture of continuous improvement and a willingness to give extra effort. By providing meaningful work, growth opportunities and autonomy, we empower our employees to take ownership of their roles and go the extra mile. Regular communication about the organisation's vision and goals ensures that employees are aligned and motivated. Leadership accessibility and direction provide clear guidance and support for employees to succeed. Moreover, our partnership with an affiliated institute offers specific learning and development engagements, equipping employees with the skills and knowledge they need to excel. These initiatives collectively inspire our employees to strive for excellence and achieve their full potential.

Health and safety

To protect the overall well-being of our employees, we have concentrated on increasing our occupational health and safety measures.

300+
Training programmes in FY 2023

34
Mock drills organised in FY 2023

Creating health awareness

KOEL provides a comprehensive wellness programme that includes a specialised medical expert in charge of medical emergencies and actively encourages health awareness. Our programmes include annual health checks, yoga sessions, instructive speeches by our medical officer and breathing sessions at our plant locations to improve physical and emotional well-being.

Additionally, we have improved our insurance coverage for employees' families by allowing them to add extra dependents and introducing a variety of top-up choices to meet their specific needs.

Well-being

We are also considering various benefit programmes that cater to employees' mental health, such as mental health assistance, sports committees, and programmes to promote physical well-being, as well as possibilities to commence establishing social networks, boost cross-team involvement, and team cohesion. We are also analysing intellectual and occupational well-being by evaluating intellectual growth initiatives that initiate community, cultural, and scholastic activities.

Safety trainings

We have carried out various safety training programmes across all our manufacturing plants throughout the fiscal year 2023. Various safety awareness induction programmes, competitions, 5S training, mock drills and trainings on fire were conducted along with safety audits and committee meetings.

Dedicated safety trainings at our manufacturing plants

	Pune (Khadki)	Kagal	Nashik	Bhare	KMW
Number of safety training	10	233	3	1	53
Training man-hours	522	18,824	160	120	1,784

Human rights

KOEL has established a comprehensive framework of policies and processes that fosters an environment where employees can openly share their experiences and address grievances. The organisation emphasises integrity and upholds high standards of conduct through its Code of Conduct, POSH (Prevention of Sexual Harassment) policy, and Whistle-blower policy.

Ethics helpline

To ensure that employees have a platform to voice their concerns, KOEL has implemented an Ethics Helpline. This helpline enables employees to report issues related to wrongdoing, integrity concerns, and treatment problems, while ensuring confidentiality and protection against retaliation.

Training on governance

KOEL is driving culture of governance as a value creation by way of awareness sessions, flyers on key legal topic and so on, and is dedicated to provide a respectful workplace environment, and as part of this commitment, it conducts training sessions for new hires during their onboarding process. These sessions cover important topics such as POSH guidelines and the organisation's Code of Conduct. For existing employees, annual refresher sessions are organised using the Learning Management System (LMS) platform called "KORE."

Social and Relationship Capital

We believe in building long-term relationships with our stakeholders based on our cherished values, trust and mutual respect. To this end, we are enhancing our customer engagement through our best-in-class products, enhanced services and efficient supply chain management. We also endeavour to ensure for the well-being of the communities we work with by serving them with sustainable livelihood.

Customer engagement

KOEL CARE is an approved service brand for KOEL gensets and engines, ensuring an improved customer experiences. Through KOEL CARE, we assist customers in efficiently handling their products from start to finish. Our expansive KOEL CARE service network comprises specialised service outlets and our service engineers situated nationwide, available round the clock to assist our valued customers. With the support of a dedicated control room, we actively monitor and document customer requests, providing prompt responses and expediting issue resolution.

Solutions

We offer an exclusive and economical service known as 'Bandhan' for KOEL gensets. This annual service package is tailored to meet the specific needs of genset owners. The comprehensive service encompasses unlimited assistance for breakdown issues, covering both major and minor repairs, including complete overhauls.

Suppliers engagement

KOEL has always been a pioneer in taking our Supplier Partners along and demonstrating the core values of empathy and collaboration in the journey of knowledge sharing and development. The ongoing programmes like Samwardhan, Lean Clusters, and Six Sigma are a testimony to this and these programmes have enabled in enriching the camaraderie of your Company and its Supplier partners.

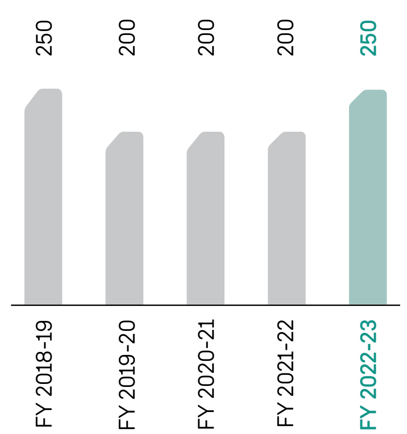
We continued with our Samvardhan programme for deploying a structured growth roadmap for our suppliers, over fifty supplier partners benefited from the programme. The structured Zero Defect roadmap deployment for driving excellence in the business and manufacturing process of our supplier partners is another industry benchmark activity which has helped to improve our collaboration across the Supplier chain. The Six Sigma clusters deployed for our suppliers have established strong data driven decision making capabilities. The structured gap analysis approach, coupled with focused improvement projects in various areas of value stream for the supplier base has mitigated multiple business risks. An active adaptive and integrated approach with suppliers is incubated and a process for development of globally acceptable and cost-competitive products with high reliability is now put in place.

The digitally connected supplier base is highly integrated with KOEL production and design systems, this has supported us to be more flexible to the market requirements while maintaining the quality and cost metrics. The integrated supplier development processes have helped to reduce the time to market for new product development and meet the stringent deadlines of emission change overs more effectively.

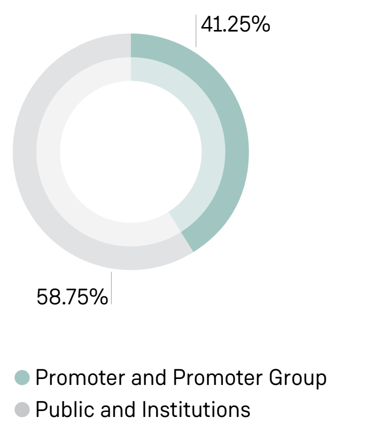
Shareholders

Our unwavering commitment lies in providing value to our shareholders and investors through our dedicated efforts. We prioritise sustainable business growth, uphold a strong financial foundation, and strive for consistent year-on-year advancements in returns and profitability.

Dividend payout bar graph (%)



Shareholder mix (%)



Community

At KOEL, our core belief revolves around actively engaging in initiatives that promote positive change and progress in society. Our unwavering dedication lies in generating meaningful impact for underprivileged communities, thereby making significant contributions towards the greater good. Our corporate social responsibility endeavours are primarily concentrated on essential areas such as education, healthcare, sanitation, environmental conservation, disaster response, and rural development.

Health

Check-up camps

To improve the welfare and well-being of communities, we have undertaken a series of initiatives in the Kolhapur district. We conducted general health check-up camps specifically tailored for women and children. These camps aim to provide essential medical services to the nearby communities as well as the remote area schools and villages within the district. Our aim is to ensure to reach people residing in hard-to-reach locations and provide them access to vital healthcare services.

Cataract operations to the underprivileged

We have made a successful completion of 40 cataract operations for individuals from Nasik who are economically disadvantaged. We made a substantial impact on the lives of the underserved population in Nasik through the provision of these surgeries, enabling them to regain their sight and enhance their overall well-being.

40
Cataract operations of the underprivileged

Wide range of health services

A total of 2,904 individuals, including both adults and school children from Kolhapur and Nasik, have benefitted from the comprehensive range of health services provided by us. Through these initiatives, we have remained committed to promoting health and welfare, ensuring that no one is left behind in accessing essential healthcare, regardless of their geographical location or financial circumstances.

2,904
Benefited from the health services provided

20
TB patients from Kolhapur provided with 6 months' high protein diet for the eradication of TB

Education

We are implementing comprehensive educational initiatives to ensure proper knowledge and skill development of young boys and girls which will enhance the overall growth of the community.

SAAKAV

We at KOEL, have implemented a Life Skills Training programme named SAAKAV, which ensures counselling sessions for the adolescent boys, girls, parents and teachers. Creative Development Workshops were organised in Kolhapur to foster imagination, thinking skills, observation, and self-presentation through drama.

5,000+
Students from Kolhapur and Pune were covered under our educational initiatives

1,786
Students from Kolhapur and Nasik participated in the workshop

1,515
Students benefited from the counselling sessions for the adolescent period

1,500
Story books distributed in remote schools

22
Students from Kolhapur received crafts training

We also conducted residential workshops for 96 students in Pune and regular meetings, educational support programmes, and counselling sessions for adolescent girls and their parents in Dehu Fata Nomadic tribes' community and Kerle-Bormal Dhangarwada community, which resulted to a reduction in early marriages and school dropout rates.

Sustainable livelihood

KOEL has undertaken several initiatives to promote sustainable livelihoods and empower women in Kolhapur and Pune, which positively impacted a total of 509 families by providing them with opportunities for income generation, economic literacy, capacity building, improved agricultural practices, and social engagement.

509
Families benefited from various Sustainable livelihood activities

Income generation activities

We have conducted various income generation activities, such as tailoring, beauty parlour services, bags and purse making, tea and snacks provision, vegetable farming, backyard poultry farming, and goat farming. Over 50 women from Kolhapur and Pune have started their own small businesses in these sectors.

Economic literacy programmes

We organised economic literacy programmes to enhance the financial knowledge and skills of women. These programmes aim to improve their understanding of financial management, budgeting, and entrepreneurship, enabling them to make informed decisions regarding their businesses and personal finances.

Distribution of improved seeds and fruit saplings

During FY 2023, we have distributed improved seeds and fruit saplings to 400 rural individuals in the Kolhapur district. Through this we aim to enhance agricultural productivity and promote sustainable farming practices, leading to increased incomes for the beneficiaries.

400
Rural individuals received improved seeds and fruit saplings

Social engagement

Women self-help groups (SHGs) and peer groups of girls from Kolhapur and Pune actively participate in various social activities within their communities. These initiatives encourage social cohesion and empower women to make a positive impact. The involvement in such activities fosters a sense of "Can Do" feeling among the participants, boosting their self-confidence and motivation.

Capacity building programmes

We have implemented capacity building programmes for women in Kolhapur and Pune. These programmes focus on developing their skills and knowledge in various areas, such as business management, marketing, customer service, and production techniques. By enhancing their capacities, women are better equipped to run successful businesses and contribute to their local economies.

Vermi composting

We provided farmers in Nasik and Kolhapur with vermi composting bags. By utilising organic manure through vermi composting, farmers can improve soil fertility and reduce reliance on chemical fertilisers. Through this we can promote sustainable agriculture and contribute to a healthy environment.

Organic farming

We have focused on providing training programmes to educate the farmers about organic farming. As a result, the farmers have started receiving orders for their organic vegetables in the local markets.

- Two residential training workshops were held in Kolhapur for women residing in nearby villages
- Study visits to Karbharwadi and Siddhagiri Math were organised, allowing the participants to engage with fellow farmers
- A total of 463 individuals actively attended the organic farming trainings and have since implemented the techniques in their fields

Promotion of rural and nationally recognised sports

- 100 wrestlers from the neighboring community around Kagal undergoing training in wrestling skills.

Cleaning mission

- Participation by engaging KOEL Employees in cleaning activities on the occasion of World Environment Day 5th June, Gandhi Jayanti 2nd October, Earth Day 22nd April and Sant Gadgebaba Jayanti 23rd Feb every year in and around Kolhapur District

Success stories

- Vaishali Dongare from New Rajapur village (Kolhapur district) has started poultry farming business & received appreciation from Shirgaonkar Trust, Ugar (Karnataka)
- The women SHGs (Gruhini SHG and Ambika SHG) from New Rajapur village (Kolhapur district) got appreciation from Swyamsiddha NGO for their collective efforts towards women empowerment
- The two wrestlers (Ms. Amruta Dhangar and Pruthviraj Sargar) from Talandage village (Kolhapur district) got the Gold Medals at Inter-school state level Championship
- Five wrestlers got prizes at district level.

Natural Capital

We are striving to harness the power of nature and integrate it into our everyday lives through our focused conservation efforts. Significant strides to preserve our biodiversity will foster a harmonious coexistence between humanity and the environment, safeguarding our natural resources for generations to come.

To address the pressing need for sustainable environmental practices, we have embraced an approach that recognises the value of our natural resources and ecosystems. We have a robust Environmental Management System along with ISO 14001 certification for all major manufacturing units. We aim to create a positive environmental impact through our strategic ESG initiatives.

Energy management

We are dedicated to driving continuous improvements in both our processes and products by implementing energy-efficient measures and adopting renewable energy technologies. Across all our manufacturing sites and business operations, we have already initiated the optimisation of energy consumption by incorporating innovative and effective low-carbon solutions into its diverse range of products and operations.

At our Kagal plant, we have installed a solar power plant (8.18MWp) which contributed to around 35% of our total energy consumption by FY 2023. This resulted in an approximate savings of ₹ 5.19 Crore through energy generated from our captive solar power plant. With other 77 new energy conservation measures which have been implemented it is estimated to save around ₹ 2.7 Crore.

8.18MWp
Solar power plant at Kagal manufacturing unit

Carbon neutral plants

We have made a strategic decision to prioritise the Kagal manufacturing location, which accounts for nearly 85% of the company's revenue. In the first phase, our objective is to completely eliminate all direct emissions at the Kagal plant, and subsequently implement the most effective methods across other locations to achieve carbon neutrality.

Initiatives taken at our manufacturing facilities for energy conservation

Maharashtra
Kagal plant

- Building a solar charging station for electrical equipment and electrical forklifts
- Installation of solar street lights instead of conventional lights
- Installation of 30kWp micro wind turbines
- Reconditioning of solar steam generating plant used for central kitchen
- Procurement of e-bicycles and e-wagon for internal movement
- Implemented projects from external energy audit report

Maharashtra
Khadki, Pune plant

- As a continual improvement measure, office lights were replaced by LEDs
- Celebrated Energy conservation week 2022

Maharashtra
Nashik plant

- Replacement of conventional lights by LED
- Use of energy efficient motors

Maharashtra
Bhare plant

- Replacement of conventional lights by LED
- Arresting compressed air leakages

GHG reduction

To address the perils of climate change, we are substituting the use of fossil fuels with renewable sources along with reducing the utilisation of natural resources. We are also integrating cleaner fuel technologies in product development and manufacturing processes to preserve biodiversity, and promote reforestation efforts. Additionally, using environment-friendly refrigerants, chemicals and paints further contributes to this cause. By following this comprehensive approach, we are striving to help combat climate change and foster a sustainable future for all.

Our targets

- To reduce 3%-5% in specific energy consumption as compared with the baseline year.
- Increase the share of renewables at Kagal location from 35% to 50% of total energy consumption

Awards

“Golden Peacock Award for Energy efficiency" for the fourth consecutive years in FY 2023.

“Excellent energy efficient unit" award by CII

Water management

We have increased the proportion of rainwater collected in total water usage by repurposing and recycling treated wastewater for various operations, considering the implementation of online water measurement and monitoring systems through Supervisory Control and Data Acquisition (SCDA), installing digital indicators to monitor water levels, implementing rainwater measurement systems, and introducing water-efficient techniques for dry metal cutting operations.

During FY 2023, we have upgraded our existing rainwater collection system to increase the collection level of harvested water. We are also striving to transform energy-intensive aeration-focused wastewater treatment into an environmentally-friendly ecological wastewater treatment system.

18%
Of total water consumption through harvested rainwater at Kagal Plant

24%
Usage of recycled water for various processes at Kagal plant

Awards

"CII-Triveni National Award" for Excellence in water management

National Award for **"Energy Efficient Unit"** by the Confederation of Indian Industry (CII)

"Gold" award for Environmental excellence by APEX foundation

“Best rain practices in rain water harvesting" CII South region award

"First Prize for National Energy Conservation Award 2022", by the BEE under the Ministry of Power, Government of India. The award was presented by the Honourable President of India, Smt. Droupadi Murmu

Waste management

KOEL has implemented a range of strategies and initiatives to ensure efficient waste management, including strict compliance with hazardous waste management regulations and the conditions set by the State Pollution Control Board (SPCB) for obtaining consent to operate.

Waste disposal

Waste disposal is carried out in full accordance with the SPCB's requirements, and it is entrusted to authorised agencies specialised in waste management. Additionally, KOEL adheres to the e-waste management rules by disposing of electronic waste exclusively through authorised e-waste recyclers.

Transition for reducing waste generation

In order to reduce the generation of hazardous paint sludge and carbon emission, we have made a significant shift from solvent-based paints to low VOC water-based paints. This transition has proven to be effective in promoting environmental sustainability, while maintaining high operational standards for waste management.

100%
Recycling of plastic waste through Authorised Recyclers.

Conserving and enhancing biodiversity

We are committed to preserving our ecosystem and have implemented several initiatives aimed at enhancing biodiversity. By undertaking these measures, we are dedicated to safeguarding the environment and promoting a thriving and diverse ecosystem.

Our initiatives

- We are eliminating invasive plant species, bushes, creepers, and grass from our premises which causes serious negative impact affecting native biodiversity, causing economic losses and harming human health.
- We are conducting a comprehensive survey within a 50-kilometer radius, in collaboration with professional ecological consultants, to identify native grasses and plants. Based on the survey findings, we are actively engaged in conserving native species and planting them in ecologically sensitive areas.
- We are encouraging and implementing organic farming practices within our organisation and the surrounding areas. We are also developing in-house organic fertilisers, pesticides and nurturing native species, which are exclusively used within our factory premises.
- To contributing to the restoration of the natural habitat, we have planted approximately 2000 native trees in our premises.

5,000
Indigenous plant saplings are planted at Talandage village

Environment:

- Three Days Offline Kirloskar Vasundhara International Film Festival (KVIFF) with the theme of “Nutritious Food, Flourishing Nature & Healthy Society” conducted at Kolhapur & Nasik.
- The environment experts from Kolhapur, Nasik & the NGO (Avani) from Kolhapur were awarded by Kirloskar Vasundhara Sanman & Vasundhara Mitra awards for their good efforts & contribution towards the environment.
- Two Days Eco Bazar was conducted at Kolhapur during this festival, in which millets and eco-friendly articles were exhibited and received overwhelming feedback from the people for this new initiative.
- More than 3500 people, college students, teachers & environment lovers from Kolhapur & Nasik attended the film screenings, case study presentations, panel discussions & Eco Bazar.
- KVER- This year Green College Clean College Competitions were conducted at Kolhapur & Nasik. 10 colleges from Kolhapur & 5 colleges from Nasik participated in the competition.
- The final round competition was conducted at Pune in which all the Eco Rangers presented Green Initiatives of their colleges.
- Waste Water Management- The pilot project is initiated to reduce water pollution in the Kolhapur district. In this project reed bed & floating bed concepts are implemented in five villages. These initiatives are helpful for the prevention of water pollution.
- 35000 + population covered under all these Environmental Initiatives.
- Plastic Waste Collection Project- The plastic waste picker is given to Avani NGO at Kolhapur.

Board of Directors

1 **Mahesh R. Chhabria**
Non Executive Non Independent Director

2 **Purvi Sheth**
Non Executive Independent Director

3 **Vinesh Kumar Jairath**
Non Executive Non Independent Director

4 **Arvind Goel**
Additional Independent Director

5 **Dr. Shalini Sarin**
Non Executive Independent Director

6 **Gauri Kirloskar**
Managing Director

7 **Atul Kirloskar**
Non Executive Chairman

8 **Rahul Kirloskar**
Non Executive Non Independent Director

9 **Sunil Shah Singh**
Non Executive Independent Director

10 **Satish Jamdar**
Non Executive Independent Director

11 **Kandathil Mathew Abraham**
Non Executive Independent Director

12 **Yogesh Kapur**
Non Executive Independent Director

Senior Management

1 **George Verghese**
CHRO

2 **Aseem Srivatsava**
CEO, B2C

3 **Gauri Kirloskar**
Managing Director

4 **Anurag Bhagania**
CFO

5 **Rahul Sahai**
CEO, B2B

NOTICE

Notice is hereby given that the 14^{th} Annual General Meeting ("AGM") of the Members of Kirloskar Oil Engines Limited ('the Company') will be held on Friday, the 11^{th} day of August 2023 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 8^{th} April 2020, the General Circular No. 17/2020 dated 13^{th} April 2020, the General Circular No. 20/2020 dated 5^{th} May 2020, the General Circular No. 02/2021 dated 13^{th} January 2021, the General Circular No. 21/2021 dated 14^{th} December 2021, the General Circular No. 2/2022 dated 5^{th} May 2022 and General Circular No. 10/2022 dated 28^{th} December 2022, issued by the Ministry of Corporate Affairs (herein after referred as "Circulars") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with the SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12^{th} May 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15^{th} January 2021 and SEBI/HO/CFD/CMD 2/CIR/P/2022/ 62 dated 13^{th} May 2022 and SEBI/HO/CFD/PoD-2/P/CIR/2023/4 dated 5^{th} January 2023, to transact the businesses as mentioned below:

ORDINARY BUSINESS

ITEM NO.1

To receive, consider and adopt:

(a) the Audited Standalone Financial Statements of the Company for the Financial Year ended 31^{st} March 2023, together with the Reports of the Board of Directors and the Auditors' thereon; and

(b) the Audited Consolidated Financial Statements of the Company for the Financial Year ended 31^{st} March 2023 and the Report of the Auditors thereon.

ITEM NO.2

To declare final dividend of ₹ 2.50/- per equity share (125%) and to confirm the Interim Dividend of ₹ 2.50/- per equity share (125%) already paid during the year for the Financial Year ended 31^{st} March 2023.

ITEM NO.3

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

SPECIAL BUSINESS

ITEM NO. 4

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

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder (including any statutory amendment, modification(s) or re-enactment thereof, for the time being in force) and based on the recommendation of the Audit Committee, the remuneration of ₹ 8,00,000/- p.a. (Rupees Eight Lacs only) plus applicable taxes thereon, other certification charges and the reimbursement of out of pocket expenses on actual basis as approved by the Board of Directors of the Company, payable to M/s. Parkhi Limaye and Co., Cost Accountants, (Firm Registration No. 191) for conducting the audit of the Cost records maintained by the Company for the financial year ended 31^{st} March 2024, be and is hereby ratified and confirmed."

ITEM NO. 5

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, Regulation 16 (1) (b), 17 (1C), 25 (2A) and 25(8) including such other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory amendment, modification(s) or re-enactment thereof for the time being in force) and based on the recommendation of Nomination and Remuneration Committee, Mr. Arvind Goel (DIN 02300813), who was appointed as an Additional Director by the Board of Directors of the Company with effect from 19^{th} May 2023 and who holds office of Director up to the date of ensuing Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 and Rules thereof including amendments thereunder read with Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 and Rules thereof including amendments thereunder, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a first term of five (5) consecutive years with effect from 19^{th} May 2023."

ITEM NO. 6

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

"RESOLVED THAT pursuant to Section 4, 13 and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder, including any statutory modification or re-enactment thereof for the time being in force, and subject to necessary statutory approvals and modifications if any, consent of the members be and is hereby accorded alteration in the existing Clause III (A) - Main Object Clause of the Memorandum of Association of the Company by renaming the Clause III (A) as – 'The objects to be pursued by the Company on its incorporation' and substituting the sub-clause 1 with following and deletion of existing sub-clause 1 and 3:

To carry on business in India & elsewhere, of researching, engineering, designing, developing, manufacturing, processing, buying, selling, trading, importing, exporting, producing, extracting, generating, assembling, hiring, bartering, distributing, *testing, installing, conditioning, reconditioning, servicing, repairing, harnessing, commissioning, contracting, maintaining, converting, altering, modifying, sub-contracting, refurbishing, leasing, sub leasing, supplying, building, procuring, constructing, operating, integrating, market making, dismantling, operating, dealing or acting as a distributor, service provider, agent, broker, adatia, consignor, C&F agent, indenting agent, representative, correspondent, franchiser, stockist, transporter, collaborator, fabricating, converting, jobbing, costing, forging or otherwise dealing in all types of machineries, motors; engines of every description including heat engines, internal combustion engines operated by any type of fuel and/ or gases including steam; boilers, locomotives, road rollers, automobiles, trucks; gen-sets operated by any type of fuel; all types of pump sets and pumps for agriculture, industrial, commercial, residential, or any other usage; 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 and parts, tools, gigs and fixtures, goods; all kinds and varieties of filters including air filters, water filters, oil filters, gas filters, hydraulic filters, transmission filters, filter elements, filter papers or any other products covered in the range of filters elements; construction equipment or machineries; farm equipment and its accessories; tractors, agricultural implements, tillers, harvesters, weeders and equipment for farm mechanization or agricultural purpose including spares / implements, accessories or attachments thereof including reaper, alternators, huller, threshing equipment, hand held brush cutters, chargers, operated by any type of fuel or energy including solar energy; forging, pressing, stamping and roll - forming of metal, powder metallurgy; all types of pipes and pipe fittings used in agriculture, mechanical, electrical and any other industries; equipment, machineries, components, solutions, systems and its accessories for defence and naval requirements; turnkey solutions, uninterrupted power systems, gas turbines, load convertors, invertors, 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; all types of goods, services, hardware for civil, mechanical, electronic application or systems; all types of exhaust gas treatment systems; all types of lubricants, coolants and oils including oil for engines, hydraulic & transmission systems for on road and off road applications, and related components or services of products mentioned herein.*

RESOLVED FURTHER THAT the existing Clause III (B) containing the "The Objects Incidental or Ancillary to the attainment of Main Objects" sub-clause no. 2 to 51 be and is hereby stands deleted and replaced by New Clause III (B) "Matters which are necessary for furtherance of the Objects specified in Clause III (A) containing the sub-clause no. 3 to 80.

RESOLVED FURTHER THAT the existing Clause III (C) containing the "Other Objects not included in (A) and (B) above" sub clause no. 52 to 80 be and is hereby also stands deleted in full.

RESOLVED FURTHER THAT consent of members of the Company be and is hereby accorded to approve and adopt the aforesaid changes in the Memorandum of Association of the Company and that the Board of Directors of the Company be and are hereby severally authorised to do all such acts, deeds, matters and things as may be deemed proper, necessary, or expedient, for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto, 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."

Sd/-
By Order of the Board of Directors

Place: Pune
Date: 19th May 2023

Smita Raichurkar
Company Secretary & Head Legal

NOTES

1. Pursuant to the General Circular No. 14/2020 dated 8th April 2020, the General Circular No. 17/2020 dated 13th April 2020, the General Circular No. 20/2020 dated 5th May 2020, the General Circular No. 02/2021 dated 13th January 2021, the General Circular No. 21/2021 dated 14th December 2021, the General Circular No. 2/2022 dated 5th May 2022 and the General Circular No. 10/2022 dated 28th December 2022 issued by Ministry of Corporate Affairs and Circular number SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020, Circular number SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January 2021 and SEBI/HO/CFD/CMD 2/CIR/P/2022/62 dated 13th May 2022 and SEBI/HO/CFD/PoD-2/P/CIR/2023/4 dated 5th January 2023 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 14th Annual General Meeting (AGM) of the members of the Company will be held through VC/OAVM only.

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

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

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

3. Corporate Member(s) intending to appoint their authorized representative(s) to attend the Annual General Meeting (AGM) through VC/OAVM are requested to send a duly certified copy of their Board Resolution authorizing their representatives to attend and vote at the AGM, pursuant to Section 113 of the Companies Act, 2013 and rules thereof including amendments thereunder, to the Scrutinizer by e-mail at csmsp.office@gmail.com with a copy marked to 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 **5th August 2023, Saturday to 11th August 2023, Friday** (both days inclusive) for the purpose of AGM and final dividend, if any.

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

   a. whose name appear as Beneficial Owners as at the end of the business hours on 4th August 2023, in the list of Beneficial Owners to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of equity shares held in electronic form; and

   b. whose name appear as Members in the Register of Members of the Company after giving effect to valid share transmissions / deletion of names in physical form lodged with the Company / its Registrar and Share Transfer Agent on or before 4th August 2023.

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

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

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

    Accordingly, the unpaid / unclaimed dividend for the years 2009 – 10, 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 along with equity shares has been transferred to the said Fund, after following the prescribed procedure.

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

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

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.

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

Regulation 12 and Schedule I of SEBI Listing Regulation, 2015, including amendments thereunder requires all companies to use the facilities of electronic clearing services for payment of dividend. In order to get your dividend through electronic mode or NECS, members who are holding shares in physical form are requested to inform their Bank account details such as the name of the Bank, branch, its address, account number, 9 digit MICR code, IFSC code and type of account i.e. Savings or Current or Cash Credit etc. to **Link Intime India Private Limited, R & T Agent** of the Company having its office at 'Akshay' Complex, Block No. 202, 2nd Floor, Off Dhole Patil Road, Near Ganesh Temple, Pune – 411 001. **(Ph. No. 020-26161629/46014473).**

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

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

13. The payment of Interim Dividend for FY 2022-23, as declared by the Board of Directors of the Company in its meeting held on 10th February 2023, is processed on 8th March 2023 for the members of the Company (holding equity shares as on 23rd February 2023, the Record Date fixed for the purpose of said Interim Dividend) through National Electronic Clearing System (NECS) or any other electronic mode or by dividend warrant, as the case may be.

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

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

Tax rate applicable to a shareholder depends upon residential status and classification as per the provisions of the Act. All shareholders are thereby requested to update any change in residential status and/or category with depository participants (in case of shares held in electronic form) or with the RTA, i.e. Link Intime India Private Limited (in case of shares held in physical form).

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

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

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

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

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

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

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

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

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

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

17. **Dematerialisation of Shares**

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

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

In addition to above, pursuant to SEBI Circular no. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated 25th January 2022 regarding 'Issuance of Securities in dematerialized form' which is effective from 25th January 2022, in case of Investor Service Requests viz. Issue of duplicate securities certificate, Claim from Unclaimed Suspense Account, Renewal / Exchange of securities certificate, Endorsement, Sub-division / Splitting of securities certificate, Consolidation of securities certificates/folios, Transmission, Transposition, the listed companies shall issue the securities in dematerialized form only. Accordingly, the Company has processed the aforementioned requests by issuance of Letter of Confirmation to the shareholders, for converting their shares to demat form.

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

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

21. **Nomination**

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

22. **Register E-mail Address / Bank Account details**

To support Green Initiative, Members are requested to register their e-mail addresses and bank account details 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.

For shares held in Physical Form	As per SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/37 dated 16th March 2023 it mandates all the listed Companies to record the PAN, Nomination, KYC details of all the shareholders and Bank Account details of first holder. The KYC letters along with requisite forms were dispatched to all such shareholders holding shares in physical form by Ordinary Post on st 31st May 2023. In view of the aforesaid, we request you to submit the requisite Investor Service Request Form(s) along with required supporting documents as stated therein at the earliest. The relevant formats for Nomination and Updation of KYC details viz; Forms ISR -1, ISR-2, ISR-3, SH-13, SH-14 and SEBI circular are available on tha RTA website https://www.linkintime.co.in >Resources> Downloads> General> Formats for KYC and o n t h e w e b s i t e o f t h e C o m p a n y a t https://www.kirloskaroilengines.com/investors/for-share-holders/forms.
For shares held in Dematerialized Form	Kindly contact your Depository Participant (DP) for registration or updation of email address (es) and/or details of Bank account.

23. In compliance with the aforesaid MCA Circulars and SEBI Circular dated 12th May 2020, 15th January 2021, 13th May 2022 and 5th January 2023 Notice of the AGM along with the Annual Report 2022-23, is being sent only through electronic mode to those Members whose email addresses are registered with the Company / Depositories.

Members may note that the Notice and Annual Report 2022-23 will also be available on the Company's website www.kirloskaroilengines.com, on the websites of Stock Exchanges, i.e., BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com, respectively, and on the website of NSDL https://www.evoting.nsdl.com.

24. **Inspection Documents:**

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

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

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

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

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

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

I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and as amended from time to time, Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, including amendments thereunder and the circulars issued by the Ministry of Corporate Affairs viz. Circular No. 14/2020 dated 8th April 2020, Circular No. 17/2020 dated 13th April 2020, Circular No. 20/2020 dated 5th May 2020, Circular No. 02/2021 dated 13th January 2021, Circular No. 21/2021 dated 14th December 2021, Circular No. 2/2022 dated 5th May 2022 and Circular No. 10/2022 dated 28th December 2022 the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the 14th Annual General Meeting.

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

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

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

The remote e-voting period commences on **8th August 2023 (9:00 am) (IST)** and **ends on 10th August 2023 (5:00 pm) (IST)**. During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of **4th August 2023,** may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

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

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

Step 1: Access to NSDL e-Voting system

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

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

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

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	1. If you are already registered for **NSDL IdeAS facility,** please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "**Beneficial Owner**" icon under "Login" which is available under "**IdeAS**" section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on options available against company name or **e-Voting service provider – NSDL** and you will be re-directed to NSDL e-Voting website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 2. If the user is not registered for IdeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "**Register Online for IdeAS**" Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on options available against company name or **e-Voting service provider – NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 4. Shareholders/Members can also download NSDL Mobile App "**NSDLSpeede**" facility by scanning the QR code mentioned below for seamless voting experience. NSDL Mobile App is available on App Store Google Play
Individual Shareholders holding securities in demat mode with CDSL	1. Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The users to login Easi /Easiest are requested to visit CDSL website www.cdslindia.com and click on login icon & New System Myeasi Tab and then use your existing my easi username & password. 2. After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there are also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers' website directly. 3. If the user is not registered for Easi/Easiest, option to register is available at CDSL website www.cdslindia.com and click on login & New System Myeasi Tab and then click on registration option. 4. Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com - home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service

Individual Shareholders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on options available against company name or **e-Voting service provider-NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

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

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at 022 - 4886 7000 and 022 - 2499 7000
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 1800 22 55 33

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

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

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

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

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

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

   a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

   c) How to retrieve your 'initial password'?

   (i) If your email ID is registered in your demat account or with the Company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

   (ii) If your email ID is not registered, please follow steps mentioned below in **process for those shareholders whose email ids are not registered**

6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:

   a) Click on "**Forgot User Details/Password?**"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

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

   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address etc.

   d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

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

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

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.
2. Select "EVEN" of the Company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join Meeting".
3. Now you are ready for e-Voting as the Voting page opens.
4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
5. Upon confirmation, the message "Vote cast successfully" will be displayed.
6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

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

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

General Guidelines for shareholders

a) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail at csmsp.office@gmail.com with a copy marked to evoting@nsdl.co.in. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) can also upload their Board Resolution / Power of Attorney / Authority Letter etc. by clicking on "Upload Board Resolution / Authority Letter" displayed under "e-Voting" tab in their login.

b) It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot User Details/Password?” or “Physical User Reset Password?” option available on www.evoting.nsdl.com to reset the password.

c) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members who need assistance before or during the AGM and remote e-voting user manual for members available on the website www.evoting.nsdl.com under the ‘Downloads section’. You can also contact Ms. Snehal Bhame, Assistant Manager via e-mail at evoting@nsdl.co.in or call on 022 - 4886 7000 and 022 - 2499 7000

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

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

2. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.

3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

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

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

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for Access to NSDL e-Voting system. After successful login, you can see link of “VC/OAVM link” placed under “Join Meeting” menu against company name. You are requested to click on VC/OAVM link placed under Join Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

2. Members are encouraged to join the Meeting through Laptops for better experience.

3. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

4. Please note that the participants connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

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

5. Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in or contact Ms. Snehal Bhame, Assistant Manager – NSDL or call on 022 - 4886 7000 and 022 - 2499 7000.

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

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

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

29. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on **4th August 2023.**

30. Any person, holding shares in physical form and non-individual shareholders who acquires shares of the Company and becomes member of the Company after the notice is send through e-mail and holding shares as of the cut-off date i.e. **4th August 2023,** may obtain the login ID and password by sending a request at evoting@nsdl.co.in or Issuer/ RTA. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using “Forgot User Details/ Password” or “Physical User Reset Password” or option available on www.evoting.nsdl.com or call on no. 022 - 4886 7000 and 022 - 2499 7000. In case of Individual Shareholders holding securities in demat mode who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date i.e. 4th August 2023 may follow steps mentioned in the Notice of the AGM under “Access to NSDL e-Voting system”

31. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date i.e. 4th August 2023 only shall be entitled to avail the facility of remote e-voting as well as e- voting at the AGM.

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

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

34. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of “e-voting facility availed from NSDL” for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.

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

36. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.kirloskaroilengines.com and on the website of NSDL www.evoting.nsdl.com immediately after the declaration of result by the Chairman or Managing Director or a person authorized by him in writing. The results shall also be immediately forwarded to the Stock Exchanges viz. BSE Limited and National Stock Exchange of India Limited.

ANNEXURE TO THE NOTICE

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

ITEM NO. 3 OF THE NOTICE

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

He holds 1,77,86,902 (12.29%) equity shares in the Company.

Mr. Rahul Kirloskar (age 59 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 Company Limited and in 1998 he took over as Chairman. From 2001 to 2012, he became the Director of Exports for Kirloskar Oil Engines Limited, wherein the major areas 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 the Chairman of the Corporate Social Responsibility Committee of the Company.

He is also director in the following other companies:

Kirloskar Pneumatic Company Limited#	ISMT Limited#
Kirloskar Proprietary Limited	GreenTek Systems (India) Private Limited
Kirloskar Ferrous Industries Limited	Alpak Investments Private Limited
J K Fenner (India) Limited@	Asara Sales and Investments Private Limited
Kirloskar Energen Private Limited	Kirloskar Solar Technologies Private Limited

@Audit Committee – Member

Stakeholders Relationship Committee – Member

He has attended 8 meetings of the Board of Directors of the Company during the Financial Year 2022-23.

He has resigned as Director from the Board of Lighthouse Communities Foundation and Samarth Udyog Technology Forum during last three years.

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

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

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

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

ITEM NO. 4 OF THE NOTICE

The Board of Directors on the recommendation of Audit Committee has approved the appointment of M/s. Parkhi Limaye and Co., Cost Accountants (Firm Registration No. 191) to conduct the audit of the cost records of the Company for Financial Year ended 31st March 2024, at the remuneration of ₹ 8,00,000/- p.a. (Rupees Eight 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 is required to be ratified by the members of the Company.

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

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

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

ITEM NO. 5 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. Arvind Goel (DIN 02300813), as an Additional Director of the Company with effect from 19th May 2023.

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

In terms of the provisions of Section 161(1) of the Companies Act, 2013 and Rules thereof including amendments thereunder, Mr. Arvind Goel, would hold office up to the date of this Annual General Meeting. He is also proposed to be appointed as an Independent Director for first term of 5 (five) consecutive years with effect from 19th May 2023, pursuant to Section 149, 150, 152 (including other applicable provisions if any) of the Companies Act, 2013 and Rules thereof including amendments thereunder, SEBI (Listing Obligations 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. Arvind Goel, for the office of Director of the Company.

Mr. Arvind Goel (Age 65) is the Chairman of Tata AutoComp Systems Limited, a leading global auto component conglomerate. With his passion for automotive technology, he has been serving the automotive industry for more than 4 decades. He was appointed as Chairman of Tata AutoComp Systems Limited in January 2023 after having served as MD & CEO of Tata AutoComp Systems since 2018. In his career span of over 15 years at Tata AutoComp, he has held several leadership positions as COO and President of Tata AutoComp. He has been instrumental in creating and expanding Tata AutoComp Systems' Global footprint. Under his leadership Tata AutoComp has entered into 6 Joint Ventures, 3 Technology Agreements and acquisition of TitanX - a global leader in engine cooling system based in Sweden which helped in boosting Tata AutoComp Systems' global footprint beyond China. He has fortified Tata AutoComp's growth by constantly aiming to be future ready and has realigned its focus on Electric Vehicles components. With his relentless efforts Tata AutoComp today offers solutions in the entire value chain of Electric Vehicles and for all segments ranging from Two Wheelers to Buses. His previous leadership roles include President and COO of Man Trucks. He was also associated with Force Motors, Bajaj Tempo and Kirloskar Oil Engines Limited at various leadership positions. He has been an active member of various industry bodies and currently serves as Board Member of Mahratta Chamber of Commerce, Industries and Agriculture (MCCIA), Chairman of Western Region Automotive Components Manufacturers Association (ACMA), Elected Member of CII National Council and CII Western Regional Council. In addition, he has been on the Board of Directors of Persistent Systems Limited, Revent Precision Engineering Limited and Revent Metalcast Limited. His contributions to the Auto Industry have been recognized with several awards, including "India's most Inspirational Leader 2020" by White Page International, "Global Indian of the year 2020-21" by Asia one, "Auto Component Leader of the year 2021" by Auto Components India Magazine, "Economic Times Inspiring CEO 2021" by Economic Times, "An Ingenious Changemaker" at "Influential Leaders 2022" conclave by Marksmen, "Leader of the Year - Manufacturing – 2022" by World Auto Forum, among others. He has undergone several advanced leadership and management programs from institutes like Harvard, NYU Stern and Center for Creative leadership in Singapore. He has brought many institutes like IIM Bangalore, INSEAD, Ross School of Business to develop the leadership in Company.

He does not hold any equity shares in the Company.

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

He is a director in the following other companies:

Tata Autocomp Systems Limited	Automotive Stampings And Assemblies Limited@#
Mahratta Chamber of Commerce Industries and Agriculture	Revent Precision Engineering Limited (Previously known as Amtek Auto)
Tata Autocomp Hendrickson Suspensions Private Limited	Air International TTR Thermal Systems Private Limited
Tata Autocomp Gotion Green Energy Solutions Private Limited	Tata Autocomp GY Batteries Private Limited
TM Automotive Seating Systems Private Limited	Tata Autocomp Katcon Exhaust Systems Private Limited
Taco Prestolite Electric Private Limited	Tata Ficosa Automotive Systems Private Limited
Automotive Component Manufacturers Association of India	Revent Metalcast Limited (Previously Known as Castex Limited)
Tata Toyo Radiator Limited	Persistent Systems Limited#
Ryhpez Holding (Sweden) AB	TitanX Holding AB
TitanX Engine Cooling AB	TitanX Engine Cooling AB Inc.
Nanjing Tata AutoComp Systems Limited (China)	

@Audit Committee - Member

Stakeholders Relationship Committee – Member

He has resigned from the Board of Tata Autocomp Seco Powertrain Private Limited as Director during last three years.

He was not entitled to attend any meeting of the Board of Directors of the Company during the Financial Year 2022-23.

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

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

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

Communication and Interpersonal skill and Environment and Sustainability – Leadership Skills and strategic mentoring in elevating organizational performance through skillful leadership 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. Arvind Goel as an Independent Director for first term of 5 (five) consecutive years with effect from 19th May 2023.

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

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

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

Based on the recommendation of the Nomination and Remuneration Committee the Board of Directors recommend the resolution set out in Item no. 5 of this notice for the approval of members of the Company.

ITEM NO. 6 OF THE NOTICE

The Company is continuously exploring potential opportunities for expanding the business avenues to cater to emerging requirements of customers. The Company is also progressing towards journey of high-end technology products and focusing to cater adjacencies to core products based on customer's requirements. To enhance customer value proposition in terms across all its market segment including industrial, retail, government, defense etc., the Company is proposing to strengthen its product, application, service and solution portfolio.

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

The proposed businesses would be enhance ability to deliver to the long-term strategy of the Company and is a natural progression from a leadership position in off-highway engines, power solution provider and agricultural farm mechanization.

The new business to be considered in the Object Clause of the Memorandum of Association (MOA) of the Company.

Further the Companies Act, 2013 read with rules thereunder including amendments thereof, has prescribed a new format of Memorandum of Association ("MOA") for public companies limited by shares. Accordingly, with a view to align the existing MOA of the Company with Table A of the Schedule I of the Companies Act 2013 including amendments thereof and in accordance with Section 4 and 13 of the Companies, Act 2013 read with rules thereunder including amendments thereof.

Accordingly, the Board of Directors recommended for alteration in the existing Clause III (A) – 'Main Object Clause' of the Memorandum of Association of the Company by renaming the Clause III (A) as – 'The objects to be pursued by the Company on its incorporation' and substituting sub-clause 1 and deleting the existing sub-clause 3 as mentioned in the resolution.

There will be no change Sub-Clause 2 of Clause III (A) of Memorandum of Association of the Company.

The Board of Directors also recommended to alter the MOA of the Company by merging and retaining the Objects under Clause III (C) "The Other Objects not included in (A) and (B) above" with Clause III (B) "The Objects Incidental or Ancillary to the attainment of the Main Objects are" and also to rename and re-number the Clause III (A) and III (B) of the Object Clause.

The proposed draft of MOA is 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, including amendments thereunder, 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, the General Circular No. 20/2020 dated 5th May 2020, the General Circular No. 02/2021 dated 13th January 2021, the General Circular No. 21/2021 dated 14th December, 2021, the General Circular No. 2/2022 dated 5th May 2022 and the General Circular No. 10/2022 dated 28th December 2022 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. 6 of this Notice.

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

Sd/-
By Order of the Board of Directors
Smita Raichurkar
Company Secretary & Head Legal

Place: Pune
Date: 19th May 2023

Report of the Directors

TO THE MEMBERS
OF KIRLOSKAR OIL ENGINES LIMITED

The Directors are pleased to present the 14th Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2023 of Kirloskar Oil Engines Limited ("KOEL" or the "Company").

1. COMPANY'S FINANCIAL PERFORMANCE

Your Company posted sales of ₹ 4,073.04 Crore, an increase of 25% as compared to the previous year of ₹ 3,267.59 Crore. Profit before tax and exceptional item was ₹ 364.14 Crore as against ₹ 210.05 Crore in the previous year.

The Profit After Tax was ₹ 270.25 Crore as against ₹ 208.01 Crore in the previous year.

2. FINANCIAL RESULTS (STANDALONE)

(₹ in Crore)

Particulars	2022-23	2021-22
Total Income	**4,143.45**	**3,324.42**
Profit before exceptional items and tax	364.14	210.05
Exceptional Items	-	52.65
Profit before tax	**364.14**	**262.70**
Tax Expense (Current & Deferred Tax)	93.89	54.69
Net Profit for the Period	**270.25**	**208.01**
Other Comprehensive Income	(8.93)	3.06
Total Comprehensive Income for the year, net of tax	**261.32**	**211.07**
Profit Brought Forward	1,495.65	1,345.31
Profit Available for Appropriation	1,765.90	1,553.32
Transfer to General Reserve	-	-
Dividend and Dividend Distribution Tax	72.34	57.84
Balance of the Profit carried forward	1,687.15	1,495.65

3. DIVIDEND

The Directors have declared an interim dividend of 125% (₹ 2.5/- per share) and also recommended a final dividend of 125 % (₹ 2.5/- per share) for the year ended 31st March 2023. (Previous Year Interim Dividend 75%, ₹ 1.50/- per share and Final Dividend 125%, ₹ 2.50/- per share).

Total dividend payout for the financial year was ₹ 72.34 Crore. The payment of dividend subject to deduction of TDS at the applicable tax rate.

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

4. DETAILS OF SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS

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

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

Sr. No.	Particulars	Ratio as on 31st March 2023	Ratio as on 31st March 2022	Reason for change
i.	Debtors' Turnover*	9.5	8.7	Higher sales growth
ii.	Inventory Turnover*	7.2	8.1	Higher inventory for sales in next quarter
iii.	Interest Coverage Ratio	84.8	55.5	Higher EBIT with lower finance cost
iv.	Current Ratio*	1.4	1.8	Higher inventory for sales in next quarter
v.	Debt Equity Ratio*	0.03	0.05	Lower Borrowings
vi.	Operating Profit Margin (%)	8. 4%	5.8%	Better price realisations from customers resulting to improved operating margins
vii.	Net Profit Margin (%)*	6.6%	6.4%	Improved operating margins partially offset by exceptional gain in previous year

* Calculated in accordance with the Guidance Note issued on Division II - Ind AS Schedule III of the Companies Act, 2013 issued by ICAI.

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

b) Return on Net Worth:

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

Sr. No.	Particulars	As on 31st March 2023	As on 31st March 2022	% of change	Reason for change
1	Return on Net worth	12.1%	10.1%	19.8%	Improved operating margin with good sales growth

5. SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

On consolidated basis for the year ended 31st March 2023, your Company posted Revenue from Operations of ₹ 5,023.80 Crore (Previous year ₹ 4,021.98 Crore), Profit before tax and exceptional item was ₹ 448.93 Crore (Previous year ₹ 231.88 Crore) and Profit After Tax was ₹ 331.65 Crore (Previous year ₹ 170.87 Crore).

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

a) The details of financial performance of subsidiaries including step down subsidiaries and associate company of subsidiary as on 31st March 2023 are as under:

Sr. No.	Name of the Company	Category	Turnover / Revenue (₹ in Cr.)		Profit after Tax (₹ in Cr.)	
			FY 2022-23	FY 2021-22	FY 2022-23	FY 2021-22
1	Kirloskar Americas Corporation, USA (earlier known as KOEL Americas Corporation - KAC)	Subsidiary Company	28.62	30.27	1.37	2.00
2	La-Gajjar Machineries Private Limited, Ahmedabad (LGM)	Subsidiary Company	538.69	531.98	7.88	(3.88)
3	Arka Financials Holdings Private Limited, Mumbai (AFHPL)	Subsidiary Company	0.39	0.00	(0.28)	(2.57)
4	Optiqua Pipes and Electricals Private Limited, Ahmedabad (OPEPL)	Step-down Subsidiary Company	43.44	38.96	(3.17)	(1.84)
5	Arka Fincap Limited, Mumbai (AFL)	Step-down Subsidiary Company	370.66	201.72	61.36	32.52
6	Arka Investment Advisory Services Private Limited, Mumbai (AIASPL)*	Step-down Subsidiary Company	-	-	(0.13)	-
7	ESVA Pumps India Private Limited, Coimbatore (ESVA)**	Associate Company of OPEPL	101.04	55.62	3.03	1.44

*AIASPL was incorporated on 30th March 2022, as wholly owned subsidiary of AFHPL and there were no commercial operations carried out as on 31st March 2023.

** ESVA became Associate Company from 4th October 2021.

b) Operational Highlights of subsidiaries including step down subsidiaries during FY 22-23 are as under:

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

- The Firefighting segment contributed 52% of the revenue. The Stocking and packaging of fire pump engines with base frames and other accessories within the USA have led to the business growth in the region.
- KAC suffered an overall de-growth as compared to the Financial Year 2021-22 due to setbacks in the Power Generation business. However, contributions of the other segments viz. Firefighting, industrial and Customer support augur well for the future.
- KAC continued with its product development plans of 2 models of EPA Tier IV engines.

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

- During the financial year 2022-23, KOEL had acquired 24% equity stake of LGM as per the Shareholders' Agreement including amendments thereof. Consequent to this, LGM is now a Wholly Owned Subsidiary of KOEL.
- LGM purchased the new land situated in Sanand GIDC, Ahmedabad, Gujarat, for its long-term strategy of consolidation of all the manufacturing facilities. LGM is in process of setting up of manufacturing facilities at said location. This project of setting up of new manufacturing facilities will be funded through a combination of long term bank borrowings, unsecured loan from parent company and internal accruals.
- LGM continued to expand its network both in domestic and international markets and geographies. In this Financial Year, LGM reported highest exports of ₹ 152.7 Cr. LGM continued to expand its footprint in new geographical regions viz. South Africa, South East Asia and Latin America. LGM continued to focus on quality standards.
- The focus is to expand product basket by way of new product development.

iii. Optiqua Pipes and Electricals Private Limited ("OPEPL") - Step Down Subsidiary

- During the financial year 2022-23, there was a volatility in the commodity rates of raw materials for the products of OPEPL. These prices of the products are directly linked to movement in the rates of the major Raw Materials i.e. Copper in case of Wires & Cables and PVC Resin in case of Pipes, which covers the major sales of the Company. Volatility in major raw materials resulted in high pressure on the margins, impact of which was observed in the overall bottom line of the Company for the current period.
- Going forward, to reduce the impact of such commodity price volatility, for its major customers, company is entering into back-to-back arrangements with its raw material suppliers, wherever possible.

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

- AFHPL was incorporated with an objective to enhance the strategic flexibility to build vibrant robust platform for the financial services business.
- Currently, AFHPL has 2 subsidiaries namely; Arka Fincap Limited and Arka Investment Advisory Services Private Limited.
- During the year under review the Company invested ₹ 179.60 Crore towards Rights Issue of AFHPL, increasing Equity Capital from ₹ 837.00 Crore to ₹ 1016.60 Crore including securities premium.

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

- AFL operates in four principal lines of business viz. Corporate Lending, Real Estate and Urban Infra Financing, Syndication, MSME and Personal Lending. In line with the objective of 'delivering technology-enabled, creative and personalised financial solutions for an enhanced customer experience,' AFL views technology as the primary enabler for business growth.
- Corporate Lending division designs lending solutions to medium and large corporations by providing them bespoke loans to meet specific requirements of their business. AFL offers customised solutions to meet their fund requirements across diverse sectors ranging from pharmaceuticals, renewable energy, power, telecom, entertainment, industrials, auto components and others.
- Real estate and Urban Infra Lending gives a partial or whole capital infusion to help India's infrastructure and real estate development. The focus is on the needs of the prestigious clients guarantees a seamless procedure from beginning to end.
- The MSME division continues to grow across three products, which includes Secured Business Loan, Supply Chain Finance, and Personal Loans. AFL also entered into partnerships for co-lending with other smaller NBFCs and with various other fintech companies to widen its market reach and gain maximum customers from the market.
- Syndication business of AFL provides holistic solutions to corporate clients for project finance, capital expenditure, general corporate requirements, last mile financing, subordinated structured debt through advisory / syndicating / sell down and co-lending strategies across sectors. The syndication business aids in maintaining investor and client relationships.

vi. Arka Investment Advisory Services Private Limited ("AIASPL") - Step Down Subsidiary

- AIASPL was incorporated with an objective including managing or assisting in raising funds for alternative investment funds, venture capital funds, private equity funds, debt funds, structured finance funds, off-shore funds, pension funds, property related funds or any other funds, undertaking the business of providing investment advisory services, act as an asset manager, advisor, sponsor, designated partner in respect of various investment or pooled investment vehicles and/ or entities for managing and / or advising with respect to the assets / and / or investments of or by Alternative Investment Funds.

- Currently, AIASPL is an Investment Manager to Arka Credit Fund, a fund registered as a Category II Alternative Investment Fund with SEBI and its scheme i.e., Arka Credit Fund I.

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

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

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

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

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

The Nomination and Remuneration Committee at its meetings held on 5th March 2021 approved the grant of 9,40,000 stock options exercisable into 9,40,000 Equity Shares of ₹ 2/- each and on 18th May 2022 approved the grant of 2,75,000 stock options exercisable into 2,75,000 Equity Shares of ₹ 2/- each of the Company to its specified employees of the Company. Further the Nomination and Remuneration Committee at its meeting held on 27th October 2021, approved the grant of 50,000 stock options exercisable into 50,000 Equity Shares of ₹ 2/- each of the Company to the specified employees of La-Gajjar Machineries Private Limited, a wholly owned subsidiary company.

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

The disclosures as required under Companies (Share Capital and Debentures) Rules, 2014, including amendments thereunder as on 31st March 2023 is as under:

Options granted during the financial year 2022-23		2,75,000
Options vested during the financial year 2022-23		1,53,236*
Options exercised during the financial year 2022-23		1,36,970**
The total number of shares arising as a result of exercise of option during the year 2022-23		1,29,776
Options lapsed during the year 2022-23		1,37,369
Exercise Price		103.14, 128.88,87.93
Variation of terms of options during the year 2022-23		No variation
Employee wise details of options granted to during FY 2022-23 :		
1.	Key Managerial Personnel:	Nil
2.	Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during the year 2022-23:	40,000
a)	Mr. Arvind Chabra	40,000
b)	Mr. T Parthasarathy	30,000
c)	Mr. Ajit Hardikar	20,000
d)	Mr. Ajay Saraf	15,000
e)	Mr. Nikhil Rao	15,000
f)	Mr Anand Dantale	
3.	Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant during the year 2022-23.	Nil

* 9,425 options were vested to the specified employees of La-Gajjar Machineries Private Limited, a wholly owned subsidiary company and 1,43,811 options were vested to the specified employees of the Company as per vesting schedule.

**It includes 1,571 options exercised during the financial year 2021-22 and allotted during the financial year 2022-23.

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

The certificate from Mr. Mahesh J. Risbud, Practicing Company Secretary [PCS No. 185] Secretarial Auditors of the Company, confirming that the scheme has been implemented in accordance with the aforesaid regulations and in accordance with the resolution passed by the Members of the Company at its Annual General Meetings held on 9th August 2019 and 12th August 2021, will be placed before the Members at the ensuing Annual General Meeting. A copy of the same will be available for inspection at the Company's website viz. www.kirloskaroilengines.com.

The disclosures on the scheme, details of options granted, changes to the scheme, if any, etc. are placed on the website of the Company as required under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SEBI SBEB Regulations") and can be accessed on the Company's website viz. https://www.kirloskaroilengines.com/employee-stock-option-plan.

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

7. CAPITAL STRUCTURE

The Company allotted 1,29,776 equity shares of ₹ 2/- each to the eligible employees of the Company and eligible employees of La-Gajjar Machineries Private Limited during the Financial year 2022-23 pursuant to KOEL ESOP 2019. Consequent to the aforesaid allotment, Issued Capital and Subscribed Capital of the Company was increased from 14,46,14,326 equity shares of ₹ 2/- each to 14,47,44,102 equity shares of ₹ 2/- each and Paid-up Capital was increased from 14,46,13,861 equity shares of ₹ 2/- each to 14,47,43,637 equity shares of ₹ 2/- each.

The Company allotted 42,017 equity shares of ₹ 2/- each on 16th May 2023, upon exercise of options vested to the eligible employees of the Company pursuant to KOEL ESOP 2019.

8. DIRECTORS

a) Changes in Composition of the Board of Directors

During the year under review,

i. The Members of the Company in the Annual General Meeting held on 11th August 2022, had approved the continuation of the appointment of Mr. Atul Kirloskar (DIN 00007387) as Whole Time Director with designation as the Executive Chairman of the Company to hold office till 31st March 2023 with retrospective effect from 26th January 2022. In compliance with Section 149, 152, 197 and other applicable provisions, if any of Companies Act, 2013 (the "Act"), including rules thereof and Regulation 17(1C) and other applicable provisions, if any of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("SEBI LODR") (including any statutory modification(s) or re-enactment thereof for the time being in force), based on the recommendation of the

Nomination and Remuneration Committee, the Board of Directors of the Company appointed Mr. Atul Kirloskar (DIN 00007387) as the Chairman and Non-Executive Director of the Company with effect from 1st April 2023 for a term of 1 (one) year, whose term of office as a Whole Time Director of the Company with designation as Executive Chairman ended on 31st March 2023. The members of the Company approved the said appointment by way of Postal Ballot on 19th April 2023.

ii. The Members of the Company in the Annual General Meeting held on 11th August 2022, had approved the re-appointment of Mr. Satish Jamdar (DIN 00036653) as "Non-Executive Independent Director" for a second term of 4 (four) consecutive years with effect from 4th August 2022.

iii. The Members of the Company in the Annual General Meeting held on 11th August 2022, had approved the appointment of Mrs. Purvi Sheth (DIN 06449636), as a "Non-Executive Independent Director" for a first term of 5 (five) consecutive years with effect from 19th May 2022.

iv. The Members of the Company in the Annual General Meeting held on 11th August 2022, had approved the appointment of Ms. Gauri Kirloskar (DIN 03366274) as a Whole Time Director with the designation as Managing Director of the Company for a term of 3 years with effect from 20th May 2022.

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

vi. In compliance with Section 149 of the Companies Act, 2013 & Rules thereof including amendments thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder, based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company appointed Mr. Arvind Goel (DIN 02300813), as an Additional Director of the Company in the capacity of "Non-Executive Independent Director" with effect from 19th May 2023. In accordance with Section 161 of the Companies Act, 2013 & Rules thereof including amendments thereunder, he will hold office of Director up to date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing his candidature for the office of Director. The resolution seeking approval of the Members by special resolution for the appointment of Mr. Arvind Goel for a first term of 5 (five) consecutive years, has been incorporated in the Notice of the forthcoming Annual General Meeting of the Company.

vii. Mr. M. Lakshminarayan (DIN 00064750) ceased to be Independent Director of the Company upon the expiry of second term of his re-appointment, with effect from 12th August 2022.

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

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

b) Changes in Key Managerial Personnel

i. Mr. Atul Kirloskar (DIN 00007387), ceased to be Key Managerial Personnel of the Company, with effect from close of working hours of 31st March 2023.

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

iii. Mr. Aseem Srivastav, the Chief Executive Officer (B2C) business vertical of the Company, is appointed as the Key Managerial Personnel of the Company, with effect from 20th May 2022.

iv. Mr. Rahul Sahai, the Chief Executive Officer (B2B) business vertical of the Company, is appointed as the Key Managerial Personnel of the Company, with effect from 1st September 2022.

v. Mr. Pawan Kumar Agarwal ceased to be Chief Financial Officer and Key Managerial Personnel of the Company, with effect from close of working hours of 15th September 2022.

vi. Mr. Anurag Bhagania, the Chief Financial Officer of the Company, is appointed as the Key Managerial Personnel of the Company, with effect from 22nd September 2022.

Other than the above, there are no other changes in Key Managerial Personnel of the Company in the Financial Year 2022-23.

c) Declarations from the Independent Directors

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

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

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

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

The Board of Directors considered that Mrs. Purvi Sheth (DIN 06449636), Mr. Yogesh Kapur (DIN 00070038) and Mr. Satish Jamdar (DIN 00036653) possess the requisite expertise and experience (including the proficiency) and they are persons of high integrity and repute and accordingly recommended their appointment/re-appointment as Independent Director(s) which were approved by the Members in the Annual General Meeting held on 11th August 2022.

Other than the above, there were no other appointment / re-appointment of Independent Directors of the Company in Financial Year 2022-23.

e) Board Evaluation

The Board of Directors carried out a formal review of the performance and effectiveness of the Board, Committees of the Board and of the individual directors including the Chairman of the Board for the Financial Year 2022-23.

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

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

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

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

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

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

The Directors expressed their satisfaction with the evaluation process.

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

f) Nomination and Remuneration Policy

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

g) Number of meetings of the Board

During the period under review, eight (8) Board Meetings were held, the details of which form part of the Report on Corporate Governance.

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

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

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

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

9. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, the Company has invested in equity shares of Arka Financial Holdings Private Limited, Wholly Owned Subsidiary of the Company and 8.25% cumulative redeemable preference shares of La-Gajjar Machineries Private Limited, Wholly Owned Subsidiary of the Company. The details are given in the Financial Statements. The Company has not granted any Loans and Guarantees covered under Section 186 of the Companies Act, 2013 & Rules thereof including amendments thereunder.

10. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered into during the Financial Year 2022-23 were on an arm's length basis and in the ordinary course of business. Hence, there are no transactions to be reported in Form AOC-2. None of the related party transactions entered into by the Company, were materially significant, warranting members' approval under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder. All Related Party Transactions are routinely placed before the Audit Committee for approval after being duly certified by the Independent Chartered Accountant. The Audit Committee had granted the omnibus approval for the proposed transactions other than those approved by the Audit Committee from time to time with Related Party during financial year 2022-23, which are reviewed on quarterly basis by the Audit Committee after being duly certified by the Independent Chartered Accountant.

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

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

11. RISK MANAGEMENT, INTERNAL AUDIT AND INTERNAL CONTROL FRAMEWORK

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

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

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

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

In addition to this, control self-assessment framework complements the internal audits and helps the employees to monitor the internal controls they are responsible for. This system aids in building robust control environment across the organization.

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

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

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

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

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

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

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

12. INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

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

13. CORPORATE SOCIAL RESPONSIBILITY

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

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

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

14. VIGIL MECHANISM / WHISTLE BLOWER POLICY

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

The Company adopted online Ethics Helpline to report any suspected violations of code of conduct or any other ethical concerns or raise concern under Whistle Blower / Vigil Mechanism, through email / hotline / webmode. The Company had a tie-up with an independent third party specialist service provider "Integrity Matters" to handle concerns reported. Accordingly, during the year under review, the Vigil Mechanism / Whistle Blower Policy was amended which is uploaded on the Company's website (weblink: https://www.kirloskaroilengines.com/documents/541738/ec79ef3a-160a-ad2e-6156-55ed1c1058be)

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

15. EXTRACT OF ANNUAL RETURN

As required under Section 92(3) read with section 134(3)(a) of the Companies Act 2013 read with rule 12 of the Companies (Management and Administration) Rules, 2014 including amendments thereunder, the Annual Return filed with the Ministry of Corporate Affairs (MCA) for the Financial Year 2021-22 is available on the web-link (https://www.kirloskaroilengines.com/documents/541738/30cc4d8a-4519-756e-e845-e18927b655ac) and the Annual Return for Financial Year 2022-23 will be made available on the website of the Company once it is filed with the MCA.

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

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

17. PARTICULARS OF EMPLOYEES

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

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

18. POLICY ON PREVENTION OF SEXUAL HARRASSMENT (POSH)

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

Awareness programs are conducted on the POSH during the Financial Year 2022-23. Also, all new joinees at the Company undergo separate induction on POSH policy. Online modules and courses on POSH were carried out which included details of regulatory requirements, Incidents that constitutes sexual harassment, dealing with sexual harassment etc.

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

19. GENERAL

During Financial Year 2022-23:

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 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.

c. 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.

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

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

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

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

20. AUDITORS

a) Statutory Auditors

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

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

The Report given by the Auditors on the Standalone and Consolidated financial statements of the Company for the Financial Year 2022-23 is part of this report. There are no qualifications, reservations, adverse remarks or disclaimer given by the Auditors in their report.

b) Cost Auditors

M/s. Parkhi Limaye & Co, Cost Accountants (Firm Registration No. 191) carried out the cost audit during the year. The Board of Directors has appointed M/s. Parkhi Limaye & Co. as Cost Auditors of the Company for the Financial Year 2023-24 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 in **Annexure D-1.**

There are no adverse remarks / qualifications of Secretarial Auditors in the Secretarial Audit Report for the year ended 31st March 2023.

Mr. Mahesh J. Risbud, Practising Company Secretary, Pune, has submitted Secretarial Compliance Report as laid down in SEBI Circular No. CIR/CFD/CMD1/27/2019 dated 8th February 2019 read with circular no. NSE/CML/ 2023/21 dated 16th March 2023 and circular no. NSE/CML/ 2023/30 dated 10th April 2023 issued by National Stock Exchange of India Limited and notice no. 20230316-14 dated 16th March 2023 and notice no. 20230410-41 dated 10th April 2023 issued by BSE Limited ("Circulars"), and has also confirmed that the Company has complied with of all applicable SEBI Regulations and circulars / guidelines issued thereunder, for the Financial Year 2022-23.

d) Secretarial Audit of Material Unlisted Subsidiaries

La-Gajjar Machineries Private Limited (LGM) and Arka Financial Holdings Private Limited (AFHPL) are material unlisted subsidiaries of the Company. The Secretarial Audit of LGM and AFHPL for the Financial Year 2022-23 were 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, Pune, (FCS No.: 810 C.P. No.: 185) for the Financial Year 2022-23. The Secretarial Audit Report of AFHPL has been submitted by M/s. Mayekar and Associates, Practicing Company Secretaries, Mumbai, FCS – 2071, COP – 2427, Practicing Company Secretary for the Financial Year 2022-23.

The Secretarial Audit Reports are annexed herewith in **Annexure D-2.**

There are no adverse remarks / qualifications in the Secretarial Audit Reports of LGM and AFHPL for the Financial Year 2022-23.

21. MANAGEMENT DISCUSSION & ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

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

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

22. BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT (BRSR)

Pursuant to Regulation 34 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, including amendment thereunder, the Business Responsibility and Sustainability Report (BRSR) for Financial Year 2022-23 is forming part of this Annual Report.

23. DIRECTORS' RESPONSIBILITY STATEMENT

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

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

b) They have selected such accounting policies, and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2023 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.

24. CAUTIONARY STATEMENT

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

25. ACKNOWLEDGEMENTS

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

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

For and on behalf of the Board of Directors

Sd/-
Atul Kirloskar
Non-Executive Chairman
DIN: 00007387

Date: 19th May 2023
Place: Pune

ANNEXURE 'A' TO THE DIRECTORS' REPORT

Annual Report on Corporate Social Responsibility (CSR) activities for Financial Year 2022-23

[Pursuant to clause (o) of sub-section (3) of section 134 of the Companies Act, 2013 including amendments thereof and Rule 8 of the Companies (Corporate Social Responsibility) Rules, 2014 read with Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022]

1. Brief outline on CSR Policy of the Company

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

2. Composition of CSR Committee

Sr. No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year*	Number of meetings of CSR Committee attended during the year*
1	Mr. Rahul C. Kirloskar, Non-Executive Director	Chairman	3	3
2	Ms. Gauri Kirloskar, Managing Director (Member with effect from 20th May 2022)	Member	2	2
3	Dr. Shalini Sarin, Independent Director	Member	3	3
4	Mrs. Mrunalini Deshmukh, Independent Director (Member upto 20th May 2022)	Member	1	1

*Number of meetings held and attended by the directors are mentioned from the date of appointment.

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

- For Composition of CSR Committee - (web link - https://www.kirloskaroilengines.com/documents/541738/c7d827b1-34bd-0520-424f-7a11b6feebf4)
- For CSR Policy - (web link - https://www.kirloskaroilengines.com/documents/541738/781c6697-a239-c2d6-afdb-36fc8306ddfb)
- CSR projects approved by the Board – (web link –https://www.kirloskaroilengines.com/documents/541738/5a4cb842-a915-4ea7-43ad-01acfcf4d062)

4. Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable: NA

5. (a) **Average net profit of the Company as per section 135(5) :** ₹ 219.46 Cr.

(b) **Two percent of average net profit of the Company as per section 135(5) :** ₹ 4.39 Cr.

(c) **Surplus arising out of the CSR projects or programmes or activities of the previous financial years :** NIL

(d) **Amount required to be set off for the financial year if any:** NIL

(e) **Total CSR obligation for the financial year [(b)+(c)- (d)].:** ₹ 4.39 Cr.

6. (a) **Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project):** ₹ 4.39 Cr.

(b) **Amount spent in Administrative Overheads.:** NIL

(c) **Amount spent on Impact Assessment, if applicable.:** NA

(d) **Total amount spent for the Financial Year [(a)+(b)+(c)].:** ₹ 4.39 Cr.

(e) **CSR amount spent or unspent for the financial year:**

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
4,39,11,011	NA	NA	NA	NA	NA

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

Sr. No.	Particulars	Amount (in ₹)
(1)	(2)	(3)
(i)	Two percent of average net profit of the Company as per section 135(5)	4,39,00,000
(ii)	Total amount spent for the Financial Year	4,39,11,011
(iii)	Excess amount spent for the financial year [(ii)-(i)]	11,011
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	0.00
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	11,011

7. (a) **Details of Unspent Corporate Social Responsibility amount for the preceding three Financial years: Nil**

(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)
Sr. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Balance Amount in Unspent CSR Account under section 135(6)	Amount spent in the Financial Year (in ₹)	Amount transferred to a fund as specified under Schedule VII as per section 135(5), if any.		Amount remaining to be spent in succeeding financial years (in ₹)	Deficiency, if any
					Amount (in ₹)	Date of transfer		
1.								
	Total							

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

If Yes, enter the number of Capital assets created/ acquired: **NA**

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sr. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pin code of the property or asset(s)	Date of creation	CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name Registered	Name Registered

(All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries).

9. Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per sub- section (5) of section 135. - **NA**

Sd/-
Rahul Kirloskar
(Chairman CSR Committee)

Sd/-
Gauri Kirloskar
(Managing Director)

ANNEXURE 'B' TO THE DIRECTORS' REPORT

A. Conservation of Energy

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

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

The factory located at Kagal, Kolhapur, strongly supported the Government mission on Renewable energy by installing 8.18 MWp Solar Power Plant in the premises. The factory awarded with a certification for "Carbon neutral factory" aligning to PAS 2060:2014 "Specification for the demonstration of carbon neutrality" for consecutive two years, consecutive four years winner of "Golden Peacock award for energy efficiency by Indian institute of Directors, Awarded with "Excellent Energy efficient unit" at National level by CII.

I. The steps taken for energy conservation and its impact

Main Kagal Plant

- Installation of solar charging station for electrical equipment and electrical forklifts
- Installation of Solar street lights instead of conventional lighting
- Installation of 30kWp micro wind turbines
- Reconditioning of solar steam generating plant used for central kitchen
- Procurement of E-bicycles and E-wagon for internal movement
- Implemented projects from External energy audit report
- Celebrated Energy conservation week 2022

Khadki, Pune Plant

- As a continual improvement measure, replaced office lights by LEDs
- Celebrated Energy conservation week 2022
- Converted two un-utilized tanks into Rain Water Storage tanks. This water will be used after treatment for Cooling Tower top up.

KMW Kagal Plant

- Replacement of conventional lights by LED
- Arresting compressed air leakages

Nashik Plant

- Replacement of conventional lights by LED
- Use of energy efficient motors

Bhare Plant

- Replacement of conventional lights by LED
- Arresting compressed air leakages

Rajkot Plant

- Installation of occupancy sensors
- Replacement of pneumatic tools with electrical tools wherever feasible

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

During the year under review, 35% of total electricity energy consumption (6925379 kWh) at Kagal plant, with an approximate savings of ₹ 5.23 Crore was through units generated from Solar Captive Power Plant installed.

For Khadki plant, 25% of total electricity energy consumption was through Energy Purchased from third party and solar setup.

III. The capital investment on energy conservation equipment

The Company made a capital investment of ₹ 84.62 Lakhs 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 (BIS), research institutes such as Automotive Research Association of India (ARAI), Vehicle Research and Development Establishment (VRDE), Indian Institute of Technology (IIT), industry associations such as Indian Diesel Engine Manufacturers' Association (IDEMA) and Confederation of Indian Industry (CII). 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.

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

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

iv. The expenditure incurred on Research and Development

(₹ In Crore)

Sr. No.	Particulars	2022-23	2021-22
1	Revenue Expenditure	79.38	69.38
2	Capital Expenditure	5.26	30.75
3	Total R & D expenditure	84.64	100.13
4	Total R&D expenditure as % to sales	2.1%	3.1%

B. Foreign exchange earnings and outgoes

Total foreign exchange used and earned

(₹ In Crore)

Total Foreign Exchange used & earned	2022-23	2021-22
Used	133.57	92.24
Earned	437.33	282.71

ANNEXURE 'C' TO THE DIRECTORS' REPORT

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

Sr. No.	Information Required	Input
1	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the Financial Year	Please refer Annexure 'C-1'
2	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year;	Please refer Annexure 'C-2'
3	The percentage increase in the median remuneration of employees in the Financial Year	7.34%
4	The number of permanent employees on the rolls of company	2,292
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: 21.81 percentile Average percentile increase in salaries of non-managerial personnel: 13.53 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 "C-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 Kirloskar	146.86
2	Ms. Gauri Kirloskar	107.28
3	Mr. Rahul Kirloskar	3.08
4	Mr. M. Lakshminarayan (upto 11th August 2022)*	NA
5	Mr. Mahesh Chhabria	23.54
6	Mr. Vinesh Kumar Jairath	10.10
7	Mr. Satish Jamdar	7.72
8	Mr. Sunil Shah Singh	9.34
9	Mrs. Mrunalini Deshmukh (upto 20th May 2022)*	NA
10	Dr. Shalini Sarin	4.48
11	Mr. K. M. Abraham	8.59
12	Mr. Yogesh Kapur	9.50
13	Mrs. Purvi Sheth (w.e.f. 19th May 2022)*	NA

Note:

1. Median is computed on the basis of permanent employees on the rolls of the Company for the full Financial Year 2022-23.
2. * Directors were appointed/resigned/retired during the year ended 31/03/2023. As such the remuneration of these Directors is not considered.

ANNEXURE TO BOARD REPORT- Annexure "C-2"

Sr. No.	Name of the Director/KMP	Designation	% Increase/(decrease) in the Remuneration
1	Mr. Atul Kirloskar	Director & KMP	27.79%
2	Ms. Gauri Kirloskar	Director & KMP	962.39%
3	Mr. Rahul Kirloskar	Director	46.15%
4	Mr. M. Lakshminarayan (upto 11th August 2022)*	Director	NA
5	Mr. Mahesh R. Chhabria	Director	192.62%
6	Mr. Vinesh Kumar Jairath	Director	15.43%
7	Mr. Satish Jamdar	Director	76.54%
8	Mr. Sunil Shah Singh	Director	239.22%
9	Mrs. Mrunalini Deshmukh (upto 20th May 2022)*	Director	NA
10	Dr. Shalini Sarin	Director	151.52%
11	Mr. K. M. Abraham	Director	194.44%
12	Mr. Yogesh Kapur	Director	826.32%
13	Mrs. Purvi Sheth (w.e.f. 19th May 2022)*	Director	NA
14	Mr. Pawan Kumar Agarwal (upto 15th September 2022)*	CFO & KMP	NA
15	Mr. Anurag Bhagania (w.e.f. 22nd September 2022)*	CFO & KMP	NA
16	Mr. Aseem Srivastav (w.e.f. 20th May 2022)*	CEO (B2C) & KMP	NA
17	Mr. Rahul Sahai (w.e.f. 1st September 2022)*	CEO (B2B) & KMP	NA
18	Ms. Smita Raichurkar	CS & KMP	32.56%

Note:

* Directors/KMP were appointed / resigned/ retired during the year ended 31/03/2023. As such the remuneration of these Directors/KMP is not considered.

ANNEXURE 'D-1' TO THE DIRECTORS' REPORT

SECRETARIAL AUDIT REPORT

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

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2023

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

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2023 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter. 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, 2023 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 and Sweat Equity) Regulations, 2021;

   (e) The Securities and Exchange Board of India (Issue and Listing of Debt Se curities) Regulations, 2008; [No incidence during the audit period, hence not applicable]

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

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

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

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

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

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

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

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

I further report that,

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

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance (except for shorter notice whenever required in compliance with SS 1) and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

I further report that during the audit period,

a) The Board of Directors in the meeting held on 9th February, 2022 had noted the intention of Mr. Nihal Kulkarni and his family members of exiting as promoters and shareholders of the Company in due course, as communicated in their Letter dated 9th February 2022. During the year under report Mr. Nihal Kulkarni and his family members of exiting promoters and shareholders of the Company have disposed of their entire shareholding in the market. However, they continue to be in the group of promoters until further steps/ action is taken from their end.

b) During the year under report, the Company had acquired balance 24% equity stake of La-Gajjar Machineries Pvt. Ltd., Ahmedabad, which had become a wholly owned subsidiary of Kirloskar Oil Engines Limited w.e.f. 26th September 2022.

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

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

Date: 19th May 2023
Place: Pune
PR – 1089/2021
UDIN: F000810E000329921

To,
The Members
Kirloskar Oil Engines Limited
Pune

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

1. Maintenance of record is the responsibility of the management of the Company. My responsibility is to express my opinion on these records based on my audit.
2. The compliance of the provisions of Corporate and other applicable laws, Rules, Regulations, standards, is the responsibility of the management. My examination was limited to the verification of procedures on test basis.
3. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the records. The verification was done on test basis/check lists basis to ensure that correct facts are reflected in records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
4. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
5. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

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

Place: Pune
Date: 19th May 2023

ANNEXURE ‘D-2’ TO THE DIRECTORS’ REPORT

SECRETARIAL AUDIT REPORT

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

FOR THE PERIOD ENDED ON 31ST MARCH, 2023

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

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

Based on my verification of the Company’s books, papers, minute books, forms and returns filed, reports and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the year ended on 31st March, 2023, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

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, 2023, according to the provisions of:

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

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

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

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

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

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

 (b) *The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and SEBI (Prohibition of Insider Trading) Regulations, 2015;

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

 (d) *The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 r/w Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;

 (e) *The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

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

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

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

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

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

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

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

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

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

I further report that:

The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice (and shorter notice with consent of all directors wherever needed) was given to all directors to schedule the Board and Committee Meetings, agenda and detailed notes on agenda (except for the meetings held at shorter notice) were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

I further report that:

In the financial year 2022-23, the Board of Directors considered the proposal to purchase of new land situated at Ahmedabad, Gujarat, for its long-term strategy of consolidation of all the manufacturing facilities of the Company. The Company is in process of setting up manufacturing facilities at said location. This project of setting of up new plant will be funded through a combination of long term bank borrowings, unsecured loan from parent company and internal accruals. The Company has started the work for the aforesaid project.

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

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

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

Date: 9th May 2023
Place: Pune
PR – 1089/2021
UDIN: F000810E000274479

To,
The Members
LA-GAJJAR MACHINERIS PRIVATE LIMITED
Ahmedabad

My secretarial audit report for FY 2022-23 of even date is to be read along with this annexure:

1. Maintenance of record is the responsibility of the management of the Company. My responsibility is to express my opinion on these records based on my audit.
2. The compliance of the provisions of Corporate and other applicable laws, Rules, Regulations, standards is the responsibility of the management. My examination was limited to the verification of procedures on test basis.
3. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the records. The verification was done on test basis/check lists basis to ensure that correct facts are reflected in records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
4. I have not verified the correctness and appropriateness of financial records, Books of Accounts and other statutory records of the Company. I adopted modified system & have totally relied on the electronic records submitted to me for verification. In view of above, there could be some discrepancy which might arise in future as far as actual records are concerned.
5. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

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

Date: 9th May 2023
Place: Pune

ANNEXURE 'D-2' 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

FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH 2023

To,
The Members,
ARKA FINANCIAL HOLDINGS PRIVATE LIMITED
(CIN - U65993MH2021PTC363806)
Unit No 1202b, 13th Floor, Tower 2B,
One World Center, Senapati Bapat Marg,
Mumbai – 400013

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **ARKA FINANCIAL HOLDINGS PRIVATE LIMITED (CIN - U65993MH2021PTC363806)** (hereinafter called "the company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on **31st March, 2023** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31st March, 2023 according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made there under;

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 there under;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (To the extent Applicable to the Company during audit period);

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

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ***(Not Applicable to the Company during audit period)***

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; ***(Not Applicable to the Company during audit period)***

c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; ***(Not Applicable to the Company during audit period)***

d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ***(Not Applicable to the Company during audit period)***

e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2015; ***(Not Applicable to the Company during audit period)***

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; ***(Not Applicable to the Company during audit period)***

g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; ***(Not Applicable to the Company during audit period)*** and

h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 ***(Not Applicable to the Company during audit period);***

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

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

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

We further report that –

The Board of Directors of the Company is duly constituted. 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, the agenda and detailed notes on agenda were sent in the prescribed time i.e. seven days in advance. However, 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. The Company has generally complied with the provisions of Secretarial Standards.

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

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

We further report that during the year under review,

i. The Board of Directors of the Company passed a circular resolution on May 25, 2022 to allot 9,96,03,153 equity shares at face value of ₹ 10/- at par, aggregating to ₹ 99,60,31,530/- on rights basis

ii. The Board of Directors of the Company passed a circular resolution on August 18, 2022 to allot 5,00,00,000 equity shares at face value of ₹ 10/- at par, aggregating to ₹ 50,00,00,000/- on rights basis

iii. The Board of Directors of the Company at their meeting held on July 27, 2022 passed a resolution to make investment for an amount not exceeding ₹ 50 Crores, in one or more tranches, in the equity shares of Arka Fincap Limited.

iv. The Board of Directors of the Company at their meeting held on August 24, 2022 accorded its approval for investment in the equity shares of Kirloskar Proprietary Limited ("KPL") by way of purchase of 5 (five) equity shares of KPL from Kirloskar Chillers Private Limited at a fair price arrived upon on the basis of the valuation report from a Registered Valuer.

v. The Members of Company at the Extra-ordinary General Meeting of the Company held on November 7, 2022 passed the special resolution for increasing the Authorised Share Capital of the Company from ₹ 1000,00,00,000/- (Rupees One Thousand Crore only) divided into 100,00,00,000 (One Hundred Crore) equity shares of ₹ 10 /- each to ₹ 1500,00,00,000/- (Rupees One Thousand Five Hundred Crores only) divided into 150,00,00,000 (One Hundred and Fifty Crore) equity shares of ₹ 10 /-.

vi. The Board of Directors of the Company at their meeting held on November 2, 2022 passed a resolution to make the investment for an amount upto ₹ 5 Crores, in one or more tranches, towards sponsor contribution in Arka Credit Fund I, a scheme of Arka Credit Fund, a Category II Alternative Investment Fund registered under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012" and same mentioned in form MGT-14 as filed.

vii. The Board of Directors of the Company passed a circular resolution on December 8, 2022 to allot 3,00,00,000 equity shares of face value of ₹ 10/- per equity share for cash at par aggregating to ₹ 30,00,00,000/- on rights basis

We further report that during the audit period there was no other event/action having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, and standards.

For **Mayekar & Associates Company Secretaries**
Firm U.I.N - P2005MH007400

Sd/-
Anil Vasant Mayekar
Partner
FCS – 2071,
COP – 2427

Date: 3rd May 2023
Place: Mumbai
U.D.I.N –F002071E000213205

Note: This report is to be read with our letter of even date which is annexed as Annexure 'A' and forms an integral part of this report.

Annexure A

To,
The Members,
ARKA FINANCIAL HOLDINGS PRIVATE LIMITED
(CIN - U65993MH2021PTC363806)
One World Center, 1202B, Tower 2B, 13th Floor,
Senapati Bapat Marg,
Mumbai - 400013

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **Mayekar & Associates Company Secretaries**
Firm U.I.N - P2005MH007400

Sd/-
Anil Vasant Mayekar
Partner
FCS – 2071,
COP – 2427

Date: 3rd May 2023
Place: Mumbai
U.D.I.N –F002071E000213205

Management Discussion and Analysis

Global economic overview

In the wake of mounting inflationary pressures and the geopolitical conflict in Europe, global economies grappled with several challenges in 2022. The sustained rise in interest rates by Central Banks around the world to rein in inflation and the prolonged geopolitical crisis in Europe are impeding economic activity.

The resurgence of COVID in China dampened growth prospects in 2022. However, the recent reopening has set the stage for a faster-than-anticipated rebound. Another silver lining is the fact that global inflation is projected to decelerate from *8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024. In the course of 2023, pent-up demand across emerging economies and a sharper decline in inflation are expected. The emerging and developing economies of the world are expected to drive and remain instrumental in accelerating global economic growth, in the years ahead.

*Source: IMF World Economic Outlook January 2023

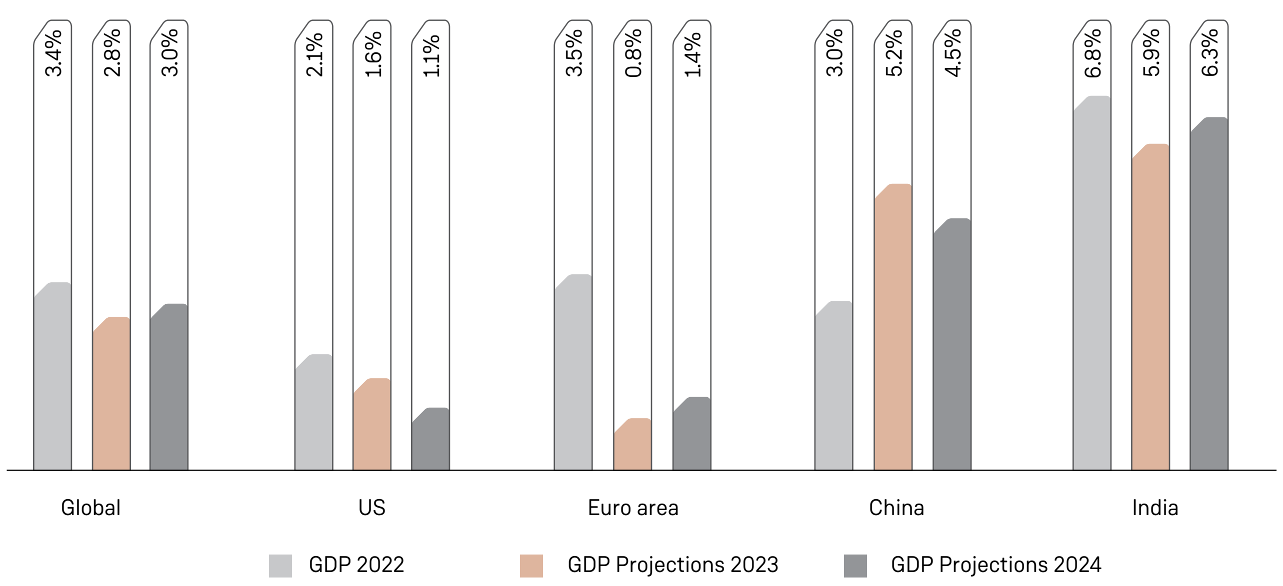
Outlook

There are early signs that indicate a gradual recovery from the pandemic-induced shocks and supply-chain constraints. Growth rates (fourth quarter over fourth quarter) have increased from an expected 2.8% in 2022 to 4.5% in 2023[1], signifying that growth in many emerging markets and developing economies is now witnessing an upswing.

The pace and effectiveness of fiscal and monetary policy measures to support economic expansion would also help shape a promising outlook. Central banks around the world have been tightening monetary policy, but it remains to be seen if these measures will prove to be effective in curbing sticky inflation and promoting long-term growth. Fiscal policies would also play a key role, particularly in assisting businesses and individuals affected by the pandemic.

Structural reforms such as fostering flexible and inclusive labour markets, scaling up productivity, alleviating supply chain bottlenecks, enhancing business dynamism, lowering barriers to cross-border trade and encouraging economic migration are expected to be essential for mitigating supply shortages and building on the gains from digitalisation .[1]

Global economy GDP



*Source: IMF World Economic Outlook January 2023

India, along with China to contribute to 50% of global growth in 2023.

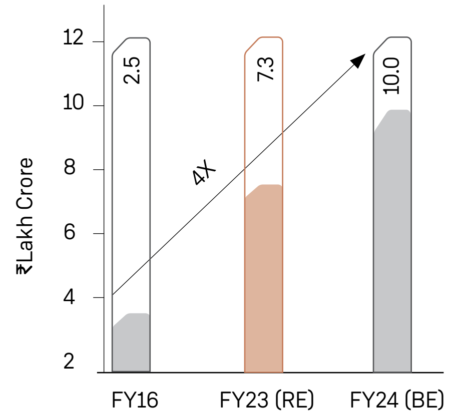
[1]https://www.oecd-ilibrary.org/sites/d14d49eb-en/index.html?itemId=/content/publication/d14d49eb-en

Indian economic review

Notwithstanding the gloomy global outlook, the Indian economy remained relatively shielded from global challenges and sustained its position as one of the fastest-growing major economies in FY23. It registered a growth of 7%[2] in FY23. Employment in the corporate sector is registering growth, as indicated by lowering unemployment rates and an upsurge in net payroll additions under EPFO. The economy's corporate sector credit-to-GDP ratio remains below its historical trend, thereby demonstrating that there is ample room for the corporate sector to raise debt to support its growth initiatives. The strong Balance sheets profile of the corporate sector has also been pivotal in driving macroeconomic stability.[3]

The growth has been propelled by robust domestic demand, especially in private consumption expenditure, rising gross fixed capital formation and the Government's enhanced capital expenditure for FY23. The Union Budget 2023 announced a historic budget estimate of ₹ 10 lakh crore for FY24 which marked a 33.4% increase in capex when compared to the last year's Union Budget[4]. The government's capital investments are expected to have a multiplying effect on the economy's manufacturing sector and lend Indian goods a competitive edge in the international markets.

Increasing Capital Expenditure of Union Government



[Source: Union Budget 2023]

Outlook

With sound macroeconomic fundamentals, stronger private sector balance sheets and high tax receipts, India has outperformed many economies. This has helped the Government to mitigate the impact of the impending global economic slowdown.

Several high-frequency indicators, including GST collections, railway and air traffic, electronic toll collections and the volume of E-way bills generated, point towards a strong economic recovery. The country's sustained growth momentum has made it an attractive destination for pitching in substantial investments.

Going forward, India is expected to remain the fastest-growing nation among the G-20 nations. Also, India's presidency of the G20 Summit in 2023 has significantly bolstered its stature on the international stage.

Company overview

Kirloskar Oil Engines Limited ('KOEL'/'Company') is a part of the Kirloskar Group, an Indian conglomerate with interests in engineering, manufacturing, construction, real estate and financial services. The Company is dedicated to sustainable development and has carried out a number of programmes to promote social welfare, energy efficiency and environmental protection.

The Company produces and sells internal combustion engines, generator sets, industrial solutions, pump sets, farm equipment and other allied products for various applications across business segments. The Company was established in 1946 and has its headquarters in Pune, Maharashtra.

The Company also offers various power solutions, which include designing, engineering and commissioning. The Company's extensive network of GOEMs, service dealers and distributors provides timely and effective services for its clients globally.

Change of reporting segments

On the back of strong demand, the Company has consistently delivered strong results. It has also recently undertaken a transformation journey. As part of this effort, it conducted a thorough review of its organisational structure to ensure that it is capable of supporting its growth aspirations. The Company has actively implemented changes to its business structures to improve effectiveness and business focus and accordingly, the necessary changes to segmental reporting are as follows:

Kirloskar Oil Engines operates in three primary business verticals:

- B2B, which includes businesses related to fuel agnostic internal combustion engine platforms. The businesses include power generation, industrial, distribution & aftermarket and international business;
- B2C, which encompasses water management solutions and agri-related businesses;
- Financial services segment (Arka Fincap under separate entity)

B2B Segment

Industry and business overview

Power Generation Business

Over the next ten years, India is projected to undergo rapid industrialisation and urbanisation, necessitating the development and expansion of adequate power infrastructure to ensure sustained economic growth. As the world's third-largest producer

[2]https://mospi.gov.in/sites/default/files/press_release/PressNoteNAD_28feb23final.pdf

[3]https://dea.gov.in/sites/default/files/Monthly%20Economic%20Review_Feb%202023.pdf

[4]https://www.indiabudget.gov.in/doc/bh1.pdf

and consumer of electricity, India has an impressive installed power capacity of 412.21 GW as of February 2023. In the fiscal year 2023 (up to February 2023), the country exhibited an energy deficit of 0.5%, with the peak deficit at 4%[5]. It is expected that the generator set market will grow at a compound annual growth rate (CAGR) of 4% between FY23 and FY28. This growth can be attributed to the rising demand for uninterrupted power supply in various sectors, such as manufacturing, infrastructure, healthcare, data centres and residential areas.

Key trends and prospects for coming years

- Favourable government initiatives aimed at positioning India as a global manufacturing hub necessitate generator sets as a backup power source.
- Rapid urbanisation driving infrastructure growth is also likely to contribute to the demand for generator sets.
- The requirement for generator sets as the primary power source in off-grid areas, particularly for telecom towers in 5G infrastructure, is expected to contribute to the growing demand for generator sets.
- The market for generator sets is likely to be propelled by several factors, including the surge in digitalisation leading to a greater demand for higher kVA-rated generators in data centres.
- Lastly, preference for alternate fuel engines is anticipated to witness an uptick, thereby supporting the Government's green energy initiatives.

Business performance

The market for generator sets has demonstrated a remarkable expansion due to the sustained demand from the manufacturing, realty and infrastructure sectors, including roll out of 5G telecom spectrum, growth in data centres, expansion of healthcare space and other planned power interruptions in different states throughout the year. The value expansion in the generator set industry is projected to remain bullish, indicating strong growth opportunities.

In FY23, the Company reported a revenue of ₹ 1,655 crore from its power generation business, compared to ₹ 1,297 crore in FY22. The Company's firm grip on the low and medium kVA business, owing to its diverse product portfolio, has enabled it to solidify its leadership position, while simultaneously expanding rapidly in the higher kVA segments, surpassing the market's overall growth rate.

Major trends influencing business performance and action plan

Following the Russia-Ukraine conflict, supply chain disruptions, the ban on diesel generators in the NCR and other macroeconomic factors, the business endured numerous hardships. However, the expansion of 5G in the telecom sector, upbeat construction activity, the PLI programme in manufacturing and smart city initiatives, among other factors bolstered the demand for the generator sets resulting in strong tailwinds for the Company's products.

Opportunities

The Company continuously identifies and monitors factors that may impact its growth trajectory. Unreliable power supply and power deficit in rural regions, which are persistent concerns, continue to be opportunities in the power generation sector. Moreover, the digitalisation wave, coupled with the growth of data centres, has presented the Company with new avenues for expansion.

Additionally, the Company is planning to foray into the global market with its upgraded portfolio capable of catering to most emission requirements across key markets. This is expected to strengthen the Company's position in the international market and pave the way for future expansion.

Challenges

The Company is likely to face certain challenges in the near term. The government initiatives towards achieving net-zero emissions, including the ban on diesel generator sets and the preference for battery storage devices, could adversely affect the Company's growth prospects. The Company is actively investing is developing its portfolio to be fuel agnostic and making its products more relevant to the customers usage patterns. The Company will be launching the largest range of CPCB IV+ compliant products across the industry.

Inflation, commodity prices, supply chain constraints, and the adoption of renewable energy sources for sustainable development may hinder the demand for conventional generator sets.

Action plan and new product developments

The Company's unwavering focus on meeting the diverse, evolving needs of its customers has yielded significant dividends. The strategic introduction of segment-specific products, along with consistent value addition and enhancement in the higher kVA range and optimisation of generator accessories, have all had a productive impact on business performance. Additionally, regular and meaningful engagement with key stakeholders has further boosted the Company's market position.

The Company has made great strides in the low and medium kVA segment by introducing innovative products with customer-centric features in FY23. Its flagship Genset 2.0 - R550 series generator set, gas-based generator set, 3000 RPM range inverter technology portable generator and segment-specific generator set

[5]https://powermin.gov.in/en/content/power-sector-glance-all-india

(Rental segment) have been some of the notable launches. Making sustainability & technology its foremost priority, the Company has developed IOT-enabled gas generator across various power nodes with digital monitoring systems. It has also introduced a dual fuelkit that can be retrofitted to existing and future diesel generators, enabling them to operate on a combination of gas and diesel. The Genset 2.0 - R550 series is a compact, IOT-enabled powerhouse generator with features, including remote monitoring, a robust design, automatic mains failure (AMF), aesthetic features, ease of service and accessibility, as well as QR-enabled basic information.

The Genset 2.0 - offers a volumetric size reduction of **30%** and has garnered an overwhelming response from customers across various segments.

Future outlook

In the upcoming year, the Company intends to modify its products to comply with the latest CPCB IV+ norms. In response to the strong demands of the market, the Company has earmarked the development of segment-specific products as the cornerstone of its business strategy. To support the Government's 'Atmanirbhar Bharat' initiative, the Company has prioritised local production and sourcing of materials and components. The Company remains steadfast in its commitment to contribute to a sustainable future through the development of alternative fuel engines to facilitate the attainment of net-zero carbon emission targets. The Company's objective to exceed market growth in the high horsepower segment will be driven by product refinement to encompass a range over 3000 kVA. The Company is aspiring to transition from a mere product supplier to an end-to-end turnkey solution provider for backup power, composite electrical, firefighting and exhaust management.

Industrial Business

In 2023, it is predicted that the global market for industrial engines will generate USD 175 billion in revenue. With a consistent growth rate of 6.2%, the industrial engine market is expected to reach USD 319 billion by 2033. The primary reason for the market's expansion is the greater need for power generation equipment in emerging markets, including China, India and Brazil [6].

The Company nurtured enduring relationships with key stakeholders, including OEMs, end-users across various operational segments, suppliers and communities, throughout the year. It is a leading independent engine manufacturer in India and a preferred choice for major construction equipment OEMs. Furthermore, the Company is also a supplier of Diesel Alternator (DA) sets for power cars and auxiliary power units to the Indian Railways.

The Company's unique position in dealing with the majority of project businesses offering customised products and service solutions for niche markets has helped it gain a significant presence in the Defence and Marine segments.

The Company's growth in the industrial business can be attributed to the provision of market-specific products that are competitively priced and delivered on time, supported by Kirloskar CARE's robust aftersales service network across India. The Company has been successful in enhancing its market share across operating categories in the industrial business by providing the proper 'fit for market' product.

Business overview

The Company experienced strong demand for its BSIV emission-compliant engines from segments such as Earth moving, Construction and Material Handling due to improved fuel consumption and prompt aftersales service PAN-India. The demand for firefighting engines also increased due to growing safety awareness and heightened safety regulations imposed by local authorities in various residential and other segments of the country. The Company reached a major milestone in its recently started fishery business by having supplied and commissioned over 1000+ fishing boat engines, with over 50 engines having crossed 10,000 hours of operation.

The Company's industrial engines unit recorded a revenue of ₹ **852 crore**, registering a sales growth of **22%** over the previous year.

To widen its presence in diverse sectors such as Rail and Defence, KOEL has entered into strategic partnerships with organisations that complement its strengths. The Company has emerged as a system integrator and packager, offering turnkey solutions for projects of strategic interest, such as the Airfield Integrated Security System and communication systems for the Air Force and as a propulsion system provider in the Marine industry. The Company has also started manufacturing the new K43 series of high-horsepower engines at its Nasik plant.

Recognising its outstanding performance, the Bureau of Energy Efficiency awarded the Company's Nasik plant the first prize for energy conservation and it was also felicitated by the President of India. The organisation's focus on quality was demonstrated by the accolades it won at international quality forums such as the International Convention for Quality Control Circles (ICQCC) held in Indonesia in November 2022.

Future outlook

The Company been a preferred partner with major equipment manufacturers both domestically and globally and it consistently leverages its technological prowess to sustain its position as a market leader. The Company remains steadfast in its commitment to developing new products by collaborating with OEMs. It also looks forward to catering to the OEMs' requirements for machines currently under development as well as the upcoming BSV emission norms.

Furthermore, the Company is committed to ensuring that the Diesel Alternator (DA) sets supplied to Railways comply with the latest emissions norms as they are implemented. In an effort to augment its global footprint and bolster exports of machines powered by Kirloskar engines, the Company aims to collaborate with construction OEMs, given the rapidly evolving macroeconomic climate.

Distribution & Aftermarket Business

In FY23, the Company reported a revenue of ₹ 630 crore from its distribution and aftermarket business, compared to ₹ 535 crore in FY22 a growth of 18%. Enhancing service penetration, new product launches and channel optimisation, have been key growth enablers.

The following are the segments that make up the newly created distribution and aftermarket business unit of the Company:

- Customer support and service channel – Revenue and service organisations
- Retail channel – spare parts, oil and allied products including Electric Motors and Organic Waste Composter.

Customer support and service channel

The Kirloskar CARE brand is renowned for its dedicated after-sales services for Kirloskar Powergen and Industrial products. The Company has an extensive network of over 400 service outlets throughout India, all of which are connected through a digital platform. Additionally, the Company has a team of 3000+ trained service personnel, setting an industry benchmark for customer service.

In light of evolving market trends, including the wide use of industrial engines and shifting diesel generator set usage patterns, the Company is striving to restructure its service channel. This restructuring aims to ensure optimal service reach for long-term customer retention by offering assured service packages. This will also widen the Company's customer outreach as well as help it achieve a positive Net Promoter Score (NPS) and revenue growth.

The Company's innovative service offerings, such as Bandhan and Anubandh (AMCs) and Extended Warranty, are underscored by a strong Customer Retention Index (CRI) measurement process. This allows the Company to develop enduring relationships with individual customers and differentiate itself from competitors.

Despite soaring inflation and a volatile market, the Company's robust systems and processes, coupled with proactive service support, enabled the customer support business to generate revenues worth ₹ 505 crore in FY23, representing a 15% increase over the previous year.

Future outlook

The power generation sector is currently undergoing a significant shift as the CPCB IV+ emission standards. These new regulations entail a major departure from the current emission technologies, with the introduction of electronic components, emission control devices, on-board diagnostics and a change in the generator set's architecture.

To cater to these changing emission norms, the Company has devised a service strategy that encompasses a four-corner transformation approach, considering the shift from mechanical to electronic engines with complex after-treatment systems. This approach focuses on ensuring a capable structure including people, tools, channel and systems.

The service teams are actively working to ensure the availability of the following critical elements before the CPCB IV+ launch: the deployment of adequate and trained manpower across India; ensuring spare parts availability across all channels; testing and deployment of fit-for-market tools and processes; setting up an infant care and rapid response team; and establishing a control tower to monitor product performance while enabling digital data for proactive service delivery.

Kirloskar Powergen also intends to develop novel service solutions as part of its enhanced assured service penetration programme, which will be backed by solid digital procedures and measurement systems, as well as a strong CRM, to foster customer loyalty with Kirloskar CARE.

Retail channel

Originally named Tractor Parts and Oil (TPO), this retail distribution channel has experienced a decline in spare parts revenue contribution and has been mostly reliant on the oil business. To provide a more comprehensive solution to customers and leverage the channel, the Company aims to introduce agriculture and construction parts and other allied products including Electric Motors and Organic Waste Composter.

Currently, the retail channel consists of over 300 networks spanning rural and urban areas, with access to local retail counters.

In FY23, this business generated revenue of ₹ **125 crore**, marking a **30%** increase from the previous year.

[6] https://www.globenewswire.com/news-release/2023/03/16/2628912/0/en/Industrial-Engine-Market-is-Encouraged-to-Reach-US-319-51-Billion-by-2033-with-a-steady-growth-rate-of-6-2-Persistence-Market-Research.html

Future outlook

To further expand this business, the Company has undertaken several initiatives for FY24. These include realigning channels based on the core businesses of agriculture solutions and construction, as well as introducing agricultural equipment parts, and construction equipment parts. Additionally, the Company plans to diversify its channels in weaker markets such as Andhra Pradesh, Telangana, Kerala and Rajasthan. It will also implement digitalisation solutions for retail sales visibility and launch loyalty programmes to boost sales.

International Business

Business overview

The Company's international business saw mixed demand across various segments during FY23. While there was growth in the power generation, industrial and firefighting sectors, there was a drop in the agriculture sector. The Company faced challenges due to raw material availability and inflated raw material costs, which led to several measures being implemented to reduce costs and partially curb inflation through price hikes. Despite these challenges, the Company was successful in maintaining uninterrupted and on-time supplies to international markets, contributing to a healthy top line and bottom line at the end of the financial year.

The power generation market saw strong demand from the Southern Africa region due to extended power cuts in South Africa, contributing to a growth rate of 153%.

In the firefighting market, the Company continued to expand through the addition of new OEMs and an increase in market share with existing OEMs. It maintained its leading position in the FM/UL segment in the Middle East and also gained traction in other regions such as the USA, Europe and the Asia-Pacific. The Company also augmented its product offering in the non-listed firefighting space to increase its business share in the Asia-Pacific region and Europe.

The limited availability of forex in many countries due to adverse economic conditions, soaring inflation and currency fluctuations led to reduced demand in various segments and affected the Company's channels and businesses in Latin America, Africa, the Middle East and Southeast Asia.

The Company's revenue in FY23 from the international business was around ₹ 429 crore, as against ₹ 298 crore in FY22, registering a growth of over 44%.

Future outlook

While continuing to focus on key markets such as the USA, South Africa and the UAE, the Company aspires to expand its market share in these regions. With the CPCB IV+ & CEV BSV norms being implemented in India, the Companies entire portfolio will be technologically compliant with the emission norms across key global market that will help enable growth in the US market with the introduction of EPA-certified engines and gas long blocks. Additionally, the Company plans to expand its business in the firefighting market in the USA, Europe and the Asia-Pacific region and also develop new products for the mining industry in South Africa. In the power generation sector, the Company expects significant growth with the introduction of its new R550 series engines.

B2C Segment

Industry and business overview

Water management solutions (WMS)

The domestic and agriculture segments of the electric pump industry experienced a decline of 5% in terms of value compared to the previous year. This was due to unseasonal rainfall in peak selling months of October and November, which negatively affected sales. Additionally, the cost of ownership increased due to higher raw material prices earlier in the year, which further impacted the purchasing behaviour of customers, especially in the agriculture sector.

The diesel engine pumpset market declined, with an overall decrease of 10%. This can be attributed to the increasing trend of replacing diesel pump sets with electric pumpsets. However, the construction segment showed strong demand, which led to an improved growth rate of 17% for diesel engines.

Business overview

In FY23, the Water Management Solutions Business Unit contributed ₹400 crore to the total revenue, a significant increase from ₹352 crores in FY22. Despite an industry-wide decline, both diesel engine and electric pumps showed good growth. The Company increased its market share in the engines area to 55%, with electric pumps at 3%. WMS also expanded its product portfolio with the addition of column pipes and 3 phase induction motors.

New Product Development

The Company has developed sewage and cutter pumps at its Coimbatore plant, which are ready to be introduced in April 2023. In addition, single-phase induction motors are currently in development at Coimbatore and Ahmedabad plants.

Rajkot Plant

With a significant improvement in product quality, the Company successfully completed a full year of operation after the supply chain transformation of the manufacturing business in Rajkot. The cost of manufacture per cylinder also decreased. In order to increase its market share for small diesel engines and pump sets, the plant created a number of low-cost products. Additionally, the Company relocated the assembly line for petrol pump sets from Pune to Rajkot, which is now operational.

Concerns and Threats

For the diesel segment, the trend of conversion from diesel pump sets to electric pump sets is expected to continue. Despite this, strong demand for diesel engines from OEM manufacturers of concrete mixture machines is expected due to sustained infrastructure push by the government and rapid urbanization.

Future outlook

The demand for electric pumps is expected to regain its normal growth rate of 5-7% aided by good demand from the agriculture segment as PVC prices have come down. However, in the domestic segment, growth may be muted due to the expansion of the Har Ghar Jal Yojana program, which provides tap water to homes and reduces dependency on borewell pumps. Additionally, high construction costs may deter standalone house construction, which requires water pumps. The market will continue to be very price sensitive, with newer players pushing products based on price. However, the Company is confident in its strategies and is focused on improving margins and market share in all the segments it competes in.

Farm mechanisation solutions

In FY23, the market for power tillers experienced a plateau in comparison to the previous fiscal year. In contrast, the power weeder division witnessed rapid growth. The sales of both power tillers and weeders were significantly influenced by government subsidies and seasonal trends throughout India. With the Government promoting local manufacturing, the power tiller market observed a complete disappearance of import players. However, imports of power weeders from China continued.

Business overview

The farm mechanisation business expanded further to include export markets and original equipment manufacturer (OEM) partnerships in addition to its domestic business.

The Company's revenue in FY23 from farm mechanisation business stood at ₹ 107 crore, as compared to ₹ 88 crore in FY22.

New products launched

During FY23, the Company executed its innovation-driven strategy and released a new range of KCool products that catered to the market demand in the 15HP and 12HP space, as well as the power weeder one. This was achieved through the implementation of an effective enquiry management system and channel finance facility.

In the farm mechanisation business, the Company released its latest KCool engine-based MEGA 15, MEGA T12 and their respective variants, which were widely accepted in the market. Additionally, the Company's 2 HP offerings in the weeder segment were well received. The localisation of various components required for the above product range is currently on the brink of commercialisation.

Furthermore, the Company's power tillers have been certified by Southern Region Farm Machinery Training and Testing Institute (SRFMTTI). To increase their utility for small and marginal farmers, the Company has introduced a power tiller with a mini harvester attachment to benefit the farmers. This attachment can be used in a multi-crop scenario with minimal changes, thus maximising its efficiency. It is anticipated that this attachment would significantly reduce harvesting costs as it requires only one-third of the initial investment when compared to conventional harvesters. Moreover, this innovation will enable farmers to mechanise harvesting in smaller plots, difficult-to-reach terrains and areas of individual ownership, as it requires minimum operational skills.

Future outlook

Agriculture and related industries are expected to receive top priority from the Government, with favourable policies likely to benefit the farm mechanisation sector as a whole. With a near-normal monsoon forecast, the peak Kharif season in June-July would be critical for the farm mechanisation business.

In FY24, subsidies from the Government would remain a key driver for power tiller sales. Farm mechanisation products are already part of the national subsidy programme for FY23. Concurrently, farm mechanisation continues to focus on developing product variants and technology for the future.

In the coming year, the farm mechanisation business will be concentrating more on power tillers, power weeders and harvesting attachments to maximise its potential growth in FY24.

New products

The Company has released new products across all its business verticals in an effort to meet diverse customer needs. At the Company, the creation of new products is facilitated through strategic alliances with top organisations in the industry and in house research and development.

[For more details on new products, refer to the intellectual capital section of the report on page 46]

Supply chain

The Company is focusing on a resilient supply chain to withstand future demands and disruptions. Despite the global macroeconomic challenges, the Company has managed to mitigate the effects of supply chain constraints by establishing a collaborative relationship with its supplier base.

To further improve its supply chain management, the Company is highly focused on implementing the Internet of Things (IoT) and Artificial Intelligence (AI) in its supplier operations, which are expected to be integrated into its connected supply chain in the future.

Sustainability is a significant priority for the Company, and it is continually striving to enhance its procurement and supply chain processes. It has established a proficient team to deliver exceptional service to its customers and has placed great emphasis on building long-lasting relationships with its supply chain partners.

By maintaining a positive relationship with its suppliers, the Company has been able to ensure a steady production process during unstable situations. Additionally, the Company is leveraging its business through forward and backward integration of its supply chain, which has enabled it to have better control over its operations. These efforts have resulted in significant improvements in the Company's business.

Human resources

The Company has implemented several initiatives aimed at improving employee engagement, health and safety, recognising their crucial role in the success of the organisation. The Company maintains positive and harmonious employee relations throughout its offices and production facilities.

The Company manages its entire employee life cycle through its Human Resource Management System (HRMS). In order to enhance the managerial workforce's skills, the Company has established leadership development programs, including Passport to Leadership. Furthermore, the Company has identified its campus hiring requirements and implemented a comprehensive onboarding program called "Campus to Corporate" to integrate college hires into the Company.

To acknowledge employees' contributions and motivate them, the Company has a Recognition and Rewards (R&R) policy in place, including SPOT Awards, BU Awards and MD Awards, which are given quarterly. Additionally, to promote a culture of appreciation, the Company has introduced recognition cards that any employee can give to anyone across the Company.

Furthermore, to remain competitive in the talent market, the Company continuously reviews its compensation and benefits practices.

2,292
Total no of employees on payroll

[For more details on learning and development, health, safety and wellbeing of employees, rewards and recognition, refer to the human capital section of the report on page 52].

Environment, Health and Safety (EHS)

The Company consistently strives to comply with EHS standards. The Company is cognisant of its environmental footprint and is continually striving to reduce it through deliberate actions. Hence, utilising low-carbon solutions (like biogas plant, solar pumping system, solar steam generator, solar lighting, water turbine) and optimising energy use in its manufacturing operations are the Company's primary objectives. Its sensible energy policy aims to lower energy use while promoting the use of green energy.

The Company implemented various calibrated measures throughout the year to maintain a safe workplace for its workforce. The Company diligently worked to mitigate negative effects on the environment and society, including conducting creative energy conservation programmes and undertaking eco-friendly disposal of hazardous materials.

The Company continues to have positive working relationships with all its employees, including contract workers, in all its manufacturing facilities. All the workers operate in a secure atmosphere and are regularly educated on safety procedures. One of the key focus areas has been formal occupational health and safety courses and training. There is a clear framework in place to help the Company's personnel to understand the current manuals, which cover safety and machine handling topics at all plant sites.

During the year under review, the Company's plants and offices focused on various initiatives to promote Environment, Occupational Health and Safety (EHS). Across all plants, the Company undertook environmental initiatives such as celebrating World Environment Day to raise awareness among employees and neighbouring communities. In addition, the Company celebrated the Kirloskar Vasundhara International Film Festival to promote environmental awareness and planted trees in various locations.

To prioritise Occupational Health, the Company organised Blood donation camps, Eye check-up camps and conducted health awareness sessions and periodical medical check-ups for employees. With regards to safety, the Company conducted programs such as Behavioural Based Safety awareness, road safety awareness, mock drills for safety awareness and provided Firefighting Training for employees.

Furthermore, to ensure efficient control of all processes related to quality management, environmental protection, occupational health and safety, the Company has implemented an Integrated Management System (IMS) that combines ISO 9001, ISO 14001 and OHSAS 45001 management systems. The successful implementation of IMS has led to the Company's IMS certification by ABS QE. By implementing these initiatives, the Company has demonstrated its commitment to promoting sustainable practices and ensuring a safe work environment for all employees.

Environment initiatives

Kagal Plant

The Company implemented several environmental initiatives, including the utilisation of recycled water from the Effluent Treatment Plant (ETP) for toilets and urinal flushing of all Genset section toilets. It has installed an Organic Waste Composter (OWC) to convert garden and kitchen waste into organic compost and installed a rain gauge for monitoring rainfall.

The Company also installed a new above-ground Fire Hydrant line for EP1, Powerhouse and Fabrication shop, as well as a pipeline for Piped Natural Gas (PNG) to replace HSD and LPG. Additionally, it has conducted tree plantation and participated in a cleaning drive organised by MIDC and MPCB.

Khadki Plant

The Company used treated water for toilet flush and gardening and replaced the roof sheets of stores shed with GI sheets. These initiatives showcase the Company's dedication to sustainable practices and their commitment to environmental preservation.

Safety initiatives

Sustainability management in the Company is an ongoing process. To ensure that effective safety measures are in place, the Company endeavours to strike a balance between the demands of various stakeholders, the Sustainable Development Goals (UN SDGs) and business expansion.

The Company has implemented safety initiatives to ensure the protection of its employees and equipment. This includes the installation of flameproof lights for Test beds, which helps prevent fires and explosions. In addition, the Company has installed Railings and walkways on the rooftops of Genset, EP1 and EP2 to provide safe access to equipment and reduce the risk of falls or accidents. These initiatives demonstrate the Company's commitment to prioritising safety in its operations and protecting its workforce.

[For more details on EHS, refer to the human capital and natural capital sections of the report on page 52 and page 62]

Finance, Legal and Secretarial

The Company has automated the compliance management process and developed a robust compliance management system. Compliance with laws and regulations has always been prioritised above everything else at the Company. The financial, legal and secretarial departments have acted as corporate partners and have spearheaded various digital projects that have assured increased productivity. These functions are taking focussed initiatives in terms of Business Partnering, Digitization and Governance towards value creation for internal and external customers.

Awards, recognitions and certifications

Some of the awards and accolades received by the Company for its unwavering commitment to providing impeccable services are listed below:

ICQCC-2022 – International Level Convention on Quality Circle & Allied concept

The Indonesian Quality Management Association organised the ICQCC-2022 event focused on Quality Circles & Allied Concepts. One of the teams from the Company participated in this convention and was awarded the Silver award for their outstanding performance.

NCQC-2022 – National Level Convention on Quality Circle & Allied concept

The Quality Circle Forum of India (QCFI) organised the NCQC-2022 event focused on Quality Circles & Allied Concepts. The Company's three teams participated in this convention and were successful in achieving one Excellent award and two Distinguish awards.

CCQC-2022 – State Level Convention on Quality Circle & Allied concept

The QCFI Pune chapter organised the 37th State Level convention focused on Quality concepts. The Company sent three teams to participate in this convention and was successful in achieving three Gold awards.

ENCON

- The Company's Nasik plant participated in the 23rd National Award for Excellence in Energy Management organised by the Confederation of Indian Industry (CII) in 2022. The Company was successful in achieving the National Award for "Energy Efficient Unit" for its exceptional performance in energy management.
- The Nasik Plant of Company was honoured with the "First Prize for National Energy Conservation Award 2022", organised by the Bureau of Energy Efficiency under the Ministry of Power, Government of India. The award was presented by the Honourable President of India, Smt. Droupadi Murmu, in the presence of Shri R K Singh, Union Minister for Power & Renewable Energy, and Shri Krishan Pal, Minister of State & Heavy Industries.

National Awards for Manufacturing Competitiveness 2022-23

These accolades serve as a testament to the quality of work, innovation and dedication of the Company. Whether it's a prestigious industry award, a certification from a regulatory body or recognition from a customer, each of these is a significant achievement and reinforces the Company's commitment to excellence. These awards and certifications also provide the Company with a competitive edge, distinguishing it from its industry peers and instilling confidence in its customers. These awards, recognitions and certificates demonstrate the Company's consistent pursuit of excellence and its tireless efforts to deliver the best products to its clients while adhering to the highest quality standards.

Risks, opportunities and threats

Risks

- **Regulatory changes**

  A greater push towards green initiatives and the subsequent changes in regulations regarding the same could impact the Company's ability to market products that emit carbon. It may also raise the costs associated with compliance and technological upgrades.

- **Employee safety and retention**

  Employee safety and retention risk are crucial considerations for any company. Ensuring the well-being and security of employees is not only an ethical responsibility but also a strategic business imperative. Employee retention risk refers to the potential for an organization to lose its valuable employees. The Company is focused on creating a positive work environment, offering competitive compensation packages, providing career development opportunities, fostering a culture of recognition and appreciation and promoting work-life balance.

- **Economic downturns**

  A recession or economic slowdown could impact the demand for the Company's products.

- **Cybersecurity breaches**

  If the Company's data is compromised, it could halt business operations, cause reputational harm and impact customer trust.

Opportunities

- **Product and technological innovation**

  Owing to recent technological advancements, innovative machines are being developed, helping farmers reap more benefits while enhancing productivity. Farmers now seek contemporary equipment to assist them in increasing their revenue. Hence, the Company can introduce best-in-class products that guarantee top-notch performance and greater efficiency.

- **Market growth**

  With government initiatives such as Atmanirbhar Bharat, India is expected to record strong growth in the power generator market in the upcoming years. This growth can be attributed to increased domestic manufacturing and it is likely to open doors to new revenue streams in the future.

- **Government initiatives**

  Government schemes, including Promotion and Strengthening of Agricultural Mechanisation through Training, Testing and Demonstration, Financial Assistance for Procurement of Agriculture Machinery and Equipment, Jal Jivan mission to ensure access of piped water and Promotion of Farm Machinery and Equipment in the North-Eastern Region, aim to mechanise the agriculture sector by distributing various subsidies. It presents a significant opportunity for the Company to expand its market reach.

Threats

- **Technological advancements**

  Technological advancements could render the Company's products obsolete, or competitors could develop superior products using advanced technology.

- **Competition and price**

  Despite the excellent quality of the Company's products, some customers would be willing to replace them when a less expensive alternative is available. The Company faces the risk of losing its market share to low-cost alternatives if it does not adopt value-based promotion. Due to the vast array of brands available, the Company is compelled to compete on price, which has a negative effect on its bottom line.

- **Supply chain disruptions**

  Disruptions in the supply chain could impact the Company's ability to obtain raw materials or deliver products on time to customers.

Outlook

The Company outlook is cautiously optimistic about future outlook, with the Government providing enhanced impetus to the infrastructure and defence sectors and the domestic market's potential expansion. Domestic demand is anticipated to be high considering the current electricity deficit caused by geopolitical and climate conditions. The company does take note of the potential impacts of global recession, rapidly evolving emission norms and inflation that may have short term impacts on the demand. As a part of its plan for global expansion, the Company consistently explores ways to grow in key international markets with a particular emphasis on Middle East, Africa and Asia Pacific.

Endeavouring to lead the industry, the Company continues to prudently invest in research and development to better recognise the shifting market dynamics and client needs. Additionally, it is concentrating on maintaining a strong liquidity position. Supply chain constraints could result from the present geopolitical unrest, but the Company is geared to deal with them as they arise and ensure business continuity and operational excellence.

In its recent announcement, the Company introduced its 2X 3Y strategy, acknowledging the positive macroeconomic tailwinds that are favorably impacting its business. However, the Company recognizes that a favorable environment alone does not guarantee success. It understands that achieving ambitious goals requires focused strategic efforts. To that end, the Company has identified five key growth pillars: driving core growth, optimization of channel and path to market, investing in R&D and technology advancement, operational excellence, and nurturing its people. By prioritizing these pillars and aligning its strategies accordingly, the Company anticipates positive results to follow.

On the macro level, the Company continues to benefit from strong tailwinds. The government emphasis on infrastructure development and the evolving emission norms present significant opportunities. These trends align perfectly with the Company core competencies. Its robust in-house research and development capabilities enable the company to develop products that are tailored to the market needs. Furthermore, its manufacturing expertise and unparalleled service network provide a competitive advantage, especially as product complexity increases. The introduction of new emission norms creates a natural pathway to export markets, as the Company products automatically meet global emission standards. Although there is work to be done in terms of certification, network building and brand development, the Company is confident in its teams; abilities to achieve success. Moreover, the adoption of the China +1 strategy by many Original Equipment Manufacturers (OEMs) presents a significant export opportunity for the company to capitalize on. Overall, the Company believes that by capitalizing on the favorable macroeconomic conditions, leveraging its core competencies and staying committed to its growth pillars, it is well-positioned for a promising outlook in the coming year.

Cautionary statement

Some forward-looking statements about potential business and economic developments might be found in this report. Although the Company's assessments and expectations for the future are reflected in these forward-looking statements, a number of variables could cause actual events and results to materially diverge from expectations. The Company makes no commitment to update any forward-looking statements in the public domain to reflect new information or events. Investors are also urged to use their own discretion when evaluating the Company's various risks and the success of the Company's mitigation efforts, as the risks listed in this report are just those that the Management believes exist.

Report On Corporate Governance

[Pursuant to Regulation 34 (3) read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder. (hereinafter referred as SEBI Listing Regulations)]

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company is proud of the high standards it has set for exemplary governance and continues to lay strong emphasis on transparency, accountability and integrity. The Company firmly believes that good Governance is an essential ingredient of any business, a way of life rather than a mere legal compulsion. Responsible corporate conduct is integral to the way your Company conducts its business. The actions are governed by the values and principles of the Company, which are reinforced at all levels within the Company.

The Company's Code of Business Conduct, its Risk Management Framework together with its well-structured internal control systems which are subjected to regular assessment for its effectiveness, reinforces integrity of Management and fairness in dealing with the Company's stakeholders. This, together with meaningful Corporate Social Responsibility activities and sustainable development policies followed by the Company has enabled your Company to earn the trust and goodwill of its investors, business partners, employees and the communities in which it operates.

The Company's philosophy of good Corporate Governance aims at establishing a system which will assist the management to fulfill its corporate objectives as well as to serve the best interest of the stakeholders at large viz. Shareholders, Customers, Employees, Environment, Society, Suppliers, Lenders etc. This philosophy has been strengthened by adoption of a Code of Conduct for Board of Directors and Senior Management, adoption of CII's Business Excellence framework, Code for prevention of Insider Trading and also re-enforcing our commitment towards Corporate Sustainability and adoption of the GRIs guidelines on Triple Bottom Line reporting.

2. CODE OF CONDUCT

The Company has adopted the Code of Conduct for the Board of Directors and Senior Management of the Company in accordance with provisions of the SEBI Listing Regulations and the Companies Act, 2013, including Rules made thereof and amendments thereunder. The same is available on the Company's website (weblink: https://www.kirloskaroilengines.com/documents/541738/66665b0a-55d8-43b3-30cf-a907ef14e6dc). It serves following objectives:

a. To enhance the standards of ethical conduct, which are based on Kirloskar Group core values.

b. To evolve as good corporate citizens by implementing highest degree of transparency, integrity, accountability and corporate social responsibility.

c. To further achieve good corporate governance by complying with all laws, rules, and regulations applicable to the Company and fulfilling responsibilities towards stakeholders.

d. To set standards of professional conduct for Independent Directors on the Board of the Company, with the aim of promoting confidence of the investment community, minority shareholders, regulators and companies in the institution of Independent Directors.

   The Company has received confirmations from the Directors as well as Senior Management Personnel regarding compliance of the Code during the year under review.

   In addition to this, the Company has also adopted the separate Code of Conduct for employees of the Company. Online modules and courses on the same are made available to the employees of the Company for awareness and ensuring compliances.

3. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

The Securities and Exchange Board of India (SEBI) as a regulatory authority has issued regulation governing prohibition of 'Insider Trading' known as the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (the 'Regulations') which is amended from time to time. Further the Companies Act, 2013 has also prescribed the provisions on 'Prohibition on Insider Trading of Securities'.

In terms of said Regulations, the Board of Directors of Kirloskar Oil Engines Ltd. (KOEL) has adopted the following Codes viz.

1. Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI) to include Policy on determination of Legitimate Purpose and Policy and Procedure for Inquiry in case of Leak or Suspected Leak of UPSI (Code of Fair Disclosure);

2. Code of Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and immediate relatives of Designated Persons of Kirloskar Oil Engines Limited (Code of Conduct);

4. BOARD OF DIRECTORS

a) Composition of the Board

The Board composition is in conformity with Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder (hereinafter referred as SEBI Listing Regulations). The Board comprised of 11 directors as on 31^{st} March 2023. The composition of the Board was as under:

Category of Directors	No. of directors
Executive (including Promoter Executive Chairman including 1 Woman Director)	2
Non-Executive and Independent (including 2 Women Directors)	6
Non-Executive and Non Independent	3
Total	**11**

The Company's Board includes eminent professionals having sound knowledge, relevant expertise and experience in the areas of manufacturing, engineering, finance, legal, sales, marketing, technology, human resources and general business management. The Company has established systems and procedures to ensure that the Board of Directors are well informed and well equipped to fulfil their overall responsibilities and to provide management with strategic direction needed to create long-term shareholder value.

The detailed profile of all Directors of the Company is available on website of the Company. (Web-link: https://www.kirloskaroilengines.com/about/board-of-directors)

During the year under review, the Nomination and Remuneration Committee and the Board of Directors reviewed and are satisfied with Succession Planning for the Board of Directors and Senior Management Personnel of the Company.

b) Meetings held

The annual calendar of the Board and Committee Meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. The gap between the two meetings did not exceed one hundred and twenty days.

During Financial Year 2022-23, the Board met 8 times on 19^{th} May 2022, 10^{th} August 2022, 22^{nd} August 2022, 21^{st} September 2022, 12^{th} November 2022, 10^{th} February 2023, 3^{rd} March 2023 and 31^{st} March 2023. The meetings of Board and Committees were conducted through Video Conferencing as per provisions of the Companies Act, 2013, including rules thereunder and amendments thereof and the Directors participated in the meetings accordingly. The meetings and agenda items taken up during the meetings complied with the Companies Act, 2013 and SEBI Listing Regulations read with various circulars issued by Ministry of Corporate Affairs (MCA) and Securities Exchange Board of India ("SEBI").

The Annual General Meeting (AGM) of the Company was held on 11^{th} August 2022, by electronic means in due compliance with the provisions of the Companies Act, 2013 and rules made thereunder including circulars issued thereof by the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI) and the Secretarial Standards. The Company had dispatched the annual report for FY 2021-22 well ahead of the AGM and invited shareholders to submit their questions ahead of the AGM. Questions raised by the shareholders were addressed at the AGM. The Annual General Meeting was attended by the Chairman of Audit Committee, Chairman of Stakeholders Relationship Committee, representatives of Statutory Auditors and Secretarial Auditors of the Company.

c) Board Procedure

The Agenda is circulated well in advance to the Board members. The items in the Agenda are backed by comprehensive background information to facilitate meaningful discussions and enable the Board to take appropriate decisions. As part of the process of good governance, the agenda also includes the progress on the decisions taken by the Board in its previous meeting(s). A board portal is made available that allows Board of Directors to securely access board documents and collaborate with other board members electronically. In case any Director(s) seeks additional information, which is not part of the information earlier provided, such requests are tracked till the actions on such request are addressed to the satisfaction of the Director(s) seeking additional information.

The Board also, inter-alia, reviews quarterly / half yearly / annual results, the strategy of business including corporate restructuring plans if any, Annual Operating Plan (AOP), capital expenditure budgets, update on new business, market share of businesses, digital & sustainability viz. Environment Social & Governance initiatives, reports for all laws applicable to the Company, review of major legal cases, minutes of Meetings of Committee of the Board and of Board Meeting of Subsidiary Companies, financials of subsidiary companies, review of internal control framework and risk management etc. The Directors receive regular updates on changes in the relevant laws and regulations which are relevant to KOEL at the Board meetings. The required information as enumerated in Part A of Schedule II of SEBI Listing Regulations, 2015 is made available to the Board of Directors for discussions and consideration at Board Meetings. Draft Minutes of the Board and Committee meetings of the Company are circulated to all the Directors for their comments within 15 days of the meeting.

The Board is also kept informed of major events / items and approvals are taken wherever necessary. As a part of corporate governance the Board Charter has drawn up setting out roles / terms of references and processes of functioning of the Board including Committees of the Board.

The Company has put in place relevant systems and processes to ensure compliance with the provisions of applicable laws. In accordance with the compliance procedures of the Company, relevant Heads of the Departments confirm compliances with applicable regulations and a presentation detailing list of applicable laws/rules/regulations, summary of non-compliances if any including action plan for the same and a certificate duly signed by Managing Director is placed before the Board on a quarterly basis.

d) Category and Attendance of Directors

The names and categories of the Directors on the Board, their attendance at the Board Meetings (BM) held during the financial year 2022-23 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 31^{st} March 2023 are given in Table A and the names of the other listed entities in which the Directors hold directorship and category thereof as at 31^{st} March 2023 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 Kirloskar *^ (DIN 00007387)	4	1	-	6	Yes	NA
2	Ms. Gauri Kirloskar *^^ (DIN 03366274)	2	-	1	8	Yes	NA
	Non-Executive and Non Independent Directors						
3	Mr. Rahul Kirloskar * (DIN 00007319)	5	-	3	8	Yes	1,77,86,902
4	Mr. Mahesh R. Chhabria (DIN 00166049)	7	2	3	8	Yes	11,552
5	Mr. Vinesh Kumar Jairath (DIN 00391684)	6	-	7	8	Yes	-
	Non-Executive and Independent Directors						
6	Mr. M. Lakshminarayan # (DIN 00064750)	-	-	-	2	Yes	-
7	Mr. Satish Jamdar ## (DIN 00036653)	2	2	-	7	Yes	-
8	Mrs. Mrunalini Deshmukh @ (DIN 07092728)	-	-	-	1	NA	-
9	Mr. Sunil Shah Singh (DIN 00233918)	2	2	1	8	Yes	-
10	Mr. Kandathil Mathew Abraham (DIN 05178826)	-	-	-	8	Yes	-
11	Dr. Shalini Sarin (DIN 06604529)	4	-	3	8	Yes	-
12	Mr. Yogesh Kapur (DIN 00070038)	3	3	1	8	Yes	-
13	Mrs. Purvi Sheth $ (DIN 06449636)	4	-	-	8	Yes	-

II. Table B:

Sr. No.	Name of Director & Age as on 31st March 2023	Name of the other Listed entities in which Director holds Directorship	Category of Directorship
1	Mr. Atul Kirloskar, Age - 67	Kirloskar Industries Limited Kirloskar Ferrous Industries Limited Kirloskar Pneumatic Company Limited	Non-Independent Non-Executive Director Non-Independent Non-Executive Director Non-Independent Non-Executive Director
2	Mr. Rahul Kirloskar, Age – 59	Kirloskar Ferrous Industries Limited Kirloskar Pneumatic Company Limited ISMT Limited	Non-Independent Non-Executive Director Non-Independent Executive Director Non-Independent Non-Executive Director
3	Ms. Gauri Kirloskar, Age - 39	-	-
4	Mr. Mahesh Chhabria, Age - 58	Kirloskar Industries Limited Kirloskar Ferrous Industries Limited ZF Commercial Vehicle Control Systems India Limited Kirloskar Pneumatic Company Limited Shoppers Stop Limited	Non- Independent Executive Director Non-Independent Non-Executive Director Independent Non - Executive Director Non-Independent Non-Executive Director Independent Non - Executive Director
5	Mr. Vinesh Kumar Jairath, Age – 64	Kirloskar Industries Limited Bombay Dyeing and Manufacturing Company Limited Wockhardt Limited Bombay Burmah Trading Corp. Ltd	Non-Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non -Executive Director
6	Mr. Satish Jamdar, Age – 70	Kirloskar Industries Limited	Independent Non-Executive Director
7	Mr. Sunil Shah Singh, Age – 76	Kirloskar Pneumatic Company Limited ITD Cementation India Limited	Independent Non-Executive Director Independent Non-Executive Director
8	Mr. Kandathil Mathew Abraham, Age – 65	-	-
9	Dr. Shalini Sarin, Age – 57	Linde India Limited Automotive Axles Limited ISMT Limited	Independent Non -Executive Director Independent Non -Executive Director Independent Non -Executive Director
10	Mr. Yogesh Kapur, Age - 65	Greenlam Industries Limited	Independent Non -Executive Director
11	Mrs. Purvi Sheth, Age - 50	Deepak Nitrate Limited Ambuja Cements Limited Kirloskar Industries Limited	Independent Non -Executive Director Independent Non -Executive Director Independent Non -Executive Director

Notes:

1) Committee Positions includes only Audit Committee and Stakeholdes Relationship Committee as per Regulation 26 of the SEBI Listing Regulations, 2015.

2) Directorships held in Foreign Companies, private limited companies, one person companies and companies under Section 25 of the Companies Act, 1956/ under Section 8 of the Companies Act, 2013 & rules thereof including amendments thereunder have not been considered.

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

4) ^ Mr. Atul Kirloskar (DIN 00007387) whose term of appointment as the Whole-Time Director with designation as the 'Executive Chairman' was valid upto 31st March 2023, was appointed as a Non-Executive Director and Chairman, with effect from 1st April 2023 for a term of 1 year. He will continue as Non-Executive Director of the Company upon expiry of term of 1 year which is valid upto 31st March 2024.

5) ^^ Ms. Gauri Kirloskar (DIN 03366274) was appointed as a Whole Time Director with the designation as the Managing Director with effect from 20th May 2022 for a term of 3 years.

6) # Mr. M. Lakshminarayan (DIN 00064750), ceased to be a Director of the Company with effect from 12th August 2022, upon expiry of his second term of re-appointment.

7) ## Mr. Satish Jamdar (DIN 00036653) was re-appointed as an Independent Director of the Company to hold office for a second term of 4 consecutive years with effect from 4th August 2022.

8) @ Mrs. Mrunalini Deshmukh (DIN 07092728) resigned as an Independent Director of the Company with effect from 20th May 2022.

9) $ Mrs. Purvi Sheth (DIN 06449636), was appointed as an Independent Director for a first term of 5 years, with effect from 19th May 2022.

10) None of the Directors on the Board of the Company is a Director nor an Independent Director of more than 7 listed entities as at 31st March 2023.

11) None of the Directors on the Board of the Company is a Member of more than 10 Committees and Chairperson of more than 5 Committees in all public limited Companies whether listed or not in which he is director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other public limited Companies.

12) Mr. Atul Kirloskar and Mr. Rahul C. Kirloskar, being brothers, are related to each other. Mr. Atul Kirloskar and Ms. Gauri Kirloskar, being father and daughter, are related to each other. None of the other Directors are related to any other Director of the Company as defined under Companies Act, 2013 & Rules thereof including amendments thereunder.

e) Familiarization Programme for Independent Directors

The Company has familiarization programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company etc. A structured induction programme for new Directors is also organised where they get to meet and interact with all senior leaders of the Company and On-Boarding Manual is provided for their information and awareness. A detailed Letter of Appointment is also issued to them.

The Company's management makes business presentations periodically at the Board meetings to familiarise Independent Directors with the strategy, operations and functioning of the Company. These interactions provide them with a holistic perspective of the Company's business and regulatory framework.

The details of familiarization programme imparted to the Independent Directors are available on the website of the Company. (Web-link. https://www.kirloskaroilengines.com/documents/541738/9499d08d-3e73-cfaf-6572-5884377ab0c4)

f) The list of core skills / expertise / competencies required and available with the Board and names of Directors who have such skills / expertise / competencies in the context of business of the Company for its effective functioning is as follows [Pursuant to Schedule V, Part C (2)(h) of SEBI Listing Regulations, 2015]

Sr. No.	List of Core skills / expertise / Competencies	Atul Kirloskar	Rahul Kirloskar	Vinesh Kumar Jairath	Mahesh Chharbria	Gauri Kirloskar	Sunil Shah Singh	Satish Jamdar	Yogesh Kapur	Shalini Sarin	K M Abraham	Purvi Sheth
A	Technical											
1	Finance				√	√		√	√		√	
2	Law			√	√				√			
3	Management	√	√	√	√	√	√	√	√	√	√	√
4	Sales & Marketing	√	√				√		√			
5	Manufacturing & Operations	√	√						√			
6	Research & Development	√							√			
7	Human Resource		√						√	√	√	√
8	Information Technology								√		√	
B	Industry											
1	Knowledge about Economy	√	√	√	√	√	√	√	√		√	√
2	Industry experience	√	√	√	√		√	√	√	√	√	
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	√	√	√	√	√	√	√	√		√	√

Sr. No.	List of Core skills / expertise / Competencies	Atul Kirloskar	Rahul Kirloskar	Vinesh Kumar Jairath	Mahesh Chharbria	Gauri Kirloskar	Sunil Shah Singh	Satish Jamdar	Yogesh Kapur	Shalini Sarin	K M Abraham	Purvi Sheth
D	Others											
1	Communication and Interpersonal Skills		√		√	√	√	√	√	√	√	√
2	Public Relations		√		√	√			√		√	√
3	Corporate Restructuring		√		√		√		√	√		√
4	Environment and sustainability	√	√	√	√	√			√	√	√	√
5	Corporate Social Responsibility	√	√		√				√	√		√

g) Criteria of Performance Evaluation of Independent Directors

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

h) Confirmation on declarations given by Independent Directors

The Board of Directors, after due assessment of veracity of the declarations received from the Independent Directors, confirm that the Independent Directors fulfill the conditions specified in the Regulation 25(8) of SEBI Listing Regulations, 2015 and they are independent of the management.

i) Reasons for the resignation of Independent Directors during the Financial Year 2022-2023, if any

Mrs. Mrunalini Deshmukh (DIN 07092728) whose term of appointment was upto 11th September 2023, resigned as an Independent Director of the Company with effect from 20th May 2022, due to pre-occupation. She also confirmed that there was no other material reason for her resignation other than those mentioned in her resignation letter dated 19th May 2022.

j) Separate meeting of Independent Directors

The Independent Directors met twice in Financial Year 2022-23 on 18th January 2023 and 3rd March 2023 without the presence of Executive Directors or Management representatives. The Independent Directors inter alia discussed the issues arising out of Committee Meetings and Board discussion including the quality, quantity and timely flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The outcome of the meeting was presented to the Board along with the observations/suggestions received from Independent Directors. The suggestions received from Independent Directors have been carefully reviewed, discussed and appropriate action has been taken.

5. BOARD COMMITTEES

i) 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 2022-23, 6 meetings of the Committee were held on 19th May 2022, 10th August 2022, 21st September 2022, 12th November 2022, 10th February 2023 and 3rd March 2023. All the meetings were conducted through Video Conferencing mode.

The composition of the Committee and attendance at its meetings as at 31st March 2023 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 and Member upto 11th August 2022)	2
2	Mr. Mahesh Chhabria	Non-Executive and Non Independent	6
3	Mr. Vinesh Kumar Jairath	Non-Executive and Non Independent	6
4	Mr. Satish Jamdar	Non-Executive and Independent	6
5	Mr. Kandathil Mathew Abraham	Non-Executive and Independent	6
6	Mr. Sunil Shah Singh	Non-Executive and Independent (Chairman with effect from 12th August 2022)	6
7	Mr. Yogesh Kapur	Non-Executive and Independent (Member with effect from 12th August 2022)	4

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 whenever required 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.

The Independent Directors of the Audit Committee had a separate independent interaction on 23rd January 2023 through video conferencing with the Statutory Auditors, Internal Auditors and Secretarial Auditor of the Company without the presence of Executive Directors, Non-Executive Non-Independent Directors and Management representatives. The key points of their interactions were briefed by the Chairman of the Audit Committee to the Board of Directors and also the Chairman informed the Board that the Independent Directors were satisfied with the outcome of interaction with the Statutory Auditors, Internal Auditors and Secretarial Auditors of the Company.

ii) Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of 3 Non-Executive Directors, out of which 2 are Independent Directors. The composition is in conformity with Regulation 19 of SEBI Listing Regulations, 2015.

During Financial Year 2022-23, 5 meetings of the Committee were held on 18th May 2022, 22nd August 2022, 21st September 2022, 11th November 2022 and 3rd March 2023.

The composition of the Committee and attendance at meeting as at 31st March 2023 is given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Mr. Satish Jamdar, (Chairman)	Non-Executive and Independent	5
2	Mr. M. Lakshminarayan	Non-Executive and Independent (Member upto 11th August 2022)	1
3	Mr. Mahesh Chhabria	Non-Executive and Non-Independent	5
4	Mrs. Purvi Sheth	Non-Executive and Independent (Member with effect from 12th August 2022)	4

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 and

v. Recommendation of appointment and remuneration of senior management one level below the Board.

vi. Review succession planning mechanism and recommend changes/modifications thereto, if required, to the Board for its consideration.

vii. To seek professional guidance in succession planning mechanism, if required and to set terms and conditions, including as to remuneration, in this regard, in consultation with the Chairman of the Board.

viii. Constitute a panel comprising of such members of the Nomination and Remuneration committee and external experts if any as it deems fit, for identifying candidates to fill vacancies at senior management level and to recommend appointment of senior management personnel, as and when required and set the terms and conditions, including as remuneration of panelists, in consultation with the Chairman of the Board.

ix. All other terms/role as specified under Section 178 of the Companies Act, 2013 rules thereof including amendments thereunder and SEBI Listing Regulations, 2015 and assigned by the Board of Directors of the Company from time to time.

iii) Stakeholders Relationship Committee

The Stakeholders Relationship Committee comprises of 3 Directors out of which the Chairman is an Independent Director. The composition is in conformity with Regulation 20 of SEBI Listing Regulations, 2015.

During Financial Year 2022-23, 6 meetings of the Committee were held on 10th May 2022, 22nd July 2022, 18th October 2022, 11th January 2023, 9th February 2023 and 30th March 2023.

The role / terms of references of the Committee are as specified under Section 178 of the Companies Act, 2013 rules thereof including amendments thereunder and SEBI Listing Regulations, 2015. The Committee has been constituted including but not limited to specifically look into shareholders'/ investors' complaints / grievances like share transfer by way of transmission or name deletion etc., non-receipt of Balance Sheet, non-receipt of declared dividends etc. and redressal thereof and evaluating performance and service standards of the Registrar and Share Transfer Agent of the Company.

The composition of the Committee and attendance at its meetings as at 31st March 2023 are given below:

Sr. No.	Name of the Member Director	Category	No. of meetings attended
1	Mr. Sunil Shah Singh (Chairman)	Non-Executive and Independent	6
2	Ms. Gauri Kirloskar	Managing Director	6
3	Mr. Yogesh Kapur	Non-Executive and Independent	6

Status of Investor's Complaints as on 31st March 2023 and reported under Regulation 13 of SEBI Listing Regulations, 2015 is as under:

Complaints as on 1st April 2022	0
Received during the year	5
Resolved during the year	4
Pending as on 31st March 2023	1*

* The Complaint pending at the end of the year is resolved on 10th April 2023.

Name, designation and address of Compliance Officer

Ms. Smita Raichurkar, Company Secretary & Head Legal
Kirloskar Oil Engines Limited (Secretarial Department)
Laxmanrao Kirloskar Road,
Khadki, Pune - 411 003
Tel: 91 - 20 25810341 (Extn. - 4461)
Fax: 91- 20 25813208 and 25810209
E-mail: Smita.Raichurkar@kirloskar.com
Designated email ID for Investors: investors@kirloskar.com

The Company has displayed same email ID on its website for the reference of shareholders.

IV) 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 2022-23, 4 meetings of the Committee were held on 18th May 2022, 28th July 2022, 11th November 2022 and 9th February 2023.

The composition of the Committee and attendance at its meeting as at 31st March 2023 is given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Mr. M. Lakshminarayan (Chairman)	Non-Executive and Independent (Chairman and Member upto 11th August 2022)	2
2	Mr. Satish Jamdar	Non-Executive and Independent (Chairman with effect from 12th August 2022)	4
3	Dr. Shalini Sarin	Non-Executive and Independent	4
4	Mr. Kandathil Mathew Abraham	Non-Executive and Independent (Member with effect from 12th August 2022)	2

The Role / Terms of References of the Committee are as specified under SEBI Listing Regulations, 2015 which specifically covers review of cyber security of the Company.

Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 which was effective from 5th May 2021, the terms of references of the Committee was amended to include review of sustainability particularly Environment, Social and Governance (ESG) Risks and Business Continuity Plan.

ESG Steering Committee set up comprises of Managing Director, Chief Financial Officer, Independent Director, Company Secretary and EHS representative to oversee progress on ESG initiatives and implementation strategy.

During the year under review, the Committee had periodically reviewed the Business Continuity Policy of the Company including its implementation for different business verticals and functions of the Company and also recommended the same to the Audit Committee and the Board of Directors of the Company.

The Committee also reviewed 'As-Is' analysis of various initiatives taken by the Company in terms of ESG and the Committee is also in process of analyzing risks if any associated with ESG.

6. REMUNERATION TO DIRECTORS

The Company has adopted a Nomination and Remuneration Policy for the Directors, Key Managerial Personnel and Senior Management Personnel which is uploaded on website of the Company.

The Board of Directors, based on the recommendation of Nomination and Remuneration Committee, approved all remuneration in whatever form including increment / promotions based on appraisals, payable to Key Managerial Personnel and Senior Management Personnel of the Company.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Executive Directors. The Board based on recommendation of Nomination and Remuneration Committee, decides the commission payable to the Executive Directors on determination of the profits for the Financial Year, within the ceilings prescribed under the Companies Act, 2013 rules thereof including amendments thereunder. Agreements have been separately entered into with the Executive Directors setting out the terms and conditions of appointment and tenure as recommended by the Committee and approved by the Board and the members. There is no notice period and no severance fees prescribed in the agreement(s).

The Board of Directors based on recommendation of Nomination and Remuneration Committee decides the remuneration payable to Non-Executive Directors by way of Commission, based on parameters for performance evaluation given under the Nomination and Remuneration Policy. The members at the Annual General Meeting of the Company held on 12th August 2014, approved the payment of commission to the Non-Executive Directors, at the rate of 1% of the net profits of the Company computed in the manner laid down in the Companies Act, 2013 rules thereof including amendments thereunder.

Upto 9th August 2022, Sitting fees of ₹ 50,000/- per Director per meeting of the Board & Audit Committee and ₹ 25,000/- per Director per meeting of Nomination and Remuneration Committee, Risk Management Committee, Corporate Social Responsibility Committee and Stakeholders Relationship Committee were payable to Non-Executive Directors for the meetings attended.

With effect from 10th August 2022, sitting fees payable to Directors considering their valuable contribution, were revised by the Board and Sitting fees of ₹ 1,00,000/- per Director per meeting of the Board & ₹ 75,000/- per Director per meeting of Audit Committee and ₹ 50,000/- per Director per meeting of Nomination and Remuneration Committee and Risk Management Committee and ₹ 25,000/- per Director per meeting of Corporate Social Responsibility Committee and Stakeholders Relationship Committee are payable to Non-Executive Directors for the meetings attended.

The Company has obtained Directors' and Officers' liability insurance coverage in respect of any legal action that might be initiated against Directors / Officers of the Company and its subsidiary companies.

During the year, there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors apart from payment of sitting fees and commission and reimbursement of expenses incurred by them for the purpose of attending meetings of the Board / Committee of the Company.

Following are the details of the remuneration paid / payable to Directors during Financial Year 2022-23:

Amount in ₹

Sr. No.	Name of director	Basic Salary	Allowances	Statutory Contributions	Perquisites*	Commission	Sitting Fees	Total
	Executive Directors							
1	Mr. Atul Kirloskar	1,80,00,000	20,00,004	48,60,000	31,27,129	4,00,00,000	-	6,79,87,133
2	Ms. Gauri Kirloskar w.e.f. 20th May 2022	61,00,000	26,48,333	7,32,000	36,300	4,00,00,000	-	4,95,16,633
	Non- Executive Directors							
3	Ms. Gauri Kirloskar upto 19th May 2022	-	-	-	-	75,000	75,000	1,50,000
4	Mr. Rahul Kirloskar	-	-	-	-	6,00,000	8,25,000	14,25,000
5	Mr. Mahesh R. Chhabria	-	-	-	-	95,00,000	14,00,000	1,09,00,000
6	Mr. Vinesh Kumar Jairath	-	-	-	-	35,00,000	11,75,000	46,75,000
7	Mr. M. Lakshminarayan upto 11th August 2022	-	-	-	-	14,50,000	3,50,000	18,00,000
8	Mr. Satish Jamdar	-	-	-	-	21,25,000	14,50,000	35,75,000
9	Mrs. Mrunalini Deshmukh upto 20th May 2022	-	-	-	-	75,000	75,000	1,50,000
10	Mr. Sunil Shah Singh	-	-	-	-	30,00,000	13,25,000	43,25,000
11	Mr. Kandathil Mathew Abraham	-	-	-	-	27,00,000	12,75,000	39,75,000
12	Dr. Shalini Sarin	-	-	-	-	11,00,000	9,75,000	20,75,000
13	Mr. Yogesh Kapur	-	-	-	-	32,00,000	12,00,000	44,00,000
14	Mrs. Purvi Sheth w.e.f. 19th May 2022	-	-	-	-	26,00,000	9,50,000	35,50,000
	Total	**2,41,00,000**	**46,48,337**	**55,92,000**	**31,63,429**	**10,99,25,000**	**1,10,75,000**	**15,85,03,766**

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.

7. EMPLOYEE STOCK OPTION PLAN

No options granted to Independent Directors of the Company during the year under review in terms of Kirloskar Oil Engines Limited – Employee Stock Option Plan 2019. The further details are forming part of Board's Report for the year ended 31st March 2023.

8. 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
2020-21	28th August 2020	11.30 a.m.	Annual General	Through Video Conferencing Mode, in compliance of provisions of the Companies Act, 2013 ('the Act') and Rules thereof read with the General Circular No. 14/2020 dated 8th April 2020; the General Circular No. 17/2020 dated 13th April 2020 and the General Circular No. 20/2020 dated 5th May 2020 issued by the Ministry of Corporate Affairs (herein after referred as "Circulars") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with the SEBI Circular No. SEBI/HO/CFD/ CMD1/ CIR/P/2020/79 dated 12th May 2020	1. Continuation of directorship of Mr. M. Lakshminarayan (DIN 00064750) as an Independent Director of the Company who will be attaining the age of 75 years during his present second term of re-appointment. 2. Re-appointment of Mr. Pradeep R. Rathi (DIN 00018577) as an Independent Director for a second term of 5 consecutive years 3. Alteration to the Main Object Clause of Memorandum of Association ('MOA') of the Company
2021-22	12th August 2021	11.30 a.m.	Annual General	Through Video Conferencing Mode, in compliance of provisions of the Companies Act, 2013 ('the Act') and Rules thereof read with the General Circular No. 14/2020 dated 8th April 2020; the General Circular No. 17/2020 dated 13th April 2020, the General Circular No. 20/2020 dated 5th May 2020 and General Circular No. 02/2021 dated 13th January 2021 issued by the Ministry of Corporate Affairs (herein after referred as "Circulars") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with the SEBI Circular No. SEBI/ HO/CFD/ CMD1/CIR/P/2020/79 dated 12th May 2020 and SEBI/HO/CFD/CMD2/ CIR/P/2021/11 dated 15th January 2021	1. Amendment and revision of "Kirloskar Oil Engines Limited - Employees Stock Option Plan 2019" ("KOEL ESOP 2019"). 2. Approval under section 180(1)(a), 110 of the Companies Act, 2013, and Regulation 24(5) of SEBI Listing Regulations, 2015 and authority to the Board of Directors to transfer Equity Shares held in Arka Fincap Limited to the proposed wholly owned subsidiary of the Company in one or more tranches at a price not less than the fair Market Value
2022-23	11th August 2022	11.30 a.m.	Annual General	Through Video Conferencing Mode, in compliance of provisions of the Companies Act, 2013 ('the Act') and Rules thereof read with the General Circular No. 14/2020 dated 8th April 2020; the General Circular No. 17/2020 dated 13th April 2020, the General Circular No. 20/2020 dated 5th May 2020, General Circular No. 02/2021 dated 13th January 2021, the General Circular No. 19/2021 dated 8th December 2021, the General Circular No. 21/2021 dated 14th December 2021 and the General Circular No. 2/2022 dated 5th May 2022 issued by the Ministry of Corporate Affairs (herein after referred as "Circulars") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with the SEBI Circular No. SEBI/HO/CFD/ CMD1/CIR/P/2020/79 dated 12th May 2020, SEBI/HO/CFD/ CMD2/CIR/P/2021/11 dated 15th January 2021 and SEBI/HO/CFD/CMD2/ CIR/P/2022/62 dated 13th May 2022	1. Appointment of Mr. Yogesh Kapur (DIN 00070038) as an Independent Director of the Company to hold office for a first term of 5 (five) consecutive years with effect from 29th September 2021. 2. Appointment of Mrs. Purvi Sheth (DIN 06449636) as an Independent Director of the Company to hold office for a first term of 5 (five) consecutive years with effect from 19th May 2022. 3. Re-appointment of Mr. Satish Jamdar (DIN 00036653) as an Independent Director of the Company to hold office for a second term of 4 (four) consecutive years with effect from 4th August 2022, whose period of office is liable to expire on 3rd August 2022.

9. RESOLUTION PASSED BY POSTAL BALLOT

During the financial year 2022-23, based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors in the meeting held on 3rd March 2023, has approved appointment of Mr. Atul Kirloskar as a Non-Executive Director and Chairman, with effect from 1st April 2023 for a term of 1 (one) year, subject to the approval of the members of the Company by Postal Ballot pursuant to Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014, including amendments thereunder.

The members of the Company by way of postal ballot and e-voting with requisite majority, on 19th April 2023, approved the appointment of Mr. Atul Kirloskar as a Non-Executive Director and Chairman, with effect from 1st April 2023 for a term of 1 (one) year.

Manasi Paradkar, Practicing Company Secretary [FCS- 5447, CP –4385] was appointed as the Scrutinizer for conducting the postal ballot and e-voting exercise.

The postal ballot results were declared on 20th April 2023. The details of Voting Pattern are as below:

Number of votes in favour of the resolution 63950067 (67.07%)

Number of votes against the resolution 31402988 (32.93%)

No resolution was passed through the postal ballot during the Financial Year 2022-23

10. 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.

11. MEANS OF COMMUNICATION

a. Quarterly results

The Quarterly and Half Yearly results are published in national and local dailies such as Financial Express (English all quarters) and Loksatta (Marathi – all quarters), having wide circulation. Since the results of the Company were published in the newspapers, half yearly reports were not sent individually to the shareholders. The Company's results, Press Release on results and official news releases are displayed on the Company's website www.kirloskaroilengines.com and also available on the websites, viz. www.bseindia.com and www.nseindia.com.

b. Presentations to Institutional Investors / Analysts

Presentations are made to analysts on a quarterly basis. The presentations are displayed on Company's website www.kirloskaroilengines.com under Investors' Relations section and also disseminated to the BSE Limited and National Stock Exchange of India Limited where Company's equity shares are listed.

In addition, investor interactions one-to-one and participation in various Group investors are also organized during the year.

c. NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre

The NEAPS and the Listing Centre of BSE are web based application designed by National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) respectively for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, quarterly results, Corporate Announcements etc. are filed electronically on NEAPS and the Listing Centre of BSE.

12. GENERAL INFORMATION FOR SHAREHOLDERS

a. Annual General Meeting

Corporate Identification Number (CIN)	L29100PN2009PLC133351 (Registrar of Companies, Pune)
Annual General Meeting	Date and Day : 11th August 2023, Friday Time : 11.30 am Venue : Through Video Conferencing (VC) / Other Audio Visual Means (OAVM)
Financial Year ended	31st March 2023
Book Closure	5th August 2023 to 11th August 2023 (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 2022-23	During Financial Year 2022-23 the results were announced as under: First quarter : 10th August 2022 Second quarter : 12th November 2022 Third quarter : 10th February 2023 Fourth quarter : 19th May 2023
International Security Identification Number (ISIN)	INE146L01010
Name & address of Stock Exchange and Stock Code	1. BSE Limited (BSE) – 533293 Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. 2. National Stock Exchange of India Limited (NSE) –KIRLOSENG Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.
Listing fees	The Annual Listing fee for FY 2022-23 has been paid to BSE and NSE, where the Company's shares are listed.

b. Shareholding Pattern as on 31st March 2023

Category	No. of shares of ₹ 2/- each	% of Share holding
Promoter and Promoter Group	5,97,10,598	41.25
Foreign Institutional Investors (FII)	87,36,641	6.04
Foreign National	1,132	0.00
Individuals	2,69,92,052	18.65
Insurance Companies	87,36,281	6.04
Financial Institution and Banks (FI & Banks)	53,276	0.04
Mutual Fund	2,87,65,014	19.87
Bodies Corporate	53,17,249	3.67
Non Resident Indians	6,84,533	0.47
Investor Education and Protection Fund	23,32,597	1.61
Others	34,14,264	2.36
Total	**14,47,43,637**	**100.00**

c. Distribution of shareholding as on 31st March 2023

Range of Shares	No. of shareholders	No. of Shares	% to total shares
1- 500	49,868	35,62,816	2.46
501-1000	2,968	22,01,986	1.52
1001-5000	3,446	75,86,857	5.24
5001-10000	506	36,63,601	2.53
10001-20000	235	32,61,039	2.25
20001-30000	77	18,72,275	1.29
30001-40000	38	13,42,867	0.92
40001-50000	23	10,34,358	0.71
50001-100000	47	34,41,263	2.37
100001-Above	94	11,67,76,575	80.67
Total	**57,302**	**14,47,43,637**	**100.00**

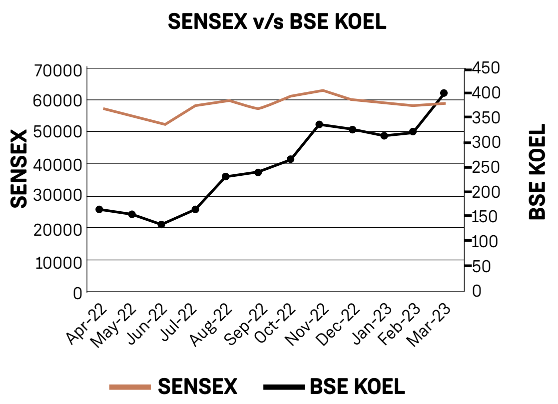
Dematerialization of shares and liquidity (as on 31st March 2023)	14,18,25,246 Equity Shares (97.98%)
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.

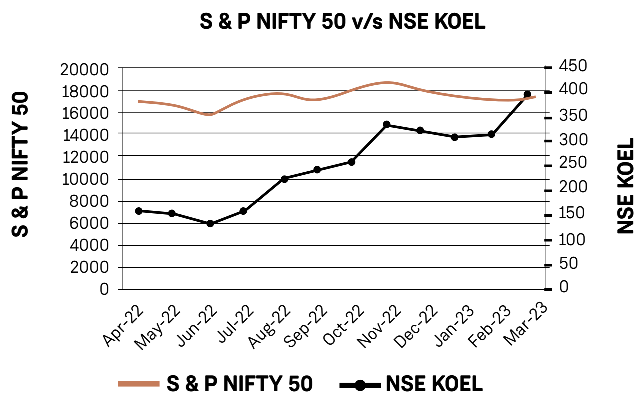
d. Market Price Data

Monthly high/low share prices during the year 2022-23 on the BSE and NSE are as below:

	BSE			NSE	
Month	High Price	Low Price	Month	High Price	Low Price
Apr-22	167.95	132.00	Apr-22	168.00	132.10
May-22	170.70	129.40	May-22	171.00	129.50
Jun-22	160.00	124.00	Jun-22	160.00	124.05
Jul-22	167.35	133.60	Jul-22	167.50	133.25
Aug-22	233.00	156.05	Aug-22	233.35	156.30
Sep-22	271.80	219.00	Sep-22	272.30	219.00
Oct-22	291.15	226.85	Oct-22	291.30	226.20
Nov-22	371.65	259.05	Nov-22	372.00	259.00
Dec-22	349.20	284.05	Dec-22	360.00	293.80
Jan-23	334.35	288.15	Jan-23	334.90	288.10
Feb-23	338.00	298.00	Feb-23	338.50	300.00
Mar-23	405.50	307.55	Mar-23	406.20	307.50

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 2022-23





e. Share Transfer System

Pursuant to the directive of the Securities and Exchange Board of India (SEBI), physical transfer of shares has been dispensed with. Equity shares of the Company can only be transferred in dematerialised form. In reference to SEBI Circular dated 25th January 2022, the Security holder / Claimant shall submit duly filled up Form ISR-4 for processing of service request related to transmission, transposition, consolidation / sub-division / endorsement of share certificate, issue of duplicate share certificate along with requisite documents. The Company / RTA shall issue letter of confirmation after processing the service requests which shall be valid for a period of 120 days from the date of its issuance, within which the securities holder / claimant shall make a request to the Depository Participant for dematerializing the said securities.

SEBI vide circular dated 18th May 2022, revised the limits for waiver of Succession Certificate or Probate of Will or Will or Letter of Administration for Securities in physical mode from ₹ 2 Lacs to ₹ 5 Lacs and for Securities in demat mode from ₹ 5 Lacs to ₹ 15 Lacs. Further, SEBI vide circular dated 25th May 2022, revised the limits for waiver of FIR and Newspaper advertisement for issue of duplicate share certificate for securities from ₹ 50,000/- to ₹ 5 Lacs

The Form ISR-4 is available on the website of the Company and can be downloaded from the website of the Company.

Pursuant to the SEBI Listing Regulations, 2015, a certificate on yearly basis is issued by the Practicing Company Secretary for compliance with share transmission/deletion/sub-division, consolidation, renewal, exchange formalities etc. by the Company.

The information on procedures and forms, which are being asked for by the members frequently, viz. Indemnity/Affidavit etc. for issue of duplicate certificates, transmission procedure, change of address, NECS form, Nomination Form, information about shares allotted pursuant to the Scheme of Arrangement for Demerger/Composite Scheme etc. are uploaded on the Company's website under Investors' 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

NA

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/ 46014473 Email: pune@linkintime.co.in

h. Shareholders' Satisfaction Survey

As a part of our constant endeavor to improve shareholder services, we had initiated a shareholders' satisfaction survey last FY. The responses received from shareholders were satisfactory.

i. Investor Education and Protection Fund (IEPF)

In accordance with the provisions of sections 124 and 125 of the Act and Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules") dividends which remain unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account are required to be transferred by the Company to the Investor Education and Protection Fund ("IEPF"). The Members whose dividend/ shares are transferred to the IEPF Authority can claim their shares/dividend from the IEPF Authority following the procedure prescribed in the Rules.

In accordance with the said IEPF Rules and its amendments, the Company had sent notices to all the Shareholders whose shares were due for transfer to the IEPF Authority and simultaneously published newspaper advertisements. The Company had frequently sent communication to these shareholders by email whose email address are available with R&T / DP and also through various other modes viz. notice of general meeting or notice regarding deduction of tax at source (TDS) for dividend payment etc.

The voting rights on these shares shall remain frozen until the rightful owner claims the shares.

The Company has appointed a Nodal Officer under the provisions of IEPF, the details of which are available on the website of the Company https://www.kirloskaroilengines.com/documents/541738/1595231/Investor+Contact_as+on+September+2022.pdf/6cfa4f7e-e053-2f59-3238-83d30bd3eefa?t=1674194015655. Further, the Company has also appointed Deputy Nodal Officers to assist the Nodal Officer to inter alia verify the claim(s) and co-ordinate with the IEPF Authority.

The Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 31st March 2022 on the Company's website and on the website of the Ministry of Corporate Affairs at www.iepf.gov.in.

j. Plant Locations

Sr. No.	Location	Address	Products manufactured
1	Pune	Laxmanrao Kirloskar Road, Khadki, Pune, Maharashtra – 411 003	Engines
2	Kagal	**Plant I** - Plot No. D1, 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District – Kolhapur Maharashtra-416236	Diesel Engines, Generating Sets and Pumpsets
		Plant II - Plot No. A-262, Phase I, 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District - Kolhapur, Maharashtra – 416236	Diesel Engines
		Plant IV - (KMW Unit) - Plot No. E-18, Opposite M/s. Soktas India Ltd., 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District-Kolhapur Maharashtra– 416236	Manufacturing of Power Tiller
3	Nasik	A-11/1, MIDC, Ambad, Nashik Maharashtra - 422 010	Engines and Gensets
4	Bhare	Plot No. 10 A, Gat No. 405, Village – Bhare, Tal. Mulshi, Dist. Pune – 412115	Gensets, Pumpsets and Power Weeder Engines
5	Rajkot	Plot No 2315/16, 2330/31,GIDC, Lodhika Industrial Estate, Rajkot, D4 Almighty Gate Road, Village Metoda, Rajkot, Gujarat-360021	Centrifugal pumps, Engine Pump sets, Engines for Agricultural and general purpose

13. DISCLOSURES

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of SEBI Listing Regulations.

This Corporate Governance Report of the Company for the FY 2022-23 is in compliance with the requirements of Corporate Governance under SEBI Listing Regulations, 2015.

a. Related Party Transactions

There were no materially significant related party transactions (including transactions with Promoter(s)/ Promoter Group who hold(s) 10% or more shareholding in the Company) during the financial year that have a potential conflict with the interests of the Company. Suitable disclosure as required by the Indian Accounting Standards (IND AS 24) has been made in note no. 41.5.11 to the Financial Statements in the Annual Report.

The Board of Directors had formulated a policy for dealing with related party transactions which is available on the website of the Company. (Web-link –https://www.kirloskaroilengines.com/documents/541738/d9b5f018-1534-d0c4-8d29-1991aab5fefe)

b. Details of capital market non-compliance, if any

There have been no instances of non-compliances by the Company on any matters related to capital markets in the last three (3) years. Neither penalties have been imposed nor any strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter related to capital markets.

c. Vigil Mechanism / Whistle Blower Policy

The Company has a Vigil Mechanism / Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement etc. This Policy has been amended with effect from 1st April 2019 to include instances of leakage of Unpublished Price Sensitive Information. This would inter alia provide a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee any instance of unethical behavior, actual or suspected fraud or violation of the Company's code of conduct. No person has been denied access to the Audit Committee in this regard. The policy is uploaded on the website of the Company. The e-learning and awareness on whistleblower policy is made available to the employees of the Company.

Additionally, during the year under review, as a part of journey towards excellence in Corporate Governance, the Board of Directors amended the Whistle Blower Policy to adopt online whistle blower mechanism by email or 24 hours hotline number, website or other mode of communication through an independent person/firm. This mechanism has provided platform to the employees of the Company to ask questions or report any potential instance of ethical misconduct, malpractice or non-compliance.

d. Policy on material subsidiary

The Board of Directors had formulated a material subsidiary policy which is available on the website of the Company.

(https://www.kirloskaroilengines.com/documents/541738/5741ea16-e481-5f8e-0c3e-68f30f15c1b9)

During the year under review, as per the audited Consolidated Financial Statements of the Company for Financial Year 2021-22, La-Gajjar Machineries Private Limited, Arka Financial Holdings Private Limited and Arka Fincap Limited were "material subsidiaries" 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-https://www.kirloskaroilengines.com/documents/541738/0a36d92a-4450-1010-8a11-d92ec5426c7c)

f. Policy on Preservation of Documents

Pursuant to the Regulation 9 of the SEBI Listing Regulations, 2015, the Board of Directors has approved the Policy for Preservation of Documents.

g. Disclosure of commodity price risk, foreign exchange risk and commodity hedging activities

The Company does not have any significant direct exposure in commodities for hedging through commodity derivatives. The Company manages the foreign exchange risk and hedge to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports, as and when required. The details of foreign currency exposure are disclosed in Note No. 41.5.15 to the financial statements in the Annual Report.

h. CEO/CFO Certification

The CEO/CFO Certificate signed by Ms. Gauri Kirloskar, Managing Director and Mr. Anurag Bhagania, Chief Financial Officer was placed before the meeting of the Board of Directors held on 19th May 2023 stating that the financial results do not contain any false or misleading statement or figures and do not omit any material fact, which may make the statement, or figures contained therein misleading and also that no transaction has taken place which is illegal/ violative to company's conduct.

i. Disclosure with respect to unclaimed shares

The Company has sent two reminders to those shareholders, whose share certificates have returned undelivered by the postal authorities due to insufficient / incorrect information and are lying with the Company. The Company will be sending third reminder letter in due course.

As on 31st March 2023, the total unclaimed equity shares are 4,78,687.

j. Certificate from the Practicing Company Secretary

The certificate from Mr. Mahesh Risbud, Practicing Company Secretary, [Registration No. 185] stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board / Ministry of Corporate Affairs or any such statutory authority has been obtained.

k. Recommendations of Committee of Board of Directors

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

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

Fees of ₹ 51 Lacs paid by the Company and Fees of ₹ 3.60 Lacs paid by Arka Financial Holdings Private Limited and ₹ 2.00 Lacs paid by Arka Investment Advisory Services Private Limited, Subsidiary Companies to G.D. Apte, Chartered Accountants, Statutory Auditors of the Company during the Financial Year 2022-23.

m. Disclosure of Sexual Harassment at Workplace

The Company is committed to maintain an environment in which all its employees can work together in an environment free from prejudice or harassment or any form of intimidation or exploitation including, gender violence, sexual harassment and discrimination on the basis of gender.

The Company has an Internal Complaints Committee (ICC) constituted for each location, all committee members and their contact details are available on the Company's internal portal along with the Policy on Prevention of Sexual Harassment (POSH), which is accessible to all employees of the Company.

Awareness programs are conducted on the POSH during the Financial Year. Also, all new joinees at the Company undergo separate induction on POSH policy. Online course on POSH is made available to employees which includes details of regulatory requirements, Incidents that constitutes sexual harassment, dealing with sexual harassment etc.

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

n. Loans and advances in the nature of loans to firms/ companies in which directors are interested by name and amount

NIL

o. Policy for Preservation of Documents

As required under Regulation 9 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company has approved the Policy for Preservation of Documents.

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

Not Applicable

q. Details of material subsidiaries of the listed entity; including the date and place of incorporation and the name and date of appointment of the statutory auditors of such subsidiaries –

Information of Material Subsidiaries based on the audited Consolidated Financial Statements of the Company for Financial Year 2022-23 is as under -

Sr. No.	Name of Material Subsidiary	Date of Incorporation	Place of Incorporation	Name of Statutory Auditor	Date of Appointment of Statutory Auditors
1	La-Gajjar Machineries Private Limited	10th April 1981	Ahmedabad	P G BHAGWAT LLP, Chartered Accountants, Pune (Firm Registration No. 101118W/ W100682)	7th May 2022 for a term of five years from FY 2022-23 to FY 2026-27
2	Arka Fincap Limited	20th April 2018	Mumbai	P G BHAGWAT LLP, Chartered Accountants, Pune (Firm Registration No. 101118W/ W100682)	20th October 2021 for a term of three years from FY 2021-22 to FY 2023-24
3	Arka Financial Holdings Private Limited	13th July 2021	Mumbai	M/s G. D. Apte & Co., Chartered Accountants, Pune, (having Firm Registration No. 100 515W)	2nd August 2021 for a term of three years from FY 2021-22 to FY 2023-24

r. Non-Mandatory / discretionary requirements

The extent of adoption of non-mandatory / discretionary requirements is as follows:

i. The Board

The Chairman of the Company as on 31st March 2023 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.

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/-
Gauri Kirloskar
Managing Director

Place: Pune
Date: 19th May 2023

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

The Members
Kirloskar Oil Engines Limited

1. We have examined the compliance of conditions of Corporate Governance by Kirloskar Oil Engines Limited (`the Company'), for the year ended March 31, 2023, as stipulated in Regulations 17 to 27 and clauses (b) to (i) of regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as amended from time to time.

Management's Responsibility

2. The Management is responsible for ensuring that the Company complies with the conditions of Corporate Governance. This responsibility also includes the design, implementation and maintenance of internal controls and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations.

Auditor's Responsibility

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

4. We have examined the books of account and other relevant records and documents maintained by the Company for the purpose of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

5. We conducted our examination in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India ("ICAI"), the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

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

Opinion

7. Based on our examination as above and to the best of the information and explanations given to us and representations provided by the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46 (2) and paragraphs C, D and E of Schedule V of the Listing Regulations during the year ended March 31, 2023.

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

Restriction on Use

9. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this Certificate for any events or circumstances occurring after the date of this Certificate.

For G. D. Apte & Co.
Chartered Accountants
Firm Registration number: 100 515W
UDIN: 23113053BGWTAS6402

Sd/-
Umesh S. Abhyankar
Partner
Membership Number.: 113053
Pune, 19th May 2023

Business Responsibility and Sustainability Report (BRSR)

Kirloskar Oil Engines Limited

Section A	General Disclosures
Section B	Management and Process Disclosures
Section C	Principle wise Performance Disclosures
Principle 1	Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.
Principle 2	Businesses should provide goods and services in a manner that is sustainable and safe.
Principle 3	Businesses should respect and promote the well-being of all employees, including those in their value chains.
Principle 4	Businesses should respect the interests of and be responsive to all its stakeholders.
Principle 5	Businesses should respect and promote human rights.
Principle 6	Businesses should respect and make efforts to protect and restore the environment.
Principle 7	Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
Principle 8	Businesses should promote inclusive growth and equitable development.
Principle 9	Businesses should engage with and provide value to their consumers in a responsible manner.

SECTION A: GENERAL DISCLOSURES

I. Details of the listed entity

1.	Corporate Identity Number (CIN) of the Company	L29100PN2009PLC133351
2.	Name of the Company	Kirloskar Oil Engines Limited
3.	Year of Incorporation	2009
4.	Registered office address	Laxmanrao Kirloskar Road, Khadki, Pune – 411003
5.	Corporate office address	Laxmanrao Kirloskar Road, Khadki, Pune – 411003
6.	E-mail	sustainability@kirloskar.com
7.	Telephone	020 – 25810341
8.	Website	www.kirloskaroilengines.com
9.	Financial year for which reporting is being done	2022-23
10.	Name of the Stock Exchange(s) where shares are listed	BSE Limited and National Stock Exchange of India Limited
11.	Paid-up Capital	28.95 Cr
12.	Name and contact details (telephone, email address) of the person for BRSR Reporting	Ms. Smita Raichurkar, 020 - 2580341, Smita.Raichurkar@kirloskar.com
13.	Reporting boundary	Standalone Basis

II. Products/Services

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

S. No.	Description of Main Activity	Description of Business Activity	% of Turnover of the entity
1	B2B Segment	Power Generation, Industrial, Distribution & Aftermarket and International Business	87%
2	B2C Segment	Water Management Solutions and Farm Mechanization Solutions	13%

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

S. No.	Product/Services	NIC Code	% Of total turnover contributed
1	Gensets	271	25%
2	Engines	281	72%

III. Operations

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

S. No.	Location	Number of plants	Number of offices	Total
1.	National	7	10	17
2.	International	0	2	2

17. Markets served by the entity

a. Number of locations

S. No.	Number of Locations served	Number
1.	National (Number of states)	All over India
2.	International (Number of countries)	Select countries in North America, Europe, South America, Asia and Africa

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

12%

c. A brief on types of customers

KOEL's key customers are spread across the following sectors:

a. Power Generation - Retail, Hospitality, Education, Hospitals, Real Estate, Infrastructure, telecom

b. Industrial, Original Equipment Manufacturers (OEMs) - Industrial, Tractors, Construction, Material handling, Earthmoving, Firefighting

c. Farm Mechanization and Water Management - Agriculture & Allied Sectors, Residential, Commercial

d. Institutional - Industrial, Power Plants, Power for National Power Portal (NPP), Critical, Emergency, Defence and Marine, Commercial Marine, Fishing Boat Engines, Railways

e. International - Construction, Hospitality, Agricultural Pump sets, Mining

IV. Employees

18. Details as at the end of Financial Year:

a. Employees and workers (including differently abled):

S. No.	Particulars	Total (A)	Male No. (B)	Male % (B/A)	Female No. (C)	Female % (C/A)
	EMPLOYEES					
1.	Permanent (D)	2,197	2,123	97%	74	3%
2.	Other than permanent (E)	95	87	92%	8	8%
3.	**Total employees (D+E)**	**2,292**	**2,210**	**96%**	**82**	**4%**
	WORKERS					
4.	Permanent (F)	128	128	100%	0	0
5.	*Other than permanent (G)	1,802	1,758	98%	44	2%
6.	**Total workers (F+G)**	**1,930**	**1,886**	**98%**	**44**	**2%**

* This includes contractual employees for all Plant locations.

b. **Differently abled Employees and workers:**

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

19. Participation/Inclusion/Representation of women

	Total No. (A)	No. and percentage of Females No. (B)	No. and percentage of Females % (B/A)
Board of Directors	11	3	27.27
Key Management Personnel	6	2	33.33

20. Turnover rate for permanent employees and workers

Category	FY 2023 Male (%)	FY 2023 Female (%)	FY 2023 Total (%)	FY 2022 Male (%)	FY 2022 Female (%)	FY 2022 Total (%)	FY 2021 Male (%)	FY 2021 Female (%)	FY 2021 Total (%)
Permanent employees	8.4%	26.3%	9%	6.8%	13.7%	7%	7.4%	11.7%	7.6%
Permanent workers	0%	0%	0%	2%	0%	2%	27%	0%	27%

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

21. Names of holding / subsidiary / associate companies / joint ventures

S. No.	Name of the holding / subsidiary / associate companies / joint ventures	Is it a holding/ Subsidiary/ Associate/ Joint Venture	% of shares held by listed entity	Does the entity participate in the Business Responsibility initiatives of the listed entity? (Yes/No)
1	Kirloskar Americas Corporation, USA (KAC)	KOEL Subsidiary	100%	No
2	La-Gajjar Machineries Private Limited, Ahmedabad (LGM)	KOEL Subsidiary	100%	No
3	Arka Financial Holdings Private Limited, Mumbai (AFHPL)	KOEL Subsidiary	100%	No
4	Arka Fincap Limited, Mumbai (AFL)	Subsidiary of AFHPL	-	No
5	Arka Investment Advisory Services Private Limited, Mumbai (AIASPL)	Subsidiary of AFHPL	-	No
6	Optiqua Pipes and Electricals Private Limited, Ahmedabad (OPEPL)	Subsidiary of LGM	-	No
7	ESVA Pumps India Private Limited, Coimbatore (ESVA)	Associate of OPEPL	-	No

VI. CSR details

22.

I. Whether CSR is applicable as per section 135 of Companies Act, 2013: Yes

II. If yes, Turnover – ₹ 4,073.04 Cr

III. Net worth – ₹ 2,321.43 Cr

VII. Transparency and Disclosures Compliances

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

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/No) (If yes, then provide web-link for grievance redress policy)	FY 2023 No. of complaints filed during the year	FY 2023 No. of complaints pending resolution at close of the year	FY 2023 Remarks	FY 2022 No. of complaints filed during the year	FY 2022 No. of complaints pending resolution at close of the year	FY 2022 Remarks
Communities	Yes	0	0	During the reporting year 1 complaint was received from shareholder, the complaint was satisfactorily resolved on 10th April 23.	In the Financial Year 2021-22, 8,33,609 complaints were registered by customers. There were no complaints related to child labour, forced labour, involuntary labour or sexual harassment in the current Financial Year		
Investors	Yes	0	0				
Shareholders	Yes	1	1*				
Employees and workers	Yes	0	0				
Customers	Yes	2,51,741	0				
Value Chain Partners	Yes	0	0s				
Other (please specify)	NA	0	0				

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

Sr. No.	Material issue identified	Is it risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
1.	Employee Health & Safety	Risk	• Employee health and safety are essential to business operations and productivity.	• The Company emphasizes on implementing various measures for well-being and health of its employees. Across all its operations, safety training are imparted to all the employees on a regular basis.	Neutral- • Continuous health and safety improvement will have financial implications but will have positive impact on the well-being of employees and will lead to positive results in the long term. It also helps in attracting good talent for the Company.

Sr. No.	Material issue identified	Is it risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
			• Moreover, it is the overall responsibility of the Company to manage the well-being aspects of this critical stakeholder.	• The Company is also ISO 45001:2018 certified which signifies that the Company has adopted the best practices in health & safety. The Company provides occupational health facilities, ambulance services, first aid kits, qualified first aiders, Personal Protective Equipment (PPE) and firefighters. Regular health check-up of employees and in case of new hires, health screening is carried out.	
2	Talent Management	Opportunity	• The effectiveness of an organization is defined by its workforce. Long-term success depends on having the ability to draw in and keep top talent. • The key to serving our clients and fostering future growth is recruiting qualified individuals and training them sufficiently to include specialized skills.	• The Company approaches talent management as a key lever to ensure business continuity and business excellence. The Company addressed the talent management needs through a talent management framework that addresses the various needs of an employee during their entire tenure in the Company. The talent management framework is hence designed to address these needs ranging from equitable pay, meritocratic work culture, good leadership, employee growth, succession planning, retention schemes, culture building and so on.	Negative- • The risks arising from a poor talent management strategy are many. Some of these risks are quantitative, like attrition, that is a measure of the symptom of the problem. The cost of losing a good employee is very high, and replacing such an employee is very difficult, but equally important is the risk of not addressing gaps in the performance of existing employees as well. If each one of the levers of the talent management framework is not addressed and worked upon deliberately, it will have serious impact on the ability of the Company to attract and retain talent.
3	Circular Economy	Opportunity	• The circular economy is economic system based on reuse and waste-management strategy that is sustainable. This is advantageous to both society and the environment. • The initiatives towards waste management, pollution control measures, use of natural resources, recycling or reuse of materials etc. safeguard natural ecosystems.	• Segregation, recycling and reusing of materials, Disposal of hazardous materials, Zero Waste to Landfill initiatives. • Innovation of products and life cycle assessment • Use of water and waste management techniques.	Positive- Waste prevention, recycling, reuse, and recovery are important waste management strategies that eases the burden on landfills, conserves natural resources, and saves energy. This helps utilize resources more effectively and sustainably.
4	Climate Action	Opportunity	• Climate change refers to the change in the environmental conditions of the earth. This happens due to many internal and external factors. The climatic change has become a global concern over the last few decades. Hence it is important build sustainable environment in order to avoid adverse impact on supply and demand side. It will also evolve business growth in sustainable manner.	• Efforts towards reduction of GHG emissions • Continuously exploring opportunities in green technologies. • Focus on energy management by reducing the energy intensity and using energy efficiency measures.	Positive- • The carbon footprint of the business can be reduced over time by investing in energy efficiency and renewable energy.

Sr. No.	Material issue identified	Is it risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
5	Stakeholder Relations	Opportunity	• A strong relationship with stakeholders helps to contribute in the business growth. It helps get to know their needs, interests, and requirements. This can help to make informed business decisions that meet their expectations and improve the company's chance of success.	• Build a strong and trustworthy relationship with shareholders, customer, community, and supply chain partners. • Regular communication and engagement with all stakeholders by effective feedback mechanisms helps to incorporate their concerns and issues into business planning and execution strategy. • Our CSR efforts are concentrated in the areas of education, health and hygiene, the environment, and rural management.	Positive- • Establishing robust connections with stakeholders is vital for businesses as they can effectively mitigate risks, foster innovation and creativity, ensure legal compliance, and contribute to building a strong reputation and trust. Companies that prioritize stakeholder involvement significantly increase their prospects for long-term success thereby creating value for all.
6	Responsible Supply Chain	Opportunity	• A strong focus on supply chain management and ethical sourcing typically has a stronger reputation with customers, shareholders, and other stakeholders. This may result in improved access to larger sales, and greater client loyalty. • Developing a responsible supply chain helps in mitigating delivery delays caused by supply chain disruption resulted in significant expenditures, and if delays are too protracted, they have a negative influence on customer satisfaction.	• Our "Lean Cluster" implementation has increased supplier base productivity by enabling them to increase capacity. • To expand our business in the areas of rural India where engines, pump sets, oil, and related products are used, we are creating an effective supply chain. We are working to integrate our supply chain with Internet of Things (IoT) principles to make it future proof.	Positive- • A responsible supply chain can aid in reducing the risks associated with supply chain disruptions, reputational harm, and regulatory compliance. By doing this, firms can stay in operation even in the face of expensive legal fines and penalties. • It helps in reducing the environmental effect and support sustainable development by putting an emphasis on responsible procurement and supply chain management procedures. This can assist in reducing climate change, protecting ecosystems, and preserving natural resources.
7	Innovation Management	Opportunity	• By creating new goods and services, enhancing current ones, and figuring out novel ways to reach clients, innovation management aids a business in maintaining its position as a market leader. • By locating new markets and revenue sources, innovation management can promote growth. It can assist a business in growing and diversifying its revenue streams, which can result in higher profitability.	• Considering the inherent nature of the company's operations, KOEL's products rely on fossil fuels, resulting in the emission of greenhouse gases and consequently amplifying the environmental footprint. Thus, we are driving innovations in energy efficiency, pollution reduction, and alternative fuel product technologies to reduce this impact. • We believe in the value of innovation; therefore, we have developed several incentive and recognition programmes to help inspire people to keep innovating. • One of the key factors that KOEL continues to be the market leader in several market areas is the Company's R&D team, which seeks to develop technological leadership in engine research, design, and development and help sustainably supply customized engineering solutions. The R&D department innovates not just to expand product lines but also to enhance products to reduce emissions and develop strategies for long-term, sustainable growth.	Positive- • Employee engagement can be increased through encouraging innovation since it gives workers a sense of purpose and ownership in the company's success. Additionally, it might encourage a culture of innovation and experimentation. • It helps to find new, more cost-effective methods of doing things with the aid of innovation management. Process simplification, improved supply chain management, and the adoption of new technologies are some examples of this. • Innovation management is essential for a business to secure its future by anticipating and adjusting to changes in the market and technology.

Sr. No.	Material issue identified	Is it risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
8	Labour Practices & Human Rights	Risk	• Businesses have a obligation to treat their employees properly and morally. This entails offering secure working conditions, just pay, and observance of employees' rights to associational freedom, collective bargaining, and nondiscrimination. • Changing regulations around human rights pose as a challenge, Violation can lead to downgrading of reputation and brand image. • Companies that fail to comply with these laws may face legal action, penalties, or fines.	• We have implemented Diversity and inclusion, Employee engagement and appreciation programs. • We carry out Human rights impact assessment, Training of internal and external stakeholders on human rights issues.	Negative- • Companies with poor labour practices and human rights records risk damaging their reputation and losing customers and investors. • Supply chains often involve multiple suppliers and contractors, making it challenging to monitor and enforce labour practices and human rights standards. Failure to do so can result in reputational damage and supply chain disruptions.
9	Cybersecurity & Data Privacy	Risk	• A data breach may impact the business operations and stakeholder relationships. • Ensuring the confidentiality and integrity of the data is critical to maintaining trust with stakeholders and avoiding legal and financial consequences.	• The Company is positively implementing measures to bring down data breaches which help them maintain customer privacy and build customer trust.	Negative- • A cyber-attack or data breach might do serious harm to a business's reputation, costing it customers' trust, money, and market share. Companies may show their dedication to safeguarding the information of their stakeholders and uphold the reputation of their brands by placing a high priority on cyber security and data privacy.
10	Corporate Governance	Risk	• The accountability of the board of directors and senior management to the Company's stakeholders, such as shareholders, employees, customers, and suppliers, is outlined in corporate governance. It ensures that various stakeholders' interests are taken into consideration while making decisions. • It ensures that businesses follow ethical norms as well as legal and regulatory responsibilities, especially those relating to reporting and disclosure. This can assist shield the business from fines, financial losses, and reputational harm.	• We are continuously focusing on our corporate governance by implementing various measures like developing a board structure for better transparency, incorporating risk mitigation and governance processes, improving stakeholder communication, brand management.	Negative- • Issues in corporate governance destroys transparency in a company's operations, financial reporting, and decision-making. This brings down the trust with stakeholders, including investors, who require accurate and timely information to make informed investment decisions. • A non-effective corporate governance structure cannot help a company identify and manage risks, including operational, financial, and reputational risks. In turn leading to loss of company's value and reputation in the long-term.

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

This section is aimed at helping businesses demonstrate the structures, policies, and processes put in place towards adopting the NGRBC principles and core elements. These are briefly as under:

P1	Businesses should conduct and govern themselves with integrity and in a manner that is ethical, transparent, and accountable
P2	Businesses should provide goods and services in a manner that is sustainable and safe
P3	Businesses should respect and promote the well-being of all employees, including those in their value chains
P4	Businesses should respect the interests of and be responsive to all its stakeholders
P5	Businesses should respect and promote human rights
P6	Businesses should respect and make efforts to protect and restore the environment
P7	Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent
P8	Businesses should promote inclusive growth and equitable development
P9	Businesses should engage with and provide value to their consumers in a responsible manner

Policy and Management processes

	Points	P1	P2	P3	P4	P5	P6	P7	P8	P9
1 (a)	**Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)**	Y	Y	Y	Y	Y	Y	Y	Y	Y
1 (b)	**Has the policy been approved by the Board? (Yes/No)**	Y	Y	Y	Y	Y	Y	Y	Y	Y
1 (c)	**Web Link of the Policies, if available**	• **Code of Conduct:** https://www.kirloskaroilengines.com/investors/for-share-holders/code-of-conduct • **Corporate Governance:** https://www.kirloskaroilengines.com/investors/for-share-holders/corporate-governance • **Whistle Blower Policy/ Vigil Mechanism:** https://www.kirloskaroilengines.com/documents/541738/ec79ef3a-160a-ad2e-6156-55ed1c1058be • **Environmental, Social and Governance (ESG) Policy:** https://www.kirloskaroilengines.com/documents/541738/c4be6842-e4ff-3723-c90f-8f03bb90b483 • **Human Rights Policy:** https://www.kirloskaroilengines.com/documents/541738/c8df523c-f274-5506-d2aa-491a85309bb7 • **Stakeholder Engagement and Grievance Redressal Policy:** https://www.kirloskaroilengines.com/documents/541738/cc6d4946-420f-374a-606b-caf50a370c3e • **Risk Management Policy:** https://www.kirloskaroilengines.com/documents/541738/9173178d-aad5-15ff-027c-bf20c016b074 • **Terms of Appointment for an Independent Director:** https://www.kirloskaroilengines.com/documents/541738/8cca52ee-fe0a-fad7-f44f-5011c861c449 • **Policy on Preservation of Frauds:** https://www.kirloskaroilengines.com/documents/541738/c09a2b21-77f1-45bf-0466-66b8efffa8d8 • **Policy on Related Party Transactions:** https://www.kirloskaroilengines.com/documents/541738/d9b5f018-1534-d0c4-8d29-1991aab5fefe • **Privacy Policy:** https://www.kirloskaroilengines.com/documents/541738/d13e9154-6391-dc17-4e0c-af93e34091c1 • **Nomination and Remuneration:** https://www.kirloskaroilengines.com/documents/541738/2bd3cfb1-7d20-f25a-1163-3a003fd96c15 • **Dividend Distribution:** https://www.kirloskaroilengines.com/documents/541738/0a36d92a-4450-1010-8a11-d92ec5426c7c • **Policy on Material Subsidiaries:** https://www.kirloskaroilengines.com/documents/541738/5741ea16-e481-5f8e-0c3e-68f30f15c1b9 • **Policy for Determination of Material Events or Information:** https://www.kirloskaroilengines.com/documents/541738/c691350c-1b59-f8c1-85e6-9911925116b3 • **Archival Policy:** https://www.kirloskaroilengines.com/documents/541738/9eae5179-3d28-e4a0-4a30-d23d6fe052eb • **Corporate Social Responsibility:** https://www.kirloskaroilengines.com/documents/541738/781c6697-a239-c2d6-afdb-36fc8306ddfb								
2	**Whether the entity has translated the policy into procedures. (Yes / No)**	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	**Do the enlisted policies extend to your value chain partners? (Yes/No)**	The value chain partners of the Company, including not only individual employees and directors but also channel partners, suppliers, business associates, customers, contractors, and agency staff, are covered by specific policies, such as the Policy on Prevention of Fraud and the Whistle Blower policy, and are eligible to make protected disclosures under such policies.								
4	**Name of the national and international codes/ certifications/labels/ standards (e.g., Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustee) standards (e.g., SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.**	All manufacturing units are accredited for adherence to ISO 14001:2015 and ISO 45001:2018, and the Company's operations are compliant with and certified for ISO 9001:2015. Additionally, ABS QE has certified KOEL's IMS (Integrated Management System). The CSR policy of the Company complies with Section 135 of the Companies Act, 2013, as well as any related rules and changes.								
5	**Specific commitments, goals and targets set by the entity with defined timelines, if any.**	KOEL is dedicated to expediting its ESG journey by establishing a Vision and Roadmap for future progress. The Company has a target of energy reduction by 2-5% every year. We are doing a comprehensive exercise for deriving the targets and initiatives which shall be undertaken next year onwards. KOEL has taken a target of achieving more than 85 on the Community Satisfaction Survey which we have maintained periodically.								
6	**Performance of the entity against the specific commitments, goals, and targets along-with reasons in case the same are not met.**	KOEL is in process of setting up of specific goals in order to enhance its ESG framework which will be monitored from time to time by the management.								

Governance, leadership, and oversight

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

KOEL enjoys a legacy of over a century of creating positive difference on the socio-economic development of key stakeholders by being a responsible business. KOEL has always focused on the triple bottom line, extending towards all stakeholders – including the communities surrounding operational sites. Communities are a top priority and the company's CSR activities in the areas of Education, Health and Hygiene, Environment, Disaster Management and Rural Development are aimed at addressing concerns and challenges that affect the surrounding communities including underprivileged groups within the community. KOEL takes efforts towards enhancement of communities around its operations. Therefore, specific efforts are taken to partner with small and local producers. This important category of supplier partners accounts for around 55% of all purchases. KOEL also invests in supplier development through measures such as supplier quality improvement contests, conferences and educating them on best practices that can lead to an improvement in operational and logistical efficiency. Furthermore, new suppliers were assessed on social and environmental criteria during the year under review. KOEL has also been focused on the development, health, safety and wellbeing of another key stakeholder- employees. The Company has various training and learning programmes enabling employees to upgrade their skills on various technical, functional, and behavioral aspects. KOEL seeks to enhance the professional development of its employees and other workers by formulating comprehensive training modules through constant examination of market trends. Additionally, KOEL's HR policies focus on attracting, nurturing, and retaining talent, while promoting inclusivity, diversity and transparency across hierarchies. With a strong focus on safety, KOEL is also proud to share that there have been no work-related injuries in the previous financial year. While devising products, care is taken to protect the environment and minimize the adverse impacts on society at large. KOEL's R&D team, which aims to build technological leadership in engine research, design, and development, and help sustainably deliver customized engineering solutions, is one of the main reasons that KOEL remains the industry leader in various market segments. The R&D department is not only focused on expanding the product range but also, on the upgradation of products to reduce emissions and provide solutions for sustainable growth. Specific steps on environment include actively using renewable energy since 2016, use of solar water pumps, solar hot water generators and solar steam generating systems at the Company's units that have further enhanced its renewable energy footprint. The Company has executed various energy conservation initiatives which resulted in a 5% reduction over last FY in specific energy consumption. Further, KOEL undertakes specific initiatives to promote 3 Rs (Reduce, Reuse & Recycle) to minimize waste. ESG performance in the upcoming decade is a key focus area for KOEL. Through its community development initiatives, deep vendor relationships, skilled team, and leading technologies KOEL will continue to deliver on its ESG agenda while driving true stakeholder value.

Governance, leadership, and oversight

8	**Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).**	The CSR Committee oversees implementing the Company's robust sustainability framework, all EHS and OHS programmes, as well as the long-term sustainability objectives. The CSR Committee's members are: 1) Rahul C. Kirloskar (Non-Executive Non- Independent Director & Chairman of CSR Committee) 2) Gauri Kirloskar (Managing Director) 3) Shalini Sarin (Non-Executive and Independent Director)
9	**Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes / No). If yes, provide details.**	Yes, MD, CFO, CS, the ESG head, and an Independent Director are all members of the ESG Steering Committee. This committee meets periodically to monitor and discuss issues pertaining to sustainability. The managing director and senior leadership team also routinely assess the Company's performance in terms of business responsibility as part of the broader management process. The Board of Directors regularly evaluates the Company's progress towards its social, environmental and economic objectives.

10 Details of Review of NGRBCs by the Company

	Subject for Review	a. Indicate whether review was undertaken by Director / Committee of the Board/ Any other Committee								
		P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Performance against above policies and follow up action	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Compliance with statutory requirements of relevance to the principles, and rectification of any non-compliances	Y	Y	Y	Y	Y	Y	Y	Y	Y

	Subject for Review	b. Frequency (Annually/ Half yearly/ Quarterly/ Any other – please specify)								
		P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Performance against above policies and follow up action	A review of the policies is done periodically either by the members of the Board or authorised representative of the Board.								
2	Compliance with statutory requirements of relevance to the principles, and the rectification of any non-compliances	• P1: We have formulated the code of conduct policy and the Whistle Blower/Vigil Mechanism policy. There were no complaints received during FY 2022-23. • P2: There were no instances raised of non- compliance regarding product and service, health, and safety impacts, as well as no instances of non- compliance regarding product and service labelling. • P3: There were no complaints relating to child labor, forced labor, involuntary labor, or Sexual Harassment in FY 2022-23. • P4: As per the CSR policy, 2% of net profits of the Company were spent on Education, Rural Development, Community Development, Environmental and Health related projects in FY 2022-23. • P5: We have formulated Human Resource Policies like the Employee Code of Conduct, Supplier Code of Conduct, POSH policy. There were no complaints relating to child labor, forced labor, involuntary labor, or Sexual Harassment in FY 2022-23. • P6: KOEL is compliant with the applicable environmental laws, regulations, and guidelines in India. • P7: The Company received no notices for anti- competitive, antitrust, conflict of interest, or monopolistic practices in FY 2022-23. • P8: We comply with the principle and have a CSR policy in place. We also have policies to source from MSME's and local suppliers in a radius of 300KM. • P9: There were no data breaches in the system in FY 2022-23. The Company has formulated data privacy policy in compliance with the principle.								

		P1	P2	P3	P4	P5	P6	P7	P8	P9
11	Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency.	The company has evaluated the policies internally.								

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

	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The entity does not consider the principles material to its business (Yes/No)	Not Applicable								
2	The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)									
3	The entity does not have the financial or/human and technical resources available for the task (Yes/No)									
4	It is planned to be done in the next financial year (Yes/No)	Not Applicable								
5	Any other reason (please specify)									

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

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

ESSENTIAL INDICATORS

1. Percentage coverage by training and awareness programmes on any of the principles during the financial year

S. No.	Segment	Total number of training & awareness programmes held	Topics / principles covered under the training	% Of persons in respective category covered by the awareness programmes
1	Board of Directors	NA*	Training and awareness programs on Sustainability, Code of Conduct	NA*
2	Key Managerial Personnel	NA*	Training and awareness programs on Sustainability, Code of Conduct	NA*
3	Employees other than BOD and KMPs	NA**	Code of conduct, workplace ethics, Leadership training, environmental Training, Safety Induction Training, First aid trainings, CPR, Road safety trainings, Skill upgradation Training	NA**
4	Workers	NA**	Safety Induction Training, First aid trainings, CPR, Road safety trainings, Skill upgradation Training, Process training	NA**

*KOEL provides an orientation curriculum for Independent Directors that informs them of their duties, rights, and obligations inside the Company's as well as the nature of the industries in which they operate and the Company's business model. The Company also organizes a structured induction procedure for new directors during which time they engage with all the Company's top leaders and receive an On-Boarding Manual for their education and awareness. Additionally, they receive a comprehensive Letter of Appointment. The management of the Company periodically provides business presentations at board meetings to acquaint Independent Directors with the Company's strategy, operations, and functioning. These interactions provide them a comprehensive understanding of the business and legal environment of the Company.

**During the year the Company has conducted 300+ trainings. All employees are provided with specialized training on human rights policies and procedures. New hires receive POSH training on human rights principles as part of the induction programme. The business offers a secure working environment and regularly provides its staff with training as needed. As a further method of addressing safety, the ongoing toolbox talks to the staff, explaining the current documents, including safety and machine handling elements. For example, safety induction training for new hires, general health, and safety training, first aid and CPR trainings, firefighting trainings, road safety awareness, mock drills, on-site emergency planning, handling and disposal of hazardous chemicals, and more are all provided to employees. These trainings are also carried out with assistance from outside organizations like CII, QCFI, THORS India, etc. The business has also taken steps to strengthen its capability to handle emission norms, such as BSIV and forthcoming norms like CPCB IV technology, by offering organized service trainings throughout the year. The Company is in the process of recording the training and awareness program data.

By creating thorough training modules through continuous analysis of market trends, KOEL also aims to improve the professional growth of its personnel and other workers. The employees working on core operations receive functional and technical training. The centrally planned behavioral training by corporate HR focuses on fostering leadership, soft skills, and communication in accordance with the demands of the Company. The best training needs of non-managers, such as sales and service executives in the sales and marketing business and junior service engineers in the customer support business units, are evaluated frequently and met in accordance with those needs.

2. **Details of fines / penalties / punishment / award / compounding fees / settlement amount paid in proceedings (by the entity or by its directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions in FY 2023.**

Not applicable

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

Not applicable

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

Anti-corruption and anti-bribery are covered in the Employees Code of Conduct and Prevention of Fraud policy, even though KOEL does not have a distinct anti-corruption and anti-bribery policy. To identify, prevent, report, investigate, and enforce disciplinary action connected to any fraud, including bribery and corruption, the policy facilitates controls and provides a framework.

The policy can be accessed here: https://www.kirloskaroilengines.com/investors/for-share-holders/policies

5. **No of Directors/KMPs/Employees against whom disciplinary action was taken by any law enforcement agency for the charges of bribery / corruption**

	Segment	FY 2023	FY 2022
1	Directors	0	0
2	Key Managerial Personnel	0	0
3	Employee	0	0
4	Workers	0	0

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

	Segment	FY 2023		FY 2022	
		Number	Remarks	Number	Remarks
1	Number of complaints received in relation to issues of Conflict of Interest of the Directors	0	NA	0	NA
2	Number of complaints received in relation to issues of Conflict of Interest of the KMPs	0	NA	0	NA

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

Not Applicable, since there were no fines, penalties, or action taken by regulators, law enforcement agencies or judicial institutions on cases of corruption and conflict of interest

LEADERSHIP INDICATORS

1. **Awareness programmes conducted for value chain partners on any of the principles during the financial year:**

Total number of awareness programmes held	Topics / principles covered under the training	% Of value chain partners covered (by value of business done with such partners) under the awareness programmes
We continuously provide Health and safety training; however, we are in a process of calculating the total no of training hours provided.	**Principle 9:** The "Zero Defect" programme was put into place throughout the value chain with the aim of assessing gaps and completing projects to build a solid and long-lasting quality culture. The Zero-Defect endeavor, which has a clear process for discovering, prioritizing, and monitoring Zero-Defect projects, is one of the benchmark programmes in the industry. Regular evaluations of the vendors' quality, environmental, occupational health, and safety management systems are conducted. **Principle 8:** As part of supplier development, KOEL hosted conferences and contests for improving supplier quality. It gave providers a platform to exchange information, learn about best practices being employed by their peers, and boost operational and logistical effectiveness. **Principle 4/8:** The business has moved on to the second phase of the lauded "Samvardan" initiative, which aims to improve the business acumen of SME suppliers, help them create a clear strategy, and foster an entrepreneurial and growth mindset through the application of lean principles. **Principle 4:** Among its suppliers, KOEL promotes small and medium-sized enterprises, and its community programmes were designed to solve issues and difficulties affecting the vulnerable and needy sections. **Principle 2/9:** To encourage and ensure the responsible use of KOEL Products and to improve the competency of the service dealer staff by demonstrating the proper maintenance practices, KOEL has implemented a structured approach that involves conducting annual training programmes for its All-India service dealers and their technicians on a periodic basis. **Principle 2/6/9:** To maximize the environmental benefits of using steel skids rather than wooden packing, recommended maintenance procedures, and engine installation and disassembly procedures are the focus of customized training programmes for customers and service dealers.	We provide training on a periodical basis to value chain partners, currently we are establishing methods to track the % of value chain partners who were provided these trainings.

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

Yes, The Board of Directors and Senior Management of the Company have access to a Code of Conduct that enables them to recognize any actual or prospective conflicts of interest that might develop throughout their duties. The Board is obligated under the Code of Conduct to meticulously avoid any "conflict of interest" with the corporation. When a director's or senior management member's interests collide with the Company's, there is a conflict of interest. To minimize, prevent, and manage potential conflicts of interest, the corporation has put in place the necessary organizational procedures. The Business Excellence Framework and the Code for the Prevention of Insider Trading have also been implemented by KOEL.

The Code of Conduct can be accessed here: https://www.kirloskaroilengines.com/investors/for-share-holders/code-of-conduct

The policy is in place for dealing with the Related Party Transactions.

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

ESSENTIAL INDICATORS

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

S. No.	Segment	FY 2023	FY 2022	Details of improvements in environmental and social impacts
1	R&D	-	-	The R&D department is not only focused on expanding the product range but also, on the up-gradation of products to reduce emission and provide solutions for sustainable growth.
2	Capex	16.09%	1.67%	Spent on Energy Conservation Equipment.

2.

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

Yes, the Company has sustainable sourcing policies in place that prioritize local sourcing (within a 300 km radius) and give local and small suppliers preference. In addition, KOEL makes sure that its suppliers follow laws related to the environment, social issues, and human rights.

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

56.4%

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

KOEL mostly uses recyclable corrugated boxes and reusable metallic skids. Particle boards, however in extremely small quantities, are used for packaging for exports. After the product is delivered to the customer, metallic skids are taken away. Although product recycling is not practiced in this industry, some products, like DG sets, are refurbished to increase efficiency and lengthen their useful lives. The product mostly comprises of metals and alloys (cast iron, steel, etc.), which are typically recycled at the end of their useful lives as metal scraps by the customer since metal scrap has a high market value.

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

The entity is currently evaluating the parameters and accordingly will develop an Extended Producer Responsibility (EPR) plan.

LEADERSHIP INDICATORS

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

Through persistent efforts for energy saving in both products and processes, the Company has a strong commitment to the nation's mission of increased energy efficiency. LCA has not been carried out, but KOEL has carried out a study of the carbon footprint of a few products and reported the fuel economy and weighted carbon in the product catalog. Additionally, KOEL complies with BS (Bharat Stage) -IV requirements and provides clients with information about the goods' diesel use.

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

Not Applicable

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

Indicate input material	Recycled or re-used input material to total material	
	FY 2023	FY 2022
Not Applicable	Due to specific product requirements, the industry currently does not use recycled or reused materials as input materials in production. As a result, KOEL does not use any recycled materials in the Company's manufacturing process, but the Company is keen to use reused or recycled input materials as the industry and processes evolve.	Currently the sector doesn't make use of recycled or reused materials as input material in production due to specific product requirements and hence KOEL does not use any recycled material in the Company's manufacturing process; however, KOEL is keen to use reused or recycled input materials as the industry and processes evolve. Currently fuel generated from plastic waste is being used for material handling equipment and recycled lubricant oil in the manufacturing process.

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

	FY 2023			FY 2022		
	Re-Used	Recycled	Safely Disposed	Re-Used	Recycled	Safely Disposed
Plastics (including packaging)	Due to specific product requirements, the industry currently does not use recycled or reused materials as input materials in production. As a result, KOEL follow the process of using any recycled materials in the Company's manufacturing process to the extent possible. Also, the life of the product generally ranges from 15-25 years and hence it is difficult to reuse or recycle the product, but the Company is eager to use reused or recycled input materials as the industry and processes evolve.			The life of the product generally ranges from 15-25 years. So, details of the end-of-life treatment of products are not readily available.		
E-waste						
Hazardous waste						
Other Waste						

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

Not Applicable

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

ESSENTIAL INDICATORS

1.

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

Category	Total (A)	% Of employees covered by									
		Health Insurance		Accident Insurance		Maternity Benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
						Permanent Employees					
Male	2,123	2,123	100%	2,123	100%	0	0%	2,009*	95%*	0	0%
Female	74	74	100%	74	100%	74	100%	0	0%	74	100%
Total	**2,197**	**2,197**	**100%**	**2,197**	**100%**	**74**	**3.4%**	**2,009**	**91%**	**74**	**3.4%**
						Other than Permanent Employees					
Male	87	87	100%	87	100%	0	0%	87	100%	0	0%
Female	8	8	100%	8	100%	8	100%	0	0%	8	100%
Total	**95**	**95**	**100%**	**95**	**100%**	**8**	**8.4%**	**87**	**92%**	**8**	**8.4%**

**Paternity Benefits are not applicable to few categories such as Management Trainees, Graduate Engineering Trainees etc.*

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

Category	Total (A)	% Of workers covered by									
		Health Insurance		Accident Insurance		Maternity Benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
Permanent Workers											
Male	128	128	100%	128	100%	0	0%	0	0%	0	0%
Female	0	0	0%	0	0%	0	0%	0	0%	0	0%
Total	**128**	**128**	**100%**	**128**	**100%**	**0**	**0%**	**0**	**0%**	**0**	**0%**
Other than permanent workers											
Male	1,758	1,758	100%	0	0%	0	0%	0	0%	0	0%
Female	44	44	100%	0	0%	44	100%	0	0%	44	100%
Total	**1,802**	**1,802**	**100%**	**0**	**0%**	**44**	**2.44%**	**0**	**0%**	**44**	**2.44%**

2. Details of retirement benefits for Current and Previous FY

	Benefits	FY 2023			FY 2022		
		No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
1	PF	100%	100%	Y	100%	100%	Y
2	Gratuity	96%	100%	NA	99%	100%	NA
3	ESI	14%	58%	Y	4%	11%	Y

Note: The aforesaid data denotes the permanent employees/workers.

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

Since KOEL does not currently employ any people with disabilities, no steps have been taken to make the offices and property accessible. The Company will ensure putting requisite systems as and when required.

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

The Equal Opportunity Policy at KOEL firmly guarantees that both male and female employees receive equal pay and have equal opportunity to advance in the company regardless of caste, creed, or gender. As an "Equal Opportunity Employer," KOEL takes great pleasure in upholding these values from employee recruiting to development and retention. All hiring and selection choices will be made consistently, fairly, and equally, according to the Recruitment and Selection policy of KOEL. To prevent bias in recruiting, the recruitment procedure is clearly laid out for all hierarchies and is adhered to without fail. The goals of KOEL's human resources policy are to recruit, develop, and retain talent while fostering equality, diversity, and openness at all levels of the Company. No employee is subjected to discrimination at KOEL because of their caste, creed, The Equal Opportunity Policy at KOEL firmly guarantees that both male and female employees receive equal pay and have equal opportunity to advance in the company regardless of caste, creed, or gender. As an "Equal Opportunity Employer," KOEL takes great pleasure in upholding these values from employee recruiting to development and retention. All hiring and selection choices will be made consistently, fairly, and equally, according to the Recruitment and Selection policy of KOEL. To prevent bias in recruiting, the recruitment procedure is clearly laid out for all hierarchies and is adhered to without fail. The goals of KOEL's human resources policy are to recruit, develop, and retain talent while fostering equality, diversity, and openness at all levels of the Company. No employee is subjected to discrimination at KOEL because of their caste, creed, color, religion, age, sexual orientation, gender, disability, marital status, or other such distinguishing factors.

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

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

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

		Yes/No (If yes, then give details of the mechanism in brief)
1 2	Permanent workers Other than Permanent Workers	Every manufacturing facility has a committee that deals with complaints made by employees either directly or indirectly through the Grievance Redressal Mechanism. Additionally, throughout the year, KOEL engages staff by hosting several programmes created to unite all employees, regardless of their varied origins. The business has a SAY, STAY, and STRIVE policy that encourages employee participation as well as an "Employee Engagement Survey" (EES) to gauge employee attitudes. The EES survey's trends and findings are thoroughly examined to develop corrective and improvement measures.
3 4	Permanent Employees Other than Permanent Employees	The committee addresses issues raised by employees through a Grievance Redressal Mechanism or otherwise through direct communication with BU heads. For further details, please visit the Grievance Redressal Policy - https://www.kirloskaroilengines.com/documents/541738/cc6d4946-420f-374a-606b-caf50a370c3e

7. **Membership of employees in association(s) or Unions recognised by the listed entity**

Category	FY 2023			FY 2022		
	Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association(s) or Union (B)	% (B / A)	Total employees / Workers in respective category (C)	No. of employees / workers in respective category, who are part of association(s) or Union (D)	% (D / C)
Total Permanent Employees	**2,197**	**0**	**0%**	**2,184**	**0**	**0%**
Male	2,123	0	0%	2,117	0	0%
Female	74	0	0%	67	0	0%
Total Permanent Workers	**128**	**127**	**99.2%**	**116**	**115**	**99.1%**
Male	128	127	99.2%	116	115	99.1%
Female	0	0	0%	0	0	0%

8. **Details of training given to employees**

Category	FY 2023					FY 2022				
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
		No (B)	% (B/A)	No (C)	% (C/A)		No (E)	% (E/D)	No (F)	% (F/D)
Employees										
Male	2,210	411	19%	1,016	46%	2,117	369	17%	924	44%
Female	82	37	45%	42	51%	67	9	13%	27	40%
Total	**2,292**	**448**	**20%**	**1,058**	**46%**	**2,184**	**378**	**17%**	**951**	**44%**
Workers										
Male	1,886	1,169	62%	-	-	342	78	23%	-	-
Female	44	17	39%	-	-	22	0	0%	-	-
Total	**1,930**	**1,186**	**61%**	**-**	**-**	**364**	**78**	**21%**	**-**	**-**

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

Category	FY 2023			FY 2022		
	Total (A)	No (B)	% (B/A)	Total (C)	No (D)	% (D/C)
Employees						
Male	2,210	1,758	80%	2,117	1,662	79%
Female	82	64	78%	67	55	82%
Total	**2,292**	**1,822**	**79%**	**2,184**	**1,717**	**79%**

		Workers				
Male	1,886	128	7%	342	116	34%
Female	44	0	0%	22	0	0%
Total	1,930	128	7%	364	116	32%

10. Health and Safety Management System

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

Yes, KOEL has put in place an Integrated Management System (IMS) which includes occupational health and safety standard ISO 45001:2018. Other standards are ISO 9001:2015 for Quality Management System and ISO 14001:2015 for Environment Management System, and standards are applicable to all workplaces, employees, and operational activities.

100% of employees and workers are covered under occupational health and safety management systems. These systems are also internally audited by safety committees and plant heads.

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

Internal safety audits are conducted, safety Inspections are conducted, reports generated, and the work permit system is followed.

c. Whether you have processes for employees to report the work-related hazards and to remove themselves from such risks. (Y/N)

Yes, KOEL supports worker input and involvement to maintain safety in all manufacturing facilities. All units have established safety committees, and employees play a significant role in these committees. These committees' primary duties include identifying workplace risks and hazards, taking corrective action, aiding management in meeting safety system standards, and investigating and documenting events. These committees hold regular meetings every three months. The authorized decision-maker for these committees continues to be the plant heads. For use by all KOEL facilities, KOEL has also established an online system for logging near-miss incidents and safety observations.

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

Yes, through medical camps, immunization drives, and medical health check-ups, KOEL makes it easier for its employees to access non-occupational health services. Financial aid is also available to employees through medical claims. KOEL offers free health promotion services as well, such as health awareness seminars.

11. Details of Safety related incidents

	Safety Incident/Number	Category	FY 2023	FY 2022
1	Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	0	0
		Workers	1.316	0
2	Total recordable work-related injuries	Employees	0	0
		Workers	2	0
3	No. of fatalities	Employees	0	0
		Workers	0	0
4	High consequence work-related injury or ill-health (excluding fatalities)	Employees	0	0
		Workers	0	0

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

Various measures are being taken by the entity to ensure safe and healthy workplace. External audits for Plant safety, Fire, Electrical and ventilation are conducted. Various safety and Health trainings are conducted. We are ISO 45001:2018 compliant for our systems.

Ensuring a safe and healthy work environment is a prime responsibility of the company. Following are measures taken by entity to ensure safe and healthy workplace:

a) Training and Education: Employees aware about the risks and hazards in their workplace and how to avoid them. Regular training and education programs conducted for employees stay informed and stay safe.

b) Safety Inspections and Audit: Various audit and Inspections carried out at regular interval to avoid unwanted mishap.

c) Personal protective equipment (PPE): Depending on the nature of the work being performed we are providing PPE such as helmets, gloves, safety glasses, or respirators to ensure that all employees are protected.

d) To control the exposure to the hazards at workplace we have adopted with below.

Hierarchy of Control Strategy:

i. Elimination

ii. Substitution

iii. Engineering Control

iv. Administrative Control

v. Personal Protective Equipment

e) Company conducts regular safety audit of plant from competent Persons/Agency

f) HIRA/JSA/On Job Training of Employees

g) Ensure the Lock out and Tag Out (LOTO) System for hazardous energy

h) Ensure the Work Permit System for Monitoring of Critical Activities

i) Hazard and Operability study (HAZOP) of Critical areas

13. Number of Complaints on the following made by employees

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

14. Assessments for the year

	% Of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health and safety practices	100%
Working Conditions	100%

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

Various Training are provided to employees, Standard Operating Procedures are implemented, and risk assessment are done to avoid safety related incidents.

LEADERSHIP INDICATORS

1. Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Y/N) (B) Workers (Y/N)?

Yes

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

To assess potential value chain partners before cooperating with them, KOEL has developed a selection procedure. Before processing invoices, the business also makes sure that all compliance documents pertaining to statutory dues are shared. To handle the documentation and compliances of value chain partners, a specialized site has been developed. PF & ESIC contribution is done by all the contractors. These compliances are monitored by the HR Team.

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

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

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

   Not applicable

5. **Details on assessment of value chain partners:**

	% Of value chain partners (by value of business done with such partners) that were assessed
Health and safety practices	100%
Working Conditions	100%

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

   Risk assessment is carried out to mitigate the potential risks.

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

ESSENTIAL INDICATORS

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

   We have identified our key stakeholder groups as those who are impacted by our activities, products and services, and whose actions have present and potential impact on our business. We place a high importance on regular communication and engagement with them and have effective feedback mechanisms in place to incorporate their concerns and issues into our business planning and execution strategy.

   Based on the above definition, we have identified our key stakeholders as following:

   - Employees
   - Shareholders and Investors
   - Customers
   - Dealers and Distributors
   - Technical Collaborators
   - Banks
   - Suppliers and Vendors
   - Society/ Local Communities
   - Regulator/Government

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

Stakeholder group	Whether identified as Vulnerable & Marginalized Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually/ Half yearly/ Quarterly / others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Employees	No	• Town Hall meetings • Quarterly appraisals • Performance Review forums • Employee Engagement Survey • Trainings • Employee onboarding • External consultants' interactions • AOP/LRP deployment meets • Feedback from unions • IR Committee / Grievance handling committee / Dept. Safety Committee • Intranet	Periodically	To stay in touch with the employees, listen to their needs and to address their concerns **Key topics** • New initiatives, strategic direction, and organizational progress • Emerging business trends • Healthy and safe operations • Career development • Diversity and Inclusion • Training and Development • Motivation and job satisfaction • Employee well-being • Reward and recognition • Grievance mechanism • Policy updates
Shareholders/ Investors	No	• Annual General Meetings • Analyst meets • Media Releases • Annual report	Periodically	To stay abreast of developments in the company; To apprise quarterly and annual results **Key topics** • Business Strategy, financial performance, and outlook • Future investments • Good governance practices • Grievances received and addressed • Compliance with applicable laws • Sustainability
Customers	No	• One-on-one interaction • Customer satisfaction surveys • Helpdesk • Customer events • Camps and Exhibitions	Periodically	To develop relationships, anticipate short-term and long-term needs and expectations, to capture day-to-day requirements and to enhance KOEL experience for them **Key topics** • Brand awareness • Information about new and existing products • Availability, quality, and pricing of products • Grievance redressal and transparency • Product Development feedback • Pre and post Sales service

Stakeholder group	Whether identified as Vulnerable & Marginalized Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually/ Half yearly/ Quarterly / others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Dealers and Distributors	No	• One-on-one interaction • Monthly/ Quarterly reviews • Helpdesk • Dealer conferences and Meets	Periodically	To understand mutual expectations, to apprise of KOEL's policies and process communication, update on new products and sales strategy, to understand market conditions, and to know customer expectations and experience **Key topics** • KOEL expectations and need assessment • Product availability • Product portfolio • Quality and timely delivery • Market conditions and requirements • Customer expectations and experience • Brand awareness • Contractual obligations
Technical Collaborators	No	• One-on-one interaction	Periodically	To strengthen relationships by creating win-win situations **Key topics** • Business opportunities • New product development • Utilizing the mutual strengths • Product knowledge
Banks	No	Consortium Meetings: Periodical meetings/ interactions with members of the Banks in the consortium	Periodically	To approve funding and non-funding limits for the company **Key topics** • Funding and non-funding limits • Financial performance • Strategic business direction
Suppliers and Vendors	No (except a few small enterprises)	• One-to-one interaction • Supplier meets /conference (yearly) • Quality audit • SQI visit • Supplier 'A' Panel Meet • Technology Day • Quality contests (yearly) • Supplier Satisfaction Survey • BPR (Buffer Penetration Report) • Supplier Web Portal • Supplier Performance index • Joint improvement activities • Samvardhan program • Value Engineering exercises	Periodically	To mutual share needs and expectations and to develop strategic partnerships and value creation, to share technology **Key topics** • Quality, cost, and delivery improvement • Technology sharing • Contractual obligations • Innovation opportunities • Long-term associations
Society/ Local Communities	Yes	• Interaction with society/ NGO for the WASH initiative • Vasundhara Film festival • CSR committee meetings • CSR survey • Society Perception Survey	Periodically	To contribute back to society by implementing various initiatives, to spread awareness on environmental and social issues **Key topics** • Needs assessment and brand perception • Community development and welfare initiatives
Regulator/ Government	No	• Economic Publication in journals/seminars/ media reports • Interaction with District and State Authorities / Central Govt./ PCB meetings with Direct/ Indirect Tax officials	Periodically	To discussions various regulations and amendments, inspections, approvals **Key topics** • Compliance with applicable laws and regulations • Regular tax payments • Employment generation • Social responsibility • Industry concerns and policy advocacy • Government expectations

All employees are accountable for managing relationships and meeting expectations of internal and external stakeholders within their areas of responsibility. In addition to this, concerns of our stakeholders are addressed by Designated Officers, the details of which are given in the policy which is available on the Company's website.

LEADERSHIP INDICATORS

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

Improving the Company's capacity to generate long-term value for all its stakeholders is one of the core tenets of KOEL's business plan, and the most efficient way to do so is through stakeholder engagement. According to the business, good stakeholder engagement helps translate stakeholder requirements into corporate goals and forms the basis for effective strategy development. Depending on the nature of the identified material issue, the Board is informed of various developments through periodic reports and information directly from senior management members who have the functional responsibility for certain ESG concerns. Management and researchers debate the ESG findings.

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

   Yes, stakeholder consultation is used to support the identification and management of environmental, and social topics.

   To determine the issues that are most crucial to the Company and its stakeholders, the company conducts a materiality assessment process. Engaging internal and external stakeholders as part of this approach enables us to learn about their material issues and how different material problems influence them. Through numerous consultations, their priorities were ascertained, and a materiality matrix was constructed using this information.

   This activity aids the business in developing a more sustainable approach to day-to-day operations and helps the business identify potential risks and opportunities so that it may create an action plan. To comprehend the expectations of stakeholders, the Company interacted with several ESG teams comprised of investors, shareholders, consultants, and industry experts during the reporting period. It conducted a thorough exercise to evaluate current ESG practices and compare them to best practices.

   The Company, which is still developing, plans to use the extensive exercise's recommendations to advance and become one of the top ESG score providers in the nation. Based on the suggestions, the company is currently developing an ESG framework with precise KPIs and targets for its Sustainability Strategy 2030. It anticipates becoming a viable conglomerate in the long run.

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

   The business puts extra effort into supporting and uplifting society's underrepresented and disadvantaged segments. Among the stakeholders, KOEL is aware of the issues facing women, differently abled, vulnerable, and disadvantaged populations are given special consideration, and their problems are addressed. The company's CSR initiatives in the fields of education, health and hygiene, the environment, and rural development are geared towards the underprivileged, weak, and marginalized groups in society. No significant difficulties were reported by marginalized or vulnerable stakeholder groups throughout the reporting period.

Principle 5: Businesses should respect and promote human rights

ESSENTIAL INDICATORS

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

Category	FY 2023			FY 2022		
	Total (A)	No. of employees / workers covered (B)	% (B/A)	Total (C)	No. of employees / workers covered (D)	% (D/C)
Employees						
Permanent	2,210	Specialized training on human rights laws and practices has been given to Employees. New hires receive POSH training on human rights principles as part of the induction programme. Similarly POSH training is also given to current employees. Currently the Company is setting up the process to measure the number of trainings given and the number of employees who attended that training.		2,117	All employees have been provided specialized training on human rights policies and procedures. As a part of the induction program, POSH training is provided on human rights principles for new hires. Similarly, POSH training is also provided periodically to existing employees.	
Other than permanent	82			67		
Total employees	**2,292**			**2,184**		
Workers						
Permanent	128	We provide continuous training to workers for Health and Safety. We are in process of calculating the no of training hours and the total no of workers availing that training		116	We provide continuous training to workers for Health and Safety. We are in process of calculating the no of training hours and the total no of workers availing that training.	
Other than permanent	1,802			248		
Total workers	**1,930**			**364**		

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

Category	FY 2023					FY 2022				
	Total (A)	Equal to minimum wage		More than minimum wage		Total (D)	Equal to minimum wage		More than minimum wage	
		No (B)	% (B/A)	No (C)	% (C/A)		No (E)	% (E/D)	No (F)	% (F/D)
Employees										
Permanent										
Male	2,123	0	0%	2,123	100%	1,811	0	0%	1,811	100%
Female	74	0	0%	74	100%	63	0	0%	63	100%
Other than permanent										
Male	87	0	0%	87	100%	306	0	0%	306	100%
Female	8	0	0%	8	100%	4	0	0%	4	100%
Workers										
Permanent										
Male	128	0	0%	128	100%	116	0	0%	116	100%
Female	0	0	0%	0	0%	0	0	0%	0	0%
Other than permanent										
Male	1,758	1,461	83%	295	17%	226	0	0%	226	100%
Female	44	22	50%	22	50%	22	0	0%	22	100%

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

	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category	Number	Median remuneration/ salary/ wages of respective category
Board of Directors (BoD)	8	43.25 Lakhs	3	28.12 Lakhs
Key Managerial Personnel (KMP)	4	96.27 Lakhs	2	267.82 Lakhs
Employees other than BoD and KMP	2,120	9.5 Lakhs	74	9.4 Lakhs
Workers	128	9.1 Lakhs	0	NA

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

   Yes, all Human Rights complaints are addressed by the Ethics Committee.

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

   Ethics, POSH, and Grievance Redressal committees are in place for receiving and addressing complaints and feedback related to human rights violations and process improvements. The detailed policy provides the mechanism to file any grievances related to human rights issues - https://www.kirloskaroilengines.com/documents/541738/cc6d4946-420f-374a-606b-caf50a370c3e

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

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

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

   The Company encourages culture of reporting complaints and takes measures to prevent any adverse consequences to the complainant. The foundation of KOEL's Human Resources Policy is giving everyone the same opportunities without prejudice. The Company's core principles serve as a direction for the processes, which are also always compliant with labour laws, human rights laws, and other laws that are periodically passed. To report violations of human rights and implement effective corrective measures, KOEL has established appropriate channels and procedures, including the Whistle Blower and POSH Committee.

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

Yes, human rights requirements form part of business agreements. Supplier contracts contain Human Right clauses such as no use of child labor and enforcing the use of PPE (Safety) etc.

9. **Assessments for the year**

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

*KOEL due diligence procedure monitors compliance with the code of conduct on a regular basis and assures strict respect to all statutory laws, human rights directives, and different laws. All operations in the current reporting period (FY 2022-2023) were examined for compliance with human rights.

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

Not Applicable

LEADERSHIP INDICATORS

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

There were no cases found for which the business process modification was required.

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

Our values serve as the cornerstone of a dependable, accountable, and respected corporation, according to KOEL. These ideals provide strategic guidance for conducting business effectively while protecting and honoring the workforce's dignity and their fundamental human rights. The KOEL due diligence procedure ensures strict compliance with all statutory laws, human rights directives, and other regulations while evaluating the code of conduct's adherence on a quarterly basis. 100% of operations during the current reporting period were examined for compliance with human rights. Specialized training on human rights laws and practices has been given to all workers.

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

KOEL will ensure that premises and offices meet the requirements as per the Rights of Persons with Disabilities Act, 2016, as and when it is required. Currently there are no disabled people forming part of the human capital of the Company.

4. **Details on assessment of value chain partners:**

	% Of value chain partners (by value of business done with such partners) that were assessed
Sexual Harassment	100*
Discrimination at workplace	100*
Child Labour	100*
Forced Labour/Involuntary Labour	100*
Wages	100*

*During the reporting year (FY 2022-23), all new suppliers were evaluated based on social criteria such as diversity and equal opportunity, non-discrimination, child labor, forced labor, and human rights.

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

Not applicable

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

ESSENTIAL INDICATORS

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

Parameter	FY 2023	FY 2022
Total electricity consumption (A) (GJ)	1,01,851.54	88,419.99*
Total fuel consumption (B) (GJ)	1,10,957.82	98,739.18*
Energy consumption through other sources (C) (GJ)	-	-
Total energy consumption (A+B+C) (GJ)	**2,12,809.36**	**1,87,159.17***
Energy intensity per rupee of turnover (Total energy consumption/ turnover in Crores) (in GJ/Crores)	52.24	57.28

*Please note, the Rajkot plant was not operational in FY21-22. The plant is operational now and hence a significant jump in energy consumption can be seen.

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

No, the entity does not come under the category of Designated Consumers.

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

Parameter	FY 2023	FY 2022
Water withdrawal by source (in kiloliters)		
(i) Surface water	0	0
(ii) Groundwater	44,913.14	38,452.77
(iii) Third party water	1,88,633	1,22,367
(iv) Seawater / desalinated water	0	0
(v) Others	1,110	0
Total volume of water withdrawal (in kiloliters) (i + ii + iii + iv + v)	**2,34,656.14**	**1,60,819.77**
Total volume of water consumption (in kiloliters)	**2,34,656.14**	**1,60,819.77**
Water intensity per rupee of turnover (Water consumed / turnover in Crores)	**57.61**	**49.22**

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

Yes, the Company Installed an Electric Evaporator - 100 LPH for the ETP at Nasik Plant. The volume of treated water is 2 KLD. The recycled water is used for toilet flushing and low-grade Industrial applications like water curtains for paint booths at plant located in Kagal.

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

Parameter	Please specify unit	FY 2023	FY 2022
Nox	ppm	8.80	2.972
Sox	Kg/day	2.04	8.03
Particulate matter (PM)	(mg/Nm3)	44.28	59.245
Persistent organic pollutants (POP)	N.A.	0	0
Volatile organic compounds (VOC)	ppm	0.16	0.0002
Hazardous air pollutants (HAP)	N.A.	0	0
Others – please specify	N.A.	0.0045	0.0065

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

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

Parameter	Please specify units	FY 2023	FY 2022
Total Scope 1 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	Metric tonnes of CO2 equivalent	7,398	6,847
Total Scope 2 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	Metric tonnes of CO2 equivalent	16,072	15,368
Total Scope 1 and Scope 2 emissions per Crores of turnover	tCO2e/ Crore INR	5.76	6.80

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency

No

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

Yes, 2.68 MWp solar plant was commissioned in FY 2022-23 in addition to existing 5.5 MWp contributing to total capacity of 8.18 MWp. The Company also carried out Tree plantation and other energy conservation projects viz. a) installation of Solar streetlights, Solar charging station and micro wind turbines b) Use of Organic waste converter for processing kitchen waste etc.

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

Parameter	FY 2023	FY 2022
	Total Waste generated (in MT)	
Plastic waste (A)	28.44	48.71
E-waste (B)	4.59	4.41
Bio-medical waste (C)	0.08	0.09
Construction and demolition waste (D)	0.00	0.00
Battery waste (E)	5.29	8.03
Radioactive waste (F)	0.00	0.00
Other Hazardous waste. Please specify, if any. (G)	481.26	457.72
Other Non-hazardous waste generated (H). Please specify, if any.	4,982.25	4,290.95
Total (A+B + C + D + E + F + G + H)	**5,501.92**	**4,809.91**

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)

Category of waste	FY 2023	FY 2022
	Total Waste generated (in MT)	
(i) Recycled	5,101.52	4,434.80
(ii) Re-used	160.09	118.84
(iii) Other recovery operations	0	0
Total	**5,261.61**	**4,553.64**

For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)

Category of waste	FY 2023	FY 2022
	Total Waste generated (in MT)	
(i) Incineration	89.69	82.23
(ii) Landfilling	59.36	89.025
(iii) Other recovery operations	91.26	85.01
Total	**240.31**	**256.27**

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

All the hazardous and nonhazardous waste generated from our factory is segregated and safely stored in covered storage yard and it is disposed off as per the limits, disposal pathway and disposal agency mentioned in Consent to Operate of State pollution control board. Some of the hazardous waste such as Paint sludge, Lead acid batteries, e-waste, used engine oil is recycled through authorized recycler. The wastewater is treated and reused for irrigation, toilet flushing and industrial usage.

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

S. No.	Location of operations/offices	Type of operations	Whether the conditions of environmental approval / clearance are being complied with? (Y/N) If no, the reasons thereof and corrective action taken, if any
	NA	NA	NA

11. **Details environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year**

Name and brief details of project	EIA Notification No.	Date	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link
NA	NA	NA	NA	NA	NA

12. **Is the entity compliant with the applicable environmental law / regulations / guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment Protection Act, and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:**

S. No.	Specify the law / regulation / guidelines which was not complied with	Provide details of the non-compliance	Any fines / penalties / action taken by regulatory agencies such as pollution control boards or by courts	Corrective action taken if any
	NA	NA	NA	NA

LEADERSHIP INDICATORS

1. **Provide break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources, in the following format:**

Parameter	Unit	FY 2023	FY 2022
From renewable sources			
Total electricity consumption (A)	GJ	31,289.6	20,952.84
Total fuel consumption (B)	GJ	-	-
Energy consumption through other sources (C)	GJ	-	-
Total energy consumed from renewable sources (A+B+C)	GJ	31,289.6	20,952.84
From non-renewable sources			
Total electricity consumption (D)	GJ	70,561.94	67,467.15
Total fuel consumption (E)	GJ	1,10,957.82	98,739.18
Energy consumption through other sources (F)	GJ	-	-
Total energy consumed from non-renewable sources (D+E+F)	GJ	**1,81,519.76**	**1,66,206.33**

2. **Provide the following details related to water discharged:**

Parameter	FY 2023	FY 2022
Water discharge by destination and level of treatment (in kiloliters)		
(i) To Surface water - No treatment - With treatment – please specify level of treatment	Not applicable, as all the generated wastewater is treated and reused for horticulture and domestic purpose. No wastewater is discharged outside the premises of the Company.	
(ii) To Groundwater - No treatment - With treatment – please specify level of treatment	Not applicable, as all the generated wastewater is treated and reused for horticulture and domestic purpose. No wastewater is discharged outside the premises of the Company.	
(iii) To Seawater - No treatment - With treatment – please specify level of treatment	Not applicable, as all the generated wastewater is treated and reused for horticulture and domestic purpose. No wastewater is discharged outside the premises of the Company.	
(iv) Sent to third parties - No treatment - With treatment – please specify level of treatment	Not applicable, as all the generated wastewater is treated and reused for horticulture and domestic purpose. No wastewater is discharged outside the premises of the Company.	
(v) Others		
- No treatment (Used for gardening purposes)	-	-
- With treatment – please specify level of treatment	55,997.63	47,756.9
Total water discharged (in kiloliters)	**55,997.63**	**47,756.9**

3. **Water withdrawal, consumption, and discharge in areas of water stress (in kiloliters):**

For each facility / plant located in areas of water stress, provide the following information:

(i) Name of the area: Not applicable

(ii) Nature of operations: Not applicable

(iii) Water withdrawal, consumption, and discharge in the following format:

Parameter	FY 2023	FY 2022
Water withdrawal by source (in kiloliters)		
(i) To Surface water	NA	NA
(ii) Groundwater	NA	NA
(iii) Third party water	NA	NA
(iv) Seawater / desalinated water	NA	NA
(v) Others	NA	NA
Total volume of water withdrawal (in kiloliters)	**NA**	**NA**
Total volume of water consumption (in kiloliters)	**NA**	**NA**
Water intensity per rupee of turnover (Water consumed / turnover)	NA	NA
Water intensity (optional) – the relevant metric may be selected by the entity	NA	NA
Water discharge by destination and level of treatment (in kiloliters)		
(i) To Surface water		
- No treatment	NA	NA
- With treatment – please specify level of treatment	NA	NA
(ii) To Groundwater		
- No treatment	NA	NA
- With treatment – please specify level of treatment	NA	NA
(iii) To Seawater		
- No treatment	NA	NA
- With treatment – please specify level of treatment	NA	NA
(iv) Sent to third parties		
- No treatment	NA	NA
- With treatment – please specify level of treatment	NA	NA
(v) Others		
- No treatment	NA	NA
- With treatment – please specify level of treatment	NA	NA
Total water discharged (in kiloliters)	**NA**	**NA**

4. **Please provide details of total Scope 3 emissions & its intensity, in the following format:**

Parameter	Unit	FY 2023	FY 2022
Total Scope 3 emissions (Break-up of the GHG into CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, if available)	Metric tonnes of CO_2 equivalent	NA	The Company is not capturing the Scope 3 emissions information, but in the coming years, KOEL anticipates it will calculate the relevant and significant scope 3 emission categories.
Total Scope 3 emissions per rupee of turnover		NA	
Total Scope 3 emission intensity (optional) – the relevant metric may be selected by the entity		NA	

5. **With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct & indirect impact of the entity on biodiversity in such areas along-with prevention and remediation activities.**

We are not operating in ecologically sensitive zones.

6. **If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:**

Sr. No.	Initiative undertaken	Details of the initiative (Web-link, if any, may be provided along-with summary)	Outcome of the initiative
1	Energy Management	The entity has taken up initiatives to reduce the power consumption which in turn reduces the scope 1 emissions such as: • Online Energy monitoring system • Energy conservation drive, monitoring of specific energy consumption and its linkage to KRAs of managers • Participation in various energy summits to remain updated with latest technologies on energy efficiency • Conducting air audits and energy audits once in 3 years from external agency • Appointment of BEE certified energy manager Employee awareness through celebration on Energy conservation week, exhibitions and seminars.	Reduction in Specific energy consumption and by 5% over previous year.
2	Renewable energy in use	Additional installation of 2.68 MWP Captive Solar power plant to existing 5.5 MWp solar plan, 15 kW Solar charging station, total 30 kW Micro wind turbines, 150 numbers of 50W solar streetlights.	Reduction in Carbon intensity (kg of CO_2 per unit of BHP produced) by 5%
3	Waste and Effluents (Waste plastic to fuel plant initiative)	• Thermal catalytic depolymerization process to convert waste plastic bags into fuel. • Organic waste converter of 250 kg per day to process the canteen and kitchen waste • Recycling of treated effluent for toilet flushing and irrigation, ecological based sewage treatment plant.	100% utilization of recycled water for Toilet flushing, gardening etc.
4	Water Withdrawal	• Constructed rainwater harvesting structures and farm lakes. • Reuse of treated effluent for toilet flushing and irrigation. • Replacement of Underground fire hydrant line with above ground to eliminate water leakages in underground pipeline. • Utilisation of harvested rainwater for domestic and industrial usage, annual 40,000 kl of ground water recharging • Implementation of dry metal cutting operations • Utilisation of harvested rainwater for washing of solar panels • Utilisation of harvested rainwater for fire hydrant system • Upgradation of storm water system for efficient collection of rainwater. Water conservation by diverse measures including installation of water saver taps, water loss prevention measures and optimal utilization of treated water	• 18% share of harvested rainwater in total water consumption • 25% share of recycled water in total water consumption

7. **Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.**

Yes, the Company has created a business continuity policy and plan for various business units, manufacturing facilities and other corporate functions (such as human resources, finance, etc.).

8. **Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard?**

KOEL has not yet assessed the environmental impact of the value chain, but R&D innovations concentrate on expanding product lines and upgrading goods to reduce emissions throughout the value chain and develop remedies for long-term and sustainable expansion.

9. **Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts**

100% of KOEL's important suppliers (in production parts) have undergone screening, and the company has implemented a zero-defect project for supplier improvement with six-monthly reviews that place a particular emphasis on raising EHS ratings and raising other social benchmarks.

Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

ESSENTIAL INDICATORS

1.

a. Number of affiliations with trade and industry chambers / associations:

The Company is a member of 7 trade and industry chambers/ associations

b. List the top 10 trade and industry chambers / associations (determined based on the total members of such a body) the entity is a member of / affiliated to.

S. No.	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/ National)
1	Bombay Chamber of Commerce and Industry	State
2	Confederation of Indian Industry (Western Region)	National
3	Engineering Export Promotion Council	National
4	Federation of Indian Chambers of Commerce and Industry	National
5	Federation of Indian Export Organizations	National
6	Mahratta Chamber of Commerce Industries and Agriculture	State
7	Automotive Research Association of India	National

2. **Provide details of corrective action taken or underway on any issues related to anticompetitive conduct by the entity, based on adverse orders from regulatory authorities.**

Not Applicable (During the reporting period, the Company received no notices for anti-competitive, antitrust, conflict of interest, or monopolistic practices from regulatory authorities).

LEADERSHIP INDICATORS

1. **Details of public policy positions advocated by the entity:**

During the reporting period, no public policy positions were advocated.

Principle 8: Businesses should promote inclusive growth and equitable development

ESSENTIAL INDICATORS

1. **Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current FY 23**

Not applicable

2. **Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity in the following format**

Not applicable

3. **Describe the mechanisms to receive and redress grievances of the community**

The Company's CSR initiatives are intended to solve issues and problems that affect the local communities, including underprivileged populations. The following are some of the procedures the corporation has in place to receive and address community complaints:

- CSR representatives meet directly with community members while trying to address their grievances.
- KOEL continues to carry out a Society Perception Survey periodically through a reputed external agency in the field. The survey results enable KOEL to assess the perception within local communities on its performance on initiatives undertaken and measure improvements on a year-on -year basis. Further, it enables KOEL to integrate these key findings in developing future CSR initiatives.

Additionally, KOEL gets itself assessed on a Community Satisfaction Survey Index periodically and strives for a score of at least 85.

4. **Percentage of input material (inputs to total inputs by value) sourced from suppliers**

Category of waste	FY 2023	FY 2022
Directly sourced from MSMEs/ small producers	31.3%	59.6%
Sourced directly from within the district and neighboring districts	56.4%	59.5%

LEADERSHIP INDICATORS

1. **Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above):**

Not applicable

2. **Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:**

Not applicable

3.

A) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalized /vulnerable groups? (Yes/No) B) From which marginalized /vulnerable groups do you procure? C) What percentage of total procurement (by value) does it constitute?

Yes, the Company consciously works to guarantee that it does business with small, regional producers. Its well-organized supply chain philosophy suggests buying supplies from vendors within a 300-kilometer radius. KOEL supports the small and medium-sized enterprises. KOEL involves MSME suppliers in the "Samvardhan Programme," which uses LEAN principles to encourage vendors to think like entrepreneurs and build their businesses.

4. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge:

Not applicable since the company has standard patents that are not based on traditional knowledge and does not own any intellectual properties based on traditional knowledge.

5. Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.

Not applicable

6. Details of beneficiaries of CSR Projects:

S. No.	CSR Project	No. of persons benefitted from CSR Projects	% Of beneficiaries from vulnerable and marginalized groups
1	Financial Assistance for Education	The Company puts extra effort into supporting and uplifting society's underrepresented and disadvantaged segments. KOEL acknowledges the concerns faced by women, and makes efforts to solve these problems. The Company's CSR initiatives in the fields of education, health and hygiene, environment, and rural development are targeted at the underprivileged, vulnerable, and marginalized groups in society. For further details please refer to the annexure of the Board Report in the Annual Report for FY 2022-23.	
2	Community Development Project (Rural) – Rural development		
3	Community Development Project (Urban) -Livelihood enhancement		
4	Health – Preventive healthcare and sanitation		
5	Wastewater Management (Panchganga Rive & Lake Water prevention from pollutant water)		
6	Kirloskar Vasundhara Eco Rangers (KVER)		
7	Tree Plantation		
8	Creative Development workshop for school children		
9	"SAAKAV"-Life Skill Training		
10	Promotion of Rural sports		
11	Organic Farming		
12	Har Ghar Tiranga campaign		
13	Waste Collection Project		

Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner

ESSENTIAL INDICATORS

1. **Describe the mechanisms in place to receive and respond to consumer complaints and feedback**

- There is a dedicated 24/7 Helpdesk in place, manned by customer service representatives who respond to client issues and questions, to ensure active communication. Customers can email their questions to the Helpdesk (or to any Kirloskar Officials) in addition to calling the Helpdesk to have their issues answered. Customers can find the Helpdesk contact information on stickers affixed to DG sets, the business website, and all Point-of-Sale Materials (POSMs).

- For post warranty concerns, customers can call service dealers.
- Customers can also raise a service request through the Customer Self-service App.
- The Company official responsible for handling complaints received from these sources, such as a Product Service Manager, Zonal Customer Manager, or Customer Relationship Manager, is contacted. To comprehend the problem and take corrective action through the service dealer network, the respective manager talks with the customer about their complaint and, if necessary, meets with them in person. To learn about any segment-specific complaints, if any, customer service also organizes various customized drive campaigns by customer or product segments. This allows the business to make the necessary improvements to the system or product.
- The business keeps using digital and technological initiatives to engage customers proactively and offer after-sale service. To boost customer confidence and service satisfaction, KPIs (On First Time Right and First Visit Resolution) are tracked using a system.
- Through Pulse (Dealer Management System), Service Requests are sent to the relevant Service Dealers and tracked from the Service Dealer level to the Customer Support head level with varying slabs on ageing. If the Service Request is not resolved in the system within the allotted time, auto escalation systems are in place to raise the issue to the next level. Depending on the kind, severity, and age of the complaints, the relevant functions assess these complaints daily, weekly, or fortnightly.
- Through CDI Calls (Customer Delight Index) made directly through a specialised help desk or by a feedback link supplied to clients via SMS following the conclusion of each call through a Service Request, the process of gauging the customer's pleasure on their Service Request is carried out. The Company benefits from CDI's assistance in gathering client comments on the services used. Each complaint from a "detractor customer" (a customer who has given a score of 6 or below on a scale of 10) is personally handled by a KOEL employee, who also sees to its settlement.
- If a customer feels that the job was not done entirely, Kirloskar Help Desk will create a new Service Request in the system and notify the appropriate service provider, who will then make sure to complete the task to the customer's satisfaction and close the request.
- For Customer service and spare parts, KOEL has 425 outlets PAN-India with robust, digitized processes and 3000+ trained service team members.
- Any customer can get in touch with us through our contact us page on the website: https://www.kirloskaroilengines.com/contact

2. **Turnover of products and / services as a percentage of turnover from all products/ service that carry information about**

State	As a percentage to total turnover
Environmental and social parameters relevant to the product	No specific labels provided
Safe and responsible usage	100%
Recycling and/or safe disposal	No specific labels provided

3. **Number of consumer complaints in respect of the following:**

	FY 2023			FY 2022		
	Received during the year	Pending resolution at end of year	Remarks	Received during the year	Pending resolution at end of year	Remarks
Data privacy Cyber-security Delivery of essential services Restrictive trade practices Unfair trade practices	Nil		The complaints recorded here refer to the Service Requests raised by customers primarily regarding warranty, warranty free checks, post warranty jobs, Comprehensive Maintenance Contracts and Annual maintenance contracts.	Nil		The complaints recorded here refer to the Service Requests raised by customers primarily regarding warranty, warranty free checks, post warranty jobs, Comprehensive Maintenance Contracts and Annual maintenance contracts.
Others	2,51,741	0		8,33,609	5,899	

4. **Details of instances of product recalls on accounts of safety issues**

	Number	Reason for recall
Voluntary recalls	0	Complete product recall has never been done as product is installed at site as per the customer needs as well as the site conditions. In case of any failures reported in the component it is addressed through service request, call center register the complaint and ASC is resolved on priority basis. Hence, no instance of recall-based activity.
Forced recalls	0	

5. **Does the entity have a framework / policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.**

Yes, the Company Privacy Policy addresses cyber security risks and data privacy. It can be accessed here:

https://www.kirloskaroilengines.com/documents/541738/d13e9154-6391-dc17-4e0c-af93e34091c1

The entire system of customer service has been systematized by KOEL. The Company's ERP, Pulse (Dealer Management System), Electronic Field Service Report (eFSR), KOEL Flow, and Electronic Spare Parts Catalogue(eSPC) are used for the entire operation. These systems are completely system controlled and functionally integrated with one another. To examine, understand, and correct any errors or mistakes made by anyone in the entire chain from the Service Dealer to the corporate end, necessary audits are being performed at the Service Dealer end, as well as Site Audits and Warranty audits.

6. **Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services**

During the reporting period, the Company received no issues were raised related to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

LEADERSHIP INDICATORS

1. **Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).**

Yes, the website has product specific information- https://www.kirloskaroilengines.com/products

2. **Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.**

- To encourage and ensure responsible use of KOEL Products and to improve the competency of the service dealer personnel by exemplifying proper maintenance practices, KOEL - CSBG has implemented a structured approach that involves conducting annual training programmes for its All-India service dealers and their technicians on a periodic basis. The following specialized training programmes are set up for clients and service providers:
- Engine assembly & dismantling practices
- Recommended maintenance practices
- Electrical training program on Main alternators & others
- Customer training program on Operation & maintenance practice on engine / DG Sets
- Customer sensitization & Presentation skills

Apart from above, the following initiatives are taken by KOEL for training its customers:

- Product demonstrations in PG/Agri/LEBG
- Training at Customer's premises
- Product Literature
- Use of skids instead of wooden packaging to maximize green effect
- Field demonstrations of product usage in Agri (CUE)
- Customer communication during site visits in all BU

To educate customers about its products, KOEL also uses a variety of display labels on its parts and products. In accordance with the necessary labelling regulations, the Company also provides Operations & Maintenance (O&M) manuals for the corresponding goods. In addition, all goods are assigned a set of Dos and Don'ts, regulatory approval certificate references, user manual and parts code numbers, and more.

3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.

Not applicable, as KOEL does not provide essential services.

4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable) If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)

Yes, several certifications, including Factory Manual Underwriters Laboratory (FMUL), have been awarded to the company's goods. Additionally, the products of the company have received certification from the Bureau of Indian Standards (BIS) and the CE, or European Conformity label.

Customers and recyclers should be aware of their duties thanks to the company's labelling. To educate customers about its products, KOEL also uses a variety of display labels on its parts and products. In accordance with the pertinent labelling regulations, it also offers Operations & Maintenance (O&M) manuals for the applicable items. In addition, all goods are assigned a set of Do's and Don'ts, regulatory approval certificate references, user manual and parts code numbers, and more.

5. Provide the following information relating to data breaches:

a. Number of instances of data breaches along-with impact:

Not applicable

b. Percentage of data breaches involving personally identifiable information of customers:

Not applicable

Financial Statements

Independent Auditor's Report

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

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying Standalone Financial Statements of Kirloskar Oil Engines Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2023, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of Significant Accounting Policies and other explanatory information (hereinafter referred to as "the Standalone Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, and its profit (including Other Comprehensive Income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Standalone Financial Statements for the financial year ended March 31, 2023. These matters were addressed in the context of our audit of the Standalone Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have determined the matter described below to be the key audit matter to be communicated in our report.

Revenue recognition

During the financial year the Company has recognised revenue from contracts with customers for sale of goods and services of ₹ 4,073.04 Crores (Refer Note 30 of Standalone Financial Statements). Revenue is recognised as per revenue recognition policy described in Note 41.4.17

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

Our audit methodology included the following:

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

Other Information

The Company's Board of Directors is responsible for the Other Information. The Other Information comprises the information included in the Management Discussion and Analysis, Corporate Governance, Business Responsibility and Sustainability Report and Directors' Report, but does not include the Standalone Financial Statements and our auditor's report thereon.

Our opinion on the Standalone Financial Statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements for the financial year ended March 31, 2023 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, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the 'Annexure A'; a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   (c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid Standalone Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.

   (e) On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.

   (f) With respect to the adequacy of the internal financial controls with reference to Standalone Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B' to this report.

   (g) As required by section 197 (16) of the Act, in our opinion and according to information and explanation provided to us, the remuneration paid/ provided for by the company to its directors is in accordance with the provisions of section 197 of the Act and remuneration paid to directors is not in excess of the limit laid down under this section.

   (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

      (i) The Company has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements – Refer Note 41.5.1 to the financial statements.

      (ii) The Company has made provision for material foreseeable losses on long term contracts – Refer Note 29. Further, the Company did not have any long-term derivative contracts as at March 31, 2023.

      (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

      (iv) The Management has represented that to the best of its knowledge or belief, no funds other than as disclosed in the notes to the financial statements (Refer Note 46) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies) including foreign entities (intermediaries) with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

      (v) The Management has represented that to the best of its knowledge or belief, no funds have been received by the company from any other person(s) or entity(ies) including foreign entities (funding parties) with the understanding, whether recorded in writing or otherwise, that the company shall, whether directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

      (vi) Based on the audit procedures considered reasonable and appropriate in the circumstances carried out by us, nothing has come to our notice that has caused us to believe that the representation under clause (iv) & (v) contain any material misstatements.

      (vii) The dividend declared and paid during the year by the Company is in compliance with section 123 of the Act.

      (viii) No comments have been offered as regards the maintenance of books of account using accounting software which has a feature of recording audit trail (edit log) facility under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 since the said requirements under proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 are not applicable to the Company for the financial year ended on March 31, 2023.

For **G. D. Apte & Co.**
Chartered Accountants
Firm Registration Number: 100515W
UDIN: 23113053BGWTAM2389

Umesh S. Abhyankar
Partner
Membership Number: 113053
Pune, May 19, 2023

Annexure "A" to Independent Auditor's Report (Referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' section of our Report to the Members of Kirloskar Oil Engines Limited of even date)

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

(B) The Company is maintaining proper records showing full particulars of intangible assets.

(b) The Company has a regular programme of physical verification of its property, plant and equipment according to which the physical verification is carried out once in a period of three years. In accordance with this programme, property, plant and equipment were verified during the year 2021-22 and no material discrepancies were noticed on such verification. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and nature of its assets.

(c) The title deeds of all the immovable properties disclosed in the Standalone Financial Statements were held in the name of the Company. Further, the lease agreements where the Company is a lessee have been duly executed.

(d) During the year, the Company has not revalued its property, plant and equipment, right of use assets and intangible assets.

(e) According to the information and explanations given to us, no proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

(ii) (a) The physical verification of inventory has been conducted at reasonable intervals by the Management. In our opinion, the procedures for verification of inventory and the coverage of verification were appropriate. The discrepancies noticed for each class of inventories were insignificant, which have been properly dealt with in the books of account. In respect of inventories lying with third parties, the Company has obtained confirmation letters to cover the significant value.

(b) During the year, the Company has availed working capital limits from banks in excess of ₹ 5 Crores on the basis of security of current assets. On the basis of audit procedures carried out by us we report that there were no discrepancies in the quarterly statements filed with banks and the books of account of the Company.

(iii) (a) During the year the Company has not given any advance in the nature of loan, provided any guarantee or given any security to its subsidiaries, joint ventures, other companies, firms, Limited Liability Partnerships or any other parties. However, the Company has granted loans during the year, the details of which are as under:

Particulars	Amount ₹ in Crores
Aggregate amount granted/ provided during the year	
Subsidiaries	29.85
Employees	0.04
Balance outstanding as at balance sheet date in respect of above cases	
Subsidiaries	29.85
Employees	0.07

(b) In our opinion, the investments made and the terms and conditions of loans and advances given during the year are not prejudicial to the interest of the Company.

(c) In respect of loans, the schedule of repayment of principal and payment of interest has been stipulated and the repayments are regular except few delays in case of interest from one of the subsidiaries, which has since been fully recovered during the year.

(d) There are no amounts of principal and interest which are overdue as at March 31, 2023.

(e) According to the information and explanations provided to us and based on the audit procedures carried out by us we report that no loan which has fallen due during the year has been renewed or extended. We further report that no fresh loans have been granted to settle the overdues of existing loans given to the same parties.

(f) The Company has not granted any loans either repayable on demand or without specifying any terms or period of repayment.

(iv) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of the loans and investments made, guarantees and security provided by it, as applicable.

(v) The Company has not accepted any deposits or amounts which are deemed deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under. According to the information and explanations given to us, no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(vi) Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(vii) (a) The Company is generally regular in depositing the undisputed statutory dues, including goods and services tax, provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess, and other material statutory dues, as applicable, with the appropriate authorities.

According to the information and explanations given to us and based on the audit procedures carried out by us, no undisputed amounts payable in respect of statutory dues were in arrears as at March 31, 2023 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and on the basis of examination of books of account and records of the Company, we report that there are no dues in respect of goods and services tax, provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues which have not been deposited on account of any dispute except for following cases:

Name of the Statute	Nature of Dispute	Amount under dispute not deposited (₹ in Crores)	Period to which amount is related	Forum where the dispute is pending
Income Tax Act, 1961	Disallowances and demands during the course of assessment	38.36	Assessment Years: 1997-98 1998-99 2001-02 2008-09 2009-10 2012-13	Bombay High Court As informed to us, though the demands have been dropped by assessing officers in view of favourable decisions by ITAT, the Income Tax Department has since preferred appeals in the High Court. However, the High Court has not directed the Company to deposit any amount in this respect.
		12.66	AY 2018-19	Commissioner of Income Tax (Appeals)
State Sales Tax Legislations	Non- submission of forms and Other Demands	1.49	2004-2005 2007-2008	High Court of Madhya Pradesh Bombay High Court Karnataka High Court
	Demand for disallowance of claims	0.07	2011-2012	Custom, Excise and Service Tax Appellate Tribunal (CESTAT)
	Non-receipt of forms and disallowance of credits	0.73	2004-2005 2008-2009 2011-2017	Joint/ Additional/ Commissioner (Appeals)
Finance Act, 1994	Disallowance of Credit	0.03	2007-2010	Bombay High Court
		0.62	2006-2007 2013-2016	Custom, Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Excise duty on government incentives, Valuation and disallowance of CENVAT credit	41.77	1999-2002 2004-2017	Custom, Excise and Service Tax Appellate Tribunal (CESTAT)
Maharashtra Municipal Corporation Act, 1949, and the Bombay Provincial Municipal Corporation Rules, 2010.	Demands of Local Body Tax	0.44	2013-14 2014-15	Deputy Commissioner (Taxes) Nasik Municipal Corporation
Maharashtra Stamp Act, 1958, as amended	Stamp duty	7.47	Assessed during 2015-16	Chief Controlling Revenue Authority Refer Note 29 (2b)

(viii) According to the information and explanations given to us and on the basis of examination of books of account and records of the Company, we report that there are no transactions, which were not recorded in the books of account but have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961

(ix) (a) The Company has not defaulted in repayment of loans or other borrowings including interest thereon from banks. The Company has not borrowed any funds from financial institutions or any other lender.

(b) According to the information and explanations given to us and on the basis of examination of books of account and records of the Company, we report that the Company has not been declared to be a wilful defaulter by any bank.

(c) According to the information and explanations given to us and on the basis of examination of books of account and records of the Company, we report that term loans were applied for the purposes for which the loans were obtained.

(d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the financial statements of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.

(e) The Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries or joint venture.

(f) The Company has not raised loans during the year on the pledge of securities held in its subsidiaries or joint venture.

(x) (a) During the year, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments). As such, reporting under clause 3(x)(a) is not applicable.

(b) The Company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year.

(xi) (a) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Standalone Financial Statements and as per the information and explanations given by the Management, we report that no fraud by the Company or any fraud on the Company has been noticed or reported during the year.

(b) No report under sub-section (12) of section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.

(c) According to the information and explanations given to us and procedures performed by us, we report that no whistle-blower complaints were received during the year by the Company.

(xii) The Company is not a Nidhi Company within the meaning of Section 406 of the Act. As such, reporting under clause 3 (xii) (a) to (c) is not applicable.

(xiii) Based upon the audit procedures performed and as per the information and explanations given to us, we report that the transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and the details as required by the applicable Indian Accounting Standards have been disclosed in the Financial Statements.

(xiv) (a) In our opinion, the internal audit system of the Company is commensurate with the size and nature of its business.

(b) The reports of the Internal Auditors for the year under audit have been considered by us.

(xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with any of the directors or persons connected with him. Accordingly, the provisions of clause (xv) of the Order are not applicable to the Company.

(xvi) (a) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 . Accordingly, the provisions of clause (xvi (a)) of the Order are not applicable to the Company.

(b) The Company has not conducted any Non-Banking Financial or Housing Finance activities during the year.

(c) The Company would not be classified as a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India.

(d) According to the information and explanation given to us, the Group has two Core Investment Companies as defined in Core Investment Companies (Reserve Bank) Directions, 2016.

(xvii) On the basis of examination of books of account and records of the Company and overall examination of the Standalone Financial Statements, we report that the Company has not incurred cash losses in the financial year 2022-23 or in the immediately preceding financial year 2021-22.

(xviii) During the year, there is no resignation by the statutory auditors of the Company.

(xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

(xx) On the basis of examination of books of account and records of the Company, we report that there is no unspent amount in respect of Corporate Social Responsibility which was due for transfer during the year to a Fund specified in Schedule VII to the Act or to special account in compliance with provision of sub section (6) of section 135 of the said Act.

For **G. D. Apte & Co.**
Chartered Accountants
Firm Registration Number: 100515W
UDIN: 23113053BGWTAM2389

Umesh S. Abhyankar
Partner
Membership Number: 113053
Pune, May 19, 2023

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

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

We have audited the internal financial controls with reference to Standalone Financial Statements of Kirloskar Oil Engines Limited ("the Company") as of March 31, 2023 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls over financial reporting with reference to Standalone Financial Statements

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

Inherent Limitations of Internal Financial Controls over financial reporting with reference to Standalone Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to Standalone Financial Statements and such internal financial controls were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **G. D. Apte & Co.**
Chartered Accountants
Firm Registration Number: 100515W
UDIN: 23113053BGWTAM2389

Umesh S. Abhyankar
Partner
Membership Number: 113053
Pune, May 19, 2023

Balance Sheet as at 31 March 2023

₹ in Crores

Particulars	Note No.	As at 31 March 2023	As at 31 March 2022
ASSETS			
I. Non-current assets		2,023.47	1,650.48
(a) Property, plant and equipment	1a	362.36	367.78
(b) Capital work-in-progress	1a	15.82	20.56
(c) Right-of-use assets	1b	15.89	11.65
(d) Other intangible assets	2	46.85	70.80
(e) Intangible assets under development	2	50.61	18.77
(f) Financial assets			
(i) Investments	3	1,430.87	1,105.17
(ii) Loans	4	8.04	0.06
(iii) Other financial assets	5	15.00	15.24
(g) Income tax assets (net)	6	33.92	37.39
(h) Other non-current assets	7	44.11	3.06
II. Current assets		1,316.30	1,361.74
(a) Inventories	8	468.45	303.08
(b) Financial assets			
(i) Investments	9	261.65	567.04
(ii) Trade receivables	10	467.21	394.54
(iii) Cash and cash equivalents	11a	23.91	20.36
(iv) Bank balances other than (iii) above	11b	9.92	11.08
(v) Loans	12	21.88	0.04
(vi) Other financial assets	13	34.26	37.29
(c) Assets held for sale	14	-	-
(d) Other current asset	15	29.02	28.31
Total Assets		3,339.77	3,012.22
EQUITY AND LIABILITIES			
Equity		2,331.84	2,139.46
(a) Equity share capital	16	28.95	28.92
(b) Other equity	17	2,302.89	2,110.54
Liabilities			
I. Non-current liabilities		82.67	121.67
(a) Financial liabilities			
(i) Borrowings	18	-	34.17
(ii) Lease liabilities	19	2.51	-
(iii) Other financial liabilities	20	18.20	16.64
(b) Provisions	21	33.22	35.47
(c) Deferred tax liabilities (net)	22	6.12	14.59
(d) Other non-current liabilities	23	22.62	20.80
II. Current liabilities		925.26	751.09
(a) Financial liabilities			
(i) Borrowings	24	75.14	62.60
(ii) Lease liabilities	25	2.89	0.84
(iii) Trade and other payables	26		
a) total outstanding dues of micro enterprises and small enterprises		97.59	98.48
b) total outstanding dues of creditors other than micro enterprises and small enterprises		535.02	411.36
(iv) Other financial liabilities	27	63.66	56.64
(b) Other current liabilities	28	60.08	51.01
(c) Provisions	29	90.88	70.16
Total Equity and Liabilities		3,339.77	3,012.22

Significant accounting policies 41
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 **G. D. APTE & CO.**
Chartered Accountants
Firm Registration Number : 100515W

ATUL KIRLOSKAR
Non-Executive Chairman
DIN: 00007387

GAURI KIRLOSKAR
Managing Director
DIN: 03366274

UMESH S. ABHYANKAR
Partner
Membership Number : 113053
Pune: 19 May 2023

ANURAG BHAGANIA
Chief Financial Officer
ACA: A058992
Pune: 19 May 2023

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Statement of Profit and Loss for the year ended 31 March 2023

₹ in Crores

Particulars	Note No.	2022-23	2021-22
Income			
Revenue from operations	30	4,116.13	3,299.66
Other income	31	27.32	24.76
Total Income		4,143.45	3,324.42
Expenses			
Cost of raw materials and components consumed	32	2,038.90	1,560.50
Purchase of traded goods	33	812.80	737.10
Changes in inventories of finished goods, work-in-progress and traded goods	34	(62.01)	(6.41)
Employee benefits expense	35	236.48	206.99
Finance costs	36	5.36	6.24
Depreciation and amortisation expense	37	84.76	77.23
Other Expenses	38	674.29	546.63
Expense capitalised		(11.27)	(13.91)
Total Expenses		3,779.31	3,114.37
Profit before exceptional items and tax		364.14	210.05
Exceptional Items [income/(expense)]	39	-	52.65
Profit before tax		364.14	262.70
Tax expense		93.89	54.69
Current tax	40	99.45	53.52
Deferred tax	40	(5.56)	1.17
Profit for the year		270.25	208.01
Other comprehensive Income/(Loss)			
Items that will not be reclassified to profit or loss in subsequent periods		(8.93)	3.06
Re-measurement gain / (loss) on defined benefit plans		(8.57)	0.23
Income tax (expenses)/income on above		2.16	(0.06)
Subtotal (A)		(6.41)	0.17
Net gain / (loss) on equity instruments measured at FVOCI		(3.27)	3.75
Income tax (expenses)/income on above		0.75	(0.86)
Subtotal (B)		(2.52)	2.89
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods (A + B)		(8.93)	3.06
Total other comprehensive income/(loss) for the year, net of tax [A + B]		(8.93)	3.06
Total comprehensive income/(loss) for the year		261.32	211.07
Earnings per equity share			
[nominal value per share ₹ 2/- (31 March 2022: ₹ 2/-)]			
Basic		18.68	14.38
Diluted		18.64	14.36
Significant accounting policies	41		

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 **G. D. APTE & CO.**
Chartered Accountants
Firm Registration Number : 100515W

ATUL KIRLOSKAR
Non-Executive Chairman
DIN: 00007387

GAURI KIRLOSKAR
Managing Director
DIN: 03366274

UMESH S. ABHYANKAR
Partner
Membership Number : 113053
Pune: 19 May 2023

ANURAG BHAGANIA
Chief Financial Officer
ACA: A058992
Pune: 19 May 2023

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Statement of Cash Flow for the year ended 31 March 2023

₹ in Crores

Particulars	2022-23	2021-22
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	364.14	262.70
Adjustments:		
Add:		
Depreciation and amortisation expense	84.76	77.23
Finance costs	5.36	6.24
Share based compensation of employees	1.85	2.96
Impairment loss allowance, write off on trade receivables / other receivables (net)	26.17	(2.15)
Bad debts and irrecoverable balances written off	1.07	1.57
Write down / (reversal) in write down of inventories	2.68	(2.51)
(Profit)/Loss on reinstatment on receivables/payables	0.84	(0.61)
Unwinding of security deposit and subsidy receivable under Package Scheme of Incentives (PSI),2001	1.05	(0.92)
	123.78	81.81
Less :		
Gain on sale of investments in a subsidiary (Refer Note 39)	-	52.65
Gain/(Loss) on sale of investments in mutual funds measured at FVTPL (net)	13.94	9.89
Gain/ (Loss) on fair valuation of investments in Mutual Funds measured at FVTPL (net)	4.18	6.89
Provisions no longer required written back	5.48	5.50
Interest income	1.89	1.21
Gain/ (Loss) on disposal of property, plant and equipment (net)	0.39	0.81
Sundry credit balances written back	1.31	0.35
Gain/ (Loss) on fair valuation of derivative instruments	2.07	0.30
Revenue from deferred Export Promotion Capital Goods (EPCG) Scheme	0.15	0.14
Dividend income	0.00	0.00
	29.41	77.74
Operating profit before working capital changes	458.51	266.77
Working Capital Adjustments		
(Increase)/Decrease in government grant receivables	2.50	24.99
(Increase)/Decrease in trade and other receivables	(85.68)	(22.76)
(Increase)/Decrease in inventories	(168.05)	(35.38)
Increase/(Decrease) in trade and other payables	138.49	1.25
Increase/(Decrease) in provisions	10.29	16.19
	(102.45)	(15.71)
Net cash generated from operations	356.06	251.06
Income tax paid (net of refunds)	(95.98)	(56.65)
NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES	260.08	194.41
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in subsidiaries	(328.96)	(887.00)
Purchase of property, plant and equipment (PPE) and intangible assets	(121.31)	(81.23)
(Purchase)/ Proceeds from sale of mutual funds (net)	323.52	67.97
Proceeds from sale of PPE & other intangible assets including advances	0.67	0.82
Fixed deposits placed	(0.29)	-
Loans granted to subsidiaries	(29.85)	-
Dividend received	0.00	0.00
Interest received	0.60	-
NET CASH (USED IN) INVESTING ACTIVITIES	(155.62)	(899.44)

Statement of Cash Flow for the year ended 31 March 2023

₹ in Crores

Particulars	2022-23	2021-22
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from sale of investment in a subsidiary (Refer Note 39)	-	753.96
Proceeds from bill discounting & borrowings	74.99	121.92
(Repayment) of bill discounting & borrowings	(96.77)	(103.56)
Final and interim dividend paid	(72.34)	(57.84)
Finance costs	(5.00)	(5.25)
Payment for lease liabilities	(3.22)	(1.14)
Proceeds from issuance of share capital including securities premium	1.36	-
Receipt of share application money pending allotment of shares	0.07	0.02
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	(100.91)	708.11
Net increase/(decrease) in Cash and cash equivalents	3.55	3.08
Opening Cash and cash equivalents	20.36	17.28
Closing Cash and cash equivalents (Refer Note 11a)	23.91	20.36

Notes

1. The above cash- flow statement have been prepared under the indirect method as set out in the Indian Accounting Standard Ind AS 7 - 'Statement of Cash Flow' as specified in the Companies (Indian Accounting Standards) Rules, 2015.
2. Income Tax paid is treated as arising from operating activities and are not bifurcated between investment and financing activities.
3. All figures in bracket indicate cash outflow.

As per our attached report of even date

FOR **G. D. APTE & CO.**
Chartered Accountants
Firm Registration Number : 100515W

UMESH S. ABHYANKAR
Partner
Membership Number : 113053
Pune: 19 May 2023

For and on behalf of the Board of Directors

ATUL KIRLOSKAR
Non-Executive Chairman
DIN: 00007387

GAURI KIRLOSKAR
Managing Director
DIN: 03366274

ANURAG BHAGANIA
Chief Financial Officer
ACA: A058992
Pune: 19 May 2023

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Statement of changes in equity for the year ended 31 March 2023

A. Equity Share Capital (Refer Note 16)

₹ in Crores

Equity Shares of Rs 2 each issued, subscribed and fully paid	No. of Shares	Amount
As at 1 April 2021	**14,46,14,326**	**28.92**
Changes due to prior period errors	-	-
Restated balance as at 1 April 2021	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	-	-
As at 31 March 2022	**14,46,14,326**	**28.92**
Changes due to prior period errors	-	-
Restated balance as at 1 April 2022	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	1,29,776	0.03
As at 31 March 2023	**14,47,44,102**	**28.95**

B. Other Equity (Refer Note 17)

₹ in Crores

Particulars	Share application money pending allotment	Reserves and Surplus					Items of OCI	Total
		Capital Redemption Reserve	Securities Premium	General Reserve	Retained Earnings	Employee Stock Option Reserve	Equity instruments through other comprehensive income	
As at 1 April 2021	-	**0.20**	-	**608.39**	**1,345.31**	**0.29**	**0.04**	**1,954.23**
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-
Restated balance as at 1 April 2021	-	**0.20**	-	**608.39**	**1,345.31**	**0.29**	**0.04**	**1,954.23**
Profit for the year	-	-	-	-	208.01	-	-	208.01
Other comprehensive income/(loss) for the year (net of tax)	-	-	-	-	0.17	-	2.89	3.06
Total Comprehensive income/(loss) for the year	-	-	-	-	**208.18**	-	**2.89**	**211.07**
Share based payment expense	-	-	-	-	-	2.96	-	2.96
ESOP charge recovered from group company	-	-	-	-	-	0.10	-	0.10
Final dividend for year ended 31 March 2021	-	-	-	-	(36.15)	-	-	(36.15)
Interim dividend for year ended 31 March 2022	-	-	-	-	(21.69)	-	-	(21.69)
Amount received on exercise of employee stock option	0.02	-	-	-	-	-	-	0.02
As at 31 March 2022	**0.02**	**0.20**	-	**608.39**	**1,495.65**	**3.35**	**2.93**	**2,110.54**

Statement of changes in equity for the year ended 31 March 2023

₹ in Crores

Particulars	Share application money pending allotment	Reserves and Surplus					Items of OCI	Total
		Capital Redemption Reserve	Securities Premium	General Reserve	Retained Earnings	Employee Stock Option Reserve	Equity instruments through other comprehensive income	
As at 1 April 2022	**0.02**	**0.20**	-	**608.39**	**1,495.65**	**3.35**	**2.93**	**2,110.54**
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-
Restated balance as at 1 April 2022	**0.02**	**0.20**	-	**608.39**	**1,495.65**	**3.35**	**2.93**	**2,110.54**
Profit for the year	-	-	-	-	270.25	-	-	270.25
Other comprehensive income/(loss) for the year (Net of tax)	-	-	-	-	(6.41)	-	(2.52)	(8.93)
Total Comprehensive income/(loss) for the year	-	-	-	-	**263.84**	-	**(2.52)**	**261.32**
Shares issued during the period	(0.03)	-	-	-	-	-	-	(0.03)
Transferred to Securities Premium	(1.33)	-	-	-	-	-	-	-
Share based payment expense	-	-	-	-	-	1.85	-	1.85
ESOP charge recovered from group company	-	-	-	-	-	0.14	-	0.14
Transfer on account of employee stock options not exercised	-	-	-	0.12	-	(0.12)	-	-
Final dividend for year ended 31 March 2022	-	-	-	-	-	-	-	(36.16)
Interim dividend for year ended 31 March 2023	-	-	-	-	(36.18)	-	-	(36.18)
Amount received on exercise of employee stock option	1.41	-	-	-	-	-	-	1.41
As at 31 March 2023	**0.07**	**0.20**	**2.34**	**608.51**	**1,687.15**	**4.21**	**0.41**	**2,302.89**

Significant accounting policies 41

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 **G. D. APTE & CO.**
Chartered Accountants
Firm Registration Number : 100515W

ATUL KIRLOSKAR
Non-Executive Chairman
DIN: 00007387

GAURI KIRLOSKAR
Managing Director
DIN: 03366274

UMESH S. ABHYANKAR
Partner
Membership Number : 113053
Pune: 19 May 2023

ANURAG BHAGANIA
Chief Financial Officer
ACA: A058992
Pune: 19 May 2023

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Notes to the Financial Statements

Note 1a : Property, Plant and equipment

₹ in Crores

Particulars	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
Gross Block										
As at 1 April 2021	**198.35**	**1,069.19**	**30.62**	**10.94**	**25.88**	**5.75**	**66.44**	**40.09**	**1,447.26**	**31.72**
Additions	2.74	46.76	0.12	0.20	-	0.16	3.62	0.56	54.16	42.98
Deductions	-	3.22	0.50	3.09	-	0.14	2.22	0.07	9.24	54.15
As at 31 March 2022	**201.09**	**1,112.73**	**30.24**	**8.05**	**25.88**	**5.77**	**67.84**	**40.58**	**1,492.18**	**20.56**
Additions	0.46	44.02	0.62	2.21	-	0.13	3.91	0.45	51.80	47.05
Deductions	-	3.50	2.96	0.65	-	0.65	2.73	0.52	11.01	51.79
As at 31 March 2023	**201.55**	**1,153.25**	**27.90**	**9.61**	**25.88**	**5.25**	**69.02**	**40.51**	**1,532.97**	**15.82**
Depreciation										
Upto 1 April 2021	**67.38**	**857.81**	**23.44**	**9.39**	**23.29**	**5.25**	**60.81**	**33.11**	**1,080.48**	**-**
For the year	7.01	38.45	1.78	0.43	0.66	0.09	2.79	1.94	53.15	-
Deductions	-	3.22	0.50	3.09	-	0.14	2.21	0.07	9.23	-
As at 31 March 2022	**74.39**	**893.04**	**24.72**	**6.73**	**23.95**	**5.20**	**61.39**	**34.98**	**1,124.40**	**-**
For the year	7.07	42.33	1.63	0.72	0.66	0.12	2.66	1.75	56.93	-
Deductions	-	3.23	2.95	0.65	-	0.65	2.73	0.52	10.72	-
As at 31 March 2023	**81.46**	**932.14**	**23.40**	**6.80**	**24.61**	**4.67**	**61.32**	**36.21**	**1170.61**	**-**
Net Block										
As at 31 March 2022	**126.70**	**219.69**	**5.52**	**1.32**	**1.93**	**0.57**	**6.45**	**5.60**	**367.78**	**20.56**
As at 31 March 2023	**120.09**	**221.11**	**4.50**	**2.81**	**1.27**	**0.58**	**7.70**	**4.30**	**362.36**	**15.82**

Notes :

1. For Depreciation, refer accounting policy (Note 41.4.3).
2. Capital work in progress:
   Capital work-in-progress comprises cost of assets that are not yet ready for their intended use at the balance sheet date. Refer below Note 7 and Note 8 for CWIP ageing schedule and CWIP completion schedule.
3. Title deeds in respect of immovable properties are in the name of the Company and are not held jointly.

Notes to the Financial Statements

Note 1a : Property, Plant and equipment (Contd..)

4. There are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988
5. Additions represents acquisition of PPE during the year.
6. Note 1a of Property, plant and equipment includes assets at Research and Development facility, the details of which are as under:

Property, Plant and equipment : Research and Development facility
(Below figures are included in Note 1a: Property, Plant and equipment)

₹ in Crores

Particulars	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block									
As at 1 April 2021	**-**	**108.83**	**5.29**	**-**	**-**	**0.13**	**1.87**	**3.57**	**119.69**
Additions	-	3.94	-	-	-	-	0.13	0.06	4.13
Inter transfers - Net	-	0.57	-	-	-	-	-	-	0.57
Deductions	-	-	-	-	-	-	-	-	-
As at 31 March 2022	**-**	**113.34**	**5.29**	**-**	**-**	**0.13**	**2.00**	**3.63**	**124.39**
Additions	-	5.04	-	-	-	-	0.04	-	5.08
Inter transfers - Net	-	0.26	-	-	-	-	-	-	0.26
Deductions	-	-	0.24	-	-	0.01	0.22	-	0.47
As at 31 March 2023	**-**	**118.64**	**5.05**	**-**	**-**	**0.12**	**1.82**	**3.63**	**129.26**
Depreciation									
Upto 1 April 2021	-	59.45	3.88	-	-	0.11	1.71	2.46	67.62
For the year	-	6.88	0.29	-	-	-	0.06	0.23	7.46
Inter transfers - Net	-	0.52	-	-	-	-	-	-	0.52
Assets held for disposal	-	0.00	-	-	-	-	-	-	0.00
Deductions	-	-	-	-	-	-	-	-	-
As at 31 March 2022	**-**	**66.85**	**4.17**	**-**	**-**	**0.11**	**1.77**	**2.69**	**75.60**
For the year	-	6.91	0.29	-	-	-	0.08	0.21	7.49
Inter transfers - Net	-	0.00	-	-	-	-	-	-	0.00
Deductions	-	-	0.24	-	-	0.01	0.22	-	0.47
As at 31 March 2023	**-**	**73.76**	**4.22**	**-**	**-**	**0.10**	**1.63**	**2.90**	**82.62**
Net Block									
As at 31 March 2022	**-**	**46.49**	**1.12**	**-**	**-**	**0.02**	**0.23**	**0.94**	**48.79**
As at 31 March 2023	**-**	**44.88**	**0.83**	**-**	**-**	**0.02**	**0.19**	**0.73**	**46.64**

Notes to the Financial Statements

7. Capital work-in-progress ageing schedule for the year ended 31 March 2023 and 31 March 2022 is as follows:

As at 31 March 2023

₹ in Crores

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	11.40	4.42	-	-	15.82
Projects temporarily suspended	-	-	-	-	-

As at 31 March 2022

₹ in Crores

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	19.29	1.26	0.00	0.01	20.56
Projects temporarily suspended	-	-	-	-	-

8. Capital-work-in progress : Expected Completion schedule for Projects having time overrun :

As at 31 March 2023

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development 2	0.67	-	-	-	0.67
Industrial Engine	0.18				0.18
New engine development 1	1.11	-	-	-	1.11

As at 31 March 2022

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development 1	1.15	-	-	-	1.15

Note 1b : Right-of-use ("ROU") assets

₹ in Crores

Particulars	Category of Right-of-use assets		Total
	Land	Building	
Balance as on 1 April 2021	**10.96**	**1.60**	**12.56**
Addition	-	0.28	0.28
Deletion	-	-	-
Amortisation	0.14	1.05	1.19
Balance as at 31 March 2022	**10.82**	**0.83**	**11.65**
Addition	-	7.40	7.40
Deletion	-	-	-
Amortisation	0.14	3.02	3.16
Balance as at 31 March 2023	10.68	5.21	15.89

1. The aggregate amortisation expense on right-of-use (ROU) assets is included under depreciation and amortisation expense in the Statement of Profit and Loss.

Notes to the Financial Statements

Note 2 : Other Intangible assets

₹ in Crores

Particulars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Intangibles under development
Gross Block						
As at 1 April 2021	**50.58**	**12.34**	**23.44**	**81.89**	**168.25**	**23.18**
Additions	2.34	0.10	7.04	18.05	27.53	23.12
Deductions	0.59	-	-	-	0.59	27.53
As at 31 March 2022	**52.33**	**12.44**	**30.48**	**99.94**	**195.19**	**18.77**
Additions	0.72	-	-	-	0.72	32.56
Deductions	0.46	0.35	1.50	-	2.31	0.72
As at 31 March 2023	52.59	12.09	28.98	99.94	193.60	50.61
Amortisation						
Upto 1 April 2021	**40.38**	**11.40**	**4.67**	**45.63**	**102.08**	**-**
For The Year	3.02	0.19	3.65	16.04	22.90	-
Deductions	0.59	-	-	-	0.59	-
As at 31 March 2022	**42.81**	**11.59**	**8.32**	**61.67**	**124.39**	**-**
For The Year	2.98	0.20	4.48	17.01	24.67	-
Deductions	0.46	0.35	1.50	-	2.31	-
As at 31 March 2023	45.33	11.44	11.30	78.68	146.75	-
Net Block						
As at 31 March 2022	**9.52**	**0.85**	**22.16**	**38.27**	**70.80**	**18.77**
As at 31 March 2023	7.26	0.65	17.68	21.26	46.85	50.61

Notes :

1. For amortisation, refer accounting policy (Note 41.4.4).
2. Intangible assets under development comprise of intangible assets not ready for the intended use on the date of the Balance Sheet. Refer below Note 5 and Note 6 for ageing and completion schedule.
3. Additions represents acquisition of intangible assets during the year.
4. Note 2 of Other Intangible assets includes assets at Research & development facility, the details of which are as under :

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

₹ in Crores

Particluars	Computer Software	Drawings & Designs	Technical Knowhow - Acquired	Technical Knowhow -Internally generated	Total
Gross Block					
As At 1 April 2021	**17.69**	**11.64**	**21.20**	**81.79**	**132.32**
Additions	1.44	0.10	7.04	18.05	26.63
Inter Transfers	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2022	**19.13**	**11.74**	**28.24**	**99.84**	**158.95**
Additions	0.18	-	-	-	0.18
Inter Transfers	(0.47)	-	-	-	(0.47)

Notes to the Financial Statements

Note 2 : Other Intangible assets (Contd..)

Particluars	Computer Software	Drawings & Designs	Technical Knowhow - Acquired	Technical Knowhow -Internally generated	Total
Deductions	0.46	0.35	1.50	-	2.31
As At 31 March 2023	**18.38**	**11.39**	**26.74**	**99.84**	**156.35**
Amortisation					
Upto 1 April 2021	**14.29**	**10.70**	**2.43**	**45.64**	**73.06**
For The Year	1.01	0.19	3.65	16.01	20.86
Inter Transfers	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2022	**15.30**	**10.89**	**6.08**	**61.65**	**93.92**
For The Year	1.02	0.20	4.48	16.98	22.68
Inter Transfers	(0.13)	-	-	-	(0.13)
Deductions	0.46	0.35	1.50	-	2.31
As At 31 March 2023	**15.73**	**10.74**	**9.06**	**78.63**	**114.16**
Net Block					
As At 31 March 2022	**3.83**	**0.85**	**22.16**	**38.19**	**65.03**
As At 31 March 2023	**2.65**	**0.65**	**17.68**	**21.21**	**42.19**

5. Intangible assets under development ageing schedule for the year ended 31 March 2023 and 31 March 2022 is as follows:

As at 31 March 2023

₹ in Crores

Particulars	Amount in Intangible asset under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	33.39	16.49	0.64	0.09	**50.61**
Projects temporarily suspended	-	-	-	-	-

As at 31 March 2022

₹ in Crores

Particulars	Amount in Intangible asset under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	18.04	0.64	0.09	-	**18.77**
Projects temporarily suspended	-	-	-	-	-

6. Intangible assets under development : Expected Completion schedule for Projects having time overrun :

As at 31 March 2023

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development 2	2.77	-	-	-	**2.77**
Industrial Engine	0.19	-	-	-	**0.19**
New engine development 1	8.68	-	-	-	**8.68**

Notes to the Financial Statements

Note 2 : Other Intangible assets (Contd..)

As at 31 March 2022

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development 1	5.43	-	-	-	**5.43**

Note 3 : Non-current Investments

₹ in Crores

Particulars	Par Value / Face Value Per Unit In ₹	As at 31 March 2023 Nos.	As at 31 March 2023 ₹ in Crores	As at 31 March 2022 Nos.	As at 31 March 2022 ₹ in Crores
(i) At Cost					
Investment in wholly owned subsidiaries					
In unquoted equity instruments (fully paid up)					
Kirloskar Americas Corporation (earlier known as KOEL Americas Corp.)	0.001 $	50	1.59	50	1.59
Arka Financial Holdings Private Limited	10 ₹	101,66,04,438	1,016.60	83,70,01,285	837.00
La-Gajjar Machineries Private Limited	10 ₹	10,76,000	363.14	8,17,760	253.78
(ii) At amortised cost					
Investment in subsidiary - Others					
In unquoted preference shares (fully paid up)					
8% cumulative redeemable preference shares in La-Gajjar Machineries Private Limited	10 ₹	85,00,000	8.50	85,00,000	8.50
8.25% cumulative redeemable preference shares in La-Gajjar Machineries Private Limited	10 ₹	4,00,00,000	40.00	-	-
(iii) At fair value through Other Comprehensive Income (FVOCI)					
In unquoted equity instruments (fully paid up)					
Kirloskar Proprietary Limited	100 ₹	11	0.00	1	0.00
S.L.Kirloskar CSR Foundation	10 ₹	9,800	0.01	9,800	0.01
Kirloskar Management Services Private Limited	10 ₹	4,87,500	1.03	4,87,500	4.29
Total			**1,430.87**		**1,105.17**

Notes :	₹ in Crores	₹ in Crores
1. Aggregate amount of unquoted Investments	1,430.87	1,105.17
2. Aggregate value of impairment in value of Investments	Nil	Nil

3. The Company has exercised the Exit Option as per the Shareholders' Agreement including amendments thereof, between the Company , LGM and Derwent Crystal India Private Limited (DCIPL) and consequently acquired the balance 24% equity shares of La-Gajjar Machineries Private Limited (LGM) on 26th September 2022 at an acquistion price of ₹ 109.36 crores. Consequent to the aforesaid acquisition, the Company is holding 100% equity shares of LGM and LGM has become a Wholly Owned Subsidiary of the Company.
4. The Company has invested ₹ 179.60 Crores at ₹ 10 per share towards rights issue of 17,96,03,153 equity shares in Arka Financial Holdings Private Limited as given below - ₹ 99.60 Crores on 25 May 2022, ₹ 50.00 Crores on 18 August 2022 and ₹ 30.00 Crores on 08 December 2022.
5. The Company has invested ₹ 40 Crores at ₹ 10 per share towards right issue of 4,00,00,000 8.25% cumulative redeemable preference shares in LGM as follows - Application money : ₹ 10 Crores at ₹ 2.50 per share on 18 November 2022, 1st call money : ₹ 10 Crores at ₹ 2.50 per share on 06 February 2023 , 2nd call money : ₹ 10 Crores at ₹ 2.50 per share on 07 February 2023 and 3rd and final call money: ₹ 10 Crores at ₹ 2.50 per share on 08 February 2023.
6. Refer Note 41.5.13 and 41.5.14 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments.
7. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.
8. Refer Note 39 for details

Notes to the Financial Statements

Note 4 : Loans (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Loans to employees (unsecured, considered good)	0.04	0.06
Loans to subsidiaries (unsecured, considered good)	8.00	-
Total	8.04	0.06

1. Loans are measured at amortised cost.
2. Loans due from private companies in which director of the Company, is a director or a member as at 31 March 2023 is ₹ 8 Crores (31 March 2022 : ₹ Nil)
3. There are no loans or advances which are in the nature of loans that have been granted by the Company to promoters, directors, Key Managerial Personnels and the related parties (as defined under the Companies Act,2013),either severally or jointly with any other person that are repayable on demand or without specifying any terms or period of repayment.
4. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.
5. Refer Note 41.5.11 on related party disclosures for details on loans granted to related parties.

Note 5 : Other financial assets (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Security deposits		
Unsecured, considered good	12.29	11.57
Doubtful	1.33	0.97
Less : Loss Allowance for doubtful deposits	(1.33)	(0.97)
Bank deposits with more than 12 months maturity	0.14	0.04
Subsidy receivable under PSI scheme, 2001	2.41	3.47
Others	0.16	0.16
Total	15.00	15.24

1. The Company's manufacturing facility at Kagal plant had been granted Mega Project status by Government of Maharashtra and hence was eligible for Industries Promotion Subsidy (IPS) under Package Scheme of Incentive (PSI) 2001. This scheme was for intensifying and accelerating the process of dispersal of industries to the less developed regions and promoting high-tech industries in the less developed areas of the state coupled with the object of generating employment opportunities. During the last quarter of FY 2018-19, the Government of Maharashtra had agreed for extension of the said scheme of incentive for further period of 2 years till 31 March 2019 and subsequently amended the original eligibility certificate. Accordingly the extension of the scheme consists of total period of 11 years from the date of commencement of commercial production i.e. from 1 April 2008 to 31 March 2019 along with the extension of original operative period by 2 years and compliances thereof. The eligible receivables 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 as on 31 March 2023.
2. Other financial assets are measured at amortised cost.
3. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.

Note 6 : Income tax assets (net)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Tax paid in advance (net of provision)	33.92	37.39
Total	33.92	37.39

Notes to the Financial Statements

Note 7 : Other non-current assets

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Unsecured, considered good		
Capital advances	43.19	2.46
Prepaid expenses	0.92	0.60
Total	44.11	3.06

Note 8 : Inventories

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Raw materials	293.25	190.78
Raw materials and components	290.91	186.82
Raw materials in transit	2.34	3.96
Work-in-progress	35.48	20.73
Finished goods	94.03	36.37
Traded goods	35.49	45.89
Stores and spares	10.20	9.31
Total	468.45	303.08

1. Write Down of inventories to net realisable value ₹ 2.68 Crores (31 March 2022 : Nil) were recognised as an expense during the year and reversal of write down of inventories ₹ Nil (31 March 2022 : Rs 2.51 Crores) were recognised as a reduction in expense during the year due to consumption of such inventories .
2. Refer Note 24 for information on inventory hypothecation with bankers for the purpose of working capital facilities.

Note 9 : Current Investments

₹ in Crores

Particulars	Face Value Per Unit In ₹	As at 31 March 2023		As at 31 March 2022	
		Nos.	₹ in Crores	Nos.	₹ in Crores
At fair value through Profit or Loss (FVTPL)					
Investments In Mutual Funds					
LIQUID SCHEME - Growth Option					
Axis Liquid Fund - Regular Growth(CF-GP)	1,000	88,676	22.03	2,35,597	55.36
Aditya Birla Sun Life Liquid Fund - Growth -Regular Plan	100	2,78,122	10.01	5,35,063	18.22
Aditya Birla Sun Life Money Manger Fund - Growth - Regular Plan	100	7,50,856	23.50	14,13,017	41.86
DSP Liquidity Fund - Regular Plan - Growth	1,000	83,856	26.73	1,60,070	48.31
ICICI Prudential Liquid fund - Growth	100	6,18,508	20.45	12,87,324	40.31
ICICI Prudential - Money Market Fund - Growth	100	-	-	13,98,893	42.56
IDFC Cash fund - Growth-(Regular Plan)	1,000	-	-	1,25,549	32.10
Invesco India Liquid Fund - Regular Growth (LF-SG)	1,000	1,06,933	32.81	-	-
Kotak Liquid Fund Regular Plan - Growth	1,000	67,600	30.54	1,06,278	45.48
Nippon India Liquid Fund - Growth Plan - Growth Option (LFIGG)	1,000	19,015	10.37	52,677	27.20
Nippon India Money Market Fund - Growth Plan - Growth Option (LQGPG)	1,000	74,465	26.16	1,22,264	40.61
SBI Liquid Fund Regular Growth	1,000	57,242	20.01	1,67,436	55.43
Tata Liquid Fund Regular Plan - Growth	1,000	-	-	1,02,433	34.14
UTI Money Market Fund - Regular Plan Growth	1,000	-	-	1,67,477	41.32
			222.61		522.90

Notes to the Financial Statements

Note 9 : Current Investments (Contd..)

₹ in Crores

Particulars	Face Value Per Unit In ₹	As at 31 March 2023 Nos.	As at 31 March 2023 ₹ in Crores	As at 31 March 2022 Nos.	As at 31 March 2022 ₹ in Crores
OVERNIGHT SCHEME - Growth Option					
ICICI Prudential Overnight fund Growth	1,000	1,91,238	23.01	-	-
Kotak Overnight fund Growth (Regular Plan)	1,000	1,34,526	16.03	2,12,496	24.03
Nippon India Overnight Fund- Growth Plan (ONGPG)	100	-	-	17,67,117	20.11
			39.04		44.14
Total			261.65		567.04

Notes:

		₹ in Crores	₹ in Crores
1.	Aggregate amount of Unquoted Investments	261.65	567.04

2. Fair value disclosures for financial assets and liabilities are stated in Note 41.5.13 and fair value hierarchy disclosures for investment are stated in Note 41.5.14.
3. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.

Note 10 : Trade receivables

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Total Trade Receivables	467.21	394.54
Trade receivables	467.21	394.54
Break-up for security details:	467.21	394.54
Secured, considered good	-	-
Unsecured, considered good	467.21	394.54
Doubtful	61.90	36.32
Loss Allowance (for expected credit loss under simplified approach)	(61.90)	(36.32)
Total	467.21	394.54

1. Trade receivables are measured at amortised cost. Also refer Note 41.4.7
2. Trade receivables due from private companies in which director of the Company, is a director or a member as at 31 March 2023 ₹ Nil (31 March 2022 : ₹ 0.80 Crores)
3. For related party receivables, refer Note 41.5.11
4. **Movement of Loss allowance (for expected credit loss under simplified approach) :**

Particulars	₹ in Crores
At 31 March 2021	**37.90**
Allowance made/(reversed) during the year	(0.13)
Less : Written off	(1.45)
At 31 March 2022	**36.32**
Allowance made/(reversed) during the year	26.54
Less : Written off	(0.96)
At 31 March 2023	61.90

5. Refer Note 41.5.15 on credit risk of trade receivables, which also explains how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.
6. The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, where the Company has retained the credit risks, it continues to recognise these assets in entirety in its Balance sheet, while bills discounted without recourse have been derecognised. The amount repayable under this arrangement is presented as secured borrowings.

Notes to the Financial Statements

Note 10 : Trade receivables (Contd..)

The relevant carrying amounts are as follows:-

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Total transferred receivables w.r.t. Bills discounted	-	36.54
Related secured borrowings (Refer Note 24)	-	36.54

7. **For trade receivables outstanding, the ageing schedule is as given below:**

As at 31 March 2023

₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Not due	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good	377.61	85.52	33.28	0.11	9.31	12.08	**517.91**
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
(iv) *Disputed Trade Receivables- considered good	-	-	-	0.02	-	11.18	**11.20**
(v) *Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) *Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Total Trade Receivables	377.61	85.52	33.28	0.13	9.31	23.26	529.11
Less: Loss allowance for expected credit loss	-	-	-	-	-	-	(61.90)
Total Trade Receivables							467.21

* Disputed Trade Receivables represents legal cases with customers

As at 31 March 2022

₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Not due	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good	334.70	54.86	4.10	12.02	12.79	1.38	**419.84**
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
(iv) *Disputed Trade Receivables- considered good	-	-	0.02	-	0.36	10.64	**11.02**
(v) *Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) *Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Total Trade Receivables	**334.70**	**54.86**	**4.12**	**12.02**	**13.15**	**12.02**	**430.86**
Less: Loss allowance for expected credit loss	-	-	-	-	-	-	(36.32)
Total Trade Receivables							**394.54**

* Disputed Trade Receivables represents legal cases with customers

Note 11a : Cash and cash equivalents

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Balance with Bank		
Current accounts and debit balance in cash credit accounts	23.90	20.35
Cash on hand	0.01	0.01
Total	23.91	20.36

Note 11b: Bank balance other than cash and cash equivalents

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Unpaid dividend accounts	9.54	10.99
Bank Deposits with original maturity of more than 3 months but less than 12 months	0.38	0.09
Total	9.92	11.08

1. Balances in unpaid dividend accounts with banks are earmarked.
2. Bank deposits are held as security against the guarantees and other commitments.
3. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements

Note 12: Loans (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Loans to subsidiaries (unsecured, considered good)	21.85	-
Loans to employees (unsecured, considered good)	0.03	0.04
Total	**21.88**	**0.04**

1. Loans are measured at amortised cost.
2. Loans due from private companies in which director of the Company, is a director or a member as at 31 March 2023 is ₹ 21.85 Crores (31 March 2022 : ₹ Nil)
3. There are no loans or advances which are in the nature of loans that have been granted by the Company to promoters, directors, Key Managerial Personnels and the related parties (as defined under the Companies Act,2013),either severally or jointly with any other person that are repayable on demand or without specifying any terms or period of repayment.
3. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.
4. Refer Note 41.5.11 on related party disclosures for details on loans granted to related parties.

Note 13 : Other financial assets (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Security deposits		
Unsecured, considered good	15.60	16.25
Subsidy receivable under PSI scheme, 2001	10.01	12.76
Export incentive receivable	3.11	4.50
Derivative assets	2.37	0.30
Other receivables	3.17	3.48
Total	**34.26**	**37.29**

1. Other financial assets, except derivative assets, are measured at amortised cost. Derivative instruments are carried at fair value through profit and loss.
2. Derivative assets reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationship, but are nevertheless, intended to reduce the level of foreign currency risk exposure.
3. Other receivables due from private companies in which director of the Company is , a director or a member as at 31 March 2023 ₹ 2.77 Crores (31 March 2022 : ₹ 0.81 Crores)
4. Refer Note 41.5.13 for fair value disclosure of financial assets and financial liabilities and Note 41.5.14 for fair value hierarchy.
5. Refer Note 41.5.15 on risk management objectives and policies for financial instruments.

Note 14 : Assets held for sale (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Property, plant and equipment (net)	-	-
Total	**-**	**-**

1. Fair value hierarchy disclosures for Assets held for sale are in Note 41.5.14.
2. Asset held for sale represents a freehold land owned by the Company at Bhare (granted by Government of Maharashtra) where the Company has initiated the process to surrender the same back. The carrying value of ₹ 0.11 lacs has been fully impaired during the earlier years.

Notes to the Financial Statements

Note 15 : Other current assets

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Advance to suppliers	**13.21**	**13.86**
Unsecured, considered good	13.21	13.86
Doubtful	0.28	0.05
Less : Loss Allowance for doubtful advances	(0.28)	(0.05)
Sales tax / VAT / GST receivable	2.76	5.46
Prepaid expenses	11.98	7.60
Others	1.07	1.39
Total	**29.02**	**28.31**

Note 16 : Equity share capital

Authorised share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
As at 1 April 2021	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
As at 31 March 2022	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
As at 31 March 2023	**27,00,00,000**	**54.00**

Terms/Rights attached to the equity shares

The Company has only one class of equity shares having a par value of ₹ 2 each. Each equity shareholder is entitled to one vote per share and has a right to receive dividend as recommended by Board of Directors subject to the necessary approval from the shareholders.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity shares reserved for issue under employee stock option plan : 7,72,768 (31 March 2022: 7,64,913) equity shares.

Issued and subscribed share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
As at 1 April 2021	**14,46,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2022	**14,46,14,326**	**28.92**
Changes during the year	1,29,776	0.03
As at 31 March 2023	**14,47,44,102**	**28.95**

Subscribed and fully paid up

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
As at 1 April 2021	**14,46,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2022	**14,46,13,861**	**28.92**
Changes during the year	1,29,776	0.03
As at 31 March 2023	**14,47,43,637**	**28.95**

The Company has share suspense account which represents equity shares of ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by Board of Industrial and Financial Reconstruction (BIFR) which 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.

Notes to the Financial Statements

Note 16 : Equity share capital (Contd.)

Particulars of Share Suspense Account	No. of shares	₹ in Crores
As at 1 April 2021	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2022	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2023	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 2023		As at 31 March 2022	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Rahul Chandrakant Kirloskar #	1,77,86,902	12.29	1,77,82,902	12.30
Atul Chandrakant Kirloskar ##	1,46,74,947	10.14	1,46,70,947	10.14
Kirloskar Industries Limited	82,10,439	5.67	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
SBI Small Cap Fund	-	-	80,84,890	5.59

#Out of 1,77,86,902 equity shares - 1,77,72,083 (Previous Year: 1,77,68,083) equity shares are held in individual capacity, 5,700 (Previous Year: 5,700) equity shares are held as a Karta of Rahul C. Kirloskar HUF and 9,119 (Previous Year: 9,119) equity shares are held as a Trustee of C. S. Kirloskar Testamentary Trust)

##Out of 1,46,74,947 equity shares - 1,46,68,872 (Previous Year: 1,46,64,872) equity shares are held in individual capacity, 375 (Previous Year: 375) equity shares are held as a Trustee of C.S. Kirloskar Testamentary Trust and 5,700 (Previous Year: 5,700) equity shares are held as a Karta of Atul C. Kirloskar HUF.

2. The details of shareholding of promoter and promoter group is as below:

Name	As at 31 March 2023			As at 31 March 2022		
	No. of shares held	% Change during the year	% of total shares	No. of shares held	% Change during the year	% of total shares
Atul Chandrakant Kirloskar	1,46,74,947	0.03	10.14	1,46,70,947	-	10.14
Rahul Chandrakant Kirloskar	1,77,86,902	0.02	12.29	1,77,82,902	-	12.30
Sanjay Chandrakant Kirloskar	46,654	-	0.03	46,654	-	0.03
Suman Chandrakant Kirloskar	62,648	-	0.04	62,648	-	0.04
Vikram Shreekant Kirloskar	-	(100.00)	-	1,40,655	-	0.10
Mrinalini Shreekant Kirloskar	2,36,008	131.83	0.16	1,01,800	-	0.07
Roopa Jayant Gupta	20,887	-	0.01	20,887	-	0.01
Geetanjali Vikram Kirloskar	-	(100.00)	-	37	-	0.00
Jyostna Gautam Kulkarni	-	(100.00)	-	1,29,85,432	-	8.98
Arti Atul Kirloskar	32,29,454	-	2.23	32,29,454	-	2.23
Nihal Gautam Kulkarni	-	(100.00)	-	66,52,472	-	4.60
Alpana Rahul Kirloskar	77,11,817	-	5.33	77,11,817	-	5.33
Akshay Sahni	100	-	0.00	100	-	0.00
Alok Kirloskar	6,262	-	0.00	6,262	-	0.00
Pratima Sanjay Kirloskar	1,520	-	0.00	1,520	-	0.00
Aditi Atul Kirloskar	19,17,860	-	1.33	19,17,860	-	1.33
Gauri Kirloskar	57,53,580	-	3.98	57,53,580	-	3.98
Ambar G. Kulkarni	-	(100.00)	-	64,92,716	-	4.49
Kirloskar Industries Limited	82,10,439	-	5.67	82,10,439	-	5.68
Kirloskar Chillers Private Limited	50,000	-	0.03	50,000	-	0.03
Achyut and Neeta Holdings and Finance Private Limited	-	(100.00)	-	1,23,203	-	0.09
Navsai Investments Private Limited	760	-	0.00	760	-	0.00
Alpak Investments Private Limited	760	-	0.00	760	-	0.00
Total	5,97,10,598		41.25	**8,59,62,905**		**59.44**

Notes to the Financial Statements

Note 17 : Other Equity

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Share application money pending allotment	0.07	**0.02**
Capital redemption reserve	0.20	**0.20**
Securities premium	2.34	**-**
General Reserve	608.51	**608.39**
Equity instruments through other comprehensive income	0.41	**2.93**
Employee stock option reserve	4.21	**3.35**
Retained earnings	1,687.15	**1,495.65**
Opening Balance	1,495.65	1,345.31
Add : Profit for the year	270.25	208.01
Add : Other comprehensive income / (loss)	(6.41)	0.17
	263.84	**208.18**
Less : Appropriations		
Final dividend	36.16	36.15
Interim dividend	36.18	21.69
	72.34	**57.84**
Total	2,302.89	**2,110.54**

1. Share application money pending allotment, represents amount received from employees who have exercised Employee Stock Option Plan (ESOP) for which shares are pending allotment as on balance sheet date.
2. Capital redemption reserve is created out of General reserve being nominal value of shares bought back in terms of erstwhile section 77A of the Companies Act, 1956 for equity shares buy back in the year 2012-13.
3. Securities Premium represents the amount received in excess of face value of the equity shares. In case of equity-settled share based payment transactions, the difference between fair value on grant date and nominal value of share is accounted as securities premium. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013
4. General reserve is created by setting aside amount from the Retained Earnings of the Company for general purposes which is freely available for distribution.
5. Equity instruments through other comprehensive income represents the cumulative gains and losses arising on the valuation of equity instruments measured at fair value through other comprehensive income, under an irrevocable option, net of amounts reclassified to retained earnings when such assets are disposed off and is not available for distribution of dividend.
6. Employee Stock Option Reserve is used to record the fair value of equity-settled share based payment transactions with employees. The amounts recorded in share options outstanding account are transferred to securities premium upon exercise of stock options and transferred to general reserve on account of vested stock options not exercised by employees. Refer Note No. 41.5.19 for disclosure on Employee Stock Option Plan (ESOP) of the Company.
7. **Dividend distribution made and proposed**

₹ in Crores

Particulars	2022-2023	2021-2022
Cash dividends on Equity shares declared and paid		
Final dividend for the year ended 31 March 2022: ₹ 2.50 per share (31 March 2021: ₹ 2.50 per share)	36.16	36.15
Interim dividend for year ended 31 March 2023: ₹ 2.50 per share (31 March 2022: ₹ 1.50 per share)	36.18	21.69
Total	72.34	**57.84**

Final dividend proposed for the year ended 31 March 2023: ₹ 2.50 per share (31 March 2022: ₹ 2.50 per share)

Proposed dividend on equity shares are subject to approval of the shareholders of the Company at the annual general meeting and are not recognised as a liability as at 31 March.

Notes to the Financial Statements

Note 18 : Borrowings (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Borrowings From Banks (unsecured)		
Term Loan	-	34.17
Total	**-**	**34.17**

1. Borrowings are measured at amortised cost.
2. Term Loans from Banks
   (i) During the year ended 31 March 2022, the Company had an outstanding term loan of ₹ 25 Crores to be repaid in six half yearly installments of ₹ 4.17 Crores each starting from April 2022 with rate of interest linked to repo rate plus applicable spread i.e effective 5.25% p.a. During the current financial year, this term loan has been repaid in entirety in the month of November 2022 .
   (ii) During the year ended 31 March 2022, the Company had an outstanding term loan of ₹ 25 Crores to be repaid in ten quarterly installments of ₹ 2.50 Crores each starting from July 2022 with rate of interest linked to repo rate plus applicable spread i.e effective 5.10% p.a. During the current financial year, this term loan has been repaid in entirety in the month of November 2022 .
3. **Maturity profile of Term Loans from Banks (Current and Non-current)**

₹ in Crores

Period	As at 31 March 2023	As at 31 March 2022
Less than Three Months	-	4.17
More Three Months Up to One Year	-	11.66
More than One Year Up to Three Years	-	34.17
More than Three Years Up to Five Years	-	-
Total	**-**	**50.00**

4. There has been no default in repayment of interest and principal amount for year ended 31 March 2023 and 31 March 2022
5. For explanations on the Company's interest risk, foreign currency risk and liquidity risk management processes, refer to Note 41.5.15

Note 19 : Lease liabilities (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Lease liabilities	2.51	-
Total	**2.51**	**-**

1. Lease liabilities are measured at amortised cost.
2. For explanations on the Company's interest risk, foreign currency risk and liquidity risk management processes, refer Note 41.5.15
3. Refer Note 41.5.17.

Note 20 : Other financial liabilities (non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Deposits/ Retentions from customers and others	18.20	16.64
Total	**18.20**	**16.64**

1. Other financial liabilities are measured at amortised cost.
2. For explanations on the Company's interest risk, foreign currency risk and liquidity risk management processes, refer Note 41.5.15

Notes to the Financial Statements

Note 21 : Provisions (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Provision for employee benefits	**19.73**	**20.72**
Provision for compensated absence	17.12	18.10
Provision for pension and other retirement benefits	2.61	2.62
Other provisions	**13.49**	**14.75**
Provision for warranty	13.49	14.75
Total	**33.22**	**35.47**

Refer Note 29 Provisions (Current) for additional disclosures.

Note 22: Deferred tax (assets)/liabilities (net)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Deferred Tax Liabilities	**37.87**	**36.01**
Depreciation	35.76	33.30
Others	2.11	2.71
Less : Deferred Tax Assets	**(31.75)**	**(21.42)**
Disallowances under Income Tax Act,1961	(12.69)	(9.40)
Provision for Doubtful debts and advances	(15.58)	(9.14)
VRS Compensation	(1.26)	(1.69)
Others	(2.21)	(1.19)
Total	**6.12**	**14.59**

1. **Reconciliation of deferred tax (assets) / liabilities (net)**

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Opening balance as of 1 April	**14.59**	**12.50**
Tax (income)/expense during the year recognised in Statement of Profit and Loss	(5.56)	1.17
Tax (income)/expense during the year recognised in Other Comprehensive Income	(2.91)	0.92
Closing balance as at 31 March	**6.12**	**14.59**

2. The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.
3. Refer Note 40 for Income tax and deferred tax rate.

Note 23 : Other non-current liabilities

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Advance from customers	21.55	19.83
Revenue received in advance	1.07	0.97
Total	**22.62**	**20.80**

Refer Note 41.5.8.

Notes to the Financial Statements

Note 24 : Borrowings (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Borrowings From Banks		
Secured		
Export Preshipment Loan in INR	75.14	10.01
Export sales bill discounted	-	36.54
Unsecured loans		
Current maturities of long term borrowings	-	16.05
Total	**75.14**	**62.60**

1. Borrowings are measured at amortised cost.
2. Secured Borrowings- Company's fund and non-fund based working capital facilities aggregating to ₹ 410 Crores are secured to the extent of ₹ 410 Crores by way of hypothecation (First Charge) on the whole of the current assets of the Company both present and future in favour of the consortium of banks (SBI Consortium) comprising of State Bank of India, Pune (Lead Bank), Bank of Maharashtra, ICICI Bank Limited, HDFC Bank Limited, and The Hongkong and Shanghai Banking Corporation Limited (HSBC). The Board of Directors of the Company had given their approval for reduction of said consortium limit to ₹ 385 Crores and also to appoint 'Axis Trustee Services Private Limited' as a Security Trustee. The Company is in process of execution of necessary agreements with Consortium Bankers to give effect to the reduction of working capital facilities to ₹ 385 Crores and for appointment of Security Trustee. Accordingly, the necessary forms will be filed with the Ministry of Corporate Affairs/Registrar of Companies for modification of charge created to the extent of reduction in working capital facilities.
3. The quarterly returns or statements of current assets filed by the Company with banks are in agreement with the books of account.
4. There has been no default in repayment of interest and principal amount for year ended 31 March 2023 and 31 March 2022
5. For explanations on the Company's Interest risk, foreign currency risk and liquidity risk management processes, refer to Note 41.5.15

Note 25 : Lease liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Lease liabilities	2.89	0.84
Total	**2.89**	**0.84**

1. Lease liabilities are measured at amortised cost.
2. For explanations on the Company's Interest risk, foreign currency risk and liquidity risk management processes, refer to Note 41.5.15.
3. Refer Note 41.5.17

Note 26 : Trade and other payables

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Acceptances	25.83	16.61
Due to micro enterprises and small enterprises	97.59	98.48
Due to other than micro enterprises and small enterprises	509.19	394.75
Total	**632.61**	**509.84**

1. Trade and other payables are measured at amortised cost.
2. For terms and conditions with related parties, refer to Note 41.5.11.
3. For explanations on the Company's foreign currency risk and liquidity risk management processes, refer Note 41.5.15

Notes to the Financial Statements

Note 26 : Trade and other payables (Contd.)

4. For trade payables outstanding, the ageing schedule is as given below:

As at 31 March 2023

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment					Total
		Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Micro and Small Enterprises ("MSME")	0.15	97.34	0.10	-	-	-	**97.59**
Others	3.37	424.51	103.08	1.14	0.61	2.31	**535.02**
*Disputed dues - Micro and Small Enterprises ("MSME")	-	-	-	-	-	-	**-**
*Disputed dues - Others	-	-	-	-	-	-	**-**
Total	**3.52**	**521.85**	**103.18**	**1.14**	**0.61**	**2.31**	**632.61**

* Disputed dues represents legal cases with vendors

As at 31 March 2022

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment					Total
		Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Micro and Small Enterprises ("MSME")	0.48	97.01	0.73	0.07	0.03	0.16	**98.48**
Others	2.58	343.48	60.67	1.16	0.86	2.61	**411.36**
*Disputed dues - MSME	-	-	-	-	-	-	**-**
*Disputed dues - Others	-	-	-	-	-	-	**-**
Total	**3.06**	**440.49**	**61.40**	**1.23**	**0.89**	**2.77**	**509.84**

* Disputed dues represents legal cases with vendors

Note 27 : Other financial liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Deposits from customers	0.80	1.07
Unclaimed dividends	9.55	10.99
Payable for capital purchases	13.26	14.25
Employee benefits payable	28.51	21.26
Other payables	11.54	9.07
Total	**63.66**	**56.64**

1. Other financial liabilities are measured at amortised cost.
2. For explanations on the Company's Interest risk, foreign currency risk and liquidity risk management processes, refer Note 41.5.15.

Note 28 : Other current liabilities

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Advance from customers	15.96	8.54
Revenue received in advance	30.61	27.84
Statutory dues	13.44	14.41
Eligible incentives under Export Promotion Capital Goods (EPCG) Scheme	-	0.15
Others	0.07	0.07
Total	**60.08**	**51.01**

1. For advance from customers and revenue received in advance, refer Note 41.5.8.
2. The Company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods.

Notes to the Financial Statements

Note 28 : Other current liabilities (Contd..)

3. Movement in Eligible incentives under Export Promotion Capital Goods (EPCG) Scheme

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
As at 1 April	0.15	0.29
Availed during the year	-	-
Released to the Statement of Profit and Loss	(0.15)	(0.14)
As at 31 March	-	0.15

Note 29 : Provisions (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Provision for employee benefits	25.14	9.74
Provision for gratuity	10.18	-
Provision for compensated absence	14.62	9.39
Provision for pension and other retirement benefits	0.34	0.35
Others	65.74	60.42
Provision for warranty	47.40	39.00
Other Provisions	18.34	21.42
Total	90.88	70.16

Refer Note 21 Provisions (Non-current)

Note :

1. Employee benefits obligations

a. Gratuity

The Company provides gratuity for employees as per the Gratuity Act, 1972 and Company's Internal Gratuity Scheme. Employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity is payable on retirement or termination whichever is earlier. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity plan is funded plan.

b. Pension and other retirement 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 specified category of employees for 15 years after retirement.

c. Compensated absences

The leave obligation cover the Company's liability for earned leaves. Also refer Note 41.5.9 for detailed disclosure.

2. Others

a. Warranty is provided to customers at the time of sale of products. 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.

Notes to the Financial Statements

Note 29 : Provisions (Current) (Contd..)

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 Crores on the Company for amalgamation of KBIL with the Company. For securing a Stay Order against the said Stamp duty Adjudication being ADJ/188/2015 dated 2 May 2016, the Company has deposited 50% of the stamp duty amount of Rs. 7.47 Crores on protest on 30 June 2016. Considering the payment of 50% of stamp duty amount, through its Order dated 22 September 2016, CCRA has passed an Order granting stay on the effect and operation of said Stamp Duty Adjudication Order bearing ADJ/188/2015 dated 2 May 2016. Company's Appeal bearing No. 125 of 2016 is still pending and listing for final hearing is awaited. Accordingly, provision for stamp duty of Rs. 14.94 Crores has been made.

c. Provision for liquidated damages pertains to provision arising due to delay in actual delivery of goods/services as against the contractual delivery date.

d. Provision for onerous contracts pertains to the provision for the unavoidable costs of meeting the obligations under the contract which exceeds the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

₹ in Crores

Particulars	Warranty	Stamp Duty	Liquidated damages	Onerous Contracts
At 1 April 2021	46.00	14.94	0.88	-
Arising during the year	40.53	-	2.49	3.75
Less : Utilised	32.42	-	0.63	-
Less : Unused amount reversed	1.20	-	-	-
Add: Unwinding of discount	0.84	-	-	-
At 31 March 2022	53.75	14.94	2.74	3.75
Arising during the year	50.94	-	1.46	0.14
Less : Utilised	44.88	-	0.93	-
Less : Unused amount reversed	0.07	-	0.33	3.44
Add: Unwinding of discount	1.15	-	-	-
At 31 March 2023	60.89	14.94	2.94	0.46
Non-current	13.49	-	-	-
Current	47.40	14.94	2.94	0.46

Note 30 : Revenue from operations

₹ in Crores

Particulars	2022-2023	2021-2022
Sales and services	4,073.04	3,267.59
Sale of products	3,936.44	3,140.57
Sale of services	136.60	127.02
Other operating income	43.09	32.07
Sale of scrap	17.20	14.35
Commission received	2.75	1.78
Export incentives	9.23	5.10
Sundry credit balances written back	1.31	0.35
Provisions no longer required written back	5.48	5.50
Solar Power Generation Income	5.23	3.87
Miscellaneous receipts	1.89	1.12
Total	4,116.13	3,299.66

1. Export incentives includes incentive under EPCG scheme amounting to ₹ 0.15 Crores (31 March 22 : ₹0.14 Crores)
2. Refer Note 41.3.1 , 41.4.17 & 41.5.8

Notes to the Financial Statements

Note 31 : Other income

₹ in Crores

Particulars	2022-2023	2021-2022
Interest on income tax and sales tax refund	3.03	0.50
Interest income on financial assets measured at amortised cost		
(i) Bank deposits	0.01	0.00
(ii) Unwinding of interest on security deposits	-	0.34
(iii) Preference shares	1.28	0.68
(iv) Other financial assets	0.01	1.43
Dividend income from equity investments designated at fair value through other comprehensive income	0.00	0.00
Net gain on financial assets measured at fair value through profit or loss (unrealised)	4.18	6.89
Net gain on sale of mutual fund measured at fair value through profit or loss (realised)	13.94	9.89
Net gain/(loss) on disposal of property, plant and equipment	0.39	0.81
Exchange gain/(loss) on translation of assets and liabilities	2.03	1.72
Rent income	0.76	1.05
Miscellaneous income	1.69	1.45
Total	**27.32**	**24.76**

1. Net gain on financial assets measured at fair value through profit or loss relates to the gain arising on fair value restatements of investment in mutual funds at balance sheet dates which are held as current or non-current investments.
2. Refer Note 41.3.1 ,41.4.10 & 41.5.17

Note 32 : Cost of raw materials and components consumed

₹ in Crores

Particulars	2022-2023	2021-2022
Raw materials and components consumed	2,038.90	1,560.50
Total	**2,038.90**	**1,560.50**

Note 33 : Purchase of traded goods

₹ in Crores

Particulars	2022-2023	2021-2022
Engines and Gensets	232.18	291.87
K-Oil	154.86	116.16
Alternators, Batteries and Others	425.76	329.07
Total	**812.80**	**737.10**

Note 34 : Changes in inventories of finished goods, work-in-progress and traded goods

₹ in Crores

Particulars	2022-2023	2021-2022
Opening Inventories	**102.99**	**96.58**
Work-in-progress	20.73	14.96
Finished goods	36.37	32.45
Traded goods	45.89	49.17
Closing Inventories	**165.00**	**102.99**
Work-in-progress	35.48	20.73
Finished goods	94.03	36.37
Traded goods	35.49	45.89
(Increase)/decrease in inventories	**(62.01)**	**(6.41)**
Total	**(62.01)**	**(6.41)**

Notes to the Financial Statements

Note 35 : Employee benefits expense

₹ in Crores

Particulars	2022-2023	2021-2022
Salaries, wages, bonus, commission, etc.	199.56	172.19
Gratuity	3.79	3.59
Contribution to provident and other funds	12.14	11.04
Welfare and training expenses	18.75	16.87
Share based payment to employees	1.85	2.96
Provident and other funds' expenses	0.39	0.34
Total	**236.48**	**206.99**

Refer Note 41.5.9 for gratuity and Note 41.5.19 for share based payment to employees.

Note 36 : Finance costs

₹ in Crores

Particulars	2022-2023	2021-2022
Interest and discounting charges	3.99	4.69
Interest on lease liabilities	0.36	0.11
Other finance cost	1.01	1.44
Total	**5.36**	**6.24**

Note 37 : Depreciation and amortisation expense

₹ in Crores

Particulars	2022-2023	2021-2022
Depreciation and amortisation expense	**84.76**	**77.23**
Depreciation on property , plant and equipment	56.93	53.15
Amortisation on intangible assets	24.67	22.89
Amortisation on right-of-use assets	3.16	1.19
Total	**84.76**	**77.23**

Note 38 : Other expenses

₹ in Crores

Particulars	2022-2023	2021-2022
Manufacturing expenses	**307.03**	**250.81**
Stores consumed	82.18	66.43
Power and fuel	30.29	23.83
Machinery spares	10.19	7.18
Repairs to machinery	9.40	7.97
Job work charges	42.38	29.77
Labour charges	17.92	14.57
Cost of services	103.68	85.60
Other manufacturing expenses	10.99	15.46
Selling expenses	**199.43**	**139.83**
Commission	14.87	12.92
Freight and forwarding	78.37	67.43
Warranty	50.94	40.53
Royalty	9.92	8.05
Advertisement and publicity	15.37	7.62
Provision for doubtful debts and advances (net)	26.17	(2.15)
Others selling expenses	3.79	5.43

Notes to the Financial Statements

Note 38 : Other expenses (Contd.)

₹ in Crores

Particulars	2022-2023	2021-2022
Administration expenses	167.83	155.99
Rent	29.37	29.63
Rates and taxes	1.16	3.66
Insurance	2.65	2.59
Repairs to building	1.10	1.04
Other repairs and maintenance	31.43	27.26
Travelling and conveyance	26.00	14.34
Communication expenses	4.13	3.61
Printing and stationery	0.94	0.97
Professional charges	45.10	38.60
Auditor's remuneration	0.59	0.58
Donations	0.08	1.03
Corporate social responsibilities ("CSR") expenses	4.39	5.29
Non Executive Directors' fees & commission	4.10	2.68
Miscellaneous expenses	15.72	23.14
Bad debts and irrecoverable balances written off	1.07	1.57
Total	674.29	546.63

Refer Note 41.5.18 for CSR expenses

Note 39 : Exceptional items

₹ in Crores

Particulars	2022-2023	2021-2022
Profit on sale of investment in subsidiary	-	52.65
Total	-	52.65

During the previous year ended 31 March 2022, the Company had sold entire 68,54,22,231 equity shares held by the Company in Arka Fincap Limited (AFL) to Arka Financial Holdings Private Limited (AFHPL) at a consideration of ₹ 753.96 Crores which is not less than the fair market value of equity shares of AFL calculated as per provisions of Income Tax Act, 1961 including rules thereunder and amendment(s) thereto. The net profit arising on this sale of investment in AFL was ₹ 52.65 crores.

Note 40 : Tax expense

The note below details the major components of income tax expenses for the year ended 31 March 2023 and 31 March 2022. The note further describes the significant estimates made in relation to the Company's income tax position, and also explains how the income tax expense is impacted by non-assessable and non-deductible items.

₹ in Crores

Particulars	2022-2023	2021-2022
Current tax	99.45	53.52
Current income tax	99.45	53.52
Deferred tax	(5.56)	1.17
Relating to origination and reversal of temporary difference	(5.56)	1.17
Income tax expense reported in the Statement of Profit and Loss	93.89	54.69

Other Comprehensive Income (OCI)

₹ in Crores

Particulars	2022-2023	2021-2022
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	(2.16)	0.06
Net loss/(gain) on FVOCI equity instruments	(0.75)	0.86
Deferred tax charged to OCI	(2.91)	0.92

Notes to the Financial Statements

Note 40 : Tax expense (Contd..)

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 2023 and 31 March 2022 :

Current tax

₹ in Crores

Particulars	2022-2023	2021-2022
Accounting profit before income tax expense	364.14	262.70
Tax @ 25.168% (31 March 2022 : 25.168%)	91.65	66.12
Tax effect of adjustments in calculating taxable income:	2.24	(11.43)
Corporate Social Responsibility expenses/Donations	1.12	1.59
Other Disallowances/(allowances)	1.12	0.07
Interest on MSME dues	-	0.00
Permanent allowance against long term capital gain on sale of shares of subsidiary including difference in tax rates	-	(13.09)
Income tax expenses recognised in the Statement of Profit and loss	93.89	54.69
Effective income tax rate	25.78%	20.82%

Note 41 : Notes to and forming part of the financial statements as at and for the year ended 31 March 2023

1 Corporate information

Kirloskar Oil Engines Limited ('the Company') is a public limited Company domiciled in India and is incorporated under the provisions of the Companies Act, 1956. The registered office of the Company is located at Laxmanrao Kirloskar Road, Khadki, Pune, Maharashtra- 411003. The equity shares of the Company are listed on two recognised stock exchanges in India i.e. Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The Company is engaged in the business of manufacturing of engines, generating sets, pump sets and power tillers and spares thereof. The Company has manufacturing facilities in the state of Maharashtra.

2 Basis of preparation of financial statements

The Company's financial statements have been prepared in accordance with the provisions of the Companies Act, 2013 and the Indian Accounting Standards ('Ind AS') as issued under the Companies (Indian Accounting Standards) Rules, 2015 and amendments thereof issued by the Ministry of Corporate Affairs in exercise of the powers conferred by section 133 read with rule 7 of the Companies (Accounts) Rules, 2014. In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) and the guidelines issued by the Securities and Exchange Board of India are also applied.

The financial statements have been prepared on accrual basis following historical cost convention, except for,

(i) certain financial assets and financial liabilities that are measured at fair value or amortised cost in accordance with Ind AS.

(ii) defined benefit plans - plan assets measured at fair value.

(iii) Equity settled share based payments

Amounts in the financial statements are presented in Indian Rupees in crore rounded off to two decimal places as permitted by Schedule III to the Companies Act, 2013 unless otherwise stated.

The financial statements were approved by the Board of Directors and authorized for issue on 19 May 2023.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The Company continually evaluates these estimates and assumptions based on the most recently available information. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable.

3.1 Judgements

In the process of applying the Company's accounting policies, the management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Notes to the Financial Statements

Government grants and Incentives

The Company was eligible for Industrial promotion subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2001 from 1 April 2008 to 31 March 2017. The Company had received an extension of the said scheme of incentives, for a further period of 2 years i.e. till 31 March 2019 along with the extension of original operative period by 2 years and compliances thereof. Further the Company had determined the grant as a grant related to income based on the evaluation of terms and conditions attached to the eligibility of grant and the Company accounts for the grant as income in Statement of Profit and Loss.

Leases

Ind AS 116 'Leases' provides for certain recognition exemptions for short term leases as well as provides for certain criteria when the lease contracts are non-enforceable. The determination of lease term for the purpose of availing such exemptions and evaluation of such criteria for non-enforceability of a contract involves significant judgement.

Capital work-in-progress

Project is construed as smallest group of assets having a common intended use. Group of assets in an integrated plant is treated as one project. The identification of project will require judgement and management needs to identify project based on facts of each case. Project identification is consistent with how management identifies and monitors progress on group of assets internally.

Revenue recognition

The Company recognises revenue for each performance obligation either at a point in time or over a time. In case performance obligation is satisfied over a time, the output method is used to determine the revenue since it is faithfully depicting the Company's performance towards complete satisfaction of performance obligation. Practical expedient of "right to consideration" is also considered while recognising revenue in the amount to which the entity has right to invoice.

In case performance obligation is satisfied at a point in time, the Company generally recognises revenue when the control is transferred i.e. in case of goods either on shipment or upon delivery in domestic & on bill of lading date in case of export. In case of services, the revenue is recognised based on completion of distinct performance obligation. Refer significant accounting policy Note 41.4.17 & Note 41.5.8 on revenue recognition for information about methods, input and assumptions w.r.t transaction price & variable consideration.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation, uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company bases its assumptions and estimates on information available till the date of approval of these financial statements. The estimates and assumptions used, however may change based on future developments, due to market environment or due to circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions and estimates when they occur.

Defined benefit plans

The cost of the defined benefit plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future post-retirement medical benefit increase. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameter is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are mainly based on expected future inflation rates for the country.

Further details about defined benefit obligations are provided in Note 41.5.9.

Development costs

The Company capitalises development costs for a project in accordance with its accounting policy. Initially, capitalisation of costs is based on management's judgement that the technological and economic feasibility is confirmed when a product development project has reached a defined milestone, according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

For further details about the carrying amount of development costs capitalised as internally generated intangible assets and as intangible assets under development, Refer Note 2.

Warranty

The Company recognises provision for warranties in respect of the products that it sells. The estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidences based on actions on product failures.

Deferred tax

Deferred tax assets are recognised for all deductible temporary differences including the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Business combinations

In accounting of Business Combinations, estimation is involved in recognising contingent consideration. This measurement is based on information available at the acquisition date and is based on expectations and assumptions that have been deemed reasonable by management.

Any subsequent changes to the fair value of contingent consideration classified as liabilities, other than measurement period adjustments, are recognised in the Statement of Profit and Loss.

Share based payments

Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share based payment transactions are disclosed in Note 41.5.19

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.

Notes to the Financial Statements

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value.

External valuation experts are involved for valuation of significant assets and liabilities. Involvement of external valuation experts is decided upon annually by the management.

Methods and assumptions used to estimate the fair values are consistently followed.

4.3 Property, plant and equipment

a. Property, plant and equipment and capital work-in-progress are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost represents all expenses directly attributable to bringing the asset to its working condition capable of operating in the manner intended. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.

b. Capital work-in-progress comprises cost of Property, plant and equipment that are not yet installed and not ready for their intended use at the Balance Sheet date.

c. Own manufactured assets are capitalised at cost including an appropriate share of allocable expenses.

d. Project is construed as smallest group of assets having a common intended use. Group of assets in an integrated plant is treated as one project. Project identification is consistent with how management identifies and monitors progress on group of assets internally.

e. When temporary suspension is a necessary part of the process of getting an asset ready for its intended use, the project is not considered to have been temporarily suspended and the CWIP related to such projects should continue to be presented under 'Projects in progress'.

Notes to the Financial Statements

Depreciation

Depreciation is charged on the basis of useful life of assets on straight line method which are follows:

Asset Category	Life (in years)	Basis for useful life
Factory buildings	30	
Building- Non factory		
RCC Frame Structure	60	
*Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	Life as prescribed under Schedule II of the Companies Act, 2013
Building – Roads		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	
Building - Temporary shed	3	
***Plant & Equipment other than Pattern Tooling**	7.5 to 15	Useful life based on Number of Shifts as prescribed under Schedule II of the Companies Act, 2013
Plant & Equipment - Pattern tooling	4	Lower useful life considered based on past history of usage and supported by technical evaluation
***Solar Power Plant**	25	Higher useful life considered supported by technical evaluation
Computers		
Network	6	Life as prescribed under Schedule II of the Companies Act, 2013
End user devices, such as, desktops,etc.	3	
*Laptops	5	Higher useful life considered based on past history of usage
Servers	4	Lower useful life considered based on past history of usage and supported by technical evaluation
Electrical Installations	10	Life as prescribed under Schedule II of the Companies Act, 2013
***Furniture & Fixture**		
Furniture, fixtures and electrical fittings	10	Life as prescribed under Schedule II of the Companies Act, 2013
Furniture , AC , Refrigerators and Water coolers - Residential premises	4	Lower useful life considered based on past history of usage.
AC, Refrigerators and Water coolers - Company and Guest house premises	5	Lower useful life considered based on past history of usage
Office Equipment	5	Life as prescribed under Schedule II of the Companies Act, 2013
***Vehicles**		
Motorcars, Jeep	5	
Trucks	5	Lower useful life considered based on past history of usage
Other Vehicles	5	
***Aircrafts**	15	Lower useful life considered based on past history of usage and supported by technical evaluation

- Depreciation on additions is provided from the beginning of the month in which the asset is added.
- Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on pro-rata basis up to the end of the month prior to the month in which such assets are sold, discarded or demolished.
- Foreign exchange fluctuation gain/loss on imported plant and equipment were capitalised in the cost of the respective fixed asset up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

*The Company, based on technical assessments made by technical experts and management estimates depreciates certain items of plant and equipment; building; computers; furniture and fixtures; vehicles and aircraft over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the

Notes to the Financial Statements

carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of Property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.4 Intangible assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets are recorded at the consideration paid for acquisition. In case of internally generated intangible assets, expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses.

Other internally generated intangibles are not capitalised and the related expenditure is reflected in the Statement of Profit & Loss for the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortised by using straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Sr. No.	Asset category	Life (in years)
1	Computer Software	5
2	Drawings & Designs	10
3	Technical Knowhow – acquired	6
4	Technical Knowhow - Internally generated	3 to 5

Intangible assets with indefinite useful lives, if any are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "Intangible assets under development".

4.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised till the month in which the asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expenses in the period in which these are incurred.

4.6 Impairment of non financial assets

The Company assesses at each Balance Sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at any subsequent Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the Statement of Profit and Loss. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognised or relates to a change in the estimate of the recoverable amount in the previous periods.

4.7 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Profit or Loss.

Notes to the Financial Statements

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. However, trade receivables that do not contain a significant financing component are measured at transaction price.

ii Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)

- **Debt instrument :**

  A financial asset is measured at amortised cost if:

  - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

    This category is most relevant to the Company . After initial measurement, such financial assets are subsequently measured at amortised cost by applying the effective interest rate ('EIR'). The amortised cost is calculated by taking into account any premium or discount on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

- **Financial assets at fair value through other comprehensive income**

  A financial asset is measured at fair value through other comprehensive income if:

  - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income except for interest income, impairment gains or losses and foreign exchange gains and losses which are recognised in the Statement of Profit and Loss.

- **Financial assets at fair value through profit or loss**

  A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

  Equity instrument :

  Investment in equity instruments issued by subsidiary are measured at cost.

  Investments in equity instruments issued by other than subsidiaries are classified as at FVTPL, unless the related instruments are not held for trading and the Company irrevocably elects on initial recognition to present subsequent changes in fair value in Other comprehensive income.

  In addition, the Company may elect to classify a financial asset, which otherwise meets amortised cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

  After initial measurement, such financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the Statement of Profit and Loss.

iii Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire,

  or

- The Company has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received

Notes to the Financial Statements

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 amortised cost and fair value is recognised in the Statement of Profit and Loss.
FVTPL	Amortised cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in Other comprehensive income ('OCI'). No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to Statement of Profit and Loss at the reclassification date.

v Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost.
- Financial assets that are debt instruments and are measured as at FVOCI
- Lease receivables under Ind AS 116
- Trade receivables under Ind AS 115

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables resulting from transactions within the scope of Ind AS 115, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 115 that contain a significant financing component, if the Company applies practical expedient to ignore separation of time value of money, and
- All lease receivables resulting from transactions within the scope of Ind AS 116

Notes to the Financial Statements

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Company is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Statement of Profit and Loss. This amount is reflected in a separate line in the Statement of Profit and Loss as an impairment gain or loss. The Balance Sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the Balance Sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not derecognise impairment allowance from the gross carrying amount.
- Loan commitments: ECL is presented as a provision in the Balance Sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

b Financial Liabilities

i Initial recognition and measurement of financial liabilities

All financial liabilities are recognised initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities.

ii Subsequent measurement of financial liabilities

For purposes of subsequent measurement, financial liabilities are classified and measured as follows:

- **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

- **Gains or losses on liabilities held for trading are recognised in the Statement of Profit and Loss.**

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognised in OCI. These gains/ losses are not subsequently transferred to the Statement of Profit and Loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit and Loss. The Company has

Notes to the Financial Statements

not designated any financial liability as at fair value through the Statement of Profit and Loss.

- **Loans and borrowings at amortised cost**

This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit and Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

iii Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its Balance Sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

iv Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

4.8 Derivatives

Company uses derivative contracts to hedge its exposure against movements in foreign exchange rates. The use of derivative contracts is intended to reduce the risk or cost to the Company. Derivative contracts are not used for trading or speculation purpose.

All derivatives are measured at fair value through the profit or loss unless they form part of a qualifying cash flow hedge, in which case the fair value is taken to reserves and released into the Statement of Profit and Loss at the same time as the risks on the hedged instrument are recognised therein. Any hedge ineffectiveness will result in the relevant proportion of the fair value remaining in the Statement of Profit and Loss. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third-party quotes. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. All hedging activity is explicitly identified and documented by the Company.

4.9 Foreign currency transactions

a Initial recognition

Foreign currency transactions are recorded in Indian currency (the "functional and presentation currency"), by applying the exchange rate between the Indian currency and the foreign currency at the date of the transaction.

b Conversion

Current assets and current liabilities, secured loans, being monetary items, designated in foreign currencies are revalorized at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate rate.

c Exchange differences

Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they were adjusted in the cost of the corresponding asset. Further, as per extant circulars issued by the Ministry of Corporate Affairs, eligible exchange difference on foreign currency loans utilized for acquisition of assets, was adjusted in the cost of the asset to be depreciated over the balance life of the asset up to transition date of Ind AS.

4.10 Leases

Lease is a contract that provides to the customer (lessee) the right to use an asset for a period of time in exchange for consideration.

a Where the Company is a lessee

A lessee is required to recognise assets and liabilities for all leases and to recognise depreciation of leased assets separately from interest on lease liabilities in the Statement of Profit and Loss. The Company uses the practical expedient to apply the requirements of this standard to a portfolio of leases with similar characteristics if the effects on the financial statements of applying to the portfolio does not differ materially from applying the requirement to the individual leases within that portfolio.

Notes to the Financial Statements

However, when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty the Company considers that lease to be no longer enforceable. Also according to Ind AS 116, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, the lessee is not required to recognise right-of-use asset and a lease liability. The Company applies both recognition exemptions. The lease payments associated with those leases are generally recognised as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets:

Right-of-use assets, which are included under Property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, the Company also applies the practical expedient that the payments for non-lease components are generally recognised as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liability

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

Lease modification

For a lease modification that is not accounted for as a separate lease, the Company accounts for the re-measurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

b Where the Company is a lessor -

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Where the Company is a lessor under an operating lease, the asset is capitalised within Property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the term of the lease.

4.11 Inventories

a Raw materials, components, stores and spares are valued at cost or net realisable value whichever is lower. Cost includes all cost of purchase and incidental expenses incurred in bringing the inventories to their present location and condition. Cost is ascertained using weighted average method.

b Work-in-progress including finished components and finished goods are valued at cost or realisable value whichever is lower. Cost includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity.

c Materials-in-transit and materials in bonded warehouse are valued at actual cost incurred up to the date of Balance Sheet.

d Unserviceable, damaged and obsolete inventory is valued at cost or net realisable value whichever is lower.

e Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

4.13 Taxes

Current income tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in Other comprehensive income or directly in equity is recognised in other comprehensive income ('OCI') or in equity, respectively, and not in the Statement of Profit and Loss. The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Notes to the Financial Statements

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences including, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit and Loss is recognised outside the profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax / Goods and Services Tax ('GST')

Expenses and assets are recognised net of the amount of sales tax / GST, except:

- When the sales tax/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax/GST included.

The net amount of sales tax/GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

4.14 Non-current assets held for sale and discontinuing operations

a Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate use in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

b Discontinuing operations

Discontinuing operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Profit and Loss account.

Assets and liabilities classified as held for distribution are presented separately from other assets and liabilities in the Balance Sheet.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

i Represents a separate major line of business or geographical area of operations,

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.

Notes to the Financial Statements

4.15 Employee benefits

a Short term employee benefits

The distinction between short term and long term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and are recognised in the period in which the employee renders the related service.

b Post-employment benefits

i Defined contribution plan

The Company makes payment to approved superannuation schemes, state government provident fund scheme and employee state insurance scheme which are defined contribution plans. The contribution paid/payable under the schemes is recognised in the Statement of Profit and Loss during the period in which the employee renders the related service. The Company has no further obligations under these schemes beyond its periodic contributions.

ii Defined benefit plan

The employee's gratuity fund scheme, pension, post-retirement medical and long term service award benefit schemes are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on a net basis.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the statement of profit and loss in subsequent periods.

Past service costs are recognised in the Statement of Profit and Loss on the earlier of:

- The date of the plan amendment or curtailment, and

- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and

- Net interest expense or income.

c Other long term employment benefits:

The employee's long term compensated absences are Company's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on a net basis.

In regard to other long term employment benefits, the Company recognises the net total of service costs; net interest on the net defined benefit liability (asset); and remeasurements of the net defined benefit liability (asset) in the Statement of Profit and Loss.

d Termination benefits :

Termination benefits such as compensation under voluntary retirement scheme are recognised in the Statement of Profit and Loss in the year in which termination benefits become payable or when the Company determines that it can no longer withdraw the offer of those benefits, whichever is earlier.

4.16 Provisions, contingencies and commitments

Necessary provisions are made for the present obligations that arise out of past events entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

However a disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Onerous contracts

A contract is considered to be onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Notes to the Financial Statements

Commitments are future liabilities for contractual expenditure, classified and disclosed as estimated amount of contracts remaining to be extracted on capital account and not provided for.

4.17 Revenue recognition

Revenue from operations

a Sale of goods & services:

The Company recognises revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or rendering of services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness.

Revenue is the transaction price the Company expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved.

The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when any uncertainty is subsequently resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which it is expected to better predict the amount of variable consideration.

Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the Company.

Performance obligations are identified based on individual terms of contract. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. The Company reasonably estimates the stand-alone selling prices if such prices are not observable. For each performance obligations identified as above, the revenue is recognised either at a point in time or over time. When the Company's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis over time.

The incremental cost to obtain a contract are recognised as an asset if the Company expects to recover those cost over the period of contract. Company recognises the incremental costs of obtaining a contract as an expense, when incurred, if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

In case of bill and hold arrangements, revenue is recognized when the company completes its performance obligation to transfer the control of the goods to the customer in accordance with the agreed upon specifications in the contract for which the customer has accepted the control. Such goods are identified and kept ready for delivery based on which revenue is recognized.

The company completes its performance obligation to transfer the control of the goods to the customer in accordance with the agreed -upon specifications in the contract for which customer accepts the same and confirms to the Company basis which criteria for bill and hold is met.

The company has identified the goods as belonging to the customer and stored them separately in the factory premises until goods are cleared from the factory premises.

The goods are ready for physical transfer to the customer from the factory premises of the Company.

The Company cannot use the goods for any other purpose or to direct it to another customer.

b Contract balances

Contract assets

The incremental cost to obtain a contract are recognised as an asset if the Company expects to recover those cost over the period of contract. Company recognises the incremental costs of obtaining a contract as an expense, when incurred, if the amortisation period of the asset that the entity otherwise would have recognised is one year or less. Impairment loss (termed as provision for foreseeable losses in the financial statements) is recognised in Statement of Profit and Loss to the extent the carrying amount of the contract asset exceeds the remaining amount of consideration that the Company expects to receive towards remaining performance obligations (after deducting the costs that relate directly to fulfill such remaining performance obligations).

Trade receivables

The amounts billed on customer for work performed and are unconditionally due for payment i.e. only passage of time is required before payment falls due, are disclosed in the Balance Sheet as trade receivables.

Notes to the Financial Statements

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 financial assets

Interest income from financial assets is recognised using effective interest rate method.

b. Dividend income

Dividend income is recognised when the Company's right to receive the amount has been established.

c. Others

Other items of income are accounted as and when the right to receive such income arises and it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

C In case of bill and hold arrangements, revenue is recognized when the Group completes its performance obligation to transfer the control of the goods to the customer in accordance with the agreed upon specifications in the contract for which the customer has accepted the control. Such goods are identified and kept ready for delivery based on which revenue is recognized.

4.19 Exceptional items

An item of income or expense which by its size, type or incidence requires disclosure in order to improve an understanding of the performance of the Company is treated as an exceptional item.

4.20 Government grants

Grants and subsidies from the government are recognised if the following conditions are satisfied,

- There is reasonable assurance that the Company will comply with the conditions attached to it.
- Such benefits are earned and reasonable certainty exists of the collection.

a. Export incentives

Export incentives under various schemes notified by government are accounted for in the year of exports as grant related to income and is recognised as Other operating income in the Statement of Profit and Loss if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

b. Industrial promotion subsidy

Government grants received with reference to Industrial promotion subsidy under Packaged Scheme of Incentives, 2001 is treated as grant related income and is recognised as other operating income in the Statement of Profit and Loss as per the appropriate recognition criteria.

c. Export promotion capital goods

Government grants received with reference to export promotion capital goods scheme are initially recognised as deferred revenue and grant in proportion of export obligation achieved during the year is reduced from deferred revenue and recognised as Other operating income in the Statement of Profit and Loss.

4.21 Cash dividend

The Company recognises a liability to make cash distributions to the equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the provisions of the Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions, if any, are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the Statement of Profit and Loss.

4.22 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

4.23 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature and any deferral or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Company are segregated.

Notes to the Financial Statements

Cash and cash equivalents(including bank balances) shown in the Statement of Cash Flow exclude items which are not available for general use as at the date of the Balance Sheet.

4.24 Share based payments

Equity settled share based payments

Employees of the Company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The Company recognises compensation expense relating to share based payments in accordance with Ind AS 102 Share based payment. Stock options granted by the Company to its employees are accounted as equity settled options. Accordingly, Equity-settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note No 41.5.19. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share based payments reserve.

4.25 Segment reporting

a. Identification of segments

Operating segments are reported in a manner consistent with the internal reporting to the management.

b. Allocation of common costs

Common allocable costs are allocated to the reportable segment based on sales of reportable segment to the total sales of the Company.

c Unallocated items

Corporate assets and liabilities, income and expenses which relate to the Company as a whole and are not allocable to segments, are included under other reconciling items.

5 Additional notes to the Financial Statements

5.1 Contingent liabilities

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
a Contingent liabilities		
i Central Excise Demands	20.09	20.16
ii Sales Tax & Octroi Demands	5.25	5.53
iii Customs Duty Demands	0.00	0.00
iv Income Tax Liability	7.32	7.32
v Claims against Company not acknowledged as debts	53.76	62.01

5.2 Other Contingent liabilities

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Aggregate amount of such letters of credit outstanding (Charge of hypothecation referred to in Note 24 for working capital facilities extends to letter of credit issued by the Company's bankers)	10.71	0.53
Aggregate liquidated damages on unexecuted orders	1.45	0.66

Notes to the Financial Statements

Capital and other commitments

5.3 Capital commitment

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	193.81	42.17

5.4 Other commitments

The Company has given letter of comfort/undertaking to one of the subsidiary's bankers for credit facilities availed by that subsidiary. As per the terms of letter of comfort/undertaking, the Company undertakes not to divest its ownership interest directly or indirectly in the subsidiary beyond specified percentage.

5.5 Payment to Auditors (net of taxes)

₹ in Crores

Sr. No	Particulars	2022-23	2021-22
a	**Statutory Auditors**		
i	**As auditors**	0.48	**0.43**
	Audit fees	0.41	0.37
	Limited review	0.07	0.06
ii	Certification fees & assurance services	0.01	0.01
iii	Reimbursement of expenses	0.02	0.01
	Total (a)	0.51	**0.45**
b	**Cost Auditors**		
i	As auditors	0.08	0.07
ii	In other capacity		
	Certification fees	0.00	0.00
iii	Reimbursement of expenses	0.00	0.00
	Total (b)	0.08	**0.07**
	Grand total (a+b)	0.59	**0.52**

5.6 The Sales for the current year includes an amount of ₹ 0.50 Crores (31 March 2022 : ₹ 0.09 Crores) on account of supplies to SEZ.

5.7 The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) as at 31 March 2023.The disclosure pursuant to the said Act is as under:

₹ in Crores

Particulars	2022-23	2021-22
Principal outstanding to MSME suppliers	97.33	98.22
Payment made to suppliers (other than interest) beyond the appointed day , during the year	0.11	16.28
Interest due and payable to suppliers under MSMED Act , for the payments already made	0.00	0.02
Interest due on principle amount remaining unpaid as on year end date	0.00	0.00
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.26	0.26

Notes to the Financial Statements

5.8 Revenue recognition

a Disaggregation of revenue

Set out below is the disaggregation of the Company's revenue from contracts with its customers:

₹ in Crores

Year ended 31 March 2023	B2B	B2C	Total
Power Gen Business	1,655.31	-	1,655.31
Industrial Business	851.81	-	851.81
Distribution & Aftermarket Business	630.48	-	630.48
International Business	393.34	35.20	428.54
Water Management Solutions	-	399.87	399.87
Farm Mechanisation Solutions	-	107.03	107.03
Total	**3,530.94**	**542.10**	**4,073.04**

₹ in Crores

Year ended 31 March 2022	B2B	B2C	Total
Power Gen Business	1,296.71	-	1,296.71
Industrial Business	699.11	-	699.11
Distribution & Aftermarket Business	534.54	-	534.54
International Business	249.24	48.72	297.96
Water Management Solutions	-	351.75	351.75
Farm Mechanisation Solutions	-	87.52	87.52
Total	**2,779.60**	**487.99**	**3,267.59**

b Revenue recognised in relation to contract liabilities

Movement of contract liabilities for the reporting period given below:

₹ in Crores

Particulars	31 March 2023	31 March 2022
Contract Liabilities at the beginning of the period	**57.18**	**59.88**
Add / (Less):		
Consideration received during the year as advance	97.34	74.63
Written off/refund/cancellation	0.03	-
Revenue recognized from contract liability *	(85.36)	(77.33)
Contract Liabilities at the end of the period	**69.19**	**57.18**

* Includes revenue of ₹ 34.52 Crores (31 March 2022 : ₹ 39.00 Crores) during the year from its contract liabilities as on 1 April 2022. Contract liabilities are presented in Note 23 & Note 28 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 recognises revenue in case of goods, when the performance obligation is satisfied at a point in time when the control is transferred i.e. either on shipment or upon delivery as per the terms of contracts in domestic and in case of export on the date of bill of lading.

In case of services, where performance obligation is satisfied at a point in time, revenue is generally recognised upon completion of services and on obtaining work completion certificates from the customers. In contracts under which performance obligation satisfied over a period of time, Revenue is generally recognised either according to stage of completion or on straight line basis depending upon the type of services provided. The stage of completion is determined based on the contractual terms.

When the Company's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis.

The payment is due from the date of invoice and payment terms are generally in the range of 0 days to 90 days depending on product/market segment and market channel excluding some exceptions.

iii The Company provides to its customers warranties in the forms of repairs or replacement warranty under its standard terms and recognises it as warranty provision as per Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets"

d Unsatisfied performance obligations as at the end of reporting period:

As on 31 March 2023, the Company has unsatisfied performance obligation of ₹ 80.09 Crores (31 March 2022 : ₹ 82.95 Crores). The Company expects that ₹ 52.04 Crores will be recognised as revenue in financial year 2023-24 and remaining in subsequent years based on contractual terms.

e Asset recognised for cost incurred to obtain a contract and cost incurred to fulfil Contract

The Company has recognised an asset as on 31 March 2023 of ₹ 5.57 Crores (31 March 2022 : ₹ 3.65 Crores) from cost incurred to obtain and fulfill a contract. Asset is included in Note 15 Other current asset : Prepaid expenses.

f Reconciliation of the Company's revenue from contract price with revenue:

₹ in Crores

Particulars	2022-2023	2021-2022
Contract price	4,120.04	3,311.56
Adjustment for :		
Contract liabilities: Discounts, incentives & late delivery charges	(47.00)	(43.97)
Revenue from contracts with customers	**4,073.04**	**3,267.59**

5.9 Disclosure pursuant to Employee benefits

A. Defined contribution plans:

The Company has contributed ₹ 12.14 Crores ('31 March 2022: ₹ 11.04 Crores) towards defined contribution plans i.e. Contribution to provident and other funds (refer Note 35 "Employee benefit expense")

B. Defined benefit plans:

The Company has following post employment benefits which are in the nature of defined benefit plans:

(a) Gratuity

(b) Pension, Post retirement medical scheme and Long-term award scheme

Notes to the Financial Statements

31 March 2023 : Changes in defined benefit obligation and plan assets

₹ in Crores

Particulars	Cost charged to statement of profit and loss: 1 April 2022	Service cost	Net interest expense	Sub-total included in the Statement of Profit and Loss (Note 35)	Benefit paid	Remeasurement gains/(losses) in other comprehensive income: 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	31 March 2023
Gratuity												
Defined benefit obligation	(44.21)	(3.93)	(3.07)	(7.00)	3.13	-	(0.03)	(3.35)	(4.30)	(7.68)	-	(55.76)
Fair value of plan assets	45.82	-	3.21	3.21	(3.13)	-	-	0.18	(1.05)	(0.87)	0.54	45.58
Benefit (liability)/asset	1.61	(3.93)	0.14	(3.79)	-	-	(0.03)	(3.17)	(5.35)	(8.54)	0.54	(10.18)
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(2.97)	(0.04)	(0.20)	(0.24)	0.29	-	-	0.05	(0.08)	(0.03)	-	(2.95)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit (liability)/asset	(2.97)	(0.04)	(0.20)	(0.24)	0.29	-	-	0.05	(0.08)	(0.03)	-	(2.95)
Total benefit (liability)/asset	(1.36)	(3.97)	(0.06)	(4.03)	0.29	-	(0.03)	(3.12)	(5.43)	(8.57)	0.54	(13.13)

31 March 2022 : Changes in defined benefit obligation and plan assets

₹ in Crores

Particulars	1 April 2021	Cost charged to statement of profit and loss: Service cost	Net interest expense	Sub-total included in the Statement of Profit and Loss (Note 35)	Benefit paid	Remeasurement gains/(loss) in other comprehensive income: 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	31 March 2022
Gratuity												
Defined benefit obligation	(42.72)	(3.92)	(2.75)	(6.68)	4.50	-	0.05	(1.32)	1.94	0.68	-	(44.21)
Fair value of plan assets	47.58	-	3.08	3.08	(4.45)	-	-	-	(0.40)	(0.40)	-	45.82
Benefit (liability)/asset	4.86	(3.92)	0.33	(3.59)	0.06	-	0.05	(1.32)	1.55	0.28	-	1.61
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(3.04)	(0.03)	(0.19)	(0.22)	0.35	-	(0.11)	0.06	(0.01)	(0.06)	-	(2.97)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit (liability)/asset	(3.04)	(0.03)	(0.19)	(0.22)	0.35	-	(0.11)	0.06	(0.01)	(0.06)	-	(2.97)
Total benefit (liability)/asset	1.83	(3.95)	0.14	(3.81)	0.41	-	(0.06)	(1.26)	1.54	0.22	-	(1.36)

Notes to the Financial Statements

C. Other long-term employment benefits

The Company has Compensated Absences plan which is covered by other long-term employment benefits

31 March 2023 : Changes in defined benefit obligation and plan assets of Compensated absences ₹ in Crores

Particulars	1 April 2022	Cost charged to statement of profit and loss: Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in the Statement of Profit and Loss (Note 35)	Benefit paid	Contributions by employer	31 March 2023
Compensated absences								
Defined benefit obligation	(27.49)	(2.52)	(1.88)	(2.61)	(7.01)	2.76	-	(31.74)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit (liability)/asset	(27.49)	(2.52)	(1.88)	(2.61)	(7.01)	2.76	-	(31.74)

31 March 2022 : Changes in defined benefit obligation and plan assets of Compensated absences ₹ in Crores

Particulars	1 April 2021	Cost charged to statement of profit and loss: Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in the statement of profit and loss (Note 35)	Benefit paid	Contributions by employer	31 March 2022
Compensated absences								
Defined benefit obligation	(26.22)	(2.34)	(1.66)	(0.78)	(4.78)	3.51	-	(27.49)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit (liability)/asset	**(26.22)**	**(2.34)**	**(1.66)**	**(0.78)**	**(4.78)**	**3.51**	**-**	**(27.49)**

D. Other Disclosures

The major categories of plan assets of the fair value of the total plan assets of Gratuity are as follows:

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Special Deposit Scheme	-	-
(%) of total plan assets	0%	0%
Funds managed by insurer (₹ in Crores)	45.58	23.37
(%) of total plan assets	100%	51%
Others (₹ in Crores)	-	22.45
(%) of total plan assets	0%	49%

The principal assumptions used in determining above defined benefit obligations for the Company's plans are shown below:

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Discount rate	7.50%	7.20%
Future salary increase	7.00%-10.00%	7.00%-11.00%
Expected rate of return on plan assets	7.20%	6.80%
Expected average remaining working lives (in years)		
Gratuity	10.92	12.34
Pension, Post retirement medical scheme and Long-term award scheme	8.3 - 10.03	8.97 - 10.57
Compensated Absences	10.91	12.34
Withdrawal rate (based on grade and age of employees)		
Gratuity	0%-15%	0%-10%
Pension, Post retirement medical scheme and Long-term award scheme	0.00%	0%-11%
Compensated Absences	0%-15%	0%-10%

Notes to the Financial Statements

A quantitative sensitivity analysis for significant assumption is as shown below:

Gratuity ₹ in Crores

Particulars	Sensitivity level	(Increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2023	Year ended 31 March 2022
Discount rate	1% Increase	3.88	3.25
	1% Decrease	(4.43)	(3.71)
Future salary increase	1% Increase	(3.84)	(3.25)
	1% Decrease	3.45	2.91
Withdrawal rate	1% Increase	0.34	(0.04)
	1% Decrease	(0.37)	0.03

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Pension, Post retirement medical scheme and Long-term award scheme ₹ in Crores

Particulars	Sensitivity level	(Increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2023	Year ended 31 March 2022
Discount rate	1% Increase	0.11	0.15
	1% Decrease	(0.11)	(0.17)
Withdrawal rate	1% Increase	0.01	0.00
	1% Decrease	-	-

The sensitivity analyse above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The followings are the expected future benefit payments for the defined benefit plan :

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Within the next 12 months (next annual reporting period)		
Gratuity	11.36	6.13
Pension, Post retirement medical scheme and Long-term award scheme	0.28	0.27
Between 2 and 5 years		
Gratuity	18.42	14.49
Pension, Post retirement medical scheme and Long-term award scheme	1.07	1.05
Beyond 5 years		
Gratuity	21.07	21.81
Pension, Post retirement medical scheme and Long-term award scheme	1.19	1.24
Total expected payments	**53.39**	**44.99**

Notes to the Financial Statements

Weighted average duration of defined plan obligation (based on discounted cash flows)

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Gratuity	10.43	11.61
Pension, Post retirement medical scheme and Long-term award scheme	5.60 -9.63	5.60 -10.34

The followings are the expected contributions to planned assets for the next year:

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Gratuity	10.18	3.93

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 trust fund partly managed by a public sector insurer viz; LIC of India and partly managed by private sector insurers.

   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.

   With other private insurers, 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.

Notes to the Financial Statements

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.

5.10 The Company primarily operates in the business of manufacturing of Engines wherein two customer based reportable segments have been identified namely - Business to Business ("B2B") and Business to Customer ("B2C"). However, as per para 4 of Ind AS 108 "Operating Segments", the Company is required to disclose segment information only in the Consolidated Financial Statements. Accordingly, disclosure of this information has been included under Consolidated Financial Statements.

5.11 Related parties have been identified as defined under Clause 9 of Indian Accounting Standard (Ind AS 24) "Related Party Disclosures."

A. Description of related parties

i. Name of the related party and nature of relationship where control exists:

Sr. No.	Nature of Relationship	Names of Related Party
1	Entities controlled by Company (Company controlling > 50% of voting power)	Kirloskar Americas Corporation (KAC), USA (formerly known as KOEL Americas Corp.) La-Gajjar Machineries Private Limited (LGM), Ahmedabad (subsidiary upto 25 September 2022 and wholly owned subsidiary w.e.f. 26 September 2022 of the Company) Optiqua Pipes and Electricals Private Limited (OPEPL), Ahmedabad (wholly owned subsidiary of LGM and step down subsidiary of the Company) Arka Financial Holdings Private Limited (AFHPL), Mumbai (w.e.f. 13 July 2021) Arka Fincap Limited (AFL), Mumbai (subsidiary upto 3 March 2022 and therafter subsidiary of AFHPL and step down subsidiary of the Company w.e.f 4 March 2022) Arka Investment Advisory Services Private Limited (AIASPL), Mumbai (wholly owned subsidiary of AFHPL and step down subsidiary of the Company) (w.e.f. 30 March 2022)
2	Associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).	ESVA Pumps India Private Limited, Coimbatore [joint venture of Optiqua Pipes and Electricals Private Limited (a step-down subsidiary of the Company and, wholly owned subsidiary company of La-Gajjar Machineries Private Limited, a subsidiary of the Company)] w.e.f. 4 October 2021
3	Entities controlled by Key Managerial Personnel	Kirloskar Energen Private Limited Kirloskar Solar Technologies Private Limited Lakeland Universal Limited BVI (upto 20 January 2022) Navsai Investments Private Limited Beluga Whale Capital Management Pte Limited Snow Leopard Technology Ventures LLP
4	Entities controlled by Close Member of Key Managerial Personnel	Alpak Investments Private Limited Gumtree Capital Advisors LLP (w.e.f. 20 May 2022) Snow Leopard Infrastructure-1 LLP (w.e.f. 20 May 2022) Snow Leopard Lever Boost LLP (w.e.f. 24 March 2023) Cephalopod Teknik LLP III (w.e.f. 19 August 2022 upto 24 March 2023) Cephalopod Teknik - IV LLP (w.e.f. 21 September 2022) Cephalopod Teknik - V LLP (w.e.f. 27 February 2023)
5	Promoter/Promoter group which hold(s) 10% or more shareholding	Atul Kirloskar Rahul Kirloskar

Notes to the Financial Statements

Sr. No.	Nature of Relationship	Names of Related Party
6	Post-Employment benefit plan of Company	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund Kirloskar Oil Engines Limited Employees' Gratuity Trust Kirloskar Oil Engines Limited Officers' Superannuation Scheme Kirloskar Oil Engines Limited Officers' Superannuation Trust Kirloskar Oil Engines Limited Employees' Welfare Trust La-Gajjar Machineries Private Limited Employees Group Gratuity Trust

ii. Key Managerial Personnel and their relatives:

Sr No	Name	Name of relatives	Relationship
1	Atul Kirloskar (Executive Chairman and Key Managerial Personnel upto 31 March 2023 and appointed as Non-Executive Director and Chairman w.e.f 1 April 2023)	Arti Kirloskar Gauri Kirloskar Aditi Kirloskar (Sahni) Rahul Kirloskar Suman Kirloskar	Wife Daughter Daughter Brother Mother
2	Gauri Kirloskar (Managing Director) w.e.f. 20 May 2022	Atul Kirloskar Arti Kirloskar Christopher Kolenaty Maya Kolenaty Pia Kolenaty	Father Mother Husband Daughter Daughter
3	Sanjeev Nimkar (Managing Director) upto 27 January 2022	Ashwini Nimkar Ishita Nimkar Sakshi Nimkar	Wife Daughter Daughter

B. Transactions with related parties

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2022-23		2021-22	
		Amount	Amount	Amount	Amount
1	**Sales**				
	Subsidiary Company	17.53		21.65	
	Kirloskar Americas Corporation		17.53		21.65
	Total	17.53	17.53	21.65	21.65
2	**Sale of capital goods**				
	Key Managerial Personnel	-		0.00	
	Atul Kirloskar		-		0.00
	Total	-	-	0.00	0.00
3	**Purchases of goods**				
	Subsidiary Company (including step down subsidiary)	48.16		50.14	
	La-Gajjar Machineries Private Limited		46.71		49.20
	Optiqua Pipes and Electricals Private Limited		1.45		0.94
	Associate or joint venture of a member of the group	75.29		30.02	
	ESVA Pumps India Private Limited		75.29		30.02
	Total	123.45	123.45	80.16	80.16

Notes to the Financial Statements

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2022-23 Amount	2022-23 Amount	2021-22 Amount	2021-22 Amount
4	**Rendering of services from**				
	Key Managerial Personnel	11.75		7.25	
	Atul Kirloskar		6.80		5.32
	Gauri Kirloskar		4.95		
	Sanjeev Nimkar		-		1.93
	Close member of Key Managerial Personnel	0.16		0.57	
	Rahul Kirloskar		0.14		0.10
	Gauri Kirloskar		0.02		0.47
	Total	**11.91**	**11.91**	**7.82**	**7.82**
5	**Expenses paid to**				
	Subsidiary Company	(2.39)		-	
	Kirloskar Americas Corporation		(2.39)		-
	La-Gajjar Machineries Private Limited		-		
	Key Management Personnel	0.46		0.18	
	Sanjeev Nimkar		-		0.01
	Atul Kirloskar		0.29		0.17
	Gauri Kirloskar		0.17		-
	Entity controlled by Key Managerial Personnel	0.63		0.59	
	Kirloskar Solar Technologies Private Limited		0.63		0.59
	Total	**(1.30)**	**(1.30)**	**0.77**	**0.77**
6	**Reimbursement / (recovery) of expenses**				
	Subsidiary Company (including step down subsidiary)	(0.98)		(1.17)	
	Kirloskar Americas Corporation		-		
	La-Gajjar Machineries Private Limited		(1.17)		(0.97)
	Optiqua Pipes and Electricals Private Limited		0.19		(0.20)
	Key Managerial Personnel	0.18		-	
	Atul Kirloskar		0.14		
	Gauri Kirloskar		0.04		-
	Total	**(0.80)**	**(0.80)**	**(1.17)**	**(1.17)**
7	**Interim dividend and final dividend paid**				
	Key Managerial Personnel	10.22		5.28	
	Atul Kirloskar		7.34		5.28
	Gauri Kirloskar		2.88		-
	Close member of Key Managerial Personnel	11.49		10.34	
	Rahul Kirloskar		8.89		6.40
	Arti Kirloskar		1.61		1.16
	Gauri Kirloskar		-		2.07
	Aditi Kirloskar		0.96		0.69
	Suman Kirloskar		0.03		0.02
	Entity controlled by Key Managerial Personnel	0.06		0.00	
	Achyut & Neeta Holdings & Finance Private Limited		0.06		-
	Navsai Investments Private Limited		0.00		0.00

Notes to the Financial Statements

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2022-23 Amount	2022-23 Amount	2021-22 Amount	2021-22 Amount
	Entity controlled by close member of Key Managerial Personnel	0.00		0.00	
	Alpak Investments Private Limited		0.00		0.00
	Total	**21.77**	**21.77**	**15.62**	**15.62**
8	**Sale of Investment**				
	Subsidiary Company (including step down subsidiary)	-		701.31	
	Arka Fincap Limited		-		701.31
	Total	**-**	**-**	**701.31**	**701.31**
9	**Investment made**				
	Subsidiary Company (including step down subsidiary)	219.60		887.00	
	Arka Fincap Limited		-		50.00
	La-Gajjar Machineries Private Limited		40.00		-
	Arka Financial Holdings Private Limited		179.60		837.00
	Total	**219.60**	**219.60**	**887.00**	**887.00**
10	**Interest accrued on preference share investment**				
	Subsidiary Company	1.28		0.68	
	La-Gajjar Machineries Private Limited		1.28		0.68
	Total	**1.28**	**1.28**	**0.68**	**0.68**
11	**Contributions Paid**				
	Post-employment benefit plan of Company	2.37		1.80	
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		1.76		1.73
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.07		0.07
	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund		0.54		-
	Total	**2.37**	**2.37**	**1.80**	**1.80**
12	**Loan given to**				
	Subsidiary Company (including step down subsidiary)	29.85		-	
	La-Gajjar Machineries Private Limited		21.85		-
	Optiqua Pipes and Electricals Private Limited		8.00		-
	Total	**29.85**	**29.85**	**-**	**-**
13	**Interest received on term loan given**				
	Subsidiary Company (including step down subsidiary)	0.60		-	
	La-Gajjar Machineries Private Limited		0.54		-
	Optiqua Pipes and Electricals Private Limited		0.06		-
	Total	**0.60**	**0.60**	**-**	**-**

Notes to the Financial Statements

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2022-23 Amount	2022-23 Amount	2021-22 Amount	2021-22 Amount
Outstanding balances					
1	**Accounts payable**				
	Subsidiary Company (including step down subsidiary)	13.00		11.30	
	Kirloskar Americas Corporation		0.21		-
	La-Gajjar Machineries Private Limited		12.44		11.26
	Optiqua Pipes and Electricals Private Limited		0.35		0.04
	Associate or joint venture of a member of the group	6.97		2.81	
	ESVA Pumps India Private Limited		6.97		2.81
	Key Management Personnel				
	Commission	8.00		2.50	
	Atul Kirloskar		4.00		2.50
	Gauri Kirloskar		4.00		
	Others	-		0.66	-
	Sanjeev Nimkar		-		0.66
	Close member of Key Managerial Personnel	0.07		0.50	
	Rahul Kirloskar		0.06		0.06
	Gauri Kirloskar		0.01		0.44
	Entity controlled by Key Managerial Personnel	1.37		1.39	
	Kirloskar Solar Technologies Private Limited		1.37		1.39
	Post-employment benefit plan of Company	10.68		0.49	
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		0.44		0.43
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.06		0.06
	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund		10.18		-
	Total	**40.09**	**40.09**	**19.65**	**19.65**
2	**Accounts receivable**				
	Subsidiary Company (including step down subsidiary)	11.07		14.31	
	Kirloskar Americas Corporation		8.32		13.00
	La-Gajjar Machineries Private Limited		2.68		1.25
	Optiqua Pipes and Electricals Private Limited		0.07		0.06
	Total	**11.07**	**11.07**	**14.31**	**14.31**
3	**Loan receivable from subsidiaries**				
	Subsidiary Company (including step down subsidiary)	29.85		-	
	La Gajjar Machineries Private Limited		21.85		-
	Optiqua Pipes and Electricals Private Limited		8.00		-
	Total	**29.85**	**29.85**	**-**	**-**

Notes to the Financial Statements

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2022-23 Amount	2022-23 Amount	2021-22 Amount	2021-22 Amount
4	**Investment**				
	Subsidiary Company (including step down subsidiary)	1,429.83		1,100.87	
	Kirloskar Americas Corporation		1.59		1.59
	La-Gajjar Machineries Private Limited		411.64		262.28
	Arka Financial Holdings Private Limited		1,016.60		837.00
	Total	**1,429.83**	**1,429.83**	**1,100.87**	**1,100.87**

Transactions with related parties are inclusive of indirect taxes, wherever applicable.

The above figures do not include provision for leave encashment and gratuity, as actuarial valuation of such provision for the Key Management Personnel is included in the total provision for Leave encashment and gratuity.

Terms and conditions of transactions with related parties

Transactions entered into with related party are made in ordinary course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash and cash equivalents. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2023, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2022: ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Commitments with related parties

The Company has provided capital commitment of Rs Nil to the related parties as at 31 March 2023 (31 March 2022: ₹ 0.12 crores)

Transactions with Key Managerial Personnel

Compensation of Key Managerial Personnel of the Company

₹ in Crores

Particulars	2022-23	2021-22
Short-term employee benefits	11.48	6.88
Post employment benefits	0.27	0.37
Total compensation paid to Key Managerial Personnel	**11.75**	**7.25**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to Key Management Personnel.

The above figures do not include provision for leave encashment and gratuity, as actuarial valuation of such provision for the Key Managerial Personnel is included in the total provision for Leave encashment and gratuity.

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to Key Management Personnel.

5.12 Earnings per share (Basic and Diluted)

₹ in Crores

Particulars	2022-23	2021-22
Profit for the year after taxation (₹ in Crores)	270.25	208.01
Total number of equity shares at the end of the year (One equity share of face value of ₹ 2 each fully paid up)	14,47,44,102	14,46,14,326
Weighted average number of equity shares for the purpose of computing Basic earnings per share	14,46,52,523	14,46,14,326
Basic earnings per share (in ₹)	**18.68**	**14.38**

Notes to the Financial Statements

Particulars	2022-23	2021-22
Effect of dilution		
Stock option granted under ESOP (number of shares)	3,67,508	2,06,762
Weighted average number of equity shares for the purpose of computing Diluted earnings per share (number of shares)	14,50,20,031	14,48,21,088
Diluted earnings per share (in ₹)	**18.64**	**14.36**

Earnings per share are calculated in accordance with Accounting Standard (Ind AS 33) "Earnings Per Share".

5.13 Fair value disclosures for financial assets and financial liabilities

The management believes that the fair values of non-current financial assets (e.g., Investments at FVTPL, loans and others), current financial assets (e.g., cash and cash equivalents, trade and other receivables, loans), non-current financial liabilities and current financial liabilities (e.g., Trade payables and other payables and others) approximate their carrying amounts.

The Company has performed a fair valuation of its material investment in unquoted ordinary shares other than subsidiary, which are classified as FVOCI (refer Note 3). For non-material investments, the Company believes that impact of change, if any , on account of fair value is insignificant.

Fair value of unquoted investment in Mutual fund is determined by reference to Net Asset Value ('NAV') available from respective Assets Management Companies ('AMC').

5.14 Fair value measurement hierarchy

a The following table provides the fair value measurement hierarchy

₹ in Crores

Particulars	Note	Carrying Amount	Level of input used in		
			Level 1	Level 2	Level 3
As at 31 March 2023					
Financial Assets					
Investment at FVTPL					
Mutual funds	9	261.65	-	261.65	-
Investments at FVOCI					
Unquoted equity shares	3	1.03	-	-	1.03
Other financial assets at FVTPL					
Derivative Assets	13	2.37	-	2.37	-
As at 31 March 2022					
Investment at FVTPL					
Mutual funds	9	567.04	-	567.04	-
Investments at FVOCI					
Unquoted equity shares	3	4.30	-	-	4.30
Other financial assets at FVTPL					
Derivative Assets	13	0.30	-	0.30	-

Notes to the Financial Statements

b Significant unobservable inputs used in level 3 fair value measurements and sensitivity of the fair value measurement to changes in unobservable inputs:

i Description of significant unobservable inputs used for financial instruments (Level 3) :

Investment in Equity shares of Kirloskar Management Sevices Private Limited (KMSPL) was valued using the Discounted Cash Flow (Risk adjusted discount rate) valuation method.

ii Relationship of unobservable inputs to level 3 fair values :

Equity investments - Unquoted

A 50 bps increase/decrease in the Perpetuity growth rate used while keeping all other variables constant, the carrying value of the shares would increase by ₹ Nil (31 March 2022 : ₹ 0.20 Crores) or decrease by ₹ 0.05 Crores (31 March 2022 : ₹ 0.20 Crores) and a 50 bps increase/decrease in discounting factor used while keeping all other variables constant, the carrying value of the shares would decrease by ₹ 0.10 Crores (31 March 2022 : ₹ 0.24 Crores) or increase by ₹ 0.05 Crores (31 March 2022 : ₹ 0.24 Crores).

5.15 Financial instruments risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance and support the Company's operations. The Company's principal financial assets include Investments, loans, trade and other receivables, cash and short-term deposits and other financial assets that have been derived directly from its operations. The Company also enters into derivative transactions.

The company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Audit Committee and Board review financial risks and the appropriate risk governance framework for the Company's financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below

a Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, deposits, Investments, trade and other receivables, trade and other payables and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 March 2023 and 31 March 2022

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions.

The following assumption has been made in calculating the sensitivity analysis:

The sensitivity of the relevant Statement of Profit and Loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2023 and 31 March 2022 including the effect of hedge accounting.

Interest rate risk

a. Exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

₹ in Crores

Particulars	31 March 2023	31 March 2022
Long Term Fixed Interest Loans	-	50.00

Notes to the Financial Statements

b. Interest Rate Sensitivity

₹ in Crores

Financial Year	Change in Interest Rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2023	Increase 50 bps	-	-
	Decrease 50 bps	-	-
31 March 2022	Increase 50 bps	(0.25)	(0.25)
	Decrease 50 bps	0.25	0.25

The sensitivity is calculated only in respect of floating interest rate loan. It is calculated by changing the interest rates by 50 bps keeping all other factors constant.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries.

Amounts in Foreign currencies in 000's

Nature of exposure	Currency	31 March 2023	31 March 2022
Receivables	USD	16,104	12,661
Payables	USD	1,699	1,456
	EUR	295	317
	SEK	311	453
	NPR	810	363
	JPY	1,154	-
	BDT	204	-

The Company manages its foreign currency risk by hedging transactions related to sales and purchases. This foreign currency risk is hedged by using foreign currency forward contracts. As on 31 March 2023 and 31 March 2022, the Company has hedged the following of its total foreign currency exposure -

Derivatives outstanding as at the reporting date -

Amounts in Foreign currencies

Nature of exposure	Currency	31 March 2023	31 March 2022
Foreign Curreny - Forward Contracts	USD	3,05,00,000	40,00,000

The Company has mark to market gain on forward currency forward contract of ₹ 2.37 Crores (31 March 2022 : ₹ 0.30 Crores).

Foreign currency sensitivity on unhedge exposure-

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Company's pre-tax equity is due to changes in the Company's profit before tax . The Company's exposure to foreign currency changes for all other currencies is not material.

₹ in Crores

As at	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2023	+5%	5.92	5.92
	-5%	(5.92)	(5.92)
31 March 2022	+5%	4.25	4.25
	-5%	(4.25)	(4.25)

Notes to the Financial Statements

₹ in Crores

As at	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2023	+5%	(0.13)	(0.13)
	-5%	0.13	0.13
31 March 2022	+5%	(0.13)	(0.13)
	-5%	0.13	0.13

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.

The Company consistently recognizes provision for any significantly delayed receivables, for accounting of expected credit losses. Provision for doubtful debts and advances for the year ended 31 March 2023 includes a provision of ₹ 28.09 Crores in respect of receivables against sales of Gensets to a customer made during the FY 2021-22. While the company is in active discussions with the customer for the payment, the aforesaid provision has been recognised as per the consistent policy of the company for accounting of expected credit losses.

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.

Notes to the Financial Statements

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 Crores

Particulars	Carrying Amount	On demand	upto 3 months	> 3 months to 1 year	1 year to 5 years	More than 5 years	Total
Year ended 31 March 2023							
Interest bearing borrowings	75.14	-	-	75.14	-	-	**75.14**
Other financial liabilities	81.86	15.93	36.23	11.50	-	18.20	**81.86**
Lease liabilities	5.40	-	0.78	2.38	2.59	-	**5.75**
Trade payables	632.62	-	628.17	4.45	-	-	**632.62**
Total	**795.02**	**15.93**	**665.18**	**18.32**	**2.59**	**18.20**	**795.36**
Year ended 31 March 2022							
Interest bearing borrowings	96.77	-	40.93	21.67	34.17	-	**96.77**
Other financial liabilities	73.28	16.02	34.18	6.45	-	16.64	**73.28**
Lease liabilities	0.84	-	0.22	0.66	-	-	**0.88**
Trade payables	509.84	-	504.92	4.92	-	-	**509.84**
Total	**680.73**	**16.02**	**580.25**	**33.70**	**34.17**	**16.64**	**680.77**

5.16 Capital management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 31 March 2022

5.17 Leases

a Lessee accounting

Lease liabilities movement

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Lease liability at beginning of the year	**0.84**	**1.61**
Add : Lease liability recognised during the year	7.42	0.26
Add: Interest on lease liability	0.36	0.11
Less: Lease rental payments	(3.22)	(1.14)
Lease liability at the end of the year	**5.40**	**0.84**

Rental expenses recorded for short-term leases for current year is ₹ 25.82 Crores (31 March 2022 : ₹ 25.67 Crores)

Notes to the Financial Statements

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 Property, plant and equipment provided on operating lease as at 31 March 2023 are as follows:

₹ in Crores

Particulars	Gross block	Accumulated depreciation	Net block
As at 31 March 2023			
Aircraft	25.88	24.62	1.26
Plant and Equipments	-	-	-
As at 31 March 2022			
Aircraft	25.88	23.95	1.93
Plant and Equipments	-	-	-

Lease income generated during the year is Rs 0.76 Crores (31 March 22 : Rs 1.05 Crores) , refer Note 31.

Maturity analysis of expected receipts of lease payments

The following is maturity analysis of expected receipts of lease payments showing non-discounted operating lease payments which are expected over the coming years:

₹ in Crores

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	Total
Expected receipts of lease payments	0.81	0.84	0.28	1.93

5.18 Expenditure on Corporate social responsibility ("CSR") activities

₹ in Crores

	Sr. No.	Particulars	2022-23	2021-22
a	1	Gross amount required to be spent by the Company during the year	4.39	5.29
	2	Amount approved by the board to be spent during the year	4.39	5.29
	3	**Amount spent during the year on :**		
		(i) Construction/Acquisition of any asset	-	-
		(ii) On purpose other than (i) above	4.39	5.29
	4	The amount of shortfall at the end of the year out of the amount required to be spent by the Company during the year	-	-
	5	The total of previous years' shortfall amounts	-	-
	6	The reason for above shortfalls	NA	NA
	7	The nature of CSR activities undertaken by the Company	Refer Note c below	Refer Note c below
	8	Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year	-	-

b No transaction has taken place during the year related to CSR expenditure with the trust/society/section 8 company which is controlled by related party of the Company as defined in Ind AS 24 "Related Party Disclosure".

c. The Company has undertaken CSR activities relating to Promoting Education, Rural Development, Livelihood enhancement, Ensuring environmental sustainability, promoting rural sports, Preventive health care and sanitation.

5.19 Employee stock option plans (ESOP)

Company provides share based employee benefits to the employees of the Company and its subsidiaries. The relevant details of the schemes and the grant are as below :

Description of share-based payment arrangements

As at 31 March 2023, the Company has the following share based payment arrangements -

Notes to the Financial Statements

KOEL ESOP 2019 - Share option plans (equity settled)

According to the Scheme, the employee selected by the Nomination and Remuneration Committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The Option may be exercised within a specified period.

The Employees Stock Option Plan 2019 – (KOEL ESOP 2019) was approved by the shareholders of the Company in AGM conducted on 9 August 2019 for issue of maximum 14,00,000 options representing 14,00,000 Equity shares of ₹ 2 each. Pursuant to the said approvals and authority delegated by the Board and Shareholders of the Company, the Nomination and Remuneration Committee of the Board of Directors of the Company in its meeting held on 5 March 2021 had approved the grant of 9,40,000 employee stock options ("Options") to eligible employees of the Company. Each option shall carry the right to be issued one fully paid up equity share of ₹2/- each.

The Members of the Company at the Annual General Meeting of Kirloskar Oil Engines Limited held on 12 August 2021, passed a resolution amending the Kirloskar Oil Engines Limited – Employee Stock Option Plan 2019 in terms of coverage of the KOEL ESOP 2019 to the eligible employees of its subsidiary company, in or out of India except such subsidiary company(ies) which are formed and engaged in financial service business.

During the previous year, the Nomination and Remuneration Committee of the Board of Directors of the Company in its meeting held on 27 October 2021 had approved the grant of 50,000 employee stock options to the eligible employees of Subsidiary viz. La-Gajjar Machineries Private Limited in terms of 'Kirloskar Oil Engines Limited - Employee Stock Option Plan 2019 - Amended ("KOEL ESOP 2019") and the special resolutions passed by the Members of the Company at the Annual General Meeting held on 9 August 2019 and 12 August 2021.Each option shall carry the right to be issued one fully paid up equity share of ₹2/- each.

During the year, the Nomination and Remuneration Committee of the Board of Directors of the Company in its meeting held on 18th May 2022 has approved the grant of 275,000 employee stock options to the eligible employees of the Company in terms of 'Kirloskar Oil Engines Limited - Employee Stock Option Plan 2019 ("KOEL ESOP 2019") and the special resolutions passed by the Members of the Company at the Annual General Meeting held on 9th August 2019 and 12th August 2021.

a. Details of the ESOP

Particulars	KOEL ESOP 2019		
	KOEL Employees (Tranche I)	LGM Employees	KOEL Employess (Tranche II)
Date of Grants	5 March 2021	27 October 2021	18 May 2022
Vesting Requirements	Vest not earlier than one year and not later than four years from the date of Grant of such Options.	Vest not earlier than one year and not later than four years from the date of Grant of such Options.	Vest not earlier than one year and not later than four years from the date of Grant of such Options.
Maximum term of Options granted (years)	The Employee stock options granted shall be capable of being exercised within a period being not more than two years from the date of vesting	The Employee stock options granted shall be capable of being exercised within a period being not more than two years from the date of vesting	The Employee stock options granted shall be capable of being exercised within a period being not more than two years from the date of vesting
Method of Settlement	Equity	Equity	Equity
Method used for accounting of options	Fair value method	Fair value method	Fair value method

Notes to the Financial Statements

b. Option Movement during the year ended 31 March 2023 and 31 March 2022

Grant dated 05 March 2021	31 March 2023			31 March 2022		
Particulars	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	718,042		3.36	940,000		4.44
Pending allotment as on 31 March 2022	1,571		NA	-		NA
Granted during the year	-		NA	-		NA
Forfeited/Lapsed during the year	123,469		NA	220,387		NA
Exercised and allotted (inlcuding allotment of options exercised but pending allotment in previous year)	124,526	103.14	NA	-	103.14	NA
Exercised and pending allotment	7,194			1,571		
Outstanding at the end of the year	464,424		2.62	718,042		3.36
Exercisable at the end of the year	201,744		1.56	199,544		1.93

Grant dated 27 October 2021	31 March 2023			31 March 2022		
Particulars	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	45,300		4.08	-		NA
Pending allotment as on 31 March 2022	-		NA	-		NA
Granted during the year	-		NA	50,000		4.50
Forfeited/Lapsed during the year	8,900	128.88	NA	4,700	128.88	NA
Exercised during the year	5,250		NA	-		NA
Outstanding at the end of the year	31,150		3.33	45,300		4.08
Exercisable at the end of the year	3,850		1.58	-		NA

Grant dated 18 May 2022	31 March 2023			31 March 2022		
Particulars	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	-		0.00	-		-
Pending allotment as on 31 March 2022	-		NA	-		-
Granted during the year	275,000		NA	-		-
Forfeited/Lapsed during the year	5,000	87.93	NA	-	NA	-
Exercised during the year	-		NA	-		-
Outstanding at the end of the year	270,000		3.31	-		-
Exercisable at the end of the year	-		0.00	-		-

Notes to the Financial Statements

c. **Significant assumptions used to estimate the fair value of options:**

Variables	KOEL Employees (Tranche I)	LGM Employees	KOEL Employees (Tranche II)
1. Risk free interest rate	5.22%	5.16%	6.66%
2. Expected life (in years)	3.44	3.50	3.50
3. Expected volatility	37.85%	39.66%	40.93%
4. Dividend yield	1.88%	2%	2%
5. Price of the underlying share in market at the time of the option grant (₹)	171.90	214.80	146.55
6. Model used	Black Scholes	Black Scholes	Black Scholes

d. **Options vested but not exercised**

(Number of Options)

Grant Date	31 March 2023	31 March 2022
5 March 2021	2,01,744	1,99,544
27 October 2021	3,850	-
18 May 2022	-	-

e. **Weighted average remaining contractual life of outstanding options (in years)**

Particulars	KOEL Employees (Tranche I)	LGM Employees	KOEL Employees (Tranche II)
The weighted average contractual life of Options outstanding as on 31 March 2023	2.62	3.33	3.31
The weighted average contractual life of Options exercisable as on 31 March 2023	1.56	1.58	NA

f. **Effect of share based payment transactions on the entity's financial statements :**

₹ in Crores

Particulars	31 March 2023	31 March 2022
Share based payment to employees	1.85	2.96
Total ESOP reserve outstanding at the end of the year	4.21	3.35

Note : For the options granted to employees of subsidiary company, the Company has recovered the cost from the Subsidiary Company.

5.20 Research and Development ("R&D") expenditure eligible for deduction under section 35(2AB) of Income Tax Act, 1961

The Company has adopted the tax ordinance under section 115BAA during financial year 2019-20. Since provisions of section 115BAA of the Income Tax Act, 1961 are applicable, the company is not entitled to avail weighted deduction u/s 35(2AB) of the Income Tax Act, 1961, for financial year 2022-23. Thus the Company will not avail weighted deduction benefit on in-house R&D expenditure for financial year 2022-23 . However, the Company will continue to maintain a separate set of books for in-house R & D activities.

5.21 During the year 2022-23, the Board of Directors of the Company had given consent to grant unsecured loan to La-Gajjar Machineries Private Limited (LGM) (a wholly owned subsidiary) of upto ₹ 25 Crores for a period not exceeding 3 years from the date when agreement has been executed at a interest rate of 8.725% p.a. and repayable on mutually agreed upon terms. Accordingly, the total amount of ₹ 21.85 Crores loan was disbursed to LGM at interest rate of 8.725% p.a. During the year 2022-23, the Board of Directors of the Company had given consent to grant unsecured loan to Optiqua Pipes and Electricals Private Limited (OPEPL) (a step down subsidiary) of upto ₹ 8 Crores for a period not exceeding 5 years from the date when agreement has been executed at a interest rate of 10.25% p.a.and repayable on mutually agreed upon terms. Accordingly, the total amount of ₹ 8 Crores loan was disbursed to OPEPL at interest rate of 10.25% p.a.

Notes to the Financial Statements

42 (Net Debt)/Surplus reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2023 and 31 March 2022

₹ in Crores

Particulars	31 March 2023	31 March 2022
Cash and cash equivalents	23.91	20.36
Non-current borrowings	-	(34.17)
Current borrowings	(75.14)	(62.60)
(Net Debt)/Surplus	(51.23)	**(76.41)**

₹ in Crores

Particulars	Other assets	Liabilities from financing activity		Total
	Cash and cash equivalents	Non-current borrowings	Current borrowings	
(Net Debt)/Surplus as on 31 March 2022	20.36	(34.17)	(62.60)	(76.41)
Cash Inflow/(outflow) during the year	3.55	(34.17)	12.54	(25.18)
(Net Debt)/Surplus as on 31 March 2023	23.91	-	(75.14)	(51.23)

43 Salient features of the financial statements of subsidiary for the year ended 31 March 2023

Form AOC-1

In accordance with section 129(3) of the Companies Act, 2013, the salient features of the financial statements of subsidiaries are given below:

₹ in Crores

Sr. No.	Particulars	Kirloskar Americas Corporation (Formerly known as KOEL Americas Corp.)	*La-Gajjar Machineries Private Limited (LGM)	**Arka Financial Holdings Private Limited (AFHPL)
a	The date since when subsidiary was Acquired / Incorporated	23 June 2015	1 August 2017	13 July 2021
b	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	N A	N A	N A
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	82.17	-	-
e	Share capital	1.59	1.08	1,016.60
f	Reserves and surplus	6.91	77.62	62.53
g	Total assets	17.46	293.96	4,368.83
h	Total liabilities	8.95	215.26	3,289.68
i	Investments	-	4.87	391.09
j	Turnover	28.62	574.53	371.05
k	Profit / (Loss) before tax	1.61	8.22	82.27
l	Provision for tax	0.24	3.66	21.31
m	Profit / (Loss) after tax	1.37	4.56	60.96
n	Proposed dividend	-	-	-
o	% of shareholding	100%	100%	100%

* La-Gajjar Machineries Private Limited (LGM) includes Optiqua Pipes and Electricals Private Limited (OPEPL), Ahmedabad (wholly owned subsidiary of LGM) w.e.f. 19 February 2021 and share of profit of ESVA Pumps India Private Limited (ESVA), Coimbatore (joint venture of Optiqua Pipes and Electricals Private Limited) w.e.f. 4 October 2021 i.e. on a consolidated basis.

**AFHPL includes "Arka Investment Advisory Services Private Limited" (AIASPL) (wholly owned subsidiary of the AFHPL) and "Arka Fincap Limited" (subsidiary of AFHPL) w.e.f. 4 March 2022 i.e. on a consolidated basis.

Notes to the Financial Statements

44 Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as follows:

Subsidiary Company

a Kirloskar Americas Corporation

There are no loans and advances in the nature of loans to firms/companies in which Directors are interested.

There are no loans and advances in the nature of loans.

b La-Gajjar Machineries Private Limited (including its subsidiary i.e OPEPL and joint venture of OPEPL i.e ESVA)

There are no loans and advances in the nature of loans to firms/companies in which Directors are interested except to the extent disclosed in the Note No. 4 and Note No. 12 of the Financial Statements.

There are no loans and advances in the nature of loans except to the extent disclosed in the Note No. 4 and Note No. 12 of the Financial Statements.

c Arka Financial Holdings Private Limited (including its subsidiary AFL and AIASPL)

There are no loans and advances in the nature of loans to firms/companies in which Directors are interested.

There are no loans and advances in the nature of loans.

45 Relationship with Struck off companies

The Company did not enter into any transaction with Companies struck off from Registrars of Companies (ROC) records for the year ended 31 March 2023 except as reported below -

Amount in ₹

Name of the struck off company	Nature of transactions with struck off company	Transactions during the year	Balance outstanding* as at 31 March 2023	Relationship with struck off company
Alike Trading Private Limited	Shares held	-	60	Shareholder
	Others - Dividend paid/ unpaid	134	282	Shareholder
Dreams Broking Private Limited	Shares held	-	600	Shareholder
	Others - Dividend paid/ unpaid	1,350	-	Shareholder
Gunti & Company Private Limited	Shares held	-	90	Shareholder
	Others - Dividend paid/ unpaid	179	1,006	Shareholder
Highlands Garments Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/ unpaid	67	-	Shareholder
Kothari Intergroup Limited	Shares held	-	2	Shareholder
	Others - Dividend paid/ unpaid	3	17	Shareholder
Mahila Credit And Investment Company Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/ unpaid	67	-	Shareholder
Pushap Capital & Securities Private Limited	Shares held	-	120	Shareholder
	Others - Dividend paid/ unpaid	240	774	Shareholder
Shyam Computers Private Limited	Shares held**	(42)	80	Shareholder
	Others - Dividend paid/ unpaid	273	-	Shareholder
R. Sanghi Stock Brockers And Finance Private Limited	Shares held	-	8	Shareholder
	Others - Dividend paid/ unpaid	18	-	Shareholder

Notes to the Financial Statements

45 Relationship with Struck off companies (Contd..)

Name of the struck off company	Nature of transactions with struck off company	Transactions during the year	Balance outstanding* as at 31 March 2023	Relationship with struck off company
Wilway Engineering And Contruction Private Limited	Payment made***	6,126	1,47,645	Vendor
Total		**8,415**	**1,50,744**	

* Balance outstanding represents face value of the shares held and unpaid dividend thereupon.
** shares purchase/(sold) represented at face value
*** Above details of balances as on 31 March 2023 pertains to transactions of purchases made in previous years

- Movement in shareholders' balances as at 31 March 2022 vis-a-vis 31 March 2023 is on account of transfer to IEPF during the year

As at 31 March 2022

Amount in ₹

Name of the struck off company	Nature of transactions with struck off company	Transactions during the year	Balance outstanding* as at 31 March 2022	Relationship with struck off company
Alike Trading Private Limited	Shares held	-	60	Shareholder
	Others - Dividend paid/ unpaid	107	188	Shareholder
Chirayu Securities Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/ unpaid	47	552	Shareholder
Dhruva Finance & Investments Private Limited	Shares held	-	912	Shareholder
	Others - Dividend paid/ unpaid	1,459	15,230	Shareholder
Dreams Broking Private Limited	Shares held	-	600	Shareholder
	Others - Dividend paid/ unpaid	1,080	-	Shareholder
Eshan Financial Services Private Limited	Shares held**	10,000	10,000	Shareholder
Excalibur Securities & Finance Trust Private Ltd	Shares held	-	364	Shareholder
	Others - Dividend paid/ unpaid	582	6,183	Shareholder
Gunti & Company Private Limited	Shares held	-	90	Shareholder
	Others - Dividend paid/ unpaid	143	827	Shareholder
Highlands Garments Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/ unpaid	53	-	Shareholder
Kothari Intergroup Limited	Shares held	-	2	Shareholder
	Others - Dividend paid/ unpaid	2	14	Shareholder
Mahila Credit And Investment Company Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/ unpaid	53	-	Shareholder
Purvaj Advisors Private Limited	Shares held**	(7,29,116)	15,51,246	Shareholder
	Others - Dividend paid/ unpaid	27,92,242	-	Shareholder

Notes to the Financial Statements

Name of the struck off company	Nature of transactions with struck off company	Transactions during the year	Balance outstanding* as at 31 March 2022	Relationship with struck off company
Pushap Capital & Securities Private Limited	Shares held	-	120	Shareholder
	Others - Dividend paid/ unpaid	192	654	Shareholder
Shyam Computers Private Limited	Shares held	-	122	Shareholder
	Others - Dividend paid/ unpaid	218	-	Shareholder
Twisha Consultants Private Limited	Shares held**	58	58	Shareholder
	Others - Dividend paid/ unpaid	39	-	Shareholder
Total		**20,77,159**	**15,87,311**	

* Balance outstanding represents face value of the shares held and unpaid dividend thereupon.

** shares purchase/(sold) represented at face value

46 Disclosures for investments and transactions through/ as an intermediary:

(a) No funds have been advanced or loaned or invested either from borrowed funds or share premium or any other sources or kind of funds by the Company to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries except investments of ₹ 179.60 crores (31 March 2022 : ₹ 837 crores) in equity share capital of Arka Financial Holdings Private Limited (AFHPL - a wholly owned subsidiary of the Company) for further investment by AFHPL mainly in equity share capital of its subsidiaries and/or in units of its sponsored credit fund.

(b) No funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

47 Ratios

S.No	Ratios	Formulas	31 March 2023	31 March 2022	% Variance	Reason for variance - ratio exceeding 25%
1	Current Ratio	Current Assets/Current Liabilities	1.42	1.81	-22%	NA
2	Debt-Equity Ratio	Total Debt/Shareholder's Equity	0.03	0.05	-24%	NA
3	Debt Service Coverage Ratio	Earnings available for debt service/Debt service	4.44	3.95	13%	NA
4	Return on Equity Ratio	Net profits after taxes/ Average Shareholder's Equity	12.09%	10.09%	20%	NA
5	Inventory turnover ratio	Cost of goods sold/ Average Inventory	7.23	8.06	-10%	NA
6	Trade Receivables turnover ratio	Net credit Sales / Average accounts Receivable	9.45	8.71	9%	NA
7	Trade Payables turnover ratio	Net credit Purchases / Average trade Payable	5.17	4.59	13%	NA

Notes to the Financial Statements

S.No	Ratios	Formulas	31 March 2023	31 March 2022	% Variance	Reason for variance - ratio exceeding 25%
8	Net capital turnover ratio	Net Sales /Working Capital	8.22	5.57	47%	Improvement mainly on account of sales growth with lower average working capital
9	Net profit ratio	Net Profit /Net Sales	6.64%	6.37%	4%	NA
10	Return on Capital employed	Earning before Interest & Tax (PBIT)/Capital Employed	15.92%	12.44%	28%	With better profitability , ratio has improved.
11	Return on investment	Income generated from invested funds/ average funds invested in treasury investment	5.0%	3.5%	46%	With increase in interest rates in the country, yield on treasury investments has increased.

48 Previous year's figures have been re-grouped wherever considered necessary to make them comparable with those of the current year.

Signature to Note 1 to 48 forming part of Financial Statements

As per our attached report of even date

FOR **G. D. APTE & CO.**
Chartered Accountants
Firm Registration Number : 100515W

UMESH S. ABHYANKAR
Partner
Membership Number : 113053
Pune: 19 May 2023

For and on behalf of the Board of Directors

ATUL KIRLOSKAR
Non-Executive Chairman
DIN: 00007387

GAURI KIRLOSKAR
Managing Director
DIN: 03366274

ANURAG BHAGANIA
Chief Financial Officer
ACA: A058992
Pune: 19 May 2023

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying Consolidated Financial Statements of Kirloskar Oil Engines Limited (hereinafter referred to as the "Holding Company") and its subsidiaries including the joint venture of its subsidiary (the Holding Company and its subsidiaries together referred to as "the Group") which comprise the Consolidated Balance Sheet as at March 31, 2023, 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 Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements of the subsidiaries, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013, as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its joint venture as at March 31, 2023, its consolidated profit, consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that in our professional judgment and based on the consideration of the reports of the other auditors on Separate Financial Statements and on the other financial information of the subsidiaries were of most significance in our audit of the financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Sr. No.	Key audit matter	How our audit addressed the key audit matter
1.	**Revenue Recognition:** During the financial year the Group has recognised revenue from contracts with customers for sale of goods and services of ₹ 4,597.61 Crores (Refer Note 33 of Consolidated Financial Statements). We have identified revenue recognition as a key audit matter since it involves significant management judgement and estimates including whether contracts contain multiple performance obligations which should be accounted for separately. This comprises allocation of the transaction price to each performance obligation and assessing whether the identified performance obligations are satisfied at a point in time or satisfied over a period of time and determining when the control is transferred.	**Our audit procedures to address this key audit matter included the following:** • Obtained an understanding and assessed internal controls and its effectiveness with regards to recognition of revenue. • Analysed major streams of revenue of Group to assess whether the method of revenue recognition is consistent with 'Ind AS 115, Revenue from contracts with customers' and has been applied consistently. • Focused on contract classification, determination of the performance obligations and determination of transaction price including variable consideration for selected samples. • Tested on sample basis whether revenue transactions near to the reporting date have been recognized in the appropriate period based on terms of the contract. • Evaluated and critically analysed on sample basis, the significant judgements and estimates made by the management in applying the accounting policy for allocation of transaction price and the timing of transfer of control. • Analysed the report/information received from independent auditor/ management in case of the subsidiaries which we have not audited. • Critically analysed the adequacy and appropriateness of disclosures required as per 'Ind AS 115, Revenue from Contracts with Customers'. • Our audit procedures did not reveal any significant adjustments with respect to revenue recognition
2.	**Testing of impairment of Goodwill** The Group carries goodwill of ₹ 185.76 Crores resulting from business acquisition of the subsidiary La- Gajjar Machineries Private Limited. The Group tests goodwill for impairment annually as per requirement of 'Ind AS 36, Impairment of Assets' which involves significant estimates and judgements. Due to inherent uncertainties involved in forecasting of cash flows, which are the basis of the assessment of recoverability of goodwill, this is one of the key judgmental areas. We have identified this as a key audit matter due to the significance of the amount of goodwill to the Group's financial statements and significant estimates and judgements involved in impairment testing.	**Our audit procedures to address this key audit matter included the following:** • Obtaining an understanding of the management process and evaluating the design and testing of operating effectiveness of controls over identification of impairment indicators and process followed by the management for impairment testing • Obtained an understanding of Group's evaluation of identification of cash generating units and allocation of goodwill to the respective cash generating units. • Evaluated the underlying key assumptions in estimating projections including future cash flows. • Evaluated reasonableness of assumptions and methodologies used by the Group and external experts appointed by the Group. • Analyzed external valuation reports, obtained by the Group for its impairment assessment. • Assessed the sensitivity of the outcome of impairment assessment to changes in key assumptions. • Critically analyzed the adequacy and appropriateness of disclosures required as per Ind AS 36- Impairment of Assets. • Our audit procedures did not reveal any significant adjustments with respect to testing of goodwill impairment.

The following key audit matters were included in the audit report dated April 28, 2023, containing an unmodified audit opinion on the separate financial statements of Arka Fincap Limited, a step-down subsidiary of the Holding Company issued by other auditors, reproduced by us as under:

Sr. No.	Key audit matter	How our audit addressed the key audit matter
1.	**Impairment of loans and advances, including off-balance sheet elements** Under 'Ind AS 109, Financial Instruments', allowance for loan losses are determined using expected credit loss (ECL) estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates. Refer to the accounting policies on Impairment of Financial and Critical Accounting Estimates. Charge for the year: ₹ 5.73 Crores Provision as on March 31, 2023: ₹ 14.94 Crores We have considered the impairment of loans and advances as key audit matter considering significant judgement, higher estimation uncertainty, limited historical data and potential range of reasonable outcomes greater than the our materiality. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company's estimation of ECLs are data inputs, model estimations which involves determining Probabilities of Default (PD) and Loss Given Default (LGD) based on historical data and determining impact of forward looking economic scenarios.	**Our audit procedures to address this key audit matter included the following:** • Evaluated the design and implementation of key internal controls over loan impairment process • Evaluated the appropriateness of the impairment principles based on the requirements of Ind AS • Validating completeness and accuracy of the data and reasonableness of assumptions used in the model • Evaluating the appropriateness of Management's Judgements applied in the model • Performed Test of details over calculation of impairment allowance for assessing the completeness, accuracy and relevance of data. • Ensuring the compliance w.r.t. provisioning requirements as per RBI Master Directions • Ensured presentation and disclosure

The following key audit matters were included in the audit report dated May 9, 2023, containing an unmodified audit opinion on the separate financial statements of La- Gajjar Machineries Private Limited, a subsidiary of the Holding Company issued by other auditors, reproduced by us as under:

Sr. No.	Key audit matter	How our audit addressed the key audit matter
1.	**Revenue Recognition** During the financial year the group has recognised revenue from contracts with customers for sale of goods and services of ₹ 550.35 Crores. Revenue is recognised as per revenue recognition policy described in significant accounting policies. We have identified revenue recognition as a key audit matter since it involves significant management judgement and estimates including whether contracts contain multiple performance obligations which should be accounted for separately. This comprises allocation of the transaction price to each performance obligation and assessing whether the identified performance obligations are satisfied at a point in time and determining when the control is transferred.	**Our audit procedures to address this key audit matter included the following:** • Obtained an understanding and assessed internal controls and its effectiveness with regards to recognition of revenue. • Analysed major streams of revenue of company to assess whether the method of revenue recognition is consistent with Ind AS 115 and has been applied consistently. • Focused on contract classification, determination of the performance obligations and determination of transaction price including variable consideration for selected samples. • Tested on sample basis whether revenue transactions near to the reporting date have been recognised in the appropriate period based on terms of the contract. • Evaluated and critically analysed on sample basis, the significant judgements and estimates made by the management in applying the accounting policy for allocation of transaction price and the timing of transfer of control. • Critically analysed the adequacy and appropriateness of disclosures required as per 'Ind AS 115 Revenue from contracts with customers.

Other Information

The Holding Company's Board of Directors is responsible for the Other Information. The Other Information comprises the information included in the Management Discussion and Analysis, Corporate Governance Business Responsibility and Sustainability Report and Report of the Directors but does not include the Consolidated Financial Statements and our auditor's report thereon.

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

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance, the consolidated statement of changes in equity and consolidated cash flows of the Group and its joint venture 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 and its joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its joint venture and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Board of Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Financial Statements, the respective Board of Directors of the companies included in the Group and its joint venture along with that of the Holding Company are responsible for assessing the ability of their respective companies to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless their respective board of directors or the board of directors of the Holding Company 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 and of its joint venture along with that of the Holding Company are also responsible for overseeing the financial reporting process of their relevant companies within the Group and of its joint venture.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to Consolidated Financial Statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its joint venture to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its joint venture to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its joint venture of which we are the independent auditors and whose financial information we have audited, to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the Financial Statement of such entity included in the Consolidated Financial Statements of which we are the independent auditors. For the other entity included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entity included in the Consolidated Financial Statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the financial year ended March 31, 2023 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

(i) We did not audit the Financial statements of two subsidiaries and a joint venture whose financial statements, before consolidation adjustments, reflect Group's share of total assets of ₹ 4,632.05 Crores as at March 31, 2023, Group's share of total income of ₹ 950.93 Crores, Group's share of total net profit of ₹ 65.93 Crores and Group's and its joint venture's share of total comprehensive income of ₹ 65.30 Crores for the year ended March 31, 2023 and net cash inflow of ₹ 82.68 Cores for the year ended as on that date, as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditor which along with auditors' reports thereon have been furnished to us by the Management of the Holding Company and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and the joint venture, and our report in terms of sub section (3) of section 143 of the Act in so far as it relates to the aforesaid subsidiaries is based solely on the reports of other auditor.

(ii) We did not audit the Financial statements of a subsidiary, whose financial statements, before consolidation adjustments, reflect Group's share of total assets of ₹ 17.46 Crores as at March 31, 2023, Group's share of total income of ₹ 28.75 Crores, Group's share of total net profit of ₹ 1.37 Crores and Group's share of total comprehensive income of ₹ 1.40 Crores for the year ended March 31, 2023 and cash inflow of ₹ 0.37 Cores for the year ended as on that date as considered in the Consolidated Financial Statements. These financial statements are unaudited and have been furnished to us by the Management of the Holding Company and our opinion on the Consolidated Financial Statements, in so far 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 in so far as it relates to the aforesaid subsidiary is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management of the Holding Company, these financial statements are not material to the Group.

Our opinion on the Consolidated Financial Statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the report of the other auditors and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on the separate financial statements of subsidiaries and the other financial information of subsidiaries as noted in the 'Other Matters' paragraph, we report to the extent applicable that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Financial Statements.

   b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books and the report of the other auditors.

   c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements.

   d. In our opinion, the aforesaid Consolidated Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read the Companies (Indian Accounting Standards) Rules, 2015, as amended.

   e. On the basis of the written representations received from the directors of the Holding Company as on March 31, 2023 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiaries and its joint venture, incorporated in India, none of the directors of the Group companies and its joint venture is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act.

   f. With respect to the adequacy of the internal financial controls with reference to Consolidated Financial Statements of the Holding Company, its Subsidiaries and its joint venture incorporated in India and the operating effectiveness of such controls, refer our separate Report in 'Annexure A'.

   g. In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Holding Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

   h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other Matters' paragraph:

      i. The Consolidated Financial Statements disclose the impact, of pending litigations as at March 31, 2023 on the consolidated financial position of the Group and its joint venture, refer Note 43.6.1 to the Consolidated Financial Statements;

      ii. The Group and its joint venture has made provision for material foreseeable losses on long term contracts – Refer Note 32 to the Consolidated Financial Statements. Further, the Group did not have any long-term derivative contracts as at March 31, 2023.

      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries and its joint venture incorporated in India during the year ended March 31, 2023.

      iv. The Management of Group and its joint venture has represented that to the best of its knowledge or belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Group and its joint venture to or in any other person(s) or entity(ies) including foreign entities (intermediaries) with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group and its joint venture (ultimate beneficiaries) or provide any guarantee, security or the like on behalf of the ultimate beneficiaries;

      v. The management of the Group and its joint venture has represented that to the best of its knowledge or belief, no funds have been received by the Group and its joint venture from any other person(s) or entity(ies) including foreign entities (funding parties) with the understanding, whether recorded in writing or otherwise, that the Group and its joint venture shall, whether directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or provide any guarantee, security or the like on behalf of the ultimate beneficiaries;

      vi. Based on the audit procedures considered reasonable and appropriate in the circumstances carried out by us, nothing has come to our notice that has caused us to believe that the representation under clause (iv) & (v) contain any material misstatements.

      vii. The dividend declared and paid during the year by the Holding Company and the joint venture of it's subsidiary is in compliance with section 123 of the Act. We further report that none of the subsidiaries have declared or paid any dividend during the year.

      viii. No comments have been offered as regards the maintenance of books of account using accounting software which has a feature of recording audit trail (edit log) facility under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 since the said requirements under proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 are not applicable to the Group and its joint venture for the financial year ended on March 31, 2023.

   i. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor's Report) Order, 2020 (the "Order"/ "CARO") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's report, according to the information and explanations given to us, and based on the CARO reports issued by us for the holding Company and two subsidiaries and by other auditors of its subsidiaries incorporated in India included in the Consolidated Financial Statements of the Group, to which reporting under CARO is applicable, we report that there are no qualifications or adverse remarks in these CARO reports. However, auditors of one of the subsidiaries viz. La-Gajjar Machineries Private Limited have drawn attention to reported disclosures in clause No.3(ii)(b).

For **G. D. Apte & Co.**
Chartered Accountants
Firm Registration Number: 100515W
UDIN: 23113053BGWTAN2145

Umesh S. Abhyankar
Partner
Membership Number: 113053
Pune, May 19, 2023

Annexure A

to the Independent Auditor's Report of even date on the Consolidated Financial Statements of Kirloskar Oil Engines Limited.

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

In conjunction with our audit of the Consolidated Financial Statements of Kirloskar Oil Engines Limited (hereinafter referred to as the "Holding Company") as of and for the year ended March 31, 2023, we have audited the internal financial controls with reference to Consolidated Financial Statements of the Holding Company and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its joint venture which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the companies included in the group and it joint venture which are 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 (the Guidance Note)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 holding company's internal financial controls with reference to Consolidated Financial Statements of the Holding Company, its subsidiaries and its joint venture which are companies incorporated in India based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to Consolidated Financial Statements, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Consolidated Financial Statements were established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence obtained by us 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, its subsidiaries and its joint venture incorporated in India, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to Consolidated Financial Statements.

Meaning of Internal Financial Controls over financial reporting with reference to Consolidated Financial Statements

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

Inherent Limitations of Internal Financial Controls over financial reporting with reference to Consolidated Financial Statements

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

Opinion

In our opinion, the Holding company, its subsidiaries and its joint venture which are companies incorporated in India, have maintained in all material respects, adequate internal financial controls with reference to Consolidated Financial Statements and such internal financial controls with reference to Consolidated Financial Statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matter

Our report under Section 143 (3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to Consolidated Financial Statements of the Holding Company, in so far as it relates to its subsidiaries and joint venture which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries incorporated in India.

Our opinion is not modified in respect of the above matter.

For **G. D. Apte & Co.**
Chartered Accountants
Firm Registration Number: 100515W
UDIN: 23113053BGWTAN2145

Umesh S. Abhyankar
Partner
Membership Number: 113053
Pune, May 19, 2023

Consolidated Balance Sheet as at 31 March 2023

₹ in Crores

Particulars	Note No.	As at 31 March 2023	As at 31 March 2022
ASSETS			
I. Non-current assets		**3,297.34**	**2,276.82**
(a) Property, plant and equipment	1a	384.75	422.33
(b) Capital work-in-progress	1a	17.90	23.95
(c) Right-of-use assets	1b	57.18	20.13
(d) Goodwill	2	185.76	185.76
(e) Other intangible assets	2	60.87	93.22
(f) Intangible assets under development	2	50.61	18.84
(g) Financial assets			
(i) Investments	3	97.26	82.98
(ii) Loans and Receivables of Financial Service Business	4	2,317.57	1,342.03
(iii) Loans	5	0.05	0.17
(iv) Other financial assets	6	31.58	31.96
(h) Deferred tax assets (net)	25 (a)	15.23	9.24
(i) Income tax assets (net)	7	33.92	42.96
(j) Other non-current assets	8	44.66	3.25
II. Current assets		**3,427.48**	**2,753.59**
(a) Inventories	9	544.98	388.05
(b) Financial assets			
(i) Investments	10	560.92	654.93
(ii) Trade receivables	11	527.73	468.77
(iii) Cash and cash equivalents	12a	270.30	152.95
(iv) Bank balances other than (iii) above	12b	20.17	21.09
(v) Loans and Receivables of Financial Service Business	13	1,368.08	956.64
(vi) Loans	14	0.13	0.16
(vii) Other financial assets	15	46.53	42.84
(c) Assets held for sale	16	35.92	-
(d) Current tax assets (net)	17	4.91	3.90
(e) Other current assets	18	47.81	64.26
Total Assets		**6,724.82**	**5,030.41**
EQUITY AND LIABILITIES			
Equity		**2,303.61**	**2,081.69**
(a) Equity share capital	19	28.95	28.92
(b) Other equity	20	2,274.64	2,052.75
(c) Non-controlling interests		0.02	0.02
Liabilities			
I. Non-current liabilities		**1,895.56**	**1,166.09**
(a) Financial liabilities			
(i) Borrowings	21	1,801.90	1,065.83
(ii) Lease liabilities	22	5.50	3.35
(iii) Other financial liabilities	23	18.23	17.18
(b) Provisions	24	39.81	41.14
(c) Deferred tax liabilities (net)	25 (b)	7.50	17.78
(d) Other non-current liabilities	26	22.62	20.81

₹ in Crores

Particulars	Note No.	As at 31 March 2023	As at 31 March 2022
II. Current liabilities		**2,525.65**	**1,782.63**
(a) Financial liabilities			
(i) Borrowings	27	1,428.45	890.30
(ii) Lease liabilities	28	8.40	5.18
(iii) Trade and other payables	29		
a) total outstanding dues of micro enterprises and small enterprises		132.28	133.16
b) total outstanding dues of creditors other than micro enterprises and small enterprises		546.05	442.68
(iv) Other financial liabilities	30	195.05	157.21
(b) Other current liabilities	31	106.26	74.84
(c) Provisions	32	108.12	79.01
(d) Current tax liabilities (net)	32a	1.04	0.25
Total Equity and Liabilities		**6,724.82**	**5,030.41**
Significant accounting policies	43		

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

As per our attached report of even date

For **G. D. APTE & CO.**
Chartered Accountants
Firm Registration Number : 100515W

UMESH S. ABHYANKAR
Partner
Membership Number : 113053
Pune: 19 May 2023

For and on behalf of the Board of Directors

ATUL KIRLOSKAR
Non-Executive Chairman
DIN: 00007387

GAURI KIRLOSKAR
Managing Director
DIN: 03366274

ANURAG BHAGANIA
Chief Financial Officer
ACA: A058992
Pune: 19 May 2023

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Consolidated Statement of Profit and Loss

for the year ended 31 March 2023

₹ in Crores

Particulars	Note No.	2022-23	2021-22
Income			
Revenue from operations	33	5,023.80	4,021.98
Other income	34	28.19	26.73
Total Income		**5,051.99**	**4,048.71**
Expenses			
Cost of raw materials and components consumed	35	2,346.23	1,885.15
Purchase of traded goods	36	826.40	744.90
Changes in inventories of finished goods, work-in-progress and traded goods	37	(54.88)	7.59
Employee benefits expense	38	339.72	285.57
Finance costs	39	209.89	106.03
Depreciation and amortisation expense	40	104.66	101.29
Other Expenses	41	843.58	700.53
Expense capitalised		(11.27)	(13.91)
Total Expenses		**4,604.33**	**3,817.15**
Profit before share of profit/(loss) of joint venture, exceptional items and tax		**447.66**	**231.56**
Share of net profit/(loss) of joint venture accounted for using the equity method		1.27	0.32
Profit before exceptional items and tax		**448.93**	**231.88**
Exceptional Items [income/(expense)]		-	-
Profit before tax		**448.93**	**231.88**
Tax expense		**117.28**	**61.01**
Current tax	42	127.22	69.26
(Excess)/short provision related to earlier years		3.22	-
Deferred tax	42	(13.16)	(8.25)
Profit for the year		**331.65**	**170.87**
Other comprehensive income			
A. Items that will be reclassified to profit or loss in subsequent periods			
Exchange differences in translating the financial statements of a foreign operation	20	0.03	0.01
Income tax effect (expenses)/income on above		-	-
Net other comprehensive income/(loss) that will be reclassified to profit or loss in subsequent periods (A)		**0.03**	**0.01**
B. Items that will not be reclassified to profit or loss in subsequent periods		**(9.55)**	**3.15**
Re-measurement gain / (loss) on defined benefit plans		(9.40)	0.36
Income tax (expenses)/income on above		2.37	(0.09)
Subtotal (a)		**(7.03)**	**0.27**
Net gain / (loss) on equity instruments measured at FVOCI		(3.27)	3.75
Income tax (expenses)/income on above		0.75	(0.86)
Subtotal (b)		**(2.52)**	**2.89**
Share of other compenhensive income of joint venture using equity method (net of tax) Subtotal (c)		**0.00**	**0.00**
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods (B) = (a)+(b)+(c)		**(9.55)**	**3.15**
Total other comprehensive income/(loss) for the year, net of tax [A+B]		**(9.52)**	**3.16**
Total comprehensive income/(loss) for the year		**322.13**	**174.03**

Consolidated Statement of Profit and Loss

for the year ended 31 March 2023

₹ in Crores

Particulars	Note No.	2022-23	2021-22
Profit for the year attributable to:			
Owners of the Company		332.40	174.52
Non-controlling interest		(0.75)	(3.65)
		331.65	**170.87**
Other comprehensive income/(loss) attributable to:			
Owners of the Company		(9.54)	3.14
Non-controlling interest		0.02	0.02
		(9.52)	**3.16**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		322.86	177.66
Non-controlling interest		(0.73)	(3.63)
		322.13	**174.03**
Earnings per equity share			
[nominal value per share ₹ 2/- (31 March 2022: ₹ 2/-)]			
Basic		22.98	12.07
Diluted		22.88	12.03
Significant accounting policies	43		
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 **G. D. APTE & CO.**
Chartered Accountants
Firm Registration Number : 100515W

UMESH S. ABHYANKAR
Partner
Membership Number : 113053
Pune: 19 May 2023

ATUL KIRLOSKAR
Non-Executive Chairman
DIN: 00007387

GAURI KIRLOSKAR
Managing Director
DIN: 03366274

ANURAG BHAGANIA
Chief Financial Officer
ACA: A058992
Pune: 19 May 2023

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Consolidated Statement of Cash Flow

for the year ended 31 March 2023

₹ in Crores

Particulars	2022-23	2021-22
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	448.93	231.88
Adjustments to reconcile profit before tax to net cash flows:		
Add:		
Depreciation and amortisation expense	104.66	101.29
Finance costs (excluding financial service business)	13.73	106.03
Share based compensation to employees	3.36	4.01
Impairment loss allowance, write off on trade receivable / other receivable (net)	32.39	3.19
Bad debts and irrecoverable balances written off	1.14	2.18
Write down / (reversal) in write down of Inventories	3.84	(3.11)
(Profit)/loss on restatment on exports receivable	0.77	(1.11)
	159.89	212.48
Less :		
Gain/(loss) on sale of investments in mutual funds measured at FVTPL (net)	25.76	13.69
Gain/ (loss) on fair valuation of investments in Mutual Funds measured at FVTPL (net)	3.42	7.68
Provisions no longer required written back	5.78	5.71
Interest income	21.12	11.53
Unwinding of security deposit & subsidy receivable under PSI Scheme	0.12	2.06
Gain/ (loss) on disposal of property, plant and equipment (net)	0.48	0.91
Sundry credit balances written back	1.34	0.35
Share of net profit of joint venture	1.27	0.32
Gain/ (loss) on fair valuation of derivative instruments	2.07	-
Revenue from deferred EPCG income	0.15	0.14
Dividend income	0.00	0.00
	61.51	42.39
Operating profit before working capital changes	547.31	401.97
Working Capital Adjustments		
(Increase)/Decrease in loan and receivable of financial service business	(1,392.82)	(1,397.90)
(Increase)/Decrease in government grant receivable	2.50	24.99
(Increase)/Decrease in trade and other receivables	(37.45)	17.91
(Increase)/Decrease in inventories	(160.76)	11.49
Increase/(Decrease) in trade and other payables	223.78	(14.94)
Increase/(Decrease) in provisions	18.76	(5.47)
	(1,345.99)	(1,363.92)
Net cash generated from operations	(798.68)	(961.95)
Direct taxes paid (Net of refunds)	(121.62)	(78.74)
NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES	(920.30)	(1,040.69)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and Intangible assets	(161.47)	(125.60)
Payment towards acquisition of balance interest in a subsidiary	(109.36)	-
(Purchase)/ sale of mutual funds, equity shares, debentures and bonds (net)	105.32	121.13
Investment in fixed deposit	(0.52)	(10.05)
Proceeds from sale of PPE & other intangible assets including advance	0.97	1.19
Dividend received	1.59	-
Interest received	19.04	10.40
NET CASH (USED IN) INVESTING ACTIVITIES	(144.43)	(2.93)

Consolidated Statement of Cash Flow

for the year ended 31 March 2023

₹ in Crores

Particulars	2022-23	2021-22
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from bill discounting & borrowings	3,230.22	1,113.12
(Repayment) of bill discounting & borrowings	(1,955.23)	-
Final and interim dividend paid	(72.34)	(57.84)
Finance costs	(13.35)	(99.21)
Payment for lease liabilities	(8.55)	(5.46)
Share issuance expense of a subsidiary	(0.01)	(0.17)
Proceeds from exercise of share based payment options in subsidiary	-	0.02
Proceeds from issuance of share capital including securities premium	1.36	-
Share application money pending allotment	0.07	0.02
NET CASH GENERATED FROM FINANCING ACTIVITY	1,182.17	950.48
Net increase/(decrease) in cash and cash equivalents	117.44	(93.14)
Opening cash and cash equivalents	152.95	246.05
Effect of foreign exchange on Cash and Cash equivalents	(0.09)	0.04
Closing cash and cash equivalents (Refer note 12a)	270.30	152.95

Notes

The above cash- flow statement have been prepared under the indirect method as set out in the Indian Accounting Standard Ind AS 7, 'Statement of Cash Flow' as specified in the Companies (Indian Accounting Standards) Rules, 2015.

Income Tax paid is treated as arising from operating activities and are not bifurcated between investing and financing activities.

All figures in brackets indicate cashflow.

As per our attached report of even date

For **G. D. APTE & CO.**
Chartered Accountants
Firm Registration Number : 100515W

UMESH S. ABHYANKAR
Partner
Membership Number : 113053
Pune: 19 May 2023

For and on behalf of the Board of Directors

ATUL KIRLOSKAR
Non-Executive Chairman
DIN: 00007387

GAURI KIRLOSKAR
Managing Director
DIN: 03366274

ANURAG BHAGANIA
Chief Financial Officer
ACA: A058992
Pune: 19 May 2023

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Consolidated Statement of changes in equity for the year ended 31 March 2023

A. Equity Share Capital (Refer Note 19)

₹ in Crores

Equity Shares of Rs 2 each issued, subscribed and fully paid	No. of Shares	Amount
As at 1 April 2021	**14,46,14,326**	**28.92**
Changes due to prior period errors	-	-
Restated balance as at 1 April 2021	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	-	-
As at 31 March 2022	**14,46,14,326**	**28.92**
Changes due to prior period errors	-	-
Restated balance as at 1 April 2022	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	1,29,776	0.03
As at 31 March 2023	**14,47,44,102**	**28.95**

B. Other Equity (Refer Note 20)

₹ in Crores

Particulars	Attributable to the owners of the Company										Non-controlling interests	Total equity
	Reserves and Surplus							Items of OCI		Total		
	Share application money pending allotment	Capital Redemption Reserve	General Reserve	Statutory Reserve	Employee Stock Option Reserve	Retained Earnings	Securities premium	Equity instruments through other comprehensive income	Foreign currency translation reserve			
As at 1 April 2021	-	0.20	608.39	4.60	7.28	1,272.36	-	0.04	0.35	1,893.22	-	1,893.22
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance as at 1 April 2021	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	174.52	-	-	-	174.52	(3.65)	170.87
Other comprehensive income/(loss) for the year	-	-	-	-	-	0.25	-	2.89	0.01	3.15	0.02	3.17
Total Comprehensive income/(loss) for the year	-	-	-	-	-	174.77	-	2.89	0.01	177.67	(3.63)	174.04
Share based payment expense	-	-	-	-	4.01	-	-	-	-	4.01	-	4.01
Final dividend for year ended 31 March 2021	-	-	-	-	-	(36.15)	-	-	-	(36.15)	-	(36.15)
Interim dividend for year ended 31 March 2022	-	-	-	-	-	(21.69)	-	-	-	(21.69)	-	(21.69)

Consolidated Statement of changes in equity for the year ended 31 March 2023

₹ in Crores

Particulars	Attributable to the owners of the Company										Non-controlling interests	Total equity
	Reserves and Surplus							Items of OCI		Total		
	Share application money pending allotment	Capital Redemption Reserve	General Reserve	Statutory Reserve	Employee Stock Option Reserve	Retained Earnings	Securities premium	Equity instruments through other comprehensive income	Foreign currency translation reserve			
Adjustment towards Present value of future purchase consideration payable (Refer Note. 43.6.17)	-	-	-	-	-	35.84	-	-	-	35.84	3.65	39.49
Expenses incurred on issuance of shares of a subsidiary	-	-	-	-	-	(0.17)	-	-	-	(0.17)	-	(0.17)
Amount received on exercise of employee stock option	0.02	-	-	-	-	-	-	-	-	0.02	-	0.02
Transfer to Special Reserve under Section 45-IC of The Reserve Bank of India Act, 1934	-	-	-	6.50	-	(6.50)	-	-	-	-	-	-
As at 31 March 2022	0.02	0.20	608.39	11.10	11.29	1,418.46	-	2.93	0.36	2,052.75	0.02	2,052.77
As at 1 April 2022	0.02	0.20	608.39	11.10	11.29	1,418.46	-	2.93	0.36	2,052.75	0.02	2,052.77
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance as at 1 April 2022	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	332.40	-	-	-	332.40	(0.75)	331.65
Transfer from Retained Earnings	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income/(loss) for the year	-	-	-	-	-	(7.05)	-	(2.52)	0.03	(9.54)	0.02	(9.52)
Total Comprehensive income/(loss) for the year	-	-	-	-	-	325.35	-	(2.52)	0.03	322.86	(0.73)	322.13
Shares issued during the period	(0.03)	-	-	-	-	-	-	-	-	(0.03)	-	(0.03)
Transferred to Securities Premium	(1.33)	-	-	-	(1.01)	-	2.34	-	-	-	-	-
Share based payment expense	-	-	-	-	3.36	-	-	-	-	3.36	-	3.36
Stamp duty paid on equity issue by subsidiary (Arka Fincap Limited)	-	-	-	-	-	(0.01)	-	-	-	(0.01)	-	(0.01)
Final dividend for year ended 31 March 2022	-	-	-	-	-	(36.16)	-	-	-	(36.16)	-	(36.16)
Interim dividend for year ended 31 March 2023	-	-	-	-	-	(36.18)	-	-	-	(36.18)	-	(36.18)
Adjustment towards Present value of future purchase consideration payable (Refer Note. 43.6.17)	-	-	-	-	-	(33.36)	-	-	-	(33.36)	0.73	(32.63)
Amount received on exercise of employee stock option	1.41	-	-	-	-	-	-	-	-	1.41	-	1.41

Consolidated Statement of changes in equity for the year ended 31 March 2023

₹ in Crores

Particulars	Attributable to the owners of the Company										Non-controlling interests	Total equity
	Reserves and Surplus							Items of OCI		Total		
	Share application money pending allotment	Capital Redemption Reserve	General Reserve	Statutory Reserve	Employee Stock Option Reserve	Retained Earnings	Securities premium	Equity instruments through other comprehensive income	Foreign currency translation reserve			
Transfer to Retained earnings	-	-	-	-	(0.03)	0.03	-	-	-	-	-	-
Transfer from ESOP reserve	-	-	0.12	-	(0.12)	-	-	-	-	-	-	-
Transfer to Special Reserve under Section 45-IC of The Reserve Bank of India Act, 1934	-	-	-	12.27	-	(12.27)	-	-	-	-	-	-
As at 31 March 2023	0.07	0.20	608.51	23.37	13.49	1,625.86	2.34	0.41	0.39	2,274.64	0.02	2,274.66

Significant accounting policies 43

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

As per our attached report of even date

For G. D. APTE & CO.
Chartered Accountants
Firm Registration Number : 100515W

UMESH S. ABHYANKAR
Partner
Membership Number : 113053
Pune: 19 May 2023

For and on behalf of the Board of Directors

ATUL KIRLOSKAR
Non-Executive Chairman
DIN: 00007387

GAURI KIRLOSKAR
Managing Director
DIN: 03366274

ANURAG BHAGANIA
Chief Financial Officer
ACA: A058992
Pune: 19 May 2023

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Notes to the Consolidated Financial Statements

Note 1a : Property, plant and equipment ("PPE")

₹ in Crores

Particulars	Free hold land	Lease hold improvements	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers & peripherals	Electrical Installation	Total	Capital work-in-progress
Gross Block												
As at 1 April 2021	**-**	**7.08**	**198.35**	**1,106.33**	**32.18**	**14.80**	**25.88**	**6.62**	**68.88**	**40.44**	**1,500.56**	**31.70**
Additions	31.40	0.11	2.74	51.42	0.17	0.20	-	0.26	5.28	0.80	92.38	46.41
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	4.62	0.50	4.96	-	0.15	2.24	0.07	12.54	54.16
As at 31 March 2022	**31.40**	**7.19**	**201.09**	**1,153.13**	**31.85**	**10.04**	**25.88**	**6.73**	**71.92**	**41.17**	**1,580.40**	**23.95**
Additions	4.52	0.01	0.46	45.37	1.05	2.89	-	0.37	5.58	0.44	60.69	49.13
Asset Held for Disposal	35.92	-	-	-	-	-	-	-	-	-	35.92	-
Translations/adjustment	-	-	-	-	-	(0.45)	-	-	-	-	(0.45)	-
Deductions	-	-	-	4.42	3.12	0.87	-	0.70	2.75	0.52	12.38	55.18
As at 31 March 2023	-	7.20	201.55	1,194.08	29.78	11.61	25.88	6.40	74.75	41.09	1,592.34	17.90
Depreciation												
Upto 1 April 2021	**-**	**4.92**	**67.38**	**879.27**	**24.29**	**12.14**	**23.31**	**5.79**	**62.36**	**33.24**	**1,112.70**	**-**
For the year	-	0.85	7.01	40.67	1.91	0.78	0.66	0.21	3.56	1.99	57.64	-
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	4.52	0.50	4.82	-	0.15	2.21	0.07	12.27	-
As at 31 March 2022	**-**	**5.77**	**74.39**	**915.42**	**25.70**	**8.10**	**23.97**	**5.85**	**63.71**	**35.16**	**1,158.07**	**-**
For the year	-	0.87	7.07	44.63	1.76	1.07	0.66	0.24	3.75	1.81	61.86	-
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Translations/adjustment	-	-	-	-	-	(0.45)	-	-	-	-	(0.45)	
Deductions	-	-	-	4.02	3.10	0.81	-	0.70	2.74	0.52	11.89	-
As at 31 March 2023	-	6.64	81.46	956.03	24.36	7.91	24.63	5.39	64.72	36.45	1,207.59	-
Net Block												
As at 31 March 2022	**31.40**	**1.42**	**126.70**	**237.71**	**6.15**	**1.94**	**1.91**	**0.88**	**8.21**	**6.01**	**422.33**	**23.95**
As at 31 March 2023	-	0.56	120.09	238.05	5.42	3.70	1.25	1.01	10.03	4.64	384.75	17.90

Notes :

1. For Depreciation,refer accounting policy (Note 43.5.3).
2. Capital work in progress (CWIP):
   Capital work-in-progress comprises cost of assets that are not yet ready for their intended use at the balance sheet date. Refer below Note 6 and Note 7 for CWIP ageing schedule and CWIP completion schedule.

Notes to the Consolidated Financial Statements

Note 1a : Property, plant and equipment ("PPE") (Contd..)

3. There are no proceedings initiated or pending against the Group for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988
4. Additions represents acquisition of PPE made during the year.
5. Note 1a of Property, plant and equipment includes assets at Research & Development facility, the details of which are as under.

Property, plant and equipment : Research and Development facility (Below figures are included in Note 1a: Property, plant and equipment)

₹ in Crores

Particluars	Plant & Equipment	Furniture & Fixture	Office Equipment	Computers & peripherals	Electrical Installation	Total
Gross Block						
As at 1 April 2021	**108.82**	**5.29**	**0.13**	**1.86**	**3.57**	**119.67**
Additions	3.94	-	-	0.13	0.06	4.13
Inter transfers - Net	0.57	-	-	-	-	0.57
Asset Held for Disposal	-	-	-	-	-	-
Deductions	-	-	-	-	-	-
As at 31 March 2022	**113.33**	**5.29**	**0.13**	**1.99**	**3.63**	**124.37**
Additions	5.04	-	-	0.04	-	5.08
Inter transfers - Net	(0.01)	-	-	-	-	(0.01)
Asset Held for Disposal	-	-	-	-	-	-
Deductions	-	0.24	0.01	0.22	-	0.47
As at 31 March 2023	**118.36**	**5.05**	**0.12**	**1.81**	**3.63**	**128.97**
Depreciation						
Upto 1 April 2021	59.45	3.88	0.11	1.71	2.46	67.62
For the year	6.88	0.29	-	0.06	0.23	7.46
Inter transfers - Net	0.52	-	-	-	-	0.52
Asset Held for Disposal	0.00	-	-	-	-	0.00
Deductions	-	-	-	-	-	-
As at 31 March 2022	**66.85**	**4.17**	**0.11**	**1.77**	**2.69**	**75.60**
For the year	6.91	0.29	-	0.08	0.21	7.49
Inter transfers - Net	0.00	-	-	-	-	0.00
Asset Held for Disposal	-	-	-	-	-	-
Deductions	-	0.24	0.01	0.22	-	0.47
As at 31 March 2023	**73.76**	**4.22**	**0.10**	**1.63**	**2.90**	**82.62**
Net Block						
As at 31 March 2022	**46.48**	**1.12**	**0.02**	**0.22**	**0.94**	**48.77**
As at 31 March 2023	**44.60**	**0.83**	**0.02**	**0.18**	**0.73**	**46.35**

6. **Capital work-in-progress ageing schedule for the year ended 31 March 2023 and 31 March 2022 is as follows:**

As at 31 March 2023

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	13.48	4.42	-	-	17.90
Projects temporarily suspended	-	-	-	-	-

Note 1a : Property, plant and equipment ("PPE") (Contd..)

As at 31 March 2022

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	19.46	1.26	0.00	0.01	**20.73**
Projects temporarily suspended	3.22	-	-	-	**3.22**

7. **Capital-work-in progress : Expected Completion schedule for Projects having time overrun :**

As at 31 March 2023

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development 2	0.67	-	-	-	**0.67**
New engine development 1	1.11	-	-	-	**1.11**
Industrial Engine	0.18				**0.18**
Project : Plant Consolidation - Building	-	1.16	-	-	**1.16**
Project : Routine Capex - Plant Machinery	0.92	-	-	-	**0.92**

As at 31 March 2022

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development 1	1.15	-	-	-	**1.15**
Project : Routine Capex - Plant Machinery	0.17		-	-	**0.17**
Projects temporarily suspended					
Project : Plant Consolidation - Building		3.22	-	-	**3.22**

1. Temporary suspension of project :
Project related to plant consolidation was temporarily suspended in FY 2021-22. In FY 2021-22 CWIP includes 3.22 Crore related to project which was suspended temporarily. Hence this amount was considered as 'Projects temporarily suspended' which is based on evaluation by management as on 31 March 2022.

Note 1b : Right-of-use ("ROU") assets

₹ in Crores

Particulars	Category of Right-of-use assets		Total
	Land	Building	
Balance as on 1 April 2021	**10.96**	**12.76**	**23.72**
Addition	-	2.95	2.95
Deletion	-	0.73	0.73
Amortisation	0.14	5.67	5.81
Balance as at 31 March 2022	**10.82**	**9.31**	**20.13**
Addition	31.86	15.51	47.37
Deletion	-	0.68	0.68
Amortisation	0.19	9.45	9.64
Balane as at 31 March 2023	**42.49**	**14.69**	**57.18**

1. The aggregate amortisation expense on Right-of-use (ROU) assets is included under depreciation and amortisation expense in the Statement of Profit and Loss.
2. Refer Note 43.6.15

Notes to the Consolidated Financial Statements

Note 2 : Other Intangible assets and Goodwill

₹ in Crores

Particulars	Computer Software	Drawings & Designs	Brand	Customer Relationship	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Goodwill	Intangible assets under development
Gross Block									
As at 1 April 2021	**61.34**	**12.34**	**7.02**	**47.22**	**41.88**	**81.89**	**251.69**	**184.50**	**23.20**
Additions	2.88	0.11	0.42	0.01	7.33	18.05	28.80	1.26	23.19
Inter Transfers	(0.14)	-	-	-	-	-	(0.14)	-	-
Deductions	0.59	-	-	-	-	-	0.59	-	27.55
As at 31 March 2022	**63.49**	**12.45**	**7.44**	**47.23**	**49.21**	**99.94**	**279.76**	**185.76**	**18.84**
Additions	0.79	0.01	-	-	-	-	0.80	-	32.56
Inter Transfers	-	-	-	-	-	-	-	-	-
Deductions	0.56	-	-	1.49	-	-	2.05	-	0.79
As at 31 March 2023	**63.72**	**12.46**	**7.44**	**45.74**	**49.21**	**99.94**	**278.51**	**185.76**	**50.61**
Amortisation									
Upto 1 April 2021	**41.77**	**11.40**	**1.72**	**34.65**	**14.33**	**45.63**	**149.50**	**-**	**-**
For The Year	5.10	0.19	0.51	9.45	6.34	16.04	37.63	-	-
Inter Transfers	-	-	-	-	-	-	-	-	-
Deductions	0.59	-	-	-	-	-	0.59	-	-
As at 31 March 2022	**46.28**	**11.59**	**2.23**	**44.10**	**20.67**	**61.67**	**186.54**	**-**	**-**
For The Year	5.13	0.20	0.51	3.13	7.42	16.76	33.15	-	-
Inter Transfers	-	-	-	-	-	-	-	-	-
Deductions	0.56	-	-	1.49	-	-	2.05	-	-
As at 31 March 2023	**50.85**	**11.79**	**2.74**	**45.74**	**28.09**	**78.43**	**217.64**	**-**	**-**
Net Block									
As at 31 March 2022	**17.21**	**0.86**	**5.21**	**3.13**	**28.54**	**38.27**	**93.22**	**185.76**	**18.84**
As at 31 March 2023	**12.87**	**0.67**	**4.70**	**-**	**21.12**	**21.51**	**60.87**	**185.76**	**50.61**

Notes :

1. For amortisation, refer accounting policy (Note 43.5.4).
2. Intangible assets under development comprise intangible assets not ready for the intended use on the date of the Balance Sheet. Refer below Note 6 and Note 7 for ageing and completion schedule.
3. Additions represents acquisition of intangible assets during the year.
4. Goodwill arising is on account of consolidation
5. Note 2 of Other Intangible assets and goodwill includes assets at Research & Development facility, the details of which are as under:

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

₹ in Crores

Particulars	Computer Software	Drawings & Designs	Technical Knowhow - Acquired	Technical Knowhow -Internally generated	Total
Gross Block					
As At 1 April 2021	**17.69**	**11.64**	**21.20**	**81.79**	**132.32**
Additions	1.44	0.10	7.04	18.05	26.63
Deductions	-	-	-	-	-
As At 31 Mar 2022	**19.13**	**11.74**	**28.24**	**99.84**	**158.95**
Additions	0.18	-	-	-	0.18
Deductions	0.46	0.35	1.50	-	2.31
As At 31 Mar 2023	**18.38**	**11.39**	**26.74**	**99.84**	**156.35**

Notes to the Consolidated Financial Statements

Note 2 : Other intangible assets and goodwill (Contd..)

Particulars	Computer Software	Drawings & Designs	Technical Knowhow - Acquired	Technical Knowhow -Internally generated	Total
Amortisation					
Upto 1 April 2021	**14.29**	**10.70**	**2.44**	**45.64**	**73.07**
For The Year	1.01	0.19	3.65	16.01	20.86
Inter Transfers	-	-	-	-	-
As At 31 Mar 2022	**15.30**	**10.89**	**6.09**	**61.65**	**93.93**
For The Year	1.02	0.20	4.73	16.73	22.68
Deductions	0.46	0.35	1.50	-	2.31
As At 31 Mar 2023	**15.73**	**10.74**	**9.32**	**78.38**	**114.17**
Net Block					
As At 31 Mar 2022	**3.83**	**0.85**	**22.15**	**38.18**	**65.01**
As At 31 Mar 2023	**2.65**	**0.65**	**17.42**	**21.46**	**42.18**

6. **Intangible assets under development ageing schedule for the year ended 31 March 2023 and 31 March 2022 is as follows:**

As at 31 March 2023

₹ in Crores

Particulars	Amount in Intangible asset under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	33.39	16.49	0.64	0.09	**50.61**
Projects temporarily suspended	-	-	-	-	-

As at 31 March 2022

₹ in Crores

Particulars	Amount in Intangible asset under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	18.11	0.64	0.09	-	**18.84**
Projects temporarily suspended	-	-	-	-	-

7. **Intangible assets under development : Expected Completion schedule for Projects having time overrun :**

As at 31 March 2023

₹ in Crores

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development 2	2.77	-	-	-	2.77
Industrial Engine	0.19	-	-	-	0.19
New engine development 1	8.68	-	-	-	8.68

As at 31 March 2022

Particulars	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
New engine development 1	5.43	-	-	-	**5.43**
Project : Routine Capex - Plant Machinery	0.07	-	-	-	**0.07**

Notes to the Consolidated Financial Statements

Note 3 : Non-current Investments

₹ in Crores

Particulars	Par Value / Face Value Per Unit In ₹	As at 31 March 2023 Nos.	As at 31 March 2023 ₹ in Crores	As at 31 March 2022 Nos.	As at 31 March 2022 ₹ in Crores
(i) At Amortised Cost					
Quoted Investment					
Investments in debentures or bonds (quoted)					
12.25% Lucina Land Developments Limited NCD	310	5,50,000	14.26	-	27.91
GMR Airports Limited NCD	2,000	1,00,000	50.57	-	-
Less: Provision for expected credit loss			(0.21)		(0.00)
			64.62		**27.91**
Unquoted Investment					
Investments in Pass through certificates (PTC) units					
Dhruva-VIII AK 12 2020 (Five Star PTC)			4.03		13.01
Eternal 09 2021 (LendingKart PTC)			-		14.06
Avenger 2022 March Series (PTC)			14.09		19.00
Shala 12 2022 (PTC)			9.10		-
Less: Provision for expected credit loss			(0.08)		(0.03)
			27.14		**46.04**
(ii) At fair value through Other Comprehensive Income (FVOCI)					
Investment					
In Unquoted Equity Instruments - Fully Paid Up					
Kirloskar Proprietary Limited	100	16	0.07	1	0.00
S.L.Kirloskar CSR Foundation	10	9,800	0.01	9,800	0.01
Kirloskar Management Services Private Limited	10	4,87,500	1.02	4,87,500	4.29
			1.10		**4.30**
(iii) At Cost					
Investment In Joint Venture (JV) Entity					
Investment in ESVA Pumps India Private Limited	10	44,10,000	4.40	-	4.73
(Extent of Holding 49% in JV by the Group)					
Total			**97.26**		**82.98**

Notes :

		₹ in Crores	₹ in Crores
1a.	Aggregate amount of Quoted Investments	64.62	27.91
1b.	Aggregate market value of quoted Investments	65.09	27.96
1c.	Aggregate amount of Unquoted Investments	32.64	55.07
1d.	Aggregate value of impairment in value of Investments	Nil	Nil

2. Refer Note 43.6.11 and 43.6.12 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments and for fair value hierarchy
3. Refer Note 43.6.13 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 4 : Loans and Receivables of financial service business (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Receivables of financial service business	**2,317.57**	**1,342.03**
Secured, considered good	2,172.93	1,343.30
Less : Provision for expected credit loss for receivables of financial service business	(6.87)	(5.19)
Unsecured, considered good	153.03	3.98
Less: Provision for expected credit loss	(1.52)	(0.06)
Total	**2,317.57**	**1,342.03**

1. Receivables of financial service business are measured at amortised cost.
2. Refer Note 43.5.7 for policy on provision for expected credit loss.
3. Refer Note 43.6.11 for fair value disclosure of financial assets and financial liabilities
4. Refer Note 43.6.13 on risk management objectives and policies for financial instruments.

Note 5 : Loans (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Loans to employees (unsecured, considered good)	0.05	0.17
Total	**0.05**	**0.17**

1. Loans are measured at amortised cost.
2. No outstanding loans or advances which are in the nature of loans have been granted by the Company to promoters, directors, Key Managerial Personnels and the related parties (as defined under the Companies Act,2013),either severally or jointly with any other person.
3. Refer Note 43.6.11 for fair value disclosure of financial assets and financial liabilities
4. Refer Note 43.6.13 on risk management objectives and policies for financial instruments.

Note 6 : Other financial assets (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Security deposits		
Unsecured, considered good	28.78	26.91
Doubtful	1.37	1.05
Less : Loss Allowance for doubtful deposits	(1.37)	(1.05)
Bank deposits with maturity of more than 12 months	0.23	1.42
Subsidy receivable under PSI scheme, 2001	2.41	3.47
Others	0.16	0.16
Total	**31.58**	**31.96**

1. The Parent company's manufacturing facility at Kagal plant had been granted Mega Project status by Government of Maharashtra and hence was eligible for Industries Promotion Subsidy (IPS) under Package Scheme of Incentive (PSI) 2001. This scheme was for intensifying and accelerating the process of dispersal of industries to the less developed regions and promoting high-tech industries in the less developed areas of the state coupled with the object of generating employment opportunities. During the last quarter of FY 2018-19, the Government of Maharashtra had agreed for extension of the said scheme of incentive for further period of 2 years till 31 March 2019 and subsequently amended the original eligibility certificate. Accordingly the extension of the scheme consists of total period of 11 years from the date of commencement of commercial production i.e. from 1 April 2008 to 31 March 2019 along with the extension of original operative period by 2 years and compliances thereof. The eligible receivables as on 31 March 2023, 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 43.6.13 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 7 : Income tax asset (net)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Tax paid in advance (net of provision)	33.92	42.96
Total	**33.92**	**42.96**

Note 8 : Other non-current assets

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Unsecured, considered good		
Capital advances	43.53	2.51
Prepaid expenses	1.13	0.74
Total	**44.66**	**3.25**

Note 9 : Inventories

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Raw materials	**321.50**	**220.53**
Raw materials and components	319.17	216.57
Raw materials in transit	2.33	3.96
Work-in-progress	52.47	41.87
Finished goods	111.68	52.23
Traded goods	47.88	63.04
Stores and spares	11.45	10.38
Total	**544.98**	**388.05**

1. Write Downs of inventories to net realisable value amounted to ₹ 3.84 crores (31 March 2022 : ₹ 0.02 Crores) were recognised as an expense during the year and reversal of write down of inventories ₹ Nil (31 March 2022 : Rs 3.13) were recognised as a reduction in expense during the year due to consumption of such inventories.
2. Refer Note 27 for information on inventory hypothecation with bankers for the purpose of Working Capital facilities.

Note 10 : Current Investments

₹ in Crores

Particulars	Face Value Per Unit In ₹	As at 31 March 2023		As at 31 March 2022	
		Nos.	₹ in Crores	Nos.	₹ in Crores
At Amortised Cost					
Investments in debentures or bonds (quoted)					
Spandana Sphoorty Financial Limited	1,00,000	2,000	24.65	-	-
Avendus Finance Private Limited	10,00,000	350	46.44	-	-
Piramal Capital & Housing Finance Limited	10,00,000	200	23.35	-	-
Shriram Transport Finance Company Limited	10,00,000	210	24.66	-	-
8.75% Indiabulls Housing Finance Ltd NCD	1,000	3,50,000	35.82	-	-
Less: Provision for expected credit loss			(0.51)	-	-
			154.41		-
Unquoted Investment					
Investment in commercial papers (unquoted)					
9.00% CP of Ugro Capital Limited			14.89		-
Less: Provision for expected credit loss			(0.05)		-
			14.84		-

Note 10: Current investments (Contd..)

₹ in Crores

Particulars	Face Value Per Unit In ₹	As at 31 March 2023		As at 31 March 2022	
		Nos.	₹ in Crores	Nos.	₹ in Crores
At fair value through Profit or Loss (FVTPL)					
Investments In Mutual Funds					
LIQUID AND MONEY MARKET SCHEMES - GROWTH PLAN					
Axis Liquid Fund - Regular Growth(CF-GP)	1,000	88,676	22.03	2,35,597	55.36
Aditya Birla Sun Life Liquid Fund - Growth -Regular Plan	100	2,78,122	10.01	5,35,063	18.22
Aditya Birla Sun Life Money Manger Fund - Growth - Regular Plan	100	7,50,856	23.50	14,13,017	41.86
DSP Liquidity Fund - Regular Plan - Growth	1,000	83,856	26.73	1,60,070	48.31
ICICI Prudential Liquid fund - Growth	100	6,18,508	20.45	12,87,324	40.31
ICICI Prudential - Money Market Fund - Growth	100	-	-	13,98,893	42.56
IDFC Cash fund - Growth-(Regular Plan)	1,000	-	-	1,25,549	32.10
Invesco India Liquid Fund - Growth (LF-SG)	1,000	1,06,933	32.81	-	-
Kotak Liquid Fund Regular Plan - Growth	1,000	67,600	30.54	1,06,278	45.48
Nippon India Liquid Fund - Growth Plan - Growth Option	1,000	19,015	10.37	52,677	27.20
Nippon India Money Market Fund - Growth Plan - Growth Option	1,000	74,465	26.16	1,22,264	40.61
SBI Liquid Fund Regular Growth	1,000	57,242	20.01	1,67,436	55.43
Tata Liquid Fund Regular Plan - Growth	1,000	-	-	1,000	34.14
UTI Money Market Fund - Regular Growth Plan Growth	1,000	-	-	1,000	41.32
			222.61		**522.90**
OVERNIGHT SCHEMES - GROWTH PLAN					
ICICI Prudential Overnight fund Growth	1,000	4,39,524	53.01	2,470,930	34.93
Kotak Overnight fund Growth (Regular Plan)	1,000	3,85,443	46.03	251,262.75	40.71
Nippon India Overnight Fund- Growth Plan (ONGPG)	1,000	-	-	1,767,117.00	20.11
SBI Overnight fund Regular Growth	1,000	27,407	10.00	23,218	8.04
HDFC MF (Regular Plan)	1,000	-	-	24,558.00	10.20
HDFC MF - Overnight - Direct Plan	1,000	90,146	30.01	57,140.00	18.04
Aditya Birla MF - Overnight - Direct	1,000	2,47,473	30.01		
			169.06		**132.03**
Total			**560.92**		**654.93**

Notes:	₹ in Crores	₹ in Crores
1a. Aggregate amount of Quoted Investments	154.41	-
1b. Aggregate market value quoted Investments	153.66	-
1c. Aggregate amount of Unquoted Investments	406.51	654.93

2. Face value per unit in Rupees unless otherwise stated.
3. Fair value disclosures for financial assets and liabilities are stated in Note 43.6.11 and fair value hierarchy disclosures for investment are stated in Note 43.6.12.
4. Refer Note 43.6.13 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 11 : Trade receivables

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Total Trade Receivables	527.73	**468.77**
Trade receivables	527.73	468.77
Break-up for security details:	527.73	**468.77**
Secured, considered good	-	-
Unsecured, considered good	527.73	468.77
Doubtful	63.02	37.24
Loss Allowance (for expected credit loss under simplified approach)	(63.02)	(37.24)
Total	527.73	**468.77**

1. Trade receivables are measured at amortised cost. Also refer note 43 (a)(i)
2. Trade receivables due from private companies in which director of the Company, is a director or a member as at 31 March 2023 ₹ Nil (31 March 2022 : ₹ 0.80 Crores)
3. For related party receivables, refer Note 43.6.9
4. **Movement of Loss Allowance (for expected credit loss under simplified approach)**

₹ in Crores

Particulars	Amount
As at 1 April 2021	**38.92**
Allowance made/(reversed) during the year	0.37
Less: Written off	(2.05)
As at 31 March 2022	**37.24**
Allowance made/(reversed) during the year	26.77
Less: Written off	(0.99)
As at 31 March 2023	63.02

5. Refer Note 43.6.11 for fair value disclosure of financial assets and financial liabilities and Note 43.6.12 for fair value hierarchy.
6. Refer Note 43.6.13 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.
7. The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, where the Parent Company has retained the credit risks, it continues to recognise these assets in entirety in its Balance sheet, while bills discounted without recourse have been derecognised. The amount repayable under this arrangement is presented as secured borrowings.

   The relevant carrying amounts are as follows:-

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Total transferred receivables w.r.t. Bills discounted	2.90	36.54
Related secured borrowings (Refer Note 27)	2.90	36.54

8. **For trade receivables outstanding, the ageing schedule is as given below:**

As at 31 March 2023

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment						Total
		Not due	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good	0.05	411.97	109.83	35.54	0.55	9.51	12.08	**579.53**
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-	-
(iv) *Disputed Trade Receivables- considered good	-	-	-	-	0.02	0.00	11.20	**11.22**
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-	-
Total Trade Receivables	0.05	411.97	109.83	35.54	0.57	9.51	23.28	**590.75**
Less: Loss allowance for expected credit loss	-	-	-	-	-	-	-	(63.02)
Total Trade Receivables								**527.73**

* Disputed Trade Receivables represents legal cases with customers

Notes to the Consolidated Financial Statements

As at 31 March 2022

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment						Total
		Not due	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good	0.68	403.84	59.11	4.58	12.60	12.80	1.38	**494.99**
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-	-
(iv) *Disputed Trade Receivables- considered good	-	-	-	0.02	-	0.36	10.64	**11.02**
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-	-
Total Trade Receivables								**506.01**
Less: Loss allowance for expected credit loss								(37.24)
Total Trade Receivables								**468.77**

* Disputed Trade Receivables represents legal cases with customers

Note 12a : Cash and cash equivalents

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Balance with Bank		
Current accounts and debit balance in cash credit accounts	95.72	54.94
Deposits with original maturity of less than 3 months	174.57	98.00
Cash on hand	0.01	0.01
Total	270.30	**152.95**

Note 12b: Bank balance other than cash and cash equivalents

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Unpaid dividend accounts	9.54	10.99
Deposits with banks original maturity of more than 3 months but less than 12 months	10.63	10.10
Total	20.17	**21.09**

1. Balances in unpaid dividend accounts with banks are earmarked.
2. Bank deposits of Rs 0.40 crore (31 March 2022: Rs 0.09 crore) are held as security against the guarantees and other commitments.
3. Refer Note 43.6.13 on risk management objectives and policies for financial instruments.

Note 13 : Loans and Receivables of financial service business (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Receivables of financial service business	1,368.08	**956.64**
Secured, considered good	1,238.00	907.44
Less : Provision for expected credit loss for receivables of financial service business	(4.04)	(1.28)

Notes to the Consolidated Financial Statements

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Unsecured, considered good	134.45	50.93
Less: Provision for expected credit loss for receivables of financial secvice business	(0.33)	(0.45)
Total	1,368.08	956.64

1. Receivables of financial service business are measured at amortised cost.
2. Refer Note 43.5.7 for policy on provision for expected credit loss.
3. Refer Note 43.6.11 for fair value disclosure of financial assets and financial liabilities and Note 43.6.12 for fair value hierarchy.
4. Refer Note 43.6.13 on risk management objectives and policies for financial instruments.

Note 14: Loans (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Loans to employees (unsecured, considered good)	0.13	0.16
Total	0.13	0.16

1. Loans are measured at amortised cost.
2. No outstanding loans or advances which are in the nature of loans have been granted by the Company to promoters, directors, Key Managerial Personnels and the related parties (as defined under the Companies Act,2013),either severally or jointly with any other person.
3. Refer Note 43.6.13 on risk management objectives and policies for financial instruments.

Note 15 : Receivables of financial service business (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Security deposits		
Unsecured, considered good	18.27	16.25
Doubtful	-	-
Less : Loss Allowance for doubtful deposits	-	-
Subsidy receivable under PSI scheme, 2001	10.01	12.76
Export incentive receivable	9.42	10.51
Derivative assets	2.46	0.30
Other receivables	2.70	3.02
Advance to lenders	3.67	-
Total	46.53	42.84

1. Other financial assets, except derivatives, are measured at amortised cost. Derivatives are carried at fair value through profit and loss.
2. Derivative Assets reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationship, but are nevertheless, intended to reduce the level of foreign currency risk exposure.
3. Refer Note 43.6.11 for fair value disclosure of financial assets and financial liabilities and Note 43.6.12 for fair value hierarchy.
4. Refer Note 43.6.13 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 16: Assets held for sale (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Property, plant and equipment (net)	35.92	-
Total	35.92	-

1. Asset held for sale includes a freehold land owned by the Parent Company at Bhare (granted by Government of Maharashtra) where the Parent Company has initiated the process to surrender the same back. The carrying value of ₹ 0.11 lacs has been fully impaired during the earlier years.
2. Consequent to the acquisition of leasehold land during the year, one of the subsidiaries has planned to dispose off freehold land parcels at Bavla having cost of Rs 35.92 Crores.

Note 17: Current tax assets (net)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Tax Paid in Advance (net of provision)	4.91	3.90
Total	4.91	3.90

Non-current tax paid in advance included in Note 7.

Note 18 : Other current assets

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Advance to suppliers	14.10	15.13
Unsecured, considered good	14.10	15.13
Doubtful	0.28	0.05
Less : Loss Allowance for doubtful advances	(0.28)	(0.05)
Sales tax / VAT / GST receivable	16.90	37.13
Prepaid expenses	15.41	10.38
Others	1.40	1.62
Total	47.81	64.26

Note 19 : Equity share capital

Authorised share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
As at 1 April 2021	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
As at 31 March 2022	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
As at 31 March 2023	27,00,00,000	54.00

Terms/Rights attached to the equity shares

The Parent company has only one class of equity shares having a par value of ₹ 2 each. Each equity shareholder is entitled to one vote per share and has a right to receive dividend as recommended by Board of Directors subject to the necessary approval from the shareholders.

In the event of liquidation of the Parent company, the holders of equity shares will be entitled to receive remaining assets of the Parent company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity shares reserved for issue under employee stock option plan : 7,72,768 (31 March 2022: 7,64,913) equity shares.

Notes to the Consolidated Financial Statements

Note 19: Share capital (Contd..)

Issued and subscribed share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
As at 1 April 2021	**14,46,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2022	**14,46,14,326**	**28.92**
Changes during the year	1,29,776	0.03
As at 31 March 2023	**14,47,44,102**	**28.95**

Subscribed and fully paid up

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
As at 1 April 2021	**14,46,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2022	**14,46,13,861**	**28.92**
Changes during the year	1,29,776	0.03
As at 31 March 2023	**14,47,43,637**	**28.95**

The Parent Company has share suspense account which represents equity shares of ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by Board of Industrial and Financial Reconstruction (BIFR), are kept in abeyance as per the Scheme of Arrangement approved by Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with order dated 19 March 2010.

Particulars of Share Suspense Account	No. of shares	₹ in Crores
As at 1 April 2021	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2022	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2023	**465**	**0.00**

1. Number of Shares held by each shareholder holding more than 5% Shares in the Parent company

Name of the Shareholder	As at 31 March 2023		As at 31 March 2022	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Rahul Chandrakant Kirloskar #	1,77,86,902	12.29	1,77,82,902	12.30
Atul Chandrakant Kirloskar ##	1,46,74,947	10.14	1,46,70,947	10.14
Jyotsna Gautam Kulkarni	-	-	1,29,85,432	8.98
Kirloskar Industries Limited	82,10,439	5.67	82,10,439	5.68
SBI Small Cap Fund	-	-	80,84,890	5.59
Alpana Rahul Kirloskar	77,11,817	5.33	77,11,817	5.33

#Out of 1,77,86,902 equity shares - 1,77,72,083 (Previous Year: 1,77,68,083) equity shares are held in individual capacity, 5,700 (Previous Year: 5,700) equity shares are held as a Karta of Rahul C. Kirloskar HUF and 9,119 (Previous Year: 9,119) equity shares are held as a Trustee of C. S. Kirloskar Testamentary Trust

##Out of 1,46,74,947 equity shares - 1,46,68,872 (Previous Year: 1,46,64,872) equity shares are held in individual capacity, 375 (Previous Year: 375) equity shares are held as a Trustee of C.S. Kirloskar Testamentary Trust and 5,700 (Previous Year: 5,700) equity shares are held as a Karta of Atul C. Kirloskar HUF.

Notes to the Consolidated Financial Statements

2. The details of shareholding of promoter and promoter group is as below:

Name	As at 31 March 2023			As at 31 March 2022		
	No. of shares held	% Change during the year	% of total shares	No. of shares held	% Change during the year	% of total shares
Atul Chandrakant Kirloskar	1,46,74,947	0.03	10.14	1,46,70,947	-	10.14
Rahul Chandrakant Kirloskar	1,77,86,902	0.02	12.29	1,77,82,902	-	12.30
Sanjay Chandrakant Kirloskar	46,654	-	0.03	46,654	-	0.03
Suman Chandrakant Kirloskar	62,648	-	0.04	62,648	-	0.04
Vikram Shreekant Kirloskar	-	(100.00)	-	1,40,655	-	0.10
Mrinalini Shreekant Kirloskar	2,36,008	131.83	0.16	1,01,800	-	0.07
Roopa Jayant Gupta	20,887	-	0.01	20,887	-	0.01
Geetanjali Vikram Kirloskar	-	(100.00)	-	37	-	0.00
Jyostna Gautam Kulkarni	-	(100.00)	-	1,29,85,432	-	8.98
Arti Atul Kirloskar	32,29,454	-	2.23	32,29,454	-	2.23
Nihal Gautam Kulkarni	-	(100.00)	-	66,52,472	-	4.60
Alpana Rahul Kirloskar	77,11,817	-	5.33	77,11,817	-	5.33
Akshay Sahni	100	-	0.00	100	-	0.00
Alok Kirloskar	6,262	-	0.00	6,262	-	0.00
Pratima Sanjay Kirloskar	1,520	-	0.00	1,520	-	0.00
Aditi Atul Kirloskar	19,17,860	-	1.33	19,17,860	-	1.33
Gauri Kirloskar	57,53,580	-	3.98	57,53,580	-	3.98
Ambar G. Kulkarni	-	(100.00)	-	64,92,716	-	4.49
Kirloskar Industries Limited	82,10,439	-	5.67	82,10,439	-	5.68
Kirloskar Chillers Private Limited	50,000	-	0.03	50,000	-	0.03
Achyut and Neeta Holdings and Finance Private Limited	-	(100.00)	-	1,23,203	-	0.09
Navsai Investments Private Limited	760	-	0.00	760	-	0.00
Alpak Investments Private Limited	760	-	0.00	760	-	0.00
Total	**5,97,10,598**		**41.25**	**8,59,62,905**		**59.44**

Note 20 : Other Equity

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Share application money pending allotment	0.07	**0.02**
Capital Redemption Reserve	0.20	**0.20**
Securities premium	2.34	**-**
General Reserve	608.51	**608.39**
Statutory Reserve under section 45-IC of The Reserve Bank Of India Act, 1934	23.37	**11.10**
Equity Instruments designated through OCI	0.41	**2.93**
Employee Stock Option Reserve	13.49	**11.29**
Foreign Currency Translation Reserve	0.39	**0.36**
Retained earnings	1,625.86	**1,418.46**
Opening Balance	1,418.46	1,272.36
Add : Profit for the year	332.40	174.52
Add : Other Comprehensive income / (loss)	(7.05)	0.25
Less : Transfer from Employee Stock option reserve	0.03	-
	325.38	**174.77**
Less : Appropriations		
Stamp duty paid on equity issue by subsidiary	0.01	-
Adjustment towards Present value of future purchase consideration payable	33.36	(35.84)
Transfer to Special Reserve under section 45-IC of The Reserve Bank of India Act, 1934	12.27	6.50

Notes to the Consolidated Financial Statements

Note 20: Other Equity (Contd..)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Final Dividend	36.16	36.15
Interim Dividend	36.18	21.69
Expenses incurred on issuance of shares of a subsidiary	-	0.17
	117.98	28.67
Total	2,274.64	2,052.75

1. Share application money pending allotment, represents amount received from employees who have exercised Employee Stock Option Plan (ESOP) for which shares are pending allotment as on balance sheet date.
2. Capital redemption reserve is created out of General reserve being nominal value of shares bought back in terms of erstwhile section 77A of the Companies Act, 1956 for equity shares buy back in the year 2012-13.
3. Securities Premium represents the amount received in excess of face value of the equity shares. In case of equity-settled share based payment transactions, the difference between fair value on grant date and nominal value of share is accounted as securities premium. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013
4. General reserve is created by setting aside amount from the Retained Earnings of the Company for general purposes which is freely available for distribution.
5. Statutory Reserve is created pursuant to the provision of section 45-IC of Reserve Bank of India Act, 1934, the step down subsidiary Company Arka Fincap Limited has transferred ₹ 12.27 Crores (31 March 2022 : ₹ 6.50 Crores) towards statutory reserve fund.
6. Equity instruments through other comprehensive income represents the cumulative gains and losses arising on the valuation of equity instruments measured at fair value through other comprehensive income, under an irrevocable option, net of amounts reclassified to retained earnings when such assets are disposed off and is not available for distribution of dividend.
7. Employee Stock Option Reserve is used to record the fair value of equity-settled share based payment transactions with employees. The amounts recorded in share options outstanding account are transferred to securities premium upon exercise of stock options and transferred to general reserve on account of vested stock options not exercised by employees. Refer Note 43.6.16 for disclosure on Employee Stock option Plan (ESOP) of the Group.
8. **Dividend distribution made and proposed**

₹ in Crores

Particulars	2022-2023	2021-2022
Cash dividends on Equity shares declared and paid		
Final dividend for the year ended 31 March 2022: ₹ 2.50 per share (31 March 2021: ₹ 2.50 per share)	36.16	36.15
Interim dividend for year ended 31 March 2023: ₹ 1.50 per share (31 March 2022: ₹ 1.50 per share)	36.18	21.69
Total	72.34	57.84

Final dividend proposed for the year ended 31 March 2023: ₹ 2.50 per share (31 March 2022: ₹ 2.50 per share)

Proposed dividend on equity shares are subject to approval of the shareholders of the Parent company at the annual general meeting and are not recognised as a liability as at 31 March 2023.

Note 21 : Borrowings (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Interest bearing borrowings From Banks		
Term Loan	920.42	543.91
Loan for purchase of vehicles	0.13	-
Non Convertible Debentures ("NCD")	737.69	406.50

Notes to the Consolidated Financial Statements

Note 21 : Borrowings (Non-current) (Contd..)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Interest bearing borrowings From NBFC		
Term Loan	143.66	115.42
Total	1,801.90	1,065.83
Aggregate Secured borrowings	1,801.90	1,031.66
Aggregate Unsecured borrowings	-	34.17

1. Borrowings are measured at amortised cost.
2. **Term Loans from Banks for the Parent company**
   (i) During the year ended 31st March 2022, the Parent company had a term Loan of ₹ 25 Crores to be repaid in six half yearly installments of ₹ 4.17 Crores each starting from April 2022 at a rate of interest linked with repo rate plus applicable spread i.e effective 5.25% p.a. During the current financial year, this term loan has been repaid in entirety in the month of Novemeber 2022.
   (ii) During the year ended 31st March 2022, the Parent company had a term Loan of ₹ 25 Crores to be repaid in six half yearly installments of ₹ 2.50 Crores each starting from July 2022 at a rate of interest linked with repo rate plus applicable spread i.e effective 5.10% p.a. During the current financial year, this term loan has been repaid in entirety in the month of Novemeber 2022.
   (iii) Maturity profile of Term Loans from Banks (Current and Non-current)

₹ in Crores

Period	As at 31 March 2023	As at 31 March 2022
Less than Three Months	-	4.17
More Three Months Up to One Year	-	11.66
More than One Year Up to Three Years	-	34.17
More than Three Years Up to Five Years	-	-
Total	-	50.00

3. **Term Loans from Banks for subsidiaries**

Subsidiary - Arka Financial Holdings Private Limited(AFHPL)

(i) The term Loans availed by Arka Fincap Ltd (subsidiary of AFHPL) from Banks,NBFC and debenture holders are secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments.
(ii) The Non Convertible Debenture carry interest rate in range of 8.00% to 9.88%, repayable within 4 years.
(iii) The term loan from banks carry interest rate in range of 7.56% to 10.88%, repayable within 5 years.
(iv) The term loan from NBFC carry interest rate in range of 9.25% to 10.65%, repayable within 4 years.

Maturity profile of NCD and term loans from Banks and NBFC (Current and Non-current)

₹ in Crores

Period	As at 31 March 2023	As at 31 March 2022
Less than Three Months	302.66	165.15
More than Three Months Up to One Year	894.92	436.92
More than One Year Up to Three Years	1,575.60	958.94
More than Three Years Up to Five Years	226.17	44.39
More than Five Years	-	-
Total	2,999.34	1,605.40

Subsidiary - La Gajjar Machineries Private Limited

(i) The term loans and working capital term loans availed from HDFC Bank, Federal Bank and Yes Bank are secured by a First Pari Passu charge by way of Hypothecation of Plant & Machinery and other assets and second charge on entire current assets of the company. Further Term Loan from HDFC Bank are secured by way of creation of Equitable Mortgage on Land, Building, Plant & Machinery and other assets at the new plant at Bhayla.

Notes to the Consolidated Financial Statements

Note 21 : Borrowings (Non-current) (Contd..)

(ii) Term Loan of ₹ 7 Crore to be repaid in 60 monthly installments of ₹ 0.12 Crore each starting from November 2016. Accordingly total 0.82 Crore have been repaid in the year 2021-22 and the loan is totally repaid in October 2021.

(iii) Term Loan of ₹ 7 Crore to be repaid in 60 monthly installments of ₹ 0.12 Crore each starting from July 2018. Accordingly, a total ₹ 1.1 Crore have been repaid in the year 2022-23. Accordingly total ₹ 0.81 Crore have been repaid in the year 2021-22 and the loan is totally repaid as on January 23.

(iv) Working Capital Term Loan of ₹ 14 Crore to be repaid in 60 monthly installments of ₹ 0.24 Crore each starting from May 2018. Accordingly, a total ₹ 2.8 Crore have been repaid in the year 2022-23. The repayment obligation of the future 12 months is reflected in "Current maturities of long term borrowings" under Current borrowings. Refer Note 27.

(v) Sanctioned Term Loan of ₹ 84.75 Crore and withdrawal done till 30 June 2022 of ₹ 24.24 Crore to be repaid in 72 monthly installments of ₹ 0.33 Crore each starting from June 2022 at rate of interest 7.75%. The Loan is totally repaid in December 2022

(vi) Working capital term loan of ₹ 5.5 Crores and Rupee term loan of ₹ 0.57 Crores borrowed by subsidiary company from ICICI Bank is secured by :

(i) Exclusive charge by way of hypothecation of entire stocks of raw materials, stocks in process, stores and spares, packing materials, finished goods and book debts and all current assets of the Company.

(ii) Exclusive charge by way of hypothecation of movable fixed assets"

(vii) Working capital term loan from ICICI Bank is repayable in 6 equal quarterly installments commencing from March 2023. however, this loan was prepaid in full by subsidiary company in Mar'23

(viii) Rupee Term Loan availed by subsidiary company from ICICI Bank is repayable in 6 equal quarterly installments commencing from March 2022. Interest rate is Repo rate plus 5%. Accordingly, total of ₹ 0.33 Crores have been repaid in FY 22-23. The repayment obligation of the future 12 months is reflected in current maturity of long term debt.

Maturity profile of Term Loans from Banks and NBFC (Current and Non-current)

₹ in Crores

Period	As at 31 March 2023	As at 31 March 2022
Less than Three Months	0.31	1.61
More than Three Months Up to One Year	-	7.02
More than One Year Up to Three Years	-	12.89
More than Three Years Up to Five Years	-	7.99
More than Five Years	-	4.66
Total	0.31	34.16

4. **Loan for Purchase of Vehicles - Banks**

Loans availed during previous year for purchase of vehicles are secured against Hypothecation of vehicles

5. **Loan for Purchase of Vehicles - NBFC**

Loans for purchase of vehicles are secured against Hypothecation of vehicles

₹ in Crores

Period	As at 31 March 2023	As at 31 March 2022
Less than Three Months	0.01	-
More than Three Months Up to One Year	0.03	-
More than One Year Up to Three Years	0.10	-
More than Three Years Up to Five Years	0.02	-

6. There has been no default in repayment of interest & principal amount for year ended 31 March 2023 and 31 March 2022.
7. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 43.6.13.
8. Refer Note 43.6.13 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 22 : Lease liabilities (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Lease liabilities	5.50	3.35
Total	5.50	3.35

1. Lease liabilities are measured at amortised cost.
2. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 43.6.13

Note 23 : Other financial liabilities (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Deposits/ Retentions from customers and others	18.23	17.18
Total	18.23	17.18

1. Other financial liabilities are measured at amortised cost.
2. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 43.6.13

Note 24 : Provisions (Non-current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Provision for employee benefits	23.17	22.98
Provision for gratuity	1.16	-
Provision for compensated absence	17.45	18.41
Provision for pension and other retirement benefits	4.56	4.57
Other provisions	16.64	18.16
Provision for warranty	15.32	15.95
Expected credit loss on undrawn loan commitments	1.32	2.21
Total	39.81	41.14

Refer Note 32 Provisions (Current) for additional disclosures.

Note 25 (a): Deferred tax assets (net)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Deferred Tax Liability	5.65	1.31
Depreciation	0.37	0.96
Undistributed reserves of joint venture	0.13	0.15
Others	5.15	0.20
Less : Deferred Tax Assets	20.88	10.55
Disallowances under Income Tax Act, 1961	10.57	1.05
Provision for Doubtful debts & advances	3.96	2.54
Amalgamation/Demerger Expenses	-	0.07
Carried Forward Business Loss	1.08	1.80
Others	5.27	5.09
Total	15.23	9.24

Notes to the Consolidated Financial Statements

Note 25 (b): Deferred tax liabilities (net) (Contd..)

1. Reconciliation of deferred tax assets (net)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Opening balance as of 1 April	9.24	**4.04**
Tax income/(expense) during the year recognised in profit or loss	5.78	5.74
Others	-	(0.03)
Tax income/(expense) during the year recognised in OCI	0.21	(0.51)
Closing balance as at 31 March	15.23	**9.24**

2. Tax Losses

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Unused tax losses for which no deferred tax Assets have been recognised	11.22	12.37
Potential Tax benefit	2.61	2.88

Note 25 (b): Deferred tax liabilities (net)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Deferred tax liabilities	40.20	**39.99**
Depreciation	38.09	37.28
Others	2.11	2.71
Less : Deferred tax assets	32.70	**22.21**
Disallowances under Income Tax Act, 1961	12.69	9.40
Provision for Doubtful debts & advances	15.59	9.14
VRS Compensation	1.26	1.69
Others	3.16	1.98
Total	7.50	**17.78**

1. Reconciliation of deferred tax liabilities (net)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Opening balance as of 1 April	(17.78)	**(19.37)**
Tax income/(expense) during the year recognised in the Statement of Profit and Loss	7.37	2.51
Tax income/(expense) during the year recognised in OCI	2.91	(0.92)
Closing balance as at 31 March	(7.50)	**(17.78)**

2. The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relating to income taxes levied by the same tax authority.
3. Refer Note 42 for Income tax and deferred tax rate.
4. 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
5. The unused tax losses were incurred by the one of the subsidiary company on sale on Land in which company is not likely to generate taxable income in the foreseeable future. The losses can be carried forward as per the provisions of Income Tax Act .

Notes to the Consolidated Financial Statements

Note 26 : Other non current liabilities

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Advance from customers	21.55	19.83
Revenue received in advance	1.07	0.98
Total	22.62	**20.81**

Refer Note 43.6.6

Note 27 : Borrowings (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Secured Interest bearing borrowings From Banks and Financial Institution		
Export Preshipment Loan in INR	75.14	10.17
Export sales bill discounted	2.90	36.54
Cash credit	6.01	55.36
Working Capital Demand Loan	30.00	22.00
Non-convertible debentures	306.44	41.18
Term Loan - Banks	756.92	425.67
Term Loan - Financial Institution	134.21	132.44
Interest Accrued but Not Due	-	11.32
Current maturities of long term borrowings	0.36	8.48
Unsecured loans		
From Bank	-	13.00
Commercial paper (Net)	116.47	118.09
Current maturities of long term borrowings	-	16.05
Total	1,428.45	**890.30**
Aggregate secured borrowings	1,311.98	743.16
Aggregate unsecured borrowings	116.47	147.14

1. Borrowings are measured at amortised cost.
2. Secured Borrowings- Company's fund and non-fund based working capital facilities aggregating to ₹ 410 Crores are secured to the extent of ₹ 410 Crores by way of hypothecation (First Charge) on the whole of the current assets of the Company both present and future in favour of the consortium of banks (SBI Consortium) comprising of State Bank of India, Pune (Lead Bank), Bank of Maharashtra, ICICI Bank Limited, HDFC Bank Limited, and The Hongkong and Shanghai Banking Corporation Limited (HSBC). The Board of Directors of the Company had given their approval for reduction of said consortium limit to ₹ 385 Crores and also to appoint 'Axis Trustee Services Private Limited' as a Security Trustee. The Company is in process of execution of necessary agreements with Consortium Bankers to give effect to the reduction of working capital facilities to ₹ 385 Crores and for appointment of Security Trustee. Accordingly, the necessary forms will be filed with the Ministry of Corporate Affairs/Registrar of Companies for modification of charge created to the extent of reduction in working capital facilities.
3. Indian Subsidiary La Gajjar Machineries Private Limited fund and non fund based working capital facilities of ₹ 151.43 Crores are secured by first charge by way of hypothecation on the whole of the current assets of the subsidiary company both present and future and also the second charge on the whole of the movable Plant and machinery and other fixed assets of the subsidiary company in favour of the consortium of banks (Federal Consortium) comprising of The Federal Bank Limited - Ahmedabad (Lead Bank), ICICI Bank Limited - Ahmedabad, Yes Bank Limited - Pune and HDFC Bank Limited - Ahmedabad.
4. The subsidiary Company of La Gajjar Machineries Private Limited has availed cash credit facility of ₹ 8 Crore from ICICI Bank for meeting working capital requirements. Company has also availed working capital demand loan facility of ₹ 8 Crore from ICICI Bank as a sub-limit of Cash Credit facility. The facilities are secured by:
   (i) Exclusive charge by way of hypothecation of entire stocks of raw materials, stocks in process, stores and spares, packing materials, finished goods and book debts and all current assets of the Company.
   (ii) Exclusive charge by way of hypothecation of movable fixed assets"
5. The unutilised portion of subsidiary company's La Gajjar Machineries Private Limited Cash Credit Limit is ₹ 61.35 Crores (₹ 31.79 Crores in FY 2021-2022) whereas the same for subsidiary company is ₹ 2.77 Crores (31 March 2022 : ₹ 3.69 Crores)
6. The quarterly returns or statements of current assets filed by the company with banks are in agreement with the books of accounts,except as mentioned in Sr. no. 9 below)

Notes to the Consolidated Financial Statements

7. There has been no default in repayment of interest & principal amount for year ended 31 March 2023 and 31 March 2022
8. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 43.6.13
9. **Reconciliation of quarterly statement submitted to banks by La-Gajjar Machineries Private Limited :**

For the year ended 31 March 2023

₹ in Crores

Quarter ended	Name of the bank	Particulars of securities provided	Amount as per statement submitted to bank/FI	Amount as per financials	Difference	Reason for difference
30 June 2022	Federal/HDFC/ICICI/Yes Bank	Inventory	83.52	83.79	(0.26)	Differences are on account of Ind AS Grouping. In particular differences in payable are broadly on account of grouping of payable for customer incentive, payable for expenses, provision for expenses which are not part of payable statement submitted to the banks on quarterly basis.
		Receivables	92.59	92.52	0.07	
		Payables	51.09	77.36	(26.27)	
30 September 2022	Federal/HDFC/ICICI/Yes Bank	Inventory	85.49	85.69	(0.20)	
		Receivables	76.46	78.41	(1.95)	
		Payables	36.02	65.45	(29.43)	
31 December 2022	Federal/HDFC/ICICI/Yes Bank	Inventory	74.52	74.49	0.03	
		Receivables	77.97	78.00	(0.03)	
		Payables	33.71	64.60	(30.88)	
31 March 2023	Federal/HDFC/ICICI/Yes Bank	Inventory	Not yet submitted	72.37	NA	
		Receivables		73.65		
		Payables		56.40		

For the year ended 31 March 2022

₹ in Crores

Quarter ended	Name of the bank	Particulars of securities provided	Amount as per statement submitted to bank/FI	Amount as per financials	Difference	Reason for difference
30 June 2021	Federal/HDFC/ICICI/Yes Bank	Inventory	83.14	83.42	(0.28)	There are some period ended book closure adjustments for finalisation of quarterly results post filing of returns with banks . The financial information were provided to the bank before finalisation of the quarterly results
		Receivables	67.19	72.68	(5.49)	
		Payables	42.27	55.67	(13.40)	
30 September 2021	Federal/HDFC/ICICI/Yes Bank	Inventory	87.13	87.13	-	
		Receivables	66.85	66.85	-	
		Payables	44.29	68.77	(24.48)	
31 December 2021	Federal/HDFC/ICICI/Yes Bank	Inventory	78.38	78.78	(0.40)	
		Receivables	67.53	67.83	(0.30)	
		Payables	50.54	77.06	(26.52)	
31 March 2022	Federal/HDFC/ICICI/Yes Bank	Inventory	75.65	75.72	(0.07)	
		Receivables	83.71	81.96	1.75	
		Payables	49.96	74.64	(24.68)	

Note 28 : Lease liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Lease liabilities	8.40	5.18
Total	8.40	5.18

1. Lease liabilities are measured at amortised cost.
2. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 43.6.13

Note 29 : Trade and other payables

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Acceptances	25.83	16.61
Due to micro enterprises and small enterprises	132.28	133.16
Due to other than micro enterprises and small enterprises	520.22	426.07
Total	678.33	575.84

1. Trade and other payables are measured at amortised cost.
2. For terms and conditions with related parties, refer to Note 43.6.9
3. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 43.6.13

Notes to the Consolidated Financial Statements

4. For trade payables outstanding, the ageing schedule is as given below:

As at 31 March 2023

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment					Total
		Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Micro and Small Enterprises ("MSME")	0.80	129.01	0.11	0.11	0.10	2.15	132.28
Others	12.57	422.12	107.29	1.14	0.62	2.31	546.05
*Disputed dues - Micro and Small Enterprises ("MSME")	-	-	-	-	-	-	-
*Disputed dues - Others	-	-	-	-	-	-	-
Total	13.37	551.13	107.40	1.25	0.72	4.46	678.33

* Disputed dues represents legal cases with vendors

As at 31 March 2022

₹ in Crores

Particulars	Unbilled	Outstanding for following periods from due date of payment					Total
		Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Micro and Small Enterprises ("MSME")	0.55	129.28	0.87	0.14	0.32	2.00	133.16
Others	18.99	364.95	50.74	1.22	4.15	2.63	442.68
*Disputed dues - Micro and Small Enterprises ("MSME")	-	-	-	-	-	-	-
*Disputed dues - Others	-	-	-	-	-	-	-
Total	19.54	494.23	51.61	1.36	4.47	4.63	575.84

* Disputed dues represents legal cases with vendors

Note 30 : Other financial liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Deposits from customers	0.80	1.07
Unclaimed dividends	9.55	10.99
Payable for capital purchases	15.83	15.04
Employee benefits payable	61.60	41.16
Book Overdraft	93.31	-
Present value of future purchase consideration payable	-	76.72
Other Payables	13.96	12.23
Total	195.05	157.21

1. Other financial liabilities are measured at amortised cost.
2. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 43.6.13

Note 31 : Other current liabilities

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Advance from customers	59.34	29.22
Revenue received in advance	30.61	27.84
Eligible incentives under Export Promotion Capital Goods (EPCG) Scheme	-	0.15
Statutory dues	16.06	17.44
Others	0.25	0.19
Total	106.26	74.84

1. For advance from customers and revenue received in advance refer Note 43.6.6
2. Parent company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods.

Notes to the Consolidated Financial Statements

Note 31 : Other current liabilites (Contd..)

3. Movement in Eligible incentives under Export Promotion Capital Goods (EPCG) Scheme

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
As at 1 April	0.15	0.29
Availed during the year	-	-
Released to Statement of Profit and Loss	(0.15)	(0.14)
As at 31 March	-	0.15

Note 32 : Provisions (Current)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Provision for employee benefits	27.44	10.37
Provision for gratuity	11.14	-
Provision for compensated absence	15.96	10.02
Provision for pension and other retirement benefits	0.34	0.35
Others	80.68	68.64
Provision for warranty	62.34	47.21
Tax provision (Net of tax paid in advance)	-	-
Other Provision	18.34	21.43
Total	108.12	79.01

Refer Note 24 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 step down subsidiary Arka Fincap Limited (formerly known as Kirloskar Capital Limited).

b. Pension, post retirement medical benefit and long term award benefits

The Parent Company provides certain post-employment medical scheme and long term award benefits to employees (unfunded). For long-term award scheme, the Company has defined certain eligibility criteria and grade-wise benefit available to employees and is payable only at time of separation. Pension and medical benefits are payable to employees for 15 years after retirement.

c. Compensated absences

The leave obligation cover the Group's liability for earned leaves.

Also Refer Note 43.6.7 for detailed disclosure.

2. Others

a. Warranty is provided to customers at the time of sale of engines and generating sets manufactured. Warranty cost includes expenses in connection with repairs, free replacement of parts / engines and after sales services during warranty period which varies from 1 year to 4 years.

b. The Parent Company has preferred an Appeal bearing No. 125 of 2016 before the Chief Controlling Revenue Authority (CCRA) against the Stamp Duty Adjudication Order dated 2 May 2016 bearing ADJ/188/2015 passed by Collector of Stamps, Enforcement – II, Mumbai levying a total stamp duty amount of ₹ 14.94 Crores on the Company for amalgamation of KBIL with the Company. For securing a Stay Order against the said stamp duty Adjudication being ADJ/188/2015 dated 2 May 2016, the Company has deposited 50% of the stamp duty amount of ₹ 7.47 Crores on protest on 30 June 2016. Considering the payment of 50% of stamp duty amount, through its Order dated 22 September 2016, CCRA has passed an Order granting stay on the effect and operation of said Stamp Duty Adjudication Order bearing ADJ/188/2015 dated 2 May 2016. Company's Appeal bearing No. 125 of 2016 is still pending and listing for final hearing is awaited. Accordingly, provision for Stamp duty of ₹ 14.94 Crores has been made.

c. Provision for Liquidated damages pertains to provision arising due to delay in actual delivery of goods/services as against the contractual delivery date.

d. Provision for onerous contracts arises when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

₹ in Crores

Particulars	Warranty	Stamp Duty	Liquidated damages	Onerous Contracts
At 1 April 2021	57.73	14.94	0.88	-
Arising during the year	51.81	-	2.49	3.75
Less : Utilised	46.02	-	0.63	-
Less : Unused amount reversed	1.20	-	-	-
Add: Unwinding of discount	0.84	-	-	-
At 31 March 2022	63.16	14.94	2.74	3.75
Arising during the year	76.34	-	1.46	0.14
Less : Utilised	62.92	-	0.93	-
Less : Unused amount reversed	0.07	-	0.33	3.44
Add: Unwinding of discount	1.15	-	-	-
At 31 March 2023	77.66	14.94	2.94	0.45
Non-current	15.32	-	-	-
Current	62.34	14.94	2.94	0.45

Note 32a : Current tax liabilities (net)

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Current tax liabilities	1.04	0.25
Total	1.04	0.25

Note 33 : Revenue from operations

₹ in Crores

Particulars	2022-2023	2021-2022
Sales and services	4,597.61	3,777.23
Sale of products	4,461.01	3,650.21
Sale of services	136.60	127.02
Income of Financial service business	370.73	201.48
Other operating income	55.46	43.27
Sale of scrap	25.42	22.30
Commission received	2.75	1.78
Export incentives	13.04	7.86
Refund of sales tax, octroi etc.	-	0.25
Sundry credit balances written back	1.34	0.35
Provisions no longer required written back	5.78	5.71
Solar Power Generation Income	5.23	3.87
Miscellaneous receipts	1.90	1.15
Total	5,023.80	4,021.98

1. Export incentives includes incentive under EPCG scheme amounting to ₹0.15 Crores (31 March 22 : ₹0.14 Crores)
2. Refer Note 43.4.1 & 43.5.17

Note 34 : Other income

₹ in Crores

Particulars	2022-2023	2021-2022
Interest on Income Tax and Sales Tax Refund	3.43	0.50
Interest income on financial assets measured at amortised cost		
(i) Bank Deposits	0.05	0.08
(ii) Unwinding of interest on security deposit	1.18	1.47
(iii) Other financial assets	(0.07)	2.03

Notes to the Consolidated Financial Statements

₹ in Crores

Particulars	2022-2023	2021-2022
Dividend income from equity investments designated at fair value through other comprehensive income	0.00	0.00
Net gain on financial assets measured at fair value through profit or loss (unrealised)	3.42	6.89
Net gain on sale of mutual fund measured at fair value through profit or loss (realised)	13.94	9.89
Net Gain/(loss) on lease modifications	0.75	-
Net Gain/(loss) on disposal of property, plant and equipment	0.48	0.92
Exchange gains/(losses) on translation of assets and liabilities	2.02	2.17
Rent income	0.76	1.05
Miscellaneous income	2.23	1.73
Total	**28.19**	**26.73**

1. Net gain on financial assets measured at fair value through profit or loss relates to the gain arising on fair value restatements of Group's investment in mutual funds at balance sheet dates which are held as current or non-current investments.
2. Refer Note 43.4.1 ,43.5.10 & 43.6.15

Note 35 : Cost of raw materials and components consumed

₹ in Crores

Particulars	2022-2023	2021-2022
Raw materials and components consumed	2,346.23	1,885.15
Total	**2,346.23**	**1,885.15**

Note 36 : Purchases of traded goods

₹ in Crores

Particulars	2022-2023	2021-2022
Engines and Gensets	233.98	292.93
K-Oil	154.86	116.17
Alternators, Batteries and Others	437.56	335.80
Total	**826.40**	**744.90**

Note 37 : Changes in inventories of finished goods, work-in-progress and traded goods

₹ in Crores

Particulars	2022-2023	2021-2022
Opening Inventories	**157.14**	**164.73**
Work-in-progress	41.87	31.98
Finished goods	52.23	66.18
Traded goods	63.04	66.57
Closing Inventories	**212.02**	**157.14**
Work-in-progress	52.47	41.87
Finished goods	111.67	52.23
Traded goods	47.88	63.04
(Increase)/decrease in inventories	**(54.88)**	**7.59**

Note 38 : Employee benefits expense

₹ in Crores

Particulars	2022-2023	2021-2022
Salaries, wages, bonus, commission, etc.	294.51	245.63
Gratuity	4.49	4.11
Contribution to provident and other funds	13.90	13.43
Welfare and training expenses	21.81	18.04
Provident and other funds expenses	1.65	0.35
Share based payment to employees	3.36	4.01
Total	**339.72**	**285.57**

Refer Note 43.6.7 for gratuity and 43.6.16 for share based payment to employees

Notes to the Consolidated Financial Statements

Note 39 : Finance costs

₹ in Crores

Particulars	2022-2023	2021-2022
Interest and discounting charges	11.53	11.38
Interest on term loan from banks & NBFCs	125.79	57.82
Other Finance cost	1.30	2.39
Other Bank charges	7.98	4.70
Interest on Lease Liability	1.27	1.01
Discount on commercial paper issued	8.92	6.80
Interest on debentures issued	53.10	21.93
Total	**209.89**	**106.03**

Note 40 : Depreciation and amortisation expense

₹ in Crores

Particulars	2022-2023	2021-2022
Depreciation and amortisation expense	**104.66**	**101.29**
Depreciation on property, plant &equipment	61.86	57.86
Amortisation on Intangible assets	33.15	37.62
Amortisation on Right -of-use assets	9.65	5.81
Total	**104.66**	**101.29**

Note 41 : Other expenses

₹ in Crores

Particulars	2022-2023	2021-2022
Manufacturing expenses	**369.48**	**322.80**
Stores consumed	99.97	90.76
Power and fuel	32.60	25.88
Machinery spares	10.19	7.18
Repairs to machinery	10.81	9.37
Job work charges	52.85	43.10
Labour charges	47.88	44.87
Cost of services	103.84	85.70
Other manufacturing expenses	11.34	15.94
Selling expenses	**251.92**	**180.19**
Commission	16.82	14.70
Freight and forwarding	94.13	86.01
Warranty	76.41	51.81
Royalty	9.92	8.05
Advertisement and publicity	21.00	13.92
Provision for doubtful debts and advances (net)	26.40	(2.38)
Others selling expenses	7.24	8.08
Administration expenses	**222.18**	**197.54**
Rent	32.17	31.67
Rates and taxes	1.56	3.82
Insurance	4.07	3.61
Repairs to building	2.80	1.20
Other repairs and maintenance	38.29	33.01
Travelling and conveyance	37.67	20.08
Communication expenses	4.99	4.38
Printing and stationery	1.27	1.13
Professional charges	56.38	46.86
Membership and subscription	0.33	0.14
Auditor's remuneration	1.10	1.10
Technology expenses	2.43	2.54
Custodian charges	0.02	0.02
Electricity charges	0.13	0.10
Office expenses	0.54	0.32
Postage and courier	0.07	0.03
ROC Expenses	0.01	2.50

Notes to the Consolidated Financial Statements

Note 41 : Other expenses (Contd..)

₹ in Crores

Particulars	2022-2023	2021-2022
GST expenses	4.00	2.14
Stamp duty	0.28	0.63
Housekeeping and security charges	0.30	0.25
Donations	0.08	1.03
Corporate social responsibility (CSR) expenses	5.10	6.01
Non Executive Directors' fees and commission	4.55	2.95
Miscellaneous expenses	16.75	24.26
Provision for expected credit loss of financial service business	5.99	5.58
Bad debts and irrecoverable balances written off	1.14	2.18
Loss on sale of export licenses	0.16	-
Total	**843.58**	**700.53**

Note 42 : Income Tax

The note below details the major components of income tax expenses for the year ended 31 March 2023 and 31 March 2022. The note further describes the significant estimates made in relation to Group income tax position, and also explains how the income tax expense is impacted by non-assessable and non-deductible items.

₹ in Crores

Particulars	2022-2023	2021-2022
Current tax	**130.44**	**69.26**
Current income tax	127.22	69.26
(Excess)/short provision related to earlier years	3.22	-
Deferred tax	**(13.16)**	**(8.25)**
Relating to origination and reversal or temporary difference	(13.16)	(8.25)
Income tax expense reported in the statement of profit and loss	**117.28**	**61.01**

Other Comprehensive Income (OCI)

₹ in Crores

Particulars	2022-2023	2021-2022
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	(2.37)	0.11
Net gain / (loss) on FVOCI equity instruments	(0.75)	0.86
Deferred tax charged to OCI	**(3.12)**	**0.97**

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 2023 and 31 March 2022 :

Current tax

₹ in Crores

Particulars	2022-2023	2021-2022
Accounting profit before income tax expense	448.93	231.88
Tax at 25.168% (as per rate enacted by Income Tax Act, 1961) (31 March 2022 : 25.168 %)	**112.99**	**58.36**
Tax effect of adjustments in calculating taxable income:	**4.29**	**2.65**
Corporate Social Responsibility expenses/Donations (net)	1.30	1.77
Interest on MSME dues	-	0.21
Dividend Received	0.00	0.00
Profit on sale of investment	-	0.16
(Excess)/short provision related to earlier years	2.95	-
Difference in Tax Rate of foreign subsidiary	(0.05)	(0.04)
Other Disallowances/(allowances)	0.09	0.55
Income tax expense recognised in the Statement of Profit and Loss	**117.28**	**61.01**
Effective income tax rate	**26.12%**	**26.31%**

Notes to the Consolidated Financial Statements

Note 43 : Notes to and forming part of the Consolidated Financial Statements as at and for the year ended 31 March 2023

1 Corporate information

The consolidated financial statements comprise the financial statements of Kirloskar Oil Engines Limited ('the Parent Company') and its subsidiaries and joint venture of its subsidiary (collectively 'the Group'). The Parent company is a public limited Company domiciled in India and is incorporated under the provisions of the Companies Act, 1956(the 1956 Act). The registered office of the Parent company is located at Laxmanrao Kirloskar Road, Khadki, Pune – 411003 Maharashtra. The equity shares of the Parent company are listed on two recognised stock exchanges in India i.e. Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The Group is engaged in the business of manufacturing of diesel engines, agricultural pump sets, electric pump sets, power tiller, generating sets, spares thereof and providing financial services.

During financial year 2015-16, the Parent Company had invested USD 250,000 in Kirloskar Americas Corporation (formerly known as KOEL Americas Corp.) (50 Shares of USD 5,000 each), incorporated under State of Delaware laws, United States of America and based in Houston, Texas. With this, Kirloskar Americas Corporation is wholly owned subsidiary of Kirloskar Oil Engines Limited, India with effect from 23 June 2015.

During financial year 2017-18, the Parent Company has invested ₹ 253.78 Crores in La-Gajjar Machineries Private Limited to acquire 76% shares in its equity from its promoters. With this, La-Gajjar Machineries Private Limited is subsidiary of Kirloskar Oil Engines Limited, India with effect from 1 August 2017.

The Parent Company had also invested ₹ 8.50 Crores (₹ 10 per share) towards 8% cumulative redeemable preference shares right issue of 85,00,000 Shares, in La-Gajjar Machineries Private Limited (LGM) during financial year 2020-21 further during the year the Parent company has invested in 8.25% cumulative redeemable preference shares of ₹ 40 Crores (₹ 10 per share). On 26th September, 2022 the Parent Company has purchased the remaining 24% stake for ₹ 109.36 Crores.

During the previous year 2021-22, the Parent company has transferred 68,09,02,231 fully paid-up equity shares having face value of ₹ 10/- each of Arka Fincap Limited (AFL – Subsidiary Company) to Arka Financial Holding Private Limited (AFHPL), a wholly owned subsidiary at ₹ 753.96 Crores, which is not less than the fair market value of equity shares of AFL calculated as per provisions of Income Tax Act, 1961 including rules thereunder and amendment(s) thereto. Accordingly, AFHPL is holding 99.998% of AFL. As such AFL is subsidiary of AFHPL and continues to be a step down subsidiary instead of subsidiary of the Company w.e.f 4 March 2022. Further, the Parent Company has also invested ₹ 179.60 Crores towards rights issue of 17,96,03,153 Shares in financial year 2021-22.

During the previous year 2021-2022, the Company has invested in paid up capital of ₹ 753.99 crores towards the Rights Issue of equity shares having face value of ₹ 10 each of Arka Financial Holdings Private Limited ('AFHPL'- a wholly owned subsidiary) as per payment terms covered in the Letter of Offer issued by AFHPL to the Company.

During the financial year 2020-21, La-Gajjar Machineries Private Limited has invested ₹ 8.50 Crores in Optiqua Pipes and Electricals Private Limited to acquire cables and pipes business of Optiflex Industries (a partnership firm). With this Optiqua Pipes and Electricals Private Limited is the Wholly Owned subsidiary of La-Gajjar Machineries Private Limited w.e.f. 19 February 2021.

2 Basis of preparation of Financial Statements

The Group's consolidated financial statements have been prepared in accordance with the provisions of the Companies Act, 2013 and the Indian Accounting Standards ('Ind AS') as issued under the Companies (Indian Accounting Standards) Rules, 2015 and amendments thereof issued by the Ministry of Corporate Affairs in exercise of the powers conferred by section 133 read with rule 7 of the Companies (Accounts) Rules, 2014. In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) and the guidelines issued by the Securities and Exchange Board of India are also applied.

The consolidated financial statements have been prepared on accrual basis following historical cost convention, except for,

(i) certain financial assets and financial liabilities that are measured at fair value or amortised cost in accordance with Ind AS.

(ii) defined benefit plans - plan assets measured at fair value.

(iii) equity settled share based payments measured at grant date fair value.

Amounts in the consolidated financial statements are presented in Indian Rupees in crores rounded off to two decimal places as permitted by Schedule III to the Companies Act, 2013 unless otherwise stated.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 19 May 2023

3 Basis of consolidation

(i) Basis of accounting and preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting standards ('Ind AS') to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ('the 2013 Act') and the relevant provisions of the 1956 Act / 2013 Act, including rules thereunder

Notes to the Consolidated Financial Statements

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 companies have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra Group balances and intra group transactions and resulting unrealised profit or losses, unless cost cannot be recovered, as per the applicable Accounting Standard in India.

c. When the subsidiary company has with other entities, joint control of the arrangement and rights to the net assets of the joint arrangment, it recognises its interest as joint venture. The results, assets and liabilities of joint ventures are incorporated in the consolidated financial statements using equity method of accounting after making necessary adjustments in application of accounting policies. The unrealised profits/losses on transactions with joint ventures are eliminated by reducing the carrying amount of investment. The carrying amount of investment in joint ventures is reduced to recognise impairment, if any.

When the subsidiary's share of losses of a joint venture exceeds the subsidiary's interest in that joint venture, the Parent Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the subsidiary has incurred legal or constructive obligations or made payments on behalf of the joint venture.

d. The consolidated financial statements are presented, to the extent applicable, in accordance with the requirements of Schedule III of the 2013 Act as applicable to the Group's separate financial statements. Differences if any, in accounting policies have been disclosed separately.

e. Particulars of subsidiaries have been considered in the preparation of the consolidated financial statements:

Name of Company	Country of Incorporation	% of Shareholding of Kirloskar Oil Engines Ltd.	Consolidated As
Kirloskar Americas Corporation (Formerly known as KOEL Americas Corp.)	State of Delaware Laws, United States of America based in Houston, Texas	100%	Subsidiary
*La-Gajjar Machineries Private Limited	India	100%	Subsidiary
*Arka Financial Holdings Private Limited (AFHPL)	India	100%	Subsidiary

* On consolidated basis. Also refer notes forming part of Note No. 43.6.20

f. The accounting policies of the Parent Company are best viewed in its independent financial statements. Differences in accounting policies followed by the Kirloskar Americas Corp., La-Gajjar Machineries Private Limited and Arka Financial Holdings Private Limited have been reviewed and no adjustments have been made, since the impact if any of these differences is not significant.

4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.The Group continually evaluates these estimates and assumptions based on the most recently available information. The management believes that the estimates used in preparation of the consolidated financial statements are prudent and reasonable.

4.1 Judgements

In the process of applying the Group's accounting policies, the management has made the following judgements,

Notes to the Consolidated Financial Statements

which have the most significant effect on the amounts recognised in the consolidated financial statements:

Government grants and Incentives

The Parent Company was eligible for Industrial promotion subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2001 from 1 April 2008 to 31 March 2017. The Parent Company has received an extension of the said scheme of incentives, for a further period of 2 years i.e. till 31 March 2019 along with the extension of original operative period by 2 years and compliances thereof. Further the parent Company had determined the grant as grant related to income based on the evaluation of terms and conditions attached to the eligibility of grant and the Parent Company accounts for the grant as income in the Statement of Profit and Loss in 2019.

Leases

The Group has applied provisions of Ind AS 116 effective 1 April 2019. The said standard provides for certain recognition exemptions for short term leases as well as provides for certain criteria when the lease contracts are non-enforceable. The determination of lease term for the purpose of availing such exemptions and evaluation of such criteria for non-enforceability of a contract involves significant judgement.

Capital work-in-progress

Project is construed as smallest group of assets having a common intended use. For e.g., Group of assets in an integrated plant is treated as one project. The identification of project will require judgement and management needs to identify project based on facts of each case. Project identification is consistent with how management identifies and monitors progress on group of assets internally.

Revenue recognition

The Group recognises revenue for each performance obligation either at a point in time or over a time. In case performance obligation is satisfied over a time, the output method is used to determine the revenue since it is faithfully depicting the Group's performance towards complete satisfaction of performance obligation. Practical expedient of "right to consideration" is also considered while recognizing revenue in the amount to which the entity has right to invoice.

In case performance obligation is satisfied at a point in time, the Group generally recognises revenue when the control is transferred i.e. in case of goods either on shipment or upon delivery in domestic and on bill of lading date in case of export. In case of services, the revenue is recognised based on completion of distinct performance obligation. Refer significant accounting policy note 43.5.17 on revenue recognition for information about methods, input and assumptions w.r.t transaction price and variable consideration.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition related costs are generally recognised in the Statement of Profit or Loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity of subsidiaries.

The cost of an acquisition also includes the estimated fair value of any contingent consideration measured as at the date of acquisition. This measurement is based on information available at the acquisition date and is based on expectations and assumptions that have been deemed reasonable by management. Any subsequent changes to the fair value of contingent consideration classified as liabilities, other than measurement period adjustments, are recognised in the consolidated Statement of Profit and Loss.

Business Combinations arising from transfers of interests in entities that are under the common control are accounted at historical cost. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity are recorded in shareholders' equity.

Acquisition of some or all of the non-controlling interest ('NCI') is accounted for as a transaction with equity holders in their capacity as equity holders. Consequently, the difference arising between the fair value of the purchase consideration paid and the carrying value of the NCI is recorded as an adjustment to retained earnings that is

Notes to the Consolidated Financial Statements

attributable to the Parent Company. The associated cash flows are classified as financing activities. No goodwill is recognised as a result of such transactions.

4.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on information available till the date of approval of consolidated financials statements. The estimates and assumptions used, however may change based on future developments, due to market environment or due to circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions and estimates when they occur.

Defined benefit plans

The cost of the defined benefit plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future post-retirement medical benefit increase. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameter is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are mainly based on expected future inflation rates for the country.

Further details about defined benefit obligations are provided in Note 43.6.7

Development costs

The Group capitalises development costs for a project in accordance with its accounting policy. Initially, capitalisation of costs is based on management's judgement that the technological and economic feasibility is confirmed when a product development project has reached a defined milestone, according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

For further details about the carrying amount of development costs capitalised as Internally generated intangible assets and as intangible assets under development, Refer Note 2.

Warranty

The Group recognises provision for warranties in respect of the products that it sells. The estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidences based on actions on product failures.

Deferred tax

Deferred tax assets are recognised for all deductible temporary differences including the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Impairment of goodwill recognised under Business Combination

The Parent Company estimates whether goodwill accounted under business combination has suffered any impairment on annual basis. For this purpose, the recoverable amount of the CGU was determined based on value in use calculations which require the use of assumptions.

Share based payments

Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share based payment transactions are disclosed in Note 43.6.19

5 Significant accounting policies

5.1 Current Vs. Non-current classification

The Group presents assets and liabilities in the Balance Sheet based on Current/Non-current classification.

Notes to the Consolidated Financial Statements

An asset is treated as current when it is:

a. Expected to be realised or intended to be sold or consumed in normal operating cycle or

b. Held primarily for the purpose of trading or

c. Expected to be realised within twelve months after the reporting period, or

d. Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as Non-current.

A liability is treated as current when it is:

a. Expected to be settled in normal operating cycle or

b. Held primarily for the purpose of trading or

c. Due to be settled within twelve months after the reporting period, or

d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are treated as Non-current.

Deferred tax assets and liabilities are classified as Non-current assets and liabilities.

The Group classifies all other liabilities as Non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

5.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

  Or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value.

External valuation experts are involved for valuation of significant assets and liabilities. Involvement of external valuation experts is decided upon annually by the management.

Methods and assumptions used to estimate the fair values are consistently followed.

5.3 Property, plant and equipment

a Property, plant and equipment; and capital work in progress are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any other than those acquired in a business combination. Cost represents all expenses directly attributable to bringing the asset to its 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

Notes to the Consolidated Financial Statements

for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.

b Capital work-in-progress comprises cost of Property, plant and equipment that are not yet installed and ready for their intended use at the Balance Sheet date.

c Own manufactured assets are capitalised at cost including an appropriate share of allocable expenses.

Depreciation and Amortisation

Group charges Depreciation on the basis of useful life of assets on straight line method.

Useful life of assets considered as follows:

Asset Category	Life (in years)	Basis for useful life
Factory buildings	30	Life as prescribed under Schedule II of the Companies Act, 2013
Building- Non factory		
RCC Frame Structure	60	
*Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
Building – Roads		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	
Building - Temporary shed	3	
***Plant & Equipment other than Pattern Tooling**	7.5 to 15	Useful life based on Number of Shifts as prescribed under Schedule II of the Companies Act, 2013
Plant & Equipment - Pattern tooling	4 to 15	Lower useful life considered based on past history of usage and supported by Technical Evaluation
***Solar Power Plant**	25	Higher useful life considered supported by technical evaluation
Computers		
Network	6	Life as prescribed under Schedule II of the Companies Act, 2013
End user devices, such as, desktops, etc.	3	
*Laptops	3 to 5	Higher useful life considered based on past history of usage and supported by technical evaluation
Servers	4 to 6	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Electrical Installations	10	Life as prescribed under Schedule II of the Companies Act, 2013
***Furniture & Fixture**		
Furniture, Fixtures and Electrical Fittings	10	Life as prescribed under Schedule II of the Companies Act, 2013
Furniture , AC , Refrigerators and Water coolers - Residential Premises	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
AC, Refrigerators and Water coolers - Company and Guest House Premises	5	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Office Equipment	3 to 10	Lower useful life considered based on past history of usage and supported by Technical Evaluation
***Vehicles**		
Motorcars, Jeep	5 to 8	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Trucks	5	
Other Vehicles	5 to 10	
***Aircrafts**	15	Lower useful life considered based on past history of usage and supported by Technical Evaluation

- 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.

Notes to the Consolidated Financial Statements

- Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on pro-rata basis up to the end of the month prior to the month in which such assets are sold, discarded or demolished.
- Foreign exchange fluctuation gain/ loss on imported plant and equipment were capitalized in the cost of the respective fixed asset up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

*The Group, based on technical assessments made by technical experts and management estimates, depreciates certain items of plant and equipment; buildings; computers; furniture and fixtures; vehicles and aircraft over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of Property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Security :

As at 31 March 2023, Property, plant & equipment of subsidiary La-Gajjar Machineries Private Limited with a carrying amount of ₹ 15.65 Crores (31 March 2022: ₹ 16.27 Crores) are subject to first charge to secure bank loan. Refer Note 21 “Borrowings”

5.4 Intangible assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets are recorded at the consideration paid for acquisition. In case of internally generated intangible assets, expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Group, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses. Other internally generated intangibles are not capitalised and the related expenditure is reflected in the Statement of Profit and Loss for the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortised by using straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset maybe impaired.

Sr. No.	Country of Incorporation	Life (in years)
1	Computer Software	3 to 5
2	Drawings & Designs	10
3	Technical Knowhow – acquired	6 to 7
4	Technical Knowhow - Internally generated	3 to 5
5	Brand	10 to 15
6	Customer Relationship	5

Intangible assets with indefinite useful lives, if any are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

Intangible assets are recorded at the consideration paid for acquisition. In case of internally generated intangible assets, expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Group, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses.

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "Intangible assets under development"

Notes to the Consolidated Financial Statements

5.5 Borrowing costs

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised till the month in which the asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expenses in the period in which these are incurred.

5.6 Impairment of Non financial assets

The Group assesses at each Balance Sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Group estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss account. If at any subsequent Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the Statement of Profit and Loss account. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognised or relates to a change in the estimate of the recoverable amount in the previous periods.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

5.7 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Profit or Loss.

a Financial assets

i Initial recognition and measurement of financial assets

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets. However, trade receivable that do not contain a significant financing component are measured at transaction price.

ii Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through Other comprehensive income (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.

Notes to the Consolidated Financial Statements

- **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 Group irrevocably elects on initial recognition to present subsequent changes in fair value in Other comprehensive income.

In addition, the Group may elect to classify a financial asset, which otherwise meets amortised cost or fair value through Other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

After initial measurement, such financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the Statement of Profit and Loss.

iii Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire,

  or

- The Group has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

iv Reclassification of financial assets

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassifications and how they are accounted for.

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in the Statement of Profit and Loss.
FVTPL	Amortised cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in Other comprehensive ('OCI'). No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to Statement of Profit and Loss at the reclassification date.

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

v **Impairment of financial assets**

In accordance with Ind AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments and are measured at amortised cost.
- Financial assets that are debt instruments and are measured as at FVOCI
- Lease receivables under Ind AS 116
- Trade receivables under Ind AS 115

The Group follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables resulting from transactions within the scope of Ind-AS 115, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 115 that contain a significant financing component, if the Group applies practical expedient to ignore separation of time value of money, and
- All lease receivables resulting from transactions within the scope of Ind AS 116

The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

For the computation of ECL on the financial instruments in the Group namely (NBFC) Arka Fincap Limited categories its financial instruments as mentioned below:

Stage 1: All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The Company classifies all advances upto 30 days overdue under this category.

Stage 2: All exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired are classified under this stage. Exposures are classified as Stage 2 when the amount is due for more than 30 days but do not exceed 90 days.

Stage 3: All exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Exposures where the amount remains due for 90 days or more are considered as to be stage 3 assets.

The subsidiary Company (NBFC) undertakes the classification of exposures within the aforesaid stages at each borrower account level.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Exposure-At-Default (EAD): The Exposure at Default is the amount the Subsidiary Company is entitled to receive as on reporting date including repayments due for principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities

Probability of Default (PD): The Probability of Default is an estimate of the likelihood of default of the exposure over a given time horizon.

Loss Given Default (LGD): The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

The ECL allowance is applied on the financial instruments depending upon the classification of the financial instruments as per the credit risk involved. ECL allowance is computed on the below mentioned basis:

12-month ECL: 12-month ECL is the portion of Lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. 12-month ECL is applied on stage 1 assets.

Lifetime ECL: Lifetime ECL for credit losses expected to arise over the life of the asset in cases of credit impaired loans and in case of financial instruments where there has been significant increase in credit risk since origination. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument. Lifetime ECL is applied on stage 2 and stage 3 assets.

For the financial service business, ECL allowance is computed on individual basis based on type of asset/exposure and nature of collateral.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Group is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Statement of Profit and Loss. This amount is reflected in a separate line in the Statement of Profit and Loss as an impairment gain or loss. The Balance Sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the Balance Sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not derecognise impairment allowance from the gross carrying amount.
- Loan commitments: ECL is presented as a provision in the Balance Sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Group does not have any purchased or originated credit-impaired (POCI) financial assets, i.e. financial assets which are credit impaired on purchase/ origination.

b **Financial liabilities**

i **Initial recognition and measurement of financial liabilities**

All financial liabilities are recognised initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities.

ii **Subsequent measurement of financial liabilities**

For purposes of subsequent measurement, financial liabilities are classified and measured as follows:

- Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

- Gains or losses on liabilities held for trading are recognised in the Statement of Profit and Loss.

  Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognised in OCI. These gains/ loss are not subsequently transferred to the Statement of Profit and Loss. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit and Loss. The Group has not designated any financial liability as at fair value through profit and loss.

- Loans and borrowings at amortised cost

  This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit and Loss when the liabilities are derecognised as well as through the EIR amortisation process.

  Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

iii **Derecognition of financial liabilities**

A financial liability (or a part of a financial liability) is derecognised from its Balance Sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Notes to the Consolidated Financial Statements

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.

Offsetting of financial instruments Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counter party.

5.8 Derivatives

Group uses derivative contracts to hedge its exposure against movements in foreign exchange rates. The use of derivative contracts is intended to reduce the risk or cost to the Group. Derivative contracts are not used for trading or speculation purpose.

All derivatives are measured at fair value through the profit or loss unless they form part of a qualifying cash flow hedge, in which case the fair value is taken to reserves and released into the Statement of Profit and Loss at the same time as the risks on the hedged instrument are recognised therein. Any hedge ineffectiveness will result in the relevant proportion of the fair value remaining in the Statement of Profit and Loss. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third-party quotes. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. All hedging activity is explicitly identified and documented by the Group.

5.9 Foreign currency transactions

a Initial recognition

Foreign currency transactions are recorded in Indian currency, by applying the exchange rate between the Indian currency and the Foreign currency at the date of the transaction.

b Conversion

Current assets and Current liabilities, Secured loans, being monetary items, designated in foreign currencies are revalorized at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate rate.

c Exchange differences

Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they were adjusted in the cost of the corresponding asset. Further, as per extant circulars issued by the Ministry of Corporate Affairs, eligible exchange difference on foreign currency loans utilized for acquisition of assets, was adjusted in the cost of the asset to be depreciated over the balance life of the asset up to transition date of Ind AS.

5.10 Leases

Lease is a contract that provides to the customer (lessee) the right to use an asset for a period of time in exchange for consideration.

a Where the Group is a lessee

A lessee is required to recognise assets and liabilities for all leases and to recognise depreciation of leased assets separately from interest on lease liabilities in the Statement of Profit and Loss. The Group uses the practical expedient to apply the requirements of this standard to a portfolio of leases with similar characteristics if the effects on the financial statements of applying to the portfolio does not differ materially from applying the requirement to the individual leases within that portfolio.

However, when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty the Group considers that lease to be no longer enforceable. Also according to Ind AS 116, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, the lessee is not required to recognize right-of-use asset and a lease liability. The Group applies both recognition exemptions. The lease payments associated with those leases are generally recognised as an expense on a straight-line basis over the lease term or another systematic basis if appropriate.

Right-of-use assets:

Right-of-use assets, which are included under Property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, the Group also applies the practical expedient that the payments for non-lease components are generally recognised as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liability

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

Lease modification

For a lease modification that is not accounted for as a separate lease, the group accounts for the re-measurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

b Where the Group is a lessor -

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Where the Group is a lessor under an operating lease, the asset is capitalised within Property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the term of the lease.

5.11 Inventories

a Raw materials, components, stores and spares are valued at cost or net realisable value whichever is lower. Cost includes all cost of purchase and incidental expenses incurred in bringing the inventories to their present location and condition.

b Work-in-progress including finished components and finished goods are valued at cost or realisable value whichever is lower. Cost includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity.

c Materials-in-transit and materials in bonded warehouse are valued at actual cost incurred up to the date of Balance Sheet.

d Unserviceable, damaged and obsolete inventory is valued at cost or net realisable value whichever is lower.

e Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

5.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

5.13 Taxes

Current income tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in Other comprehensive income or directly in equity is recognised in Other comprehensive income ('OCI') or in equity, respectively, and not in the Statement of Profit and Loss. The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences including, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit and Loss is recognised outside the profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax / Goods and Services Tax ("GST")

Expenses and assets are recognised net of the amount of sales tax / GST, except:

- When the sales tax/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax/GST included

The net amount of sales tax/GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

5.14 Non-current assets held for sale and discontinuing operations

a Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate use in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

b Discontinuing operations

Discontinuing operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Profit and Loss account.

Assets and liabilities classified as held for distribution are presented separately from others assets and liabilities in the Balance Sheet.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

i Represents a separate major line of business or geographical area of operations,

ii Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

OR

iii Is a subsidiary acquired exclusively with a view to resale

An entity does not depreciate (or amortise) a Non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

5.15 Employee benefits

a Short term employee benefits

"The distinction between short term and long term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and are recognised in the period in which the employee renders the related service."

b Post-employment benefits

i Defined contribution plan

"The Group makes payment to approved superannuation schemes, state government provident fund scheme and employee state insurance scheme which are defined contribution plans. The contribution paid/payable under the schemes is recognised in the Statement of Profit and Loss during the period in which the employee renders the related service. The Group has no further obligations under these schemes beyond its periodic contributions.

ii Defined benefit plan

The employee's gratuity fund scheme, pension, post-retirement medical and long term service award benefit schemes are Group's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on a net basis.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the Statement of Profit or Loss in subsequent periods.

Past service costs are recognised in the Statement of Profit and Loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

c Other long term employment benefits:

The employee's long term compensated absences are Group's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on a net basis.

In regard to other long term employment benefits, the Group recognises the net total of service costs; net interest on the net defined benefit liability (asset); and remeasurements of the net defined benefit liability (asset) in the Statement of Profit and Loss.

d Termination benefits :

Termination benefits such as compensation under voluntary retirement scheme are recognised in the Statement of Profit and Loss in the year in which termination benefits become payable or when the Group determines that it can no longer withdraw the offer of those benefits, whichever is earlier.

5.16 Provisions, contingencies and commitments

Necessary provisions are made for the present obligations that arise out of past events entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

However a disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Commitments are future liabilities for contractual expenditure, classified and disclosed as estimated amount of contracts remaining to be extracted on capital account and not provided for.

Onerous contracts

A contract is considered to be onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least of net cost of exiting from the contract, the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Commitments are future liabilities for contractual expenditure, classified and disclosed as estimated amount of contracts remaining to be extracted on capital account and not provided for.

5.17 Revenue recognition

Revenue from operations

a Sale of goods & services:

The Group recognises revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or rendering of services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness.

Revenue is the transaction price the Group expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that

Notes to the Consolidated Financial Statements

a significant reversal of revenue will not occur once associated uncertainties are resolved.

The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when any uncertainty is subsequently resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which it is expected to better predict the amount of variable consideration.

Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the group.

Performance obligations are identified based on individual terms of contract. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. The Company reasonably estimates the stand-alone selling prices if such prices are not observable. For each performance obligations identified as above, the revenue is recognised either at a point in time or over time. When the Company's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis over time.

The incremental cost to obtain a contract are recognised as an asset if the Company expects to recover those cost over the period of contract. Company recognises the incremental costs of obtaining a contract as an expense, when incurred, if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Customer reward points by one of subsidiary provide a material right to customers that they would not have received had they not entered into the contract. Thus, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the reward points on the basis of relative stand -alone selling price. Management estimates the standalone selling price per reward point on the basis of the benefits passed on to the customer and on the basis of the likelihood of redemption, based on past experience.

b Recognition of Interest income of financial service business

Interest income is recorded using the effective interest rate ('EIR') method for all financial instruments measured at amortised cost.The EIR for the amortised cost asset is calculated by taking into account any discount or premium on acquisition, origination/processing fee and transaction costs that are an integral part of the EIR. The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets.

c Recognition of Origination fees or Processing fees income of financial service business

Origination fees, which the stepdown subsidiary Company Arka Fincap Limited has received/ recovered at time of granting of a loan, is considered as a component for computation of the effective interest rate (EIR) for the purpose of computing interest income.

d Recognition of Profit/loss on sale of investments of financial service business

Profit/loss on sale of investments is recognised on trade date basis. Profit/loss on sale of mutual fund units is determined based on the first in first out (FIFO) method.

e Net gain/(loss) on Fair value changes of financial service business

Any differences between the fair values of financial assets classified as fair value through the profit or loss, held by the Company on the Balance Sheet date is recognised as a Fair value gain or loss as a gain or expense respectively.

f Contract Balances

Contract assets

The incremental cost to obtain a contract are recognised as an asset if the Group expects to recover those cost over the period of contract. Group recognises the incremental costs of obtaining a contract as an expense, when incurred, if the amortisation period of the asset that the entity otherwise would have recognised is one year or less. Impairment loss (termed as provision for foreseeable losses in the financial statements) is recognised in the Statement of Profit or Loss to the extent the carrying amount of the contract asset exceeds the remaining amount of consideration that the Group expects to receive towards remaining performance obligations (after deducting the costs that relate directly to fulfill such remaining performance obligations).

Trade receivables

The amounts billed on customer for work performed and are unconditionally due for payment i.e. only passage of time is required before payment falls due, are disclosed in the Balance Sheet as trade receivables.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised when the group performs under the contract.

Bill and hold arrangements

Revenue is recognized when the group completes its performance obligation to transfer the control of the goods to the customer in accordance with the agreed upon specifications in the contract for which the customer has accepted the control. Such goods are identified and kept ready for delivery based on which revenue is recognized.

Determination of revenue in case of Bill-and-hold transaction related to Parent company

i) The Parent Company completes its performance obligation to transfer the control of the goods to the customer in accordance with the agreed -upon specifications in the contract for which customer accepts the same and confirms to the Company basis which criteria for bill and hold is met.

ii) The Parent Company has identified the goods as belonging to the customer and stored them separately in the factory premises until goods are cleared from the factory premises.

iii) The goods are ready for physical transfer to the customer from the factory premises of the Company

iv) The Parent Company cannot use the goods for any other purpose or to direct it to another customer.

Other income

a Interest income from a Financial Asset

Interest income from a financial asset is recognised using effective interest rate method.

b Dividend income

Dividend Income is recognised when the Group's right to receive the amount has been established.

c Others

Other items of income are accounted as and when the right to receive such income arises and it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably.

5.18 Exceptional items

An item of income or expense which by its size, type or incidence requires disclosure in order to improve an understanding of the performance of the group is treated as an exceptional item.

5.19 Government grants

Grants and subsidies from the government are recognised if the following conditions are satisfied,

- There is reasonable assurance that the Group will comply with the conditions attached to it.
- Such benefits are earned and reasonable certainty exists of the collection.

a Export incentives

Export incentives under various schemes notified by government are accounted for in the year of exports as grant related to income and is recognised as other operating income in the Statement of Profit and Loss if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

b Industrial promotion subsidy

Government grants received with reference to Industrial promotion subsidy under Packaged Scheme of Incentives, 2001 is treated as grant related income and is recognised as Other operating income in the Statement of Profit and Loss as per the appropriate recognition criteria.

c Export promotion capital goods

Government grants received with reference to export promotion capital goods scheme are initially recognised as deferred revenue and grant in proportion of export obligation achieved during the year is reduced from deferred revenue and recognised as Other operating income in the Statement of Profit and Loss.

5.20 Cash dividend

The Group recognises a liability to make cash distributions to the equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the provisions of the Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions, if any, are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of Non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the Statement of Profit and Loss.

5.21 Share based employee payments

Equity settled share based payments

Employees of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The Group recognises compensation expense relating to share based payments in accordance with Ind AS 102 ""Share-based Payment"". Stock options granted by the Group to its employees are accounted as equity settled options. Accordingly, Equity-settled share based payments to employees are measured at the fair value

Notes to the Consolidated Financial Statements

of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note No 43.6.19. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revisits its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share based payments reserve."

5.22 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

5.23 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature and any deferral or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Group are segregated.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as at the date of the Balance Sheet.

5.24 Segment reporting

a Identification of segments

The Group has identified three operating reportable segments namely B2B, B2C and Financial Services. The identification of operating segments is consistent with performance assessment and resource allocation by the management

b Allocation of common costs

Common allocable costs are allocated to the reportable segment based on sales of reportable segment to the total sales of the Group.

c Unallocated items

Corporate assets and liabilities, income and expenses which relate to the Group as a whole and are not allocable to segments, are included under other reconciling items.

6 Additional notes to the Financial Statements

6.1 Contingent liabilities

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
a Contingent liabilities		
i Central Excise Demands	20.09	20.16
ii Sales Tax & Octroi Demands	9.41	9.76
iii Customs Duty Demands	0.00	0.00
iv Income Tax Liability	7.32	7.32
v Claims against Group not acknowledged as debts	64.56	62.01
vi ESI Demands	0.35	0.28

6.2 Other Contingent Liabilities

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
a Aggregate amount of such letters of credit outstanding (Charge of hypothecation referred to in Note no. 27 for working capital facilities extends to letter of credit issued by the Group's bankers)	10.71	0.53
b Aggregate liquidated damages on unexecuted orders	1.45	0.66

Notes to the Consolidated Financial Statements

6.3 Capital commitment

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	203.70	42.79

6.4 Other commitment

a The Company has given letter of comfort/undertaking to one of the subsidiary's bankers for credit facilities availed by that subsidiary. As per the terms of letter of comfort/undertaking, the Company undertakes not to divest its ownership interest directly or indirectly in the subsidiary beyond specified percentage.

b The subsidiaries of the holding company viz. Arka Financial Holdings Private Limited and Arka Fincap Limited are sponsors to the Arka Credit Fund I registered with SEBI as Category II Alternative Investment Fund. The Capital Commitment to the said fund as Sponsors is ₹ 55 Crores.

₹ in Crores

c Particulars	As at 31 March 2023	As at 31 March 2022
Loans sanctioned not yet disbursed	398.28	455.90

6.5 The Sales for the current year includes an amount of ₹ 0.50 Crores (31 March 2022 : ₹ 0.09 Crores) on account of supplies to SEZ.

6.6 Revenue recognition

a Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with its customers:

As at 31 March 2023 ₹ in Crores

Business	B2B	B2C	Financial services	Total
Power Gen Business	1,655.31	-	-	1,655.31
Industrial Business	851.81	-	-	851.81
Distribution & Aftermarket Business	630.48	-	-	630.48
International Business	403.96	35.20	-	439.16
Water Management Solutions	-	913.82	-	913.82
Farm Mechanisation Solutions	-	107.03	-	107.03
Financial Services Business	-	-	370.73	370.73
Total	**3,541.56**	**1,056.05**	**370.73**	**4,968.34**

As at 31 March 2022 ₹ in Crores

Business	B2B	B2C	Financial services	Total
Power Gen Business	1,296.72	-	-	1,296.72
Industrial Business	699.12	-	-	699.12
Distribution & Aftermarket Business	534.54	-	-	534.54
International Business	257.86	48.72	-	306.58
Water Management Solutions	-	852.76	-	852.76
Farm Mechanisation Solutions	-	87.51	-	87.51
Financial Services Business	-	-	201.48	201.48
Total	**2,788.24**	**988.99**	**201.48**	**3,978.71**

Notes to the Consolidated Financial Statements

b **Revenue recognised in relation to contract liabilities**

₹ in Crores

Particulars	2022-2023	2021-2022
Contract Liabilities at the beginning of the period	57.18	60.34
Add / (Less):		
Consideration received during the year as advance	97.34	74.63
Written off/refund/cancellation	0.03	-
Revenue recognized from contract liability*	(85.36)	(77.78)
Contract Liabilities at the end of the period	69.19	57.18

* Includes revenue of Rs 34.52 Crores (31 March 2022: ₹ 39.46 Crores) during the year from its contract liabilities as at the beginning of the year. Contract liabilities are included in Note 26 & 31 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 recognises revenue in case of goods, when the performance obligation is satisfied at a point in time when the control is transferred i.e. either on shipment or upon delivery as per the terms of contracts in domestic and in case of export on the date of bill of lading.

In case of services, where performance obligation is satisfied at a point in time, revenue is generally recognised upon completion of services and on obtaining work completion certificates from the customers. In contracts under which performance obligation satisfied over a period of time, Revenue is generally recognised either according to stage of completion or on straight line basis depending upon the type of services provided. The stage of completion is determined based on the contractual terms.

When the Group's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis.

The payment is due from the date of invoice and payment terms are in the range of 0 days to 90 days depending on product/market segment and market channel excluding some exceptions.

iii The Group provides to its customers warranties in the forms of Repairs or replacement warranty under its standard terms and recognises it as warranty provision as per Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets"

d **Unsatisfied performance obligations as at the end of reporting period:**

As on 31 March 2023, the group has unsatisfied performance obligation of ₹ 80.55 Crores (31 March 2022: ₹ 83.89 Crores). The Group expects that ₹ 52.50 Crores will be recognised as revenue in financial year 2023-24 and remaining in subsequent years based on contractual terms.

e **Asset recognised for cost incurred to obtain a contract and cost incurred to fulfil contract**

As on 31 March 2023 the group has recognised an asset of ₹ 5.57 Crores (31 March 2022: ₹ 3.65 Crores) from cost incurred to obtain a contract and fulfil a contract. Asset is included in Note 18 Other current asset : Prepaid expenses.

f **Reconciliation of the group's revenue from contract price with revenue:**

₹ in Crores

Particulars	2022-2023	2021-2022
Contract price	5,034.58	4,049.18
Adjustment for :		
Contract liabilities: Discounts, incentives & late delivery charges	(66.24)	(70.47)
Revenue from contract with customers	4,968.34	3,978.71

6.7 Disclosure pursuant to Employee benefits

A. Defined contribution plans:

Amount of ₹ 13.90 Crores. (March 31, 2022: ₹ 13.43 Crores.) is recognised as expenses and included in Note No. 38 "Employee benefit expense"

B. Defined benefit plans:

The Group has following post employment benefits which are in the nature of defined benefit plans:

(a) Gratuity

(b) Pension, Post retirement medical scheme and Long-term award scheme

Notes to the Consolidated Financial Statements

31 March 2023 : Changes in defined benefit obligation and plan assets

₹ in Crores

Particulars	Gratuity cost charged to statement of profit and loss						Remeasurement gains/(losses) in other comprehensive income						
	1 April, 2022	Assumed in business combination	Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 38)	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31 March 2023
Gratuity													
Defined benefit obligation	(47.41)	-	(4.58)	(3.30)	(7.88)	3.45	-	0.00	(3.58)	(4.89)	(8.47)	-	(60.31)
Fair value of plan assets	48.27	-	-	3.39	3.39	(3.45)	(0.03)	-	0.18	(1.05)	(0.90)	0.70	48.01
Benefit liability	0.86	-	(4.58)	0.09	(4.49)	-	(0.03)	0.00	(3.40)	(5.94)	(9.38)	0.70	(12.30)
Pension, Post retirement medical scheme and Long-term award scheme													
Defined benefit obligation	(2.97)	-	(0.04)	(0.20)	(0.24)	0.29	-	-	0.05	(0.08)	(0.03)	-	(2.95)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(2.97)	-	(0.04)	(0.20)	(0.24)	0.29	-	-	0.05	(0.08)	(0.03)	-	(2.95)
Total benefit liability	(2.11)	-	(4.62)	(0.11)	(4.73)	0.29	(0.03)	0.00	(3.35)	(6.02)	(9.41)	0.70	(15.25)

31 March 2022 : Changes in defined benefit obligation and plan assets

₹ in Crores

Particulars	Gratuity cost charged to statement of profit and loss						Remeasurement gains/(losses) in other comprehensive income						
	1 April 2021	Assumed in business combination	Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 38)	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31 March 2022
Gratuity													
Defined benefit obligation	(45.33)	(0.12)	(4.40)	(2.94)	(7.34)	4.56	-	0.05	(1.21)	1.98	0.82	-	(47.41)
Fair value of plan assets	49.68	-	-	3.23	3.23	(4.50)	(0.01)	-	-	(0.40)	(0.41)	0.28	48.27
Benefit liability	4.35	(0.12)	(4.40)	0.29	(4.11)	0.06	(0.01)	0.05	(1.21)	1.58	0.41	0.28	0.86
Pension, Post retirement medical scheme and Long-term award scheme													
Defined benefit obligation	(3.05)	-	(0.03)	(0.19)	(0.22)	0.35	-	(0.11)	0.06	(0.01)	(0.06)	0.00	(2.97)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(3.05)	-	(0.03)	(0.19)	(0.22)	0.35	-	(0.11)	0.06	(0.01)	(0.06)	0.00	(2.97)
Total benefit liability	1.30	(0.12)	(4.43)	0.10	(4.33)	0.41	(0.01)	(0.06)	(1.15)	1.57	0.35	0.28	(2.11)

Notes to the Consolidated Financial Statements

C. **Other long-term employment benefits**

The Company has Compensated Absences plan which is covered by other long-term employment benefits

31 March 2023 : Changes in defined benefit obligation and plan assets of Compensated absences

₹ in Crores

Particulars	1 April 2022	Cost charged to statement of profit and loss				Benefit paid	Contributions by employer	31 March 2023
		Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in statement of profit and loss (Note 38)			
Compensated absences								
Defined benefit obligation	(28.00)	(2.75)	(1.91)	(2.43)	(7.09)	2.76	-	(32.33)
Fair value of plan assets	-	-	-	-	-	-	-	-
Long Term Incentive Plan								
Defined benefit obligation	(1.96)	-	-	-	-	1.96	-	-
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit Liability	**(29.96)**	**(2.75)**	**(1.91)**	**(2.43)**	**(7.09)**	**4.72**	**-**	**(32.33)**

31 March 2022 : Changes in defined benefit obligation and plan assets of Compensated absences

₹ in Crores

Particulars	1 April 2021	Cost charged to statement of profit and loss				Benefit paid	Contributions by employer	31 March 2022
		Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in statement of profit and loss (Note 38)			
Compensated absences								
Defined benefit obligation	(26.54)	(2.55)	(1.68)	(0.72)	(4.96)	3.49	-	(28.00)
Fair value of plan assets	-	-	-	-	-	-	-	-
Long Term Incentive Plan								
Defined benefit obligation	-	(1.96)	-	-	(1.96)	-	-	(1.96)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit Liability	**(26.54)**	**(4.51)**	**(1.68)**	**(0.72)**	**(6.91)**	**3.49**	**-**	**(29.96)**

The major categories of plan assets of the fair value of the total plan assets of Gratuity are as follows:

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Special Deposit Scheme	-	-
(%) of total plan assets	0%	0%
Insured managed funds	48.03	25.83
(%) of total plan assets	100%	54%
Others	-	22.45
(%) of total plan assets	0%	46%

The principal assumptions used in determining above defined benefit obligations for the Group's plans are shown below:

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Discount rate	7.30% - 7.50%	4.60% - 7.30%
Future salary increase	7.00% - 10.00%	4.00% - 11.00%
Expected rate of return on plan assets	7.20%-7.50%	6.8%-7.23%
Expected average remaining working lives (in years)		
Gratuity	3.26 - 12.00	4.72 - 12.34
Pension, Post retirement medical scheme and Long-term award scheme	8.3 - 10.03	8.97 - 10.57
Compensated Absences	3.26-10.91	4.72-12.34
Withdrawal rate (based on grade and age of employees)		
Gratuity	0%-30%	0%-20%
Pension, Post retirement medical scheme and Long-term award scheme	0.00%	0.00%

Notes to the Consolidated Financial Statements

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Compensated Absences	0%-30%	0%-20%

A quantitative sensitivity analysis for significant assumption is as shown below:

Gratuity

₹ in Crores

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2023	Year ended 31 March 2022
Discount rate	1% Increase	5.01	3.91
	1% Decrease	(5.67)	(4.44)
Future salary increase	1% Increase	(3.40)	(3.94)
	1% Decrease	3.00	3.55
Withdrawal rate	1% Increase	1.08	0.42
	1% Decrease	(1.13)	(0.43)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Pension, Post retirement medical scheme and Long-term award scheme

₹ in Crores

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2023	Year ended 31 March 2022
Discount rate	1% Increase	0.11	0.15
	1% Decrease	(0.19)	(0.17)
Withdrawal rate	1% Increase	0.01	0.00
	1% Decrease	-	-

The sensitivity analyse above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The followings are the expected future benefit payments for the defined benefit plan :

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Within the next 12 months (next annual reporting period)		
Gratuity	11.66	6.41
Pension, Post retirement medical scheme and Long-term award scheme	0.28	0.27
Compensated absences	0.18	0.18
Between 2 and 5 years		
Gratuity	19.58	15.26
Pension, Post retirement medical scheme and Long-term award scheme	1.07	1.05
Compensated absences	0.23	0.23
Beyond 5 years		

Notes to the Consolidated Financial Statements

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Gratuity	30.05	28.30
Pension, Post retirement medical scheme and Long-term award scheme	1.19	1.24
Compensated absences	-	-
Total Expected Payments	**64.25**	**52.95**

Weighted average duration of defined plan obligation (based on discounted cash flows)

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Gratuity	5.5 - 16.00	7.56 - 18.00
Pension, Post retirement medical scheme and Long-term award scheme	5.60 -9.63	5.60 -10.34

The followings are the expected contributions to planned assets for the next year:

₹ in Crores

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Gratuity	11.14	4.41

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 trust fund partly managed by a public sector insurer viz; LIC of India and partly managed by private sector insurers.

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.

With other private insurers 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.

Notes to the Consolidated Financial Statements

e. **Unfunded Plan Risk:** This represents unmanaged risk and a growing liability. There is an inherent risk here that the company may default on paying the benefits in adverse circumstances. Funding the plan removes volatility from the balance sheet and better manages defined benefit risk through increased returns.

Funding policy:

There is no compulsion on the part of the Group to fully prefund the liability of the Gratuity Plan. The Group's philosophy is to fund these benefits based on its own liquidity and the level of underfunding of the plan.

6.8 The Group has identified three operating reportable segments namely Business to Business ("B2B"), Business to Customer ("B2C") and Financial Services. The identification of operating segments is consistent with performance assessment and resource allocation by the management. The Consolidated Statement of Segment wise Revenue, Results, Assets and Liabilities are as under :

A. Profit (before exceptional items and tax) of reportable segment

₹ in Crores

	2022-23				
Particulars	B2B	B2C	Financial Services	Other Reconciling amounts	Total
Segment Revenue	3,582.14	1,070.87	370.79	-	5,023.80
Total Revenue	**3,582.14**	**1,070.87**	**370.79**	**-**	**5,023.80**
Profit before exceptional items and tax	**335.56**	**20.39**	**82.27**	**10.71**	**448.93**
Depreciation and amortisation expenses	77.19	22.86	3.95	0.66	104.66
Interest expenses (Net)	0.93	8.70	196.16	4.10	209.89

₹ in Crores

	2021-22				
Particulars	B2B	B2C	Financial Services	Other Reconciling amounts	Total
Segment Revenue	2,818.01	1,002.49	201.48	-	4,021.98
Total Revenue	**2,818.01**	**1,002.49**	**201.48**	**-**	**4,021.98**
Profit before exceptional items and tax	**202.12**	**(15.86)**	**40.82**	**4.80**	**231.88**
Depreciation and amortisation expenses	71.58	25.41	3.65	0.65	101.29
Interest expenses (Net)	1.77	8.18	91.74	4.34	106.03

B. Capital employed of reportable segment

₹ in Crores

Particulars	As at 31 March 2023				
	B2B	B2C	Financial Services	Unallocated	Total
Assets	1,384.51	628.43	4,368.83	343.05	6,724.82
Total Assets (I)	**1,384.51**	**628.43**	**4,368.83**	**343.05**	**6,724.82**
Liabilities	777.81	247.71	3,289.68	106.01	4,421.21
Total Liabilities (II)	**777.81**	**247.71**	**3,289.68**	**106.01**	**4,421.21**

₹ in Crores

Particulars	As at 31 March 2022				
	B2B	B2C	Financial Services	Unallocated	Total
Assets	1,124.25	627.75	2,627.03	651.38	5,030.41
Total Assets (I)	**1,124.25**	**627.75**	**2,627.03**	**651.38**	**5,030.41**
Liabilities	610.55	332.79	1,789.78	215.60	2,948.72
Total Liabilities (II)	**610.55**	**332.79**	**1,789.78**	**215.60**	**2,948.72**

Notes to the Consolidated Financial Statements

C. **Geographical based bifurcation of operating segments revenue**

₹ in Crores

Particulars	2022-23	2021-22
Domestic	4,373.87	3,547.10
Export	649.93	474.88
Total	**5,023.80**	**4,021.98**

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.**

6.9 Related parties have been identified as defined under Clause 9 of Indian Accounting Standard (Ind AS 24) "Related Party Disclosures"

a Description of related parties

i Name of the related party and nature of relationship where control exists:

Sr. No.	Nature of Relationship	Name of Related Party
1	Entity controlled by Key Managerial Personnel	Kirloskar Energen Private Limited
		Kirloskar Solar Technologies Private Limited
		Lakeland Universal Limited BVI (upto 20 January 2022)
		Navsai Investments Private Limited
		Beluga Whale Capital Management Pte Limited
		Snow Leopard Technology Ventures LLP
2	Associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).	ESVA Pumps India Private Limited, Coimbatore [Joint venture of Optiqua Pipes and Electricals Private Limited (a step-down subsidiary company of the Parent Company and wholly owned subsidiary company of La-Gajjar Machineries Private Limited, a wholly owned subsidiary of the Parent Company)] w.e.f. 4th October 2021.
3	Entity controlled by Close Member of Key Managerial Personnel	Alpak Investments Private Limited
		Gumtree Capital Advisors LLP (w.e.f. 20th May 2022)
		Snow Leopard Infrastructure-1 LLP (w.e.f. 20th May 2022)
		Snow Leopard Lever Boost LLP (w.e.f. 24th March 2023)
		Cephalopod Teknik LLP III (w.e.f. 19 August 2022 upto 24 March 2023)
		Cephalopod Teknik - IV LLP (w.e.f. 21 September 2022)
		Cephalopod Teknik - V LLP (w.e.f. 27 February 2023)
4	Promoter/Promoter group which hold(s) 10% or more shareholding	Atul Kirloskar
		Rahul Kirloskar
5	Post-Employment benefit plan of- the 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
		Kirloskar Oil Engines Limited Employees' Welfare Trust
6	Post-Employment benefit plan of Subsidiary Company	La Gajjar Machineries Private Limited Employees Group Gratuity Trust

Notes to the Consolidated Financial Statements

ii Key Managerial Personnel and their relatives:

Sr. No.	Name	Name of relatives	Relationship
1	Atul Kirloskar (Executive Chairman and Key Managerial Personnel upto 31 March 2023 and appointed as Non-Executive Director and Chairman w.e.f 1 April 2023)	Arti Kirloskar	Wife
		Gauri Kirloskar	Daughter
		Aditi Kirloskar (Sahni)	Daughter
		Rahul Kirloskar	Brother
		Suman Kirloskar	Mother
2	Gauri Kirloskar (Managing Director) w.e.f. 20 May 2022	Atul Kirloskar	Father
		Arti Kirloskar	Mother
		Christopher Kolenaty	Husband
		Maya Kolenaty	Daughter
		Pia Kolenaty	Daughter
3	Sanjeev Nimkar	Ashwini Nimkar	Wife
	(Managing Director) upto 27 January 2022	Ishita Nimkar	Daughter
		Sakshi Nimkar	Daughter

b Transactions with related parties

₹ in Crores

Sr. No	Nature of the transaction / relationship / major parties	2022-23		2021-22	
		Amount	Amount	Amount	Amount
1	**Sale of capital goods**				
	Key Managerial Personnel	-		**0.00**	
	Atul Kirloskar		-	-	0.00
	Total	-	-	**0.00**	**0.00**
2	**Purchases of goods**				
	Associate or joint venture of a member of the Group	112.35		**52.80**	
	ESVA Pumps India Private Limited		112.35		52.80
	Total	112.35	112.35	**52.80**	**52.80**
3	**Rendering of services from**				
	Key Managerial Personnel	11.75		**7.25**	
	Atul Kirloskar		6.80		5.32
	Gauri Kirloskar		4.95		-
	Sanjeev Nimkar		-		1.93
	Close member of Key Managerial Personnel	0.17		**0.58**	
	Rahul Kirloskar		0.14		0.10
	Gauri Kirloskar		0.03		0.48
	Total	11.92	11.92	**7.83**	**7.83**
4	**Expenses paid to**				
	Key Managerial Personnel	0.46		**0.19**	
	Sanjeev Nimkar		-		0.01
	Atul Kirloskar		0.29		0.18
	Gauri Kirloskar		0.17		-
	Entity controlled by Key Managerial Personnel	0.63		**0.59**	
	Kirloskar Solar Technologies Private Limited		0.63		0.59
	Total	1.09	1.09	**0.78**	**0.78**

Notes to the Consolidated Financial Statements

Sr. No	Nature of the transaction / relationship / major parties	2022-23 Amount	2022-23 Amount	2021-22 Amount	2021-22 Amount
5	Reimbursement / (recovery) of Expenses				
	Key Management Personnel	0.18		-	
	Atul Kirloskar		0.14		-
	Gauri Kirloskar		0.04		-
	Total	0.18	0.18	-	-
6	Interim dividend and final dividend paid				
	Key Managerial Personnel	10.22		5.28	
	Atul Kirloskar		7.34		5.28
	Gauri Kirloskar		2.88		-
	Close member of Key Managerial Personnel	11.49		10.34	
	Rahul Kirloskar		8.89		6.40
	Arti Kirloskar		1.61		1.16
	Gauri Kirloskar		-		2.07
	Aditi Kirloskar		0.96		0.69
	Suman Kirloskar		0.03		0.02
	Entity controlled by Key Managerial Personnel	0.06		-	
	Achyut & Neeta Holdings & Finance Private Limited		0.06		-
	Entity controlled by Close Member of Key Managerial Personnel	-		0.00	
	Alpak Investments Private Limited		-		0.00
	Total	21.77	21.77	15.62	15.62
7	Contributions Paid				
	Post-employment benefit plan of Parent Company	2.37		1.80	
	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund		0.54		-
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		1.76		1.73
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.07		0.07
	Post-Employment Benefit Plan of Subsidiary Company	0.16		0.28	
	La Gajjar Machineries Private Limited Employees Group Gratuity Trust		0.16		0.28
	Total	2.53	2.53	2.08	2.08
8	Investment in equity shares				
	Associate or joint venture of a member of the Group	-		4.41	
	ESVA Pumps India Private Limited		-		4.41
	Total	-	-	4.41	4.41
9	Dividend income received by				
	Associate or joint venture of a member of the Group	1.59		-	
	ESVA Pumps India Private Limited		1.59		-
	Total	1.59	1.59	-	-

Notes to the Consolidated Financial Statements

Sr. No.	Nature of the transaction / relationship / major parties	As at 31 March 2023		As at 31 March 2022	
1	Accounts payable				
	Associate or joint venture of a member of the Group	7.64		3.65	
	ESVA Pumps India Private Limited		7.64		3.65
	Key Managerial Personnel				
	Commission	8.00		2.50	
	Atul Kirloskar		4.00		2.50
	Gauri Kirloskar		4.00		-
	Others	-		0.66	
	Sanjeev Nimkar		-		0.66
	Close member of Key Managerial Personnel	-		0.50	
	Rahul Kirloskar		-		0.06
	Gauri Kirloskar		-		0.44
	Entity controlled by Key Managerial Personnel	1.37		1.39	
	Kirloskar Solar Technologies Private Limited		1.37		1.39
	Post-employment benefit plan of the Parent Company	10.68		0.49	
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		0.44		0.43
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.06		0.06
	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund		10.18		-
	Total	27.69	27.69	9.19	9.19
2	Carrying value of Investment in equity shares				
	Associate or Joint venture of a member of the Group	4.40		5.00	
	ESVA Pumps India Private Limited		4.40		5.00
	Total	4.40	4.40	5.00	5.00

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 2023, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2022 : ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Commitments with related parties

The Company has provided capital commitment of ₹ Nil to the related party as at 31 March 2023 (31 March 2022: ₹ 0.12 crores)

Transactions with Key Management Personnel

Compensation of key management personnel of the Group

₹ in Crores

Particulars	2022-23	2021-22
Short-term employee benefits	11.48	6.89
Post employment benefits	0.27	0.37
Total compensation paid to Key Management Personnel	11.75	7.25

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.

Notes to the Consolidated Financial Statements

6.10 Earnings Per Share (Basic and Diluted)

Particulars	2022-2023	2021-2022
Profit for the year attributable to owners of the Parent Company (₹in Crores)	332.40	174.52
Total number of equity shares at the end of the year (One equity share of face value of ₹ 2 each fully paid up)	14,46,52,523	14,46,14,326
Weighted average number of equity shares for the purpose of computing Basic earnings per share	14,46,52,523	14,46,14,326
Basic Earnings per share (in ₹)	**22.98**	**12.07**
Effect of dilution		
Stock option granted under ESOP (number of shares)	3,67,508	2,06,762
Adjustment to numerator on account of ESOP issued by subsidiary (₹ In crores)	(0.57)	(0.26)
Weighted average number of equity shares for the purpose of computing Diluted earnings per share	14,50,20,032	14,48,21,088
Net profit after tax and non-controlling interest for computing diluted EPS (₹ in crores)	331.83	174.26
Diluted earnings per share (in ₹)	**22.88**	**12.03**

Earnings per share are calculated in accordance with Accounting Standard (Ind AS 33) "Earnings Per Share".

6.11 Fair value disclosures for financial assets and financial liabilities

The management believes that the fair values of non-current financial assets (e.g. investments at FVTPL, loans and others), current financial assets (e.g., cash and cash equivalents, trade and other receivables, loans), non-current financial liabilities and current financial liabilities(e.g. trade payables and other payables and others) approximate their carrying amounts.

The Group has performed a fair valuation of some of its investment in unquoted ordinary shares other than subsidiary, which are classified as FVOCI (refer Note 3).For non-material investments, the Group believes that impact of change, if any , on account of fair value is insignificant.

Fair value of unquoted investment in Mutual fund is determined by reference to Net Asset Value ('NAV') available from respective Assets Management Companies ('AMC').

6.12 Fair value Measurement hierarchy

a The following table provides the fair value measurement hierarchy of Financial Instruments

Particulars	Note	Carrying amount	Level of input used in		
			Level 1	Level 2	Level 3
As at 31 March 2023					
Financial Assets					
Investment at FVTPL					
Mutual funds	10	391.67		391.67	-
Investments at FVOCI					
Unquoted equity shares	3	1.10	-	-	1.10
Other Financial assets at FVTPL					
Derivative Assets	15	2.46	-	2.46	-
As at 31 March 2022					
Investment at FVTPL					
Mutual funds	10	654.93	-	654.93	-
Investments at FVOCI					
Unquoted equity shares	3	4.30	-	-	4.30
Other Financial assets at FVTPL					
Derivative Assets	15	0.30	-	0.30	-

Notes to the Consolidated Financial Statements

b Significant unobservable inputs used in level 3 fair value measurements and sensitivity of the fair value measurement to changes in unobservable inputs:

i Description of significant unobservable inputs used for financial instruments (Level 3) :

Investment in Equity shares of Kirloskar Management Sevices Private Limited (KMSPL) was valued using the Discounted Cash flow (Risk adjusted discount rate) valuation method.

ii Relationship of unobservable inputs to level 3 fair values :

Equity investments - Unquoted

A 50 bps increase/decrease in the Perpetuity growth rate used while keeping all other variables constant, the carrying value of the shares would increase by ₹ Nil (31 March 2022 : ₹ 0.20 Crores) or decrease by ₹ 0.05 Crores (31 March 2022 : ₹ 0.20 Crores) and a 50 bps increase/decrease in discounting factor used while keeping all other variables constant, the carrying value of the shares would decrease by ₹ 0.10 Crores (31 March 2022 : ₹ 0.24 Crores) or increase by ₹ 0.05 Crores (31 March 2022 : ₹ 0.24 Crores).

6.13 Financial instruments risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations and support its operations. The Group's principal financial assets include investments, loans, trade and other receivables, cash and short-term deposits and other financial assets that have been derived directly from its operations. The Group also enters into derivative transactions.

The Group's senior management oversees the management of the risks. The Audit Committee and Board review financial risks and the appropriate risk governance framework for the Group's financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of the risks, which are summarised below

a. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, deposits, Investments, trade and other receivables, trade and other payables and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 March 2023 and 31 March 2022.

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions.

The following assumption has been made in calculating the sensitivity analysis:

The sensitivity of the relevant Statement of Profit and Loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2023 and 31 March 2022 including the effect of hedge accounting.

Interest rate risk

a. Exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates, excluding financial services business, relates primarily to the Group's outstanding floating rate debt. In respect of financial services business, for the debt on floating rate basis, there is a natural hedge with receivables.

₹ in Crores

Particulars	31 March 2023	31 March 2022
Long Term Fixed Interest Loans	0.17	58.50
Short Term Fixed Interest Loans	-	-
Long Term Floating Interest Loans	0.31	34.02
Short Term Floating Interest Loans	46.92	80.50

Notes to the Consolidated Financial Statements

b. Interest Rate Sensitivity

₹ in Crores

Financial Year	Change in Interest Rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2023	Increase 50 bps	(0.40)	(0.40)
	Decrease 50 bps	0.40	0.40
31 March 2022	Increase 50 bps	(0.78)	(0.78)
	Decrease 50 bps	0.78	0.78

The sensitivity is calculated only in respect of floating interest rate loan. It is calculated by changing the interest rates by 50 bps keeping all other factors constant.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Amounts in Foreign currencies in 000's

Nature of exposure	Currency	31 March 2023	31 March 2022
Receivables	USD	18,819	15,173
Payables	USD	2,447	1,981
	EUR	308	333
	SEK	311	453
	NPR	810	363
	JPY	1,154	-
	BDT	204	-

The Group manages its foreign currency risk by hedging transactions related to sales and purchases. This foreign currency risk is hedged by using foreign currency forward contracts. As on 31 March 2023 and 31 March 2022, the Group has hedged the following of its total foreign currency exposure

Amounts in Foreign currencies in 000's

Nature of exposure	Currency	31 March 2023	31 March 2022
Foreign Curreny - Forward Contracts	USD	3,05,00,000	40,00,000

The Company has mark to market gain on forward currency forward contract of ₹ 2.37 Crores (31 March 2022 : ₹ 0.30 Crores).

Foreign currency sensitivity on unhedged exposure

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's pre-tax equity is due to changes in the Group's profit before tax. The Group's exposure to foreign currency changes for all other currencies is not material.

₹ in Crores

As at	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2023	+5%	6.73	6.73
	-5%	(6.73)	(6.73)
31 March 2022	+5%	4.99	4.99
	-5%	(4.99)	(4.99)

Notes to the Consolidated Financial Statements

₹ in Crores

As at	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2023	+5%	(0.12)	(0.12)
	-5%	0.12	0.12
31 March 2022	+5%	(0.14)	(0.14)
	-5%	0.14	0.14

Commodity price risk

The Parent Company and one of its subsidiary is affected by the price volatility of certain commodities. Its operating activities require the on-going purchase and manufacture of engines, pumps & motors and therefore require a continuous supply of iron, copper and steel. However, Parent and one of its subsidiary being the indirect user of these commodities, volatility in price of such commodity does not have direct or immediate impact on the profitability of the Company. Hence, the Group does not foresee any direct or immediate risk with respect to such commodity price fluctuation.

₹ in Crores

Commodities	Change in commodity price	Effect on profit before tax	Effect on pre-tax equity
Copper	+5%	(1.19)	(1.19)
	-5%	1.19	1.19
PVC Resin	+5%	(0.42)	(0.42)
	-5%	0.42	0.42

Other price risk

The Group's portfolio of investments mainly consists of debt mutual fund with short term maturity. Hence management believes that this portfolio is not significantly susceptible to market risk.

b Regulatory risk

One of the Subsidiary Company of Arka Financial Holdings Private 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.

One of the Subsidiary Company of Arka Financial Holdings Private 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.

Notes to the Consolidated Financial Statements

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.

The Parent company consistently recognizes provision for any significantly delayed receivables, for accounting of expected credit losses. Provision for doubtful debts and advances for the year ended 31 March 2023 includes a provision of ₹ 28.09 Crores in respect of receivables against sales of Gensets to a customer made during the FY 2021-22. While the company is in active discussions with the customer for the payment, the aforesaid provision has been recognised as per the consistent policy of the Parent company for accounting of expected credit losses.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made as per the approved investment policy. Investment limits are set to minimise the concentration of risks and therefore mitigate financial loss if any.

d Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The risk arises due to asset liability mismatch. The inadequacy of the NBFC subsidiary in increasing its asset base, managing any unplanned changes in funding sources and meeting the financial commitments when required may result in non-liquidity.

Mitigation:

- NBFC has Asset Liability Management Policy in line with the RBI guidelines.
- The Asset Liability Management Committee (ALCO) is responsible for managing the risk arising out of exposures to interest rate changes and mismatches between assets and liabilities.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Notes to the Consolidated Financial Statements

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

₹ in Crores

Particulars	Carrying Amount	On demand	upto 3 months	> 3 months to 1 year	1 year to 5 years	More than 5 years	Total
Year ended 31 March 2023							
Interest bearing borrowings	3,230.35	38.87	419.49	970.09	1,575.73	226.17	3,230.35
Other financial liabilities	213.28	17.50	147.43	30.12	0.03	18.20	213.28
Lease liabilities	13.90	-	2.45	6.71	5.59	-	14.75
Trade payables	678.33	4.91	668.97	4.45	-	-	678.33
Total	**4,135.86**	**61.28**	**1,238.34**	**1,011.37**	**1,581.35**	**244.37**	**4,136.71**
Year ended 31 March 2022							
Interest bearing borrowings	1956.13	80.51	274.40	535.38	1,061.18	4.66	**1956.13**
Other financial liabilities	174.39	17.78	112.07	27.36	0.54	16.64	**174.39**
Lease liabilities	8.53	-	0.96	4.77	12.00	0.18	**17.91**
Trade payables	575.84	3.64	565.96	6.24	-	-	**575.84**
Total	**2,714.89**	**101.92**	**953.39**	**573.75**	**1,073.72**	**21.48**	**2,724.27**

6.14 Capital management

For the purpose of the Group's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 31 March 2022.

6.15 Lessee accounting

a. Lessee accounting

Lease liabilities movement

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Lease liability at beginning of the year	**8.52**	**10.76**
Add : Lease liability recognised during the year	13.34	2.91
Add: Interest on lease liability	1.26	1.01
Less: Lease rental payments	(8.47)	(5.60)
Less : Lease derecognised during the year	(0.75)	(0.56)
Lease liability at the end of the year	**13.90**	**8.52**

Total cash outflow for leases

₹ in Crores

Particulars	As at 31 March 2023	As at 31 March 2022
Short term leases and low-value asset leases not included in the measurement of the liabilities	25.82	25.67
TOTAL	**25.82**	**25.67**

Notes to the Consolidated Financial Statements

b. Lessor accounting

The Parent Company is a lessor in the operating lease . The subject of these transactions is primarily aircraft leasing and, to a small extent plant and machinery. There is definitive binding agreement between lessor and lessee defining rights and obligation with respect to underlying assets which in substance mitigates the company's risk.

Property, Plant and Equipment provided on operating lease as at 31 March 2023 are as follows:

₹ in Crores

Particulars	Gross block	Accumulated depreciation	Net block
Aircraft	25.88	24.63	1.25
Plant and Equipments	-	-	-

Property, Plant and Equipment provided on operating lease as at 31 March 2022 are as follows:

₹ in Crores

Particulars	Gross block	Accumulated depreciation	Net block
Aircraft	25.88	23.95	1.93
Plant and Equipments	-	-	-

Lease income generated during the year is ₹ 0.76 Crores (31 March 2022: ₹ 1.05 Crores) (Refer Note 34)

Maturity analysis of expected receipts of lease payments

The following is maturity analysis of lease payments showing non-discounted operating lease payments which are expected over the coming years:

As on 31 March 2023

₹ in Crores

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	Total
Expected Receipts of Lease Payments	0.81	0.84	0.28	1.93

6.16 Employee stock option plans (ESOP)

6.16.1 ESOP issued by the Parent Company

The Parent Company provides share-based employee benefits to its employees and employees of its subsidiaries. The relevant details of the schemes and the grant are as below-

Description of share-based payment arrangements

As at 31 March 2023, the Parent Company has the following share-based payment arrangements

Share option plans (equity settled)

According to the Scheme, the employee selected by the Nomination and Remuneration Committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The Option may be exercised within a specified period.

The Employees Stock Option Plan 2019 – (KOEL ESOP 2019) was approved by the shareholders of the Parent Company in AGM conducted on 9 August 2019 for issue of maximum 14,00,000 options representing 14,00,000 Equity shares of ₹ 2 each. Pursuant to the said approvals and authority delegated by the Board and Shareholders of the Parent Company, the Nomination and Remuneration Committee of the Board of Directors of the Parent Company in its meeting held on 5 March 2021 had approved the grant of 9,40,000 employee stock options ("Options") to eligible employees of the Parent Company. Each option shall carry the right to be issued one fully paid up equity share of ₹2/- each.

The Members of the Parent Company at the Annual General Meeting of Kirloskar Oil Engines Limited held on 12 August 2021, passed a resolution amending the Kirloskar Oil Engines Limited – Employee Stock Option Plan 2019 in terms of coverage of the KOEL ESOP 2019 to the eligible employees of its subsidiary company, in or out of India except such subsidiary company(ies) which are formed and engaged in financial service business.

Notes to the Consolidated Financial Statements

During the previous year, the Nomination and Remuneration Committee of the Board of Directors of the Parent Company in its meeting held on 27 October 2021 had approved the grant of 50,000 employee stock options to the eligible employees of Subsidiary viz. La-Gajjar Machineries Private Limited in terms of 'Kirloskar Oil Engines Limited - Employee Stock Option Plan 2019 - Amended ("KOEL ESOP 2019") and the special resolutions passed by the Members of the Parent Company at the Annual General Meeting held on 9 August 2019 and 12 August 2021.Each option shall carry the right to be issued one fully paid up equity share of ₹2/- each.

During the year, the Nomination and Remuneration Committee of the Board of Directors of the Parent Company in its meeting held on 18 May 2022 has approved the grant of 275,000 employee stock options to the eligible employees of the Parent Company in terms of 'Kirloskar Oil Engines Limited - Employee Stock Option Plan 2019 ("KOEL ESOP 2019") and the special resolutions passed by the Members of the Parent Company at the Annual General Meeting held on 9 August 2019 and 12 August 2021.

a. Details of the ESOP

Particulars	KOEL ESOP 2019		
	KOEL Employees (Tranche I)	LGM Employees	KOEL Employess (Tranche II)
Date of Grants	5 March 2021	27 October 2021	18 May 2022
Vesting Requirements	Vest not earlier than one year and not later than four years from the date of Grant of such Options.	Vest not earlier than one year and not later than four years from the date of Grant of such Options.	Vest not earlier than one year and not later than four years from the date of Grant of such Options.
Maximum term of Options granted (years)	The Employee stock options granted shall be capable of being exercised within a period being not more than two years from the date of vesting	The Employee stock options granted shall be capable of being exercised within a period being not more than two years from the date of vesting	The Employee stock options granted shall be capable of being exercised within a period being not more than two years from the date of vesting
Method of Settlement	Equity	Equity	Equity
Method used for accounting of options	Fair value method	Fair value method	Fair value method

b. Option Movement during the year ended 31 March 2023 and 31 March 2022

Grant dated 5 March 2021

Particulars	31 March 2023			31 March 2022		
	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	7,18,042		3.36	9,40,000		4.44
Exercised and pending allotment as on 31 March 2022	1,571					
Granted during the year	-		NA	-		NA
Forfeited/Lapsed during the year	1,23,469	103.14	NA	2,20,387	103.14	NA
Exercised and alloted	1,24,526		NA	-		NA
Exercised and pending allotment	7,194		NA	1,571		NA
Outstanding at the end of the year	4,64,424		2.62	7,18,042		3.36
Exercisable at the end of the year	2,01,744		1.56	1,99,544		1.93

Notes to the Consolidated Financial Statements

Grant dated 27 October 2021

Particulars	31 March 2023			31 March 2022		
	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	45,300		4.08	-		NA
Granted during the year	-		NA	50,000		4.50
Forfeited/Lapsed during the year	8,900	128.88	NA	4,700	128.88	NA
Exercised during the year	5,250		NA	-		NA
Outstanding at the end of the year	31,150		3.33	45,300		4.08
Exercisable at the end of the year	3,850		1.58	-		NA

Grant dated 18 May 2022

Particulars	31 March 2023			31 March 2022		
	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)	No. of Options	Weighted average exercise price ₹	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	-		0.00	-		-
Granted during the year	2,75,000		NA	-		-
Forfeited/Lapsed during the year	5,000	87.93	NA	-	NA	-
Exercised during the year	-		NA	-		-
Outstanding at the end of the year	2,70,000		3.31	-		-
Exercisable at the end of the year	-		0.00	-		-

c. Significant assumptions used to estimate the fair value of options:

Particulars	KOEL Employee (Tranche I)	LGM Employees	KOEL Employees (Tranche II)
1. Risk free interest rate	5.22%	5.16%	6.66%
2. Expected life (in years)	3.44	3.50	3.50
3. Expected volatility	37.85%	39.66%	40.93%
4. Dividend yield	1.88%	2.17%	2.25%
5. Price of the underlying share in market at the time of the option grant (₹)	171.90	214.80	146.55
6. Model used	Black Scholes	Black Scholes	Black Scholes

d. Options vested but not exercised

(Number of Options)

Grant Date	31 March 2023	31 March 2022
5 March 2021	2,01,744	1,99,544
27 October 2021	3,850	-
18 May 2022	-	-

e. Weighted average remaining contractual life of outstanding options (in years)

Particulars	KOEL Employees (Tranche I)	LGM Employees	KOEL Employees (Tranche II)
The weighted average contractual life of Options outstanding as on 31 March 2023	2.62	3.33	3.31
The weighted average contractual life of Options exercisable as on 31 March 2023	1.56	1.58	NA

Notes to the Consolidated Financial Statements

f. Effect of share-based payment transactions on entity's profit or loss for the year:

₹ in Crores

Particulars	31 March 2023	31 March 2022
Employee share based expenses	1.85	2.96
Total ESOP reserve outstanding at the end of the period	4.21	3.35

Note : For the options granted to employees of subsidiary company, the Parent Company has recovered the cost from the Subsidiary Company

6.16.2 ESOP issued by Subsidiaries

The Stepdown Subsidiary Arka Fincap Limited provides share based employee benefits to its employees. The relevant details of the schemes and the grant are as below -

Description of share based payment arrangements

As at 31 March 2023, 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 24 April 2019 and by the shareholders in EGM dated 2 May 2019 for issue of 5,00,00,000 options representing 5,00,00,000 Equity shares of ₹ 10 each. Pursuant to the said approvals and authority delegated by the Board and Shareholders of the Subsidiary Company, the Nomination and Remuneration Committee had made grants, the details of the same are produced in the below table.

a. Details of the ESOP

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4
ESOP Plan/Scheme	ESOP-2019	ESOP-2019	ESOP-2019	ESOP - 2019
Date of Grants	6 May 2019	1 November 2019	2 November 2020	18 July 2022
Vesting Requirements	Vesting criteria is specified for each Option holder by the Nomination and Remuneration Committee at the time of grant of Options.			
Maximum term of Options granted (years)	Vesting period of option vary from employee to employee or class of employees. the maximum vesting period of option is five years from the date of grant of option. Options shall be capable of being exercised within a period of 6 years from the Date of Vesting.			
Method of Settlement	Equity			
Method used for accounting of Options	Fair value method			

Option movement during the year ended 31 March 2023

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4
No. of Options outstanding at the beginning of the year	2,06,50,000	12,50,000	10,75,000	-
Options granted during the year	-	-	-	1,00,00,000
Options forfeited/lapsed during the year	-	-	7,50,000	50,000
Options exercised during the year	-	-	-	-
No. of Options outstanding at the end of the year	2,06,50,000	12,50,000	3,25,000	99,50,000
No. of Options exercisable at the end of the year	2,06,30,000	7,50,000	97,500	-
The weighted average share price of shares exercised during the year ended 31 March 2023	NA	NA	NA	NA

Notes to the Consolidated Financial Statements

b. Option movement during the year ended 31 March 2022

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4
No. of Options outstanding at the beginning of the year	2,06,50,000	13,00,000	10,75,000	NA
Options granted during the year	-	-	-	NA
Options forfeited/lapsed during the year	-	35,000	-	NA
Options exercised during the year	-	15,000	-	NA
No. of Options outstanding at the end of the year	2,06,50,000	12,50,000	10,75,000	NA
No. of Options exercisable at the end of the year	1,95,75,000	3,75,000	1,07,500	NA
The weighted average share price of shares exercised during the year ended 31 March 2022	NA	10	NA	NA

c. Weighted average remaining contractual life of outstanding options (in years)

As at 31 March 2023

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4
Range of Exercise Price (₹ per share)	10	10	11	12
No. of Options outstanding at the end of the year	2,06,50,000	12,50,000	3,25,000	99,50,000
Contractual Life: Granted but not vested (in years)	0.01	0.27	0.98	1.76

d. Method and assumptions used to estimate the fair value of options granted:

The fair value has been calculated using the Black Scholes Option Pricing model.

The assumptions used in the model are as follows:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3	ESOP Grant 4
Risk free interest rate	7.40%	6.60%	5.80%	7.17%
Weighted average expected life (in years)	6	7	7	5
Expected volatility	1.00%	1.00%	1.00%	19.45%
Weighted average exercise price (₹ per share)	10.00	10.00	11.00	12.00

e. Effect of share based payment transactions on the entity's Statement of Profit or Loss for the period:

₹ in Crores

Particulars	31 March 2023	31 March 2022
Employee share based expenses	1.37	0.94
Total ESOP reserve outstanding at the end of the period	9.27	7.93

Notes to the Consolidated Financial Statements

6.17 Acquisitions (Business combination)

La-Gajjar Machineries Private Limited

1 The Parent Company, on 21 June 2017 executed definitive share purchase agreement for acquisition of 100% equity shares in La-Gajjar Machineries Private Limited (LGM). On 1 August 2017 the Parent Company acquired 76% of equity shares of LGM as per the terms of share purchase agreement for consideration of ₹ 252.93 Crores. This purchase consideration was paid in cash. Further, as per the said agreement, the Parent company agreed to pay additional consideration with respect to certain identified projects, linked to EBITDA achieved up to 31 December 2018. As per extant guidelines of Ind AS 103, "Business Combination", this contingent consideration is to be fair valued. Accordingly, the fair value was estimated at ₹ 0.85 Crores by applying the discounted cash flow approach to the expected EBITDA. The contingent consideration, was capitalized as investment bycreating corresponding financial liability in the consolidated financials.The contingent consideration was discharged in previous year 2018-19. The Parent Company had completed purchase price allocation within the measurement period and finalized value of assets acquired, liabilities assumed and the resulting Goodwill during the reporting period ended 31 March 2019 itself.

Further, the Parent Company had entered into a shareholders agreement on 21 June 2017 to purchase remaining 24% equity shares. The Company has a call option to acquire and simultaneously, shareholders of LGM had put option to sell the remaining 24% equity shares, to be exercised within the holding period of 5 years at a price based on mutually agreed upon formula. However, if the options was not exercised in the given option period, the Company had to purchase remaining equity shares within 60 days from the end of the option period by applying same formula agreed for at the time of exercising options.

During the year, on 26 September 2022, the Parent Company has acquired balance 24% equity shares of La-Gajjar Machineries Private Limited (LGM) as per the Shareholders' Agreement including amendments thereof at the final acquisition price of ₹ 109.36 crores by discharging the existing current financial liability as at that date, for a cash consideration. Consequent to the aforesaid acquisition, the Parent Company is holding 100% equity shares of LGM and LGM has become a Wholly Owned Subsidiary of the Parent Company.

2 Pursuant to the slump sale agreement, on 24 March 2021, LGM through its wholly owned subsidiary Optiqua Pipes and Electricals Private Limited (a step down subsidiary of the Parent Company) had entered into definitive Business Transfer Agreement (BTA) with Optiflex Industries, a partnership firm engaged in manufacturing and sales of Wires, Cables and Pipes. The business transfer was completed on 16 April 2021. Optiflex was engaged in the business of manufacturing and sale of winding wires, cables and pipes. The acquisition is mainly aimed to achieve backward integration with the Parent Company.

The business was acquired for an aggregate consideration of ₹ 3.66 Crores after adjusting trade receivables of ₹ 1.04 Crores not realised and were subjected to adjustment as per the Slump sale agreement. Assets and liabilities are recorded at their fair value. Difference between purchase consideration and net identifiable assets has been recorded as goodwill. Purchase consideration paid for the acquisition is calculated after considering the net assets and estimates of future economic benefits from the business.

3 During the previous year, Optiqua Pipes and Electricals Private Limited (OPEPL), had entered into a joint Venture cum Shareholder's agreement with ESVA Pumps India Private Limited (ESVA), Coimbatore, on 31 August 2021, as per approval of the Board of Directors of OPEPL. OPEPL has completed acquisition of 49% stake in the equity shares of ESVA at a consideration of ₹ 4.41 crores on 4 October 2021. Consequent to that ESVA is a joint venture of OPEPL with effect from 4 October 2021.

6.18 Disclosure in terms of Schedule III of the Companies Act, 2013

₹ in Crores

Particulars	Net Assets (i.e. Total assets minus total liabilities)		Share in Profit/(Loss)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit/loss amount	Amount	As a % of consolidated other comprehensive income	Amount	As a % of consolidated total comprehensive income	Amount
F.Y. 2022-23								
1. Parent:								
Kirloskar Oil Engines Limited	101.23%	2,331.84	81.30%	270.25	93.50%	(8.92)	80.94%	261.33

Notes to the Consolidated Financial Statements

₹ in Crores

Particulars	Net Assets (i.e. Total assets minus total liabilities)		Share in Profit/(Loss)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit/loss amount	Amount	As a % of consolidated other comprehensive income	Amount	As a % of consolidated total comprehensive income	Amount
2. Subsidiary (Foreign):								
Kirloskar Americas Corporation	0.37%	8.50	0.41%	1.37	-0.31%	0.03	0.43%	1.40
3. Subsidiaries (Domestic):								
Arka Financial Holdings Private Limited*	46.85%	1,079.15	18.34%	60.96	0.31%	(0.03)	18.87%	60.93
La-Gajjar Machineries Private Limited**	3.42%	78.70	1.37%	4.56	6.29%	(0.60)	1.23%	3.96
Add/(Less): Minority interests in all subsidiaries	-	-	0.23%	0.75	0.21%	(0.02)	0.23%	0.73
Add/(Less): Inter-company eliminations	-51.86%	(1,194.58)	-1.65%	(5.49)	0.00%	-	-1.70%	(5.49)
Total	**100.00%**	**2,303.61**	**100.00%**	**332.40**	**100.00%**	**(9.54)**	**100.00%**	**322.86**
F.Y. 2021-22								
1. Parent:								
Kirloskar Oil Engines Limited	102.78%	2,139.46	119.19%	208.01	97.30%	3.06	118.80%	211.07
2. Subsidiary (Foreign):								
Kirloskar Americas Corporation	0.34%	7.10	1.15%	2.00	0.19%	0.01	1.13%	2.01
3. Subsidiaries (Domestic):								
Arka Fincap Limited ^^	40.20%	836.82	18.63%	32.52	0.06%	0.00	18.30%	32.52
Arka Financial Holdings Private Limited	40.08%	834.39	-1.47%	(2.57)	0.00%	-	-1.45%	(2.57)
La-Gajjar Machineries Private Limited	3.59%	74.73	-3.00%	(5.24)	2.90%	0.09	-2.90%	(5.15)
Add/(Less): Minority interests in all subsidiaries	-	-	-2.09%	(3.65)	0.63%	0.02	-2.04%	(3.63)
Add/(Less): Inter-company eliminations	-87.0%	(1,810.81)	-32.40%	(56.55)	-1.09%	(0.03)	-31.85%	(56.58)
Total	**100.00%**	**2,081.69**	**100.00%**	**174.52**	**100.00%**	**3.15**	**100.00%**	**177.67**

^^Arka Fincap Limited (a subsidiary upto 3 March 2022 and therafter a step down subsidiary w.e.f 4 March 2022)

*AFHPL includes "Arka Investment Advisory Services Private Limited" (AIASPL) (wholly owned subsidiary of the AFHPL) and "Arka Fincap Limited" (subsidiary of AFHPL) i.e on a consolidated basis.

** La-Gajjar Machineries Private Limited (LGM) includes Optiqua Pipes and Electricals Private Limited (OPEPL) (wholly owned subsidiary of LGM) and share of profit of ESVA Pumps India Private Limited (ESVA) (joint venture of Optiqua Pipes and Electricals Private Limited). i.e on a consolidated basis.

6.19 Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015 as applicable to the Parent Company are disclosed under standalone financial statements. (Refer Note No. 43 of standalone financial statement)

Notes to the Consolidated Financial Statements

6.20 Disclosure of interest in Subsidiaries and interest of Non-controlling interest:

a. Details of the Parent Company'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	
		2022-2023	2021-22
Kirloskar Americas Corporation (formerly known as KOEL Americas Corp.)	United States of America	100%	100%
La-Gajjar Machineries Private Limited^^	India	100%	76%
Arka Financial Holding Private Limited^^	India	100%	100%

^^ On a consolidated basis

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*		Accumulated Non-controlling interest	
		2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
La-Gajjar Machineries Private Limited	India	0%	24%	(0.75)	(1.26)	-	17.94

* Excluding effects of consolidation adjustment

Refer Acquisition Note - 43.6.17 for details on acquistion of remaining 24% equity shares of La-Gajjar Machineries Private Limited (LGM) by the Parent Company, consequent to which LGM has become a Wholly Owned Subsidiary of the Parent Company

La-Gajjar Machineries Private Limited's principal activity - manufacturing and selling of Submersibles, monoblock pumps, Stainless steel pumps and pump sets in the domestic and export markets.

c. Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations and are based on their standalone financial statements.

La-Gajjar Machineries Private Limited

₹ in Crores

Particulars	2022-23	2021-22
Current assets	206.89	207.83
Non-current assets	87.07	93.98
Current liabilities	131.58	189.14
Non-current liabilities	83.68	37.94
Equity interest attributable to the owners	78.70	56.80
Non-controlling interest	-	17.94
Total income	577.98	564.99
Expenses	571.23	572.10
Profit / (loss) for the year	4.56	(5.24)
Profit / (loss) attributable to the owners of the company	5.31	(3.98)
Profit / (loss) attributable to the non-controlling interest	(0.75)	(1.26)
Dividends paid to non-controlling interest	-	-
Opening cash & cash equivalents	0.04	0.17
Closing cash & cash equivalents	0.04	0.04
Net Cash inflow/(outflow)	(0.00)	(0.13)

Notes to the Consolidated Financial Statements

6.21 Research and development ('R&D')expenditure eligible for deduction under section 35(2AB) of Income Tax Act, 1961:

The Parent Company has adopted the tax ordinance under section 115BAA during financial year 2019-20. Since provisions of section 115BAA of the Income Tax Act, 1961 are applicable , the Parent Company is not entitled to avail weighted deduction u/s 35(2AB) of the Income Tax Act, 1961 , for financial Year 2022-23. Thus the Parent Company will not avail weighted deduction benefit on in-house R&D expenditure for financial year 2022-23 . However, the Parent Company will continue to maintain a separate set of books for in-house R & D activities.

6.22 Goodwill

Following is the summary of changes in carrying amount of goodwill:

₹ in Crores

Particulars	31 March 2023	31 March 2022
Balance at the beginning of the year	185.76	184.50
Add : Additions during the year	-	1.26
Balance at the end of the year	185.76	185.76

Allocation of goodwill by segments is as follows:

₹ in Crores

Particulars	31 March 2023	31 March 2022
B2C	185.76	185.76

Allocation of goodwill to cash generating units:-

Goodwill has been allocated for impairment testing purposes to the underlying cash generating units ('CGU') identified based on business segments. The goodwill impairment test is performed at the level of the CGU which are benefiting from the synergies of the acquisition and which represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount of CGUs is determined based on higher of value-in-use and fair value less cost to sell. Value-in-use is the present value of future cash flow projections based on financial budgets approved by management covering a five year period.

Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates and weighted average cost of capital. The long term growth rates is determined considering the average growth rate of the industry and that of the country (India) in which the CGU generates its revenue from. The weighted average cost of capital has been determined considering a long term target debt equity ratio of the CGU.

Cash flow projections take into account past experience and represent management's best estimate about future developments. The key assumptions used for the calculations are as follows:

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Terminal growth rate	3.50%**	3.00%**
Pre-tax discount rate	18.54%	21.95%

** growth rate does not exceed long term average growth rate for the market in which CGU operates

The management believes 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.

Notes to the Consolidated Financial Statements

Note 44 : (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 2023 and 31 March 2022

₹ in Crores

Particulars	31 March 2023	31 March 2022
Cash and cash equivalents	270.30	152.95
Current borrowings	(1,428.45)	(890.30)
Non-current borrowings	(1,801.90)	(1,065.83)
(Net Debt)/Surplus	**(2,960.05)**	**(1,803.18)**

Particulars	Other Assets	Liabilities from financing activity	Total
	Cash and Cash Equivalents	Current and Non-current borrowings	
(Net Debt)/Surplus as on 31 March 2022	152.95	(1,956.13)	(1,803.18)
Cash Inflow/(outflow) during the year	117.35	1,274.22	1,156.87
(Net Debt)/Surplus as on 31 March 2023	**270.30**	**(3,230.35)**	**(2,960.05)**

Note 45 : Relationship with Struck off companies

The Group did not enter into any transaction with companies struck off from ROC records for the year ended 31 March 2023 except as reported below :

Amount in ₹

Name of the struck off company	Nature of transactions with struck off company	Transactions during the year	Balance outstanding* as at 31 March 2023	Relationship with struck off company
Alike Trading Private Limited	Shares held	-	60	Shareholder
	Others - Dividend paid/ unpaid	134	282	Shareholder
Dreams Broking Private Limited	Shares held	-	600	Shareholder
	Others - Dividend paid/ unpaid	1,350	-	Shareholder
Gunti & Company Private Limited	Shares held	-	90	Shareholder
	Others - Dividend paid/ unpaid	179	1,006	Shareholder
Highlands Garments Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/ unpaid	67	-	Shareholder
Kothari Intergroup Limited	Shares held	-	2	Shareholder
	Others - Dividend paid/ unpaid	3	17	Shareholder
Mahila Credit And Investment Company Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/ unpaid	67	-	Shareholder
Pushap Capital & Securities Private Limited	Shares held	-	120	Shareholder
	Others - Dividend paid/ unpaid	240	774	Shareholder

Notes to the Consolidated Financial Statements

Name of the struck off company	Nature of transactions with struck off company	Transactions during the year	Balance outstanding* as at 31 March 2023	Relationship with struck off company
Shyam Computers Private Limited	Shares held**	(42)	80	Shareholder
	Others - Dividend paid/ unpaid	273	-	Shareholder
R. Sanghi Stock Brokers and Finance Private Limited	Shares held	-	8	Shareholder
	Others - Dividend paid/ unpaid	18	-	Shareholder
Wilway Engineering And Construction Private Limited	Payment made***	6,126	1,47,645	Vendor
Total		**8,415**	**1,50,744**	

* Balance outstanding represents face value of the shares held and unpaid dividend thereupon.
** Shares purchase/(sold) represented at face value.

***Above details of balances as on 31 March 2023 pertains to transactions of purchases made in previous years

- Movement in shareholders' balances as at 31 March 2022 vis-a-vis 31 March 2023 is on account of transfer to IEPF during the year.

Details of transaction and outstanding balances of one of the subsidiaries with struck off companies for the year ended 31 March 2023:

Amount in ₹

Name of the Struck off Company	Nature of transactions with struck off company	Transactions during the year	Balance outstanding as at 31 March 2023	Relationship with struck off company
Usha Netco Private Limited	Payable*	1,500	-	Vendor
Total		**1,500**	**-**	

*Balance outstanding as on 31 March 2022 have been written back during the year ended 31 March 2023

The Group did not enter into any transaction with companies struck off from ROC records for the year ended 31 March 2022 except as reported below :

Amount in ₹

Name of the struck off company	Nature of transactions with struck off company	Transactions during the year	Balance outstanding* as at 31 March 2023	Relationship with struck off company
Alike Trading Private Limited	Shares held	-	60	Shareholder
	Others - Dividend paid/unpaid	107	188	Shareholder
Chirayu Securities Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/unpaid	47	552	Shareholder
Dhruva Finance & Investments Private Limited	Shares held	-	912	Shareholder
	Others - Dividend paid/unpaid	1,459	15,230	Shareholder
Dreams Broking Private Limited	Shares held	-	600	Shareholder
	Others - Dividend paid/unpaid	1,080	-	Shareholder
Eshan Financial Services Private Limited	Shares held**	10,000	10,000	Shareholder
Excalibur Securities & Finance Trust Private Ltd	Shares held	-	364	Shareholder
	Others - Dividend paid/unpaid	582	6,183	Shareholder
Gunti & Company Private Limited	Shares held	-	90	Shareholder
	Others - Dividend paid/unpaid	143	827	Shareholder
Highlands Garments Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/unpaid	53	-	Shareholder
Kothari Intergroup Limited	Shares held	-	2	Shareholder
	Others - Dividend paid/unpaid	2	14	Shareholder
Mahila Credit And Investment Company Private Limited	Shares held	-	30	Shareholder
	Others - Dividend paid/unpaid	53	-	Shareholder
Purvaj Advisors Private Limited	Shares held**	(7,29,116)	15,51,246	Shareholder
	Others - Dividend paid/unpaid	27,92,242	-	Shareholder
Pushap Capital & Securities Private Limited	Shares held	-	120	Shareholder
	Others - Dividend paid/unpaid	192	654	Shareholder
Shyam Computers Private Limited	Shares held	-	122	Shareholder
	Others - Dividend paid/unpaid	218	-	Shareholder
Twisha Consultants Private Limited	Shares held**	58	58	Shareholder
	Others - Dividend paid/unpaid	39	-	Shareholder
Total		**20,77,159**	**15,87,311**	

Notes to the Consolidated Financial Statements

* Balance outstanding represents face value of the shares held and unpaid dividend thereupon.
** Shares purchase/(sold) represented at face value.

Details of transaction and outstanding balances of one of the subsidiaries with struck off companies for the year ended 31 March 2022:

Amount in ₹

Name of the struck off company	Nature of transactions with struck off company	Transactions during the year	Balance outstanding as at 31 March 2022	Relationship with struck off company
Usha Netco Private Limited	Payable	-	1,500	Vendor
Mather & Platt Pumps Limited	Receivable**	94,097	-	Customer
Total		**94,097**	**1,500**	

* Above details of balances as on 31 March 2022 pertains to transactions of purchases/sales made in previous years
** Balance outstanding as on 31 March 2021 have written off during the year ended 31 March 2022.

46 Disclosures for investments and transactions through/ as an intermediary:

(a) No funds have been advanced or loaned or invested either from borrowed funds or share premium or any other sources or kind of funds by the Parent Company to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Parent Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

(b) No funds have been received by the Parent Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Parent Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

47 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 Consolidated Financial Statements

As per our attached report of even date

For **G. D. APTE & CO.**
Chartered Accountants
Firm Registration Number : 100515W

UMESH S. ABHYANKAR
Partner
Membership Number : 113053
Pune: 19 May 2023

For and on behalf of the Board of Directors

ATUL KIRLOSKAR
Non-Executive Chairman
DIN: 00007387

GAURI KIRLOSKAR
Managing Director
DIN: 03366274

ANURAG BHAGANIA
Chief Financial Officer
ACA: A058992
Pune: 19 May 2023

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Oil Engines

Regd. Office:
Laxmanrao Kirloskar Road,
Khadki, Pune - 411 003, INDIA.
Tel.: 020 - 2581 0341 **Fax:** 020 - 2581 3208
Email: investors@kirloskar.com **Website:** www.kirloskaroilengines.com
CIN: L29100PN2009PLC133351