

08 December 2022

BSE Limited  
Corporate Relationship Department  
1st Floor, P. J. Towers,  
Dalal Street, Fort,  
Mumbai 400 001.

**BSE Scrip Code: 500243**

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

**NSE Scrip Code: KIRLOSIND**

**Sir / Madam,**

**Subject:** Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

In continuation of our earlier intimations dated 21 October 2022, 11 November 2022, 14 November 2022, 17 November 2022 and 5 December 2022, please see enclosed, the speech made by our Managing Director, Mr. Mahesh Chhabria at the Extraordinary General Meeting of the shareholders of Kirloskar Brothers Limited held on 8 December 2022 pursuant to the requisition made by KIL.

Thanking you.

For Kirloskar Industries Limited

Ashwini Mali  
Company Secretary &  
Compliance Officer

Enclosed: As above

Dear fellow shareholders and the Board of Kirloskar Brothers Limited,

My name is Mahesh Chhabria (DP ID and Client ID Number IN30302854576499). I am the Managing Director of Kirloskar Industries Limited (“**KIL**”) holding 1,89,88,038 shares representing 23.91% of the issued and paid up share capital of Kirloskar Brothers Limited (“**KBL**”).

Knowing fully well that this resolution will be defeated by brute majority, KIL wanted to highlight serious corporate governance issues and the lack of transparency in managing the affairs of our Company, KBL. KIL as the largest minority shareholder feels dutybound to question the wrongdoings and protect the interests of the minority shareholders of KBL. KIL as the minority shareholder expects the KBL Board, especially the independent directors to do the same.

I am going to raise a few serious questions that need answers to be provided by KBL and I expect that the independent directors take cognizance of and provide correct answers to the same. I have about a dozen questions / concerns to raise and I hope that I am allowed to speak and present KIL’s concerns to the shareholders and I am not stopped or interrupted till I finish.

1. Since the KBL Board has given a colour to this requisition as a family dispute, why is this meeting not being chaired by an independent director?
2. KIL is unable to fathom why an audit could not have been commissioned and why there is so much resistance to it? KBL had itself commissioned an external forensic audit in the recent past. Now that serious questions are being raised in relation to huge expenses incurred by KBL, why a reluctance to do the same again? What is the Board trying to hide this time?
3. The proxy advisory firms have recommended that the resolution proposed by us should be voted against. But at the same time, they are expecting that the KBL Board acts in good faith, and will claw back legal expenses from our CMD’s personal wealth. Whether the KBL Board will claw back these expenses and how will they do so without ascertaining the quantum?

4. The proxy advisory firm recommended that the Board should address the shareholders' concern on whether the Board had independently ascertained that KBL must participate in the family dispute. I would like to know if the KBL Board had independently ascertained this? Hasn't KIL asked for the same things raised by the proxy advisory firm in our request for a forensic audit?
  
5. KIL is very concerned with the expense figures given by KBL for professional, legal and consultancy expenses appearing at various places. These do not add up. First, in a press statement, KBL admitted that Rs. 274 Crores was incurred towards legal and professional fees over the last 7 (seven) years. It was also clarified by KBL that Rs. 70 Crores from Rs. 274 Crores above was spent towards legal expenses and hence confirming that Rs. 204 Crores was spent towards professional fees.  
Next, on page 18-19 of the 'Statement of Material Facts' attached to the EGM Notice, the Board categorically states that legal fees of Rs. 70 Crores was incurred towards legal expenses relating to tax matters, labour matters, arbitrations, international projects, property documents, **which are matters unconnected with the litigations with the requisitionists.**  
However, in point 41(ii) on page 29-30 of the same Statement of Material Facts, the Board states that approximately Rs. 4 Crores per year was spent over the last 7 (seven) years in relation to the legal proceedings **against the requisitionists**, totalling to Rs. 28 Crores. These numbers don't add up and are misleading the shareholders. Is this Rs. 28 Crores in addition to the Rs. 274 Crores? Where did this additional Rs. 28 Crores come from? Is this debited under some other head of expenditure? Are there any other expenses like these? Whether the money spent was to fight the personal battles of our Chairman and Managing Director, Mr. Sanjay Kirloskar? Has the Audit Committee and the Board even taken the trouble to add these numbers? Doesn't this justify a forensic audit?
  
6. Independent directors are conscience keepers of the minority shareholders. It is indeed shocking that they chose not to appoint an independent forensic auditor. They have deliberately chosen to disregard their fiduciary responsibility and have acted against the letter and spirit of corporate governance.

7. It is disturbing to see that the Board has **specifically recommended that the shareholders vote against** this resolution. Shouldn't this decision be left to the shareholders?  
I wonder what would happen to the Board if it is subsequently found that KBL did incur legal expenses that it was not entitled to spend? I hope that the independent directors atleast now take actions in the interest of the shareholders.
8. A categorical statement has been made by KBL, on oath, that it suffered losses of Rs. 1 Crore per day as a consequence of the so-called breach of DFS. The numbers, once again, simply don't add up. Was KBL making 1 Crore profit per day i.e. Rs. 365 Crores annually as additional profits prior to the acquisition of La Gajjar Machineries by Kirloskar Oil Engines? If yes, when was this profit earned and accounted for prior to the alleged breach? In my reading of KBL's annual reports for the last several years, I have not come across KBL ever making such profits. KIL would like the audit committee chairman and the audit committee to explain these numbers. Despite the Board providing lengthy explanations on the alleged breaches of the DFS, it has chosen to be completely silent on this aspect in the Statement of Material Facts. Does the audit committee agree with these numbers? Have the independent directors and audit committee chairman examined this? Your silence is indeed deafening.
9. It is indeed suprising that the Board has gone in great detail **to analyse and sit in judgment** on their interpretation of the DFS. Despite KBL having filed a case against 28 defendants claiming breach of the DFS, **no court has till date passed any order**, interim or otherwise on the merits of the case. Therefore the matter is clearly **sub judice and still undecided**. Isn't the Board aware of this?
10. Thanks to KBL uploading the DFS on their website, it is now in public domain. While a lot can be said and refuted about the incorrect interpretation of the terms of the DFS given by the KBL Board, they ought to have refrained from getting so deeply involved and prejudging the issues that are *sub judice*.
11. A victim card is being played to allege that some non-existent non-compete provision has been breached by some individuals through "**their companies**" and how KBL is suffering because of

this. KBL is already in court on this point. Let the courts take their decision and provide the correct interpretation. Should one sit in judgment themselves and circumvent the judicial process?

12. KBL and our CMD keep making repeated public statements including on oath before courts that KBL has taken the DFS on record and that it is bound by it. These statements are factually incorrect and misleading.

For the DFS to be taken on record, it ought to have been placed before the shareholders and the memorandum and articles suitably amended. Why was the DFS not taken on record immediately after execution? Why did the KBL Board wait for 7 (seven) years after the DFS was signed and that too only after disputes arose between the family members. This itself raises serious questions on the intent and motive. Moreover, the KBL Board has taken the DFS on record under Section 58(2) of the Companies Act to prevent transfer (buy/sell) of shares. The Company has taken no cognizance of the DFS since the articles have not been amended.

I ask our company and the CMD therefore to stop making these misleading statements.

Have the independent directors examined the manner in which this entire episode has played out? Why does KBL keep mentioning the DFS? Is it a cover to justify expenses of a personal nature? This was one of the points that KIL wants the forensic auditors to examine.

13. The conduct of the Board is not transparent and raises serious concerns about their fiduciary responsibilities and upholding governance standards. As the largest minority shareholder, KIL feels it is our duty to make the Board accountable to all stakeholders rather than allowing KBL to be run as per the whims of its Chairman and Managing Director. Our CMD ought to uphold the Kirloskar legacy of protecting minority shareholder rights. I hope good sense prevails and he takes the legacy forward.

Thank you!

Mahesh Chhabria

Managing Director, Kirloskar Industries Limited

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