KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

Enriching Lives

13th July 2021

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 2020-21

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 Notice of Annual General Meeting (AGM) of the Company to be held on 12th August 2021 and Annual Report for the Financial Year 2020-21.

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 and the General Circular No. 02/2021 dated 13th January 2021 issued by the Ministry of Corporate Affairs and the 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 issued by the Securities and Exchange Board of India, the Annual Report and the 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.

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

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

Thanking you.

Yours Faithfully,
For Kirloskar Oil Engines Limited

Smita Arun Raichurkar
Digitally signed by Smita Arun Raichurkar
Date: 2021.07.13 13:30:52 +05'30'

Smita Raichurkar
Company Secretary

Encl.: As above.

Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune 411003 INDIA.
Phone: +91 20 2581 0341, 6608 4000 **Fax:** +91 20 2581 3208, 2581 0209 **Toll Free:** 1800 233 3344
email: info@kirloskar.com **Website:** www.koel.co.in
CIN No.: L29100PN2009PLC133351

NOTICE

Notice is hereby given that the 12th Annual General Meeting ("AGM") of the Members of Kirloskar Oil Engines Limited ('the Company') will be held on Thursday, the 12th day of August 2021 at 11.30 a.m. (IST) through Video Conferencing ('VC') or Other Audio Visual Means ('OAVM') facility, in compliance with the 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 the 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, to transact the businesses as mentioned below:

ORDINARY BUSINESS

ITEM NO.1

To receive, consider and adopt:

(a) the Audited Standalone Financial Statements of the Company for the Financial Year ended 31st March 2021, together with the Reports of the Board of Directors and the Auditors' thereon; and

(b) the Audited Consolidated Financial Statements of the Company for the Financial Year ended 31st March 2021 and the Report of the Auditors thereon.

ITEM NO.2

To declare final dividend of Rs. 2.50/- per equity share (125%) and to confirm the Interim Dividend of Rs. 1.50/- per equity share (75%) already paid during the year for the Financial Year ended 31st March 2021.

ITEM NO.3

To appoint a Director in place of Mr. Mahesh R. Chhabria (DIN 00166049) who retires by rotation and being eligible, offers himself for re-appointment.

ITEM NO.4

To appoint a Director in place of Ms. Gauri Kirloskar (DIN 03366274) who retires by rotation and being eligible, offers herself for re-appointment.

ITEM NO.5

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

"RESOLVED THAT pursuant to the provisions of Sections 139, 141 and other applicable provisions, if any, of the Companies Act, 2013 and read with Companies (Audit and Auditors) Rules 2014 (including any statutory amendment, modification(s) or re-enactment thereof, for the time being in force), G. D. Apte & Co., Chartered Accountants, (Firm Registration No. 100515W) be and are hereby appointed as the Statutory Auditors of the

Company, for a first term of 5 consecutive years with effect from the conclusion of this Annual General Meeting of the Company till the conclusion of the Annual General Meeting of the Company to be held in the year 2026, based on the recommendation of the Audit Committee and Board of Directors of the Company.

RESOLVED FURTHER THAT pursuant to the provisions of section 142(1) of the Companies Act, 2013 and rules thereof and Regulation 36(5) of SEBI Listing Regulations, 2015 (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 and Board of Directors, the consent of the members be and is hereby accorded to fix the remuneration at Rs. 34 Lacs p.a. (Rupees Thirty Four Lacs Only) of as the Statutory Audit fees and other certification charges plus applicable taxes thereon and reimbursement of out of pocket expenses on actual basis in connection with the statutory audit of the Company for the Financial Year 2021-22 and the Board of Directors of the Company be and are hereby authorized to decide such statutory audit fees as recommended by the Audit Committee and as they may deem fit for the entire tenure of their appointment."

SPECIAL BUSINESS

ITEM NO.6

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

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder (including any statutory amendment, modification(s) or re-enactment thereof, for the time being in force) and based on the recommendation of the Audit Committee, the remuneration of Rs. 8,00,000/- 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 31st March 2022, be and is hereby ratified and confirmed."

ITEM NO. 7

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

"RESOLVED THAT in partial modification of earlier special resolution passed by the members of the Company in the Annual General Meeting (AGM) held on 9th August, 2019 approving the **"Kirloskar Oil Engines Limited - Employees Stock Option Plan 2019"** (hereinafter referred to as "KOEL ESOP 2019"), pursuant to the provisions of Section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013 and rules made thereunder, (including any statutory modification(s) or any substitution or re-enactment thereof for the time being in force) and in accordance with the Memorandum of Association and Articles of Association of the Company, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, provisions of Regulation 6 and 7 of the Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 and relevant provisions of Circular No. CIR/CFD/POLICY CELL/2/2015 dated 16th June 2015 issued by the Securities and Exchange Board of India (collectively hereinafter referred to as "SEBI SBEB Regulations") and to such other applicable Regulations which may be issued and / or amended from time to time by the Securities and Exchange Board of India or any other relevant authority, from time to time, to the extent applicable and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, consent of the members' of the Company be and is hereby accorded to amended KOEL ESOP 2019 being revised with the variation to includes and authorizing the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee, including the Nomination and Remuneration Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution and under Regulation 5 of the SEBI SBEB Regulations) to grant employee stock options ("Options"), from time to time, in one or more tranches, such number of Options under the "Kirloskar Oil Engines Limited - Employees Stock Option Plan 2019" (hereinafter referred to as "KOEL ESOP 2019") within the limit prescribed therein to or for the benefit of the permanent employees including directors, whether whole-time director or not (other than employees who are promoter(s) or belonging to the promoter group, independent directors and directors holding directly or indirectly more than 10% of the outstanding equity shares of the Company), of any subsidiary Company(ies) of the Company in or out of India except such Subsidiary Company(ies) formed and engaged in financial service business including without limitation to the Arka Fincap Limited, as may be decided under the KOEL ESOP 2019, exercisable into equivalent number of equity shares of the Company, of face value of Rs. 2/- each fully paid up, where one Option would convert in to one equity share upon exercise, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the KOEL ESOP 2019 and in due compliance with the applicable laws and regulations or guidelines issued by the relevant Authority.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot equity shares upon exercise of Options from time to time in accordance with the KOEL ESOP 2019 and such equity shares shall rank pari passu in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the exercise price payable by the option grantees under the KOEL ESOP 2019, shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 2/- per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said grantees.

RESOLVED FURTHER THAT the Board of Directors and/or the Company Secretary be and are hereby authorized to settle any question, difficulty or doubt that may arise in giving effect to the above resolutions and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution".

ITEM NO. 8

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 180(1)(a) and Section 110 of the Companies Act, 2013, including rules made thereunder read with Regulation 24(5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and all other applicable provisions, and subject to such consents, sanctions, permissions and approvals, if any required, the consent of the members be and is hereby given to the Board of Directors of the Company (hereinafter referred as "Board", which term shall include any committee constituted by the Board) to transfer all equity shares (including existing and proposed investment if any) having face value of Rs. 10/- each held by the Company in Arka Fincap Limited ("AFL" - a wholly owned subsidiary company – earlier known as Kirloskar Capital Limited) to the proposed wholly owned subsidiary company of Kirloskar Oil Engines Limited (which will be incorporated with the name as may be approved by the Ministry of Corporate Affairs, New Delhi, India, and registered as a Core Investment Company under applicable laws and regulations) in one or more tranches as the Board may decide and at a price which shall not be 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.

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

By Order of the Board of Directors

Sd/-

Smita Raichurkar
Company Secretary

Place: Pune
Date: 13th May 2021

NOTES

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

   Pursuant to the General Circular No. 14/2020 dated 8th April 2020, Circular No. 17/2020 dated 13th April 2020, Circular No. 20/2020 dated 5th May 2020 and Circular No. 02/2021 dated 13th January 2021 issued by Ministry of Corporate Affairs and Circular number SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020 and Circular number SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January 2021 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 12th 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 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 **6th August 2021, Friday to 12th August 2021, Thursday** (both days inclusive) for the purpose of AGM and declaration of final dividend, if any.

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

   a. whose name appear as Beneficial Owners as at the end of the business hours on 5th August 2021, 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 5th August 2021.

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 and 2012-13 along with equity shares has been transferred to the said Fund, after following the prescribed procedure.

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

    The details of unclaimed and unpaid amount of Dividend are available on the Company's website viz. **www.koel.co.in**.

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

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

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

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

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

13. The payment of Interim Dividend for FY 2020-21, as declared by the Board of Directors of the Company in its meeting held on 5th March 2021, is processed on 31st March 2021 for the members of the Company (holding equity shares as on 18th March 2021, 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.

Further pursuant to the Finance Act, 2021 section 206AB of the Act w.e.f. 1st July 2021, whereby tax would be required to be deducted at twice the applicable rate in respect of any sum or amount or income paid or payable or credited to a'specified person'.

Further, the Act defined'specified person' to mean: ·

1. A person who has not filed returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted and the time for filing tax return under section 139(1) of the Act has expired for both these assessment years; and

2. Aggregate of tax deducted at source and tax collected at source in his/her case is INR 50,000 or more in each of these two previous years.

Accordingly, company will check the compliance of section 206AB on the Income tax portal and will apply higher rate, if any, in case shareholder falls in the category of Specified person.

However, the aforementioned withholding at higher rate shall not apply to a Non-Resident who does not have a Permanent Establishment / fixed base in India. Accordingly, a Non-Resident should submit a No Permanent Establishment declaration.

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

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

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

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

Please note that the uploading of documents (duly completed and signed) on the website of Link Intime India Private Limited 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. **Share Transfer permitted only in Demat**

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

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.koel.co.in.

22. **Register E-mail Address**

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

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

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

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

23. In compliance with the aforesaid MCA Circulars and SEBI Circular dated 12th May 2020 and 15th January 2021, Notice of the AGM along with the Annual Report for Financial Year 2020-21, 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 for Financial Year 2020-21 will also be available on the Company's website www.koel.co.in, on the websites of Stock Exchanges, i.e., BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com, respectively, and on the website of NSDL https://www.evoting.nsdl.com.

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 and Circular No. 02/2021 dated 13th January 2021, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the 12th 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 **9th August 2021 (9:00 am) (IST) and ends on 11th August 2021 (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 5th August 2021, 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.

Type of shareholders	Login Method
	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.
Individual Shareholders holding securities in demat mode with CDSL	1. Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. 2. After successful login of Easi/Easiest the user will be also able to see the E-Voting Menu. The Menu will have links of **E-Voting service provider i.e. NSDL**. Click on **NSDL** to cast your vote. 3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration 4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. **NSDL** where the e-Voting is in progress.

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

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

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

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

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

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.

2. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholders/Members’ section.

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

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

4. Your User ID details are given below :

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

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

a) If you are already registered for e-Voting, then you can user 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.

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

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

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

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

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.

2. Select "EVEN" of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join General 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 Participants(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**

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

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

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

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

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

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

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

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

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

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for Access to NSDL e-Voting system. After successful login, you can see link of "VC/OAVM link" placed under "Join General meeting" menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN

of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

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

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

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

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

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

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

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

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

29. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on **5th August 2021**.

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. **5th August 2021**, may obtain the login ID and password by sending a request at **evoting@nsdl.co.in** or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot

your password, you can reset your password by using “Forgot User Details/Password” or "Physical User Reset Password" or option available on **www.evoting.nsdl.com** or call on toll free no. 1800 1020 990 and 1800 22 44 30. In case of Individual Shareholders holding securities in demat mode who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date i.e. 5th August 2021 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. **5th August 2021** only shall be entitled to avail the facility of remote e-voting as well as e- voting at the AGM.

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

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

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

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

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

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 & RULES THEREOF INCLUDING AMENDMENTS THEREUNDER AND REGULATION 36 (3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 INCLUDING AMENDMENTS THEREUNDER AND REGULATION 6 & 7 OF THE SEBI (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014.

ITEM NO. 3 OF THE NOTICE

Mr. Mahesh R. Chhabria (DIN 00166049) retires by rotation and being eligible offers himself for re-appointment.

He holds 11,552 (0.01%) equity shares in the Company.

Mahesh R. Chhabria (Age 56) is a dedicated, focused and accomplished professional with over 30 years of experience in the financial services industry. In these 30 years, he worked with investment banks, private equity funds and also has been an independent director of several companies.

He has been the Managing Director of Kirloskar Industries Limited since July 2017. Prior to this he worked as a Partner with Actis, where he was responsible for advising Actis Global LLP, a leading private equity fund in the emerging market space, to invest their money in growth capital and buy out businesses in India.

Mahesh previously worked at 3i India, where he was a partner in the firm’s Growth Capital Group and the lead partner globally for the Healthcare sector, heading up and contributing to 3i investments in India and international markets. Before moving to private equity in 2006, Mahesh was co-head of investment banking at Enam, one of the leading domestic investment banks in India.

He is a regular Speaker at various industry forums and occasionally contributes to some Indian business publications. Mahesh holds a Bachelor of Commerce from the University of Mumbai and is an Associate Member of the Institute of Chartered Accountants of India.

He is a relationship builder with strong communication and interpersonal skills, with an extensive network of contacts, associates and friends at all levels in the financial services sectors, corporates, professional, legal and accounting firms, media and select regulatory bodies. Serves as an Independent Director of Enam Asset Management Co. Pvt. Ltd., Wabco India Limited and Tube Investment of India Limited.

He is a member of the Audit Committee and Nomination & Remuneration Committee of the Company.

He is also director in the following other companies:

Kirloskar Industries Limited	Arka Fincap Limited (earlier known as Kirloskar Capital Limited)@
Kirloskar Proprietary Limited	Tube Investment of India Limited@
Kirloskar Ferrous Industries Limited	Kirloskar Pneumatic Company Limited
Enam Asset Management Company Private Limited	Wabco India Limited@

@Audit Committee – Chairman

He has attended 6 meetings of the Board of Directors of the Company during the Financial Year 2020-21.

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

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

ITEM NO. 4 OF THE NOTICE

Ms. Gauri Kirloskar (DIN 03366274) retires by rotation and being eligible offers herself for re-appointment.

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

Ms. Gauri Kirloskar (Age 38), attended Carnegie Mellon's Tepper School of Business, where she received a BSc. in Business Administration with a concentration in Finance. Previously she attended Phillips Academy, Andover, near Boston.

After graduation, Gauri worked as an investment banking analyst at Merrill Lynch in their Mergers and Acquisitions group where she analyzed the impact of proposed mergers, acquisitions, spinoffs and various restructuring alternatives on earnings, credit profile and value creation of various clients across the technology, real estate and retail industries. She then moved on to Pearson's Corporate Finance and Strategy group where she looked at bolt on acquisitions for their education business.

Since moving back to India in 2010, Gauri has been focusing her efforts on strategic initiatives for the Kirloskar Group into infrastructure and investments as well as functioning as a director and observer at several Kirloskar Group companies.

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

She is also strategically involved in the team hiring and overall business plan of Arka Fincap Limited, the Group's foray into the financial services business. She was an active participant in the process of filing for the RBI license for this business.

She leads the Group's efforts on branding, corporate communications and shared services. As a board member on Kirloskar Oil Engines Limited since 2014, she is involved in regular compliance and performance reviews. She is also an active member of the committee that looks at new investments initiatives in the energy space.

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

She is also director in the following other companies:

La-Gajjar Machineries Private Limited	Kirloskar Integrated Technologies Private Limited
Navsai Investments Private Limited	GreenTek Systems (India) Private Limited
The Bombay Burmah Trading Corporation Limited#	Indo Global Hinjewadi Software Park Private Limited
Beluga Whale Capital Management Pte. Ltd.	The Bombay Dyeing and Manufacturing Company Limited#
Arka Fincap Limited	Wellness Space Developers Limited
Optiqua Pipes and Electricals Private Limited	

#Audit Committee – Member

She has attended 6 meetings of the Board of Directors of the Company during the Financial Year 2020-21.

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

Ms. Gauri 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 her consent to act as a Director.

Except above, 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.

ITEM NO. 5 OF THE NOTICE

The members of the Company re-appointed P. G. Bhagwat LLP, Chartered Accountants (having LLPIN is AAT-9949), as the Statutory Auditors of the Company, (Firm Registration Number 101118W/W100682) for the second consecutive term of 5 years in the Annual General Meeting of the Company held on 5th August 2016.

The re-appointment was made from the conclusion of Annual General Meeting held on 5th August 2016 till the conclusion of the Annual General Meeting of the Company to be held in year 2021.

Pursuant to provisions of Section 139(2)(b)(ii) of the Companies Act, 2013 including amendments thereunder, an audit firm which has completed its two terms of five consecutive years, shall not be eligible for re-appointment as auditor in the same company for five years from the completion of such term.

Further the Members of the Company are authorized to fix remuneration of the Auditors of the Company at the time of appointment/re-appointment, pursuant to provisions of Section 142(1) of the Companies Act, 2013, including rules made thereunder and Regulation 36(5) of SEBI Listing Regulations, 2015 including amendment made thereunder.

Based on the recommendation of the Audit Committee, but subject to approval of shareholders of the Company, the Board of Directors in its meeting held on 13th May 2021 considered and recommended the appointment of G. D. Apte & Co., Chartered Accountants, (Firm Registration No. 100515W) as Statutory Auditors, for a first term of 5 consecutive years with effect from the conclusion of this Annual General Meeting of the Company till the conclusion of the Annual General Meeting of the Company to be held in the year 2026, including remuneration payable to them taking into account their credentials.

The Audit Committee and Board of Directors considered various parameters like capability to serve a diverse and complex business landscape as that of the Company, audit experience in the Company's operating segments, market standing of the firm, clientele served, technical knowledge etc., and found G. D. Apte & Co., Chartered Accountants, to be best suited to handle the audit of the financial statements of the Company.

G. D. Apte & Co., Chartered Accountants is an old and reputed Audit and Advisory firms in India, having been set up in the year 1930. The firm is well established in India with offices in Mumbai, Pune and Chennai with its operations adequately supported by qualified professionals and staff.

G. D. Apte & Co., Chartered Accountants represented in committees set up by regulators such as the Institute of Chartered Accountants of India (ICAI) and Reserve Bank of India (RBI).

The terms and conditions of appointment of the G. D. Apte & Co., Chartered Accountants statutory auditors and the proposed fees are as follows:

a) **Term of Appointment:** First term of 5 consecutive years with effect from the conclusion of this Annual General Meeting of the Company till the conclusion of the Annual General Meeting of the Company to be held in the year 2026

b) **Proposed Fees:** Remuneration for Statutory Audit of Rs. 34 Lacs p.a. (Rupees Thirty Four Lacs Only) as the Statutory Audit fees and other certification charges plus applicable taxes thereon and reimbursement of out of pocket expenses on actual basis in connection with the statutory audit of the Company for the Financial Year 2021-22. The remuneration payable to the statutory auditors for the entire tenure of the proposed appointment will be subsequently determined by the Board as per the recommendations of the Audit Committee.

The proposed fees is based on knowledge, expertise, industry experience, time and efforts required to be put in by them, which is in line with the industry benchmarks. The fees for services in the nature of limited review, statutory certifications and other professional work will be in addition to the audit fee as above and will be determined by the Board in consultation with the Auditors and as per the recommendations of the Audit Committee.

There is no material change in the fees payable to G. D. Apte & Co., Chartered Accountants statutory auditors of the Company as compared to the fees payable to the existing statutory auditors of the Company.

The Board recommends resolution set out in Item no. 5 of the notice for approval 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. 6 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 2022, at the remuneration of Rs. 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. 6 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. 7 OF THE NOTICE

The Company had implemented the “Kirloskar Oil Engines Limited – Employee Stock Option Plan 2019” (KOEL ESOP 2019) with a view to attract and retain the best talent and serve to attract, incentivize and motivate professionals and reward exceptional performance and to align the interests of the employees with that of the Company and its shareholders by providing an opportunity to the employees to share in the growth of the Company and to create wealth in the hands of the employees.

The KOEL ESOP 2019 was originally approved by the members of the Company by way of a special resolution in the Annual General Meeting (AGM) held on 9th August 2019 in due compliance of the applicable provisions of the Companies Act, 2013 read with relevant rules and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 read with relevant circular issued thereunder (“SEBI SBEB Regulations”) and also authorized the Board of Directors of the Company to create, offer, grant, issue and allot from time to time, in one or more tranches, not exceeding 14,00,000 (Fourteen Lacs) equity shares of the Company, of face value of Rs. 2/- each as an Employee Stock Options.

The Nomination and Remuneration Committee of the Board of Directors of the Company in its meeting held on 5th March 2021 has approved the grant of 9,40,000 employee stock options with exercise price of Rs. 103.14 per Option (“Options”) to 132 employees of the Company, in terms of ‘Kirloskar Oil Engines Limited – Employee Stock Option Plan 2019 (“KOEL ESOP 2019”). The vested Options shall be exercisable within a period of 2 (Two) years from the date of vesting. Pursuant to the Scheme, Options shall vest after the minimum period of 1 (One) year but not later than the maximum period of 4 (four) years from the date of grant of Options.

The Company now intends to extent the coverage and benefit of the KOEL ESOP 2019 to the eligible employees of its subsidiary Company(ies), 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.

Employee stock options ("Options") are known to be effective alternatives of cash compensation and could be instrumental in conserving cash in times of need. Given the imperative that these key talents of the Subsidiary Company should have stake in the Company as a co-owner.

In this background, it is thought expedient to amend the KOEL ESOP 2019 in terms of coverage of the employees of the Subsidiary Company(ies), 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 extend the benefit of the KOEL ESOP 2019 by grant of Options to such employees of the Subsidiary Company(ies), 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 at the discretion of the Board of Directors of the Company.

None of the aforesaid proposed amendments is detrimental to the interests of any existing option grantees as the amendments are intended to be prospective. The beneficiaries of such variation shall be such eligible employees of the Subsidiary Company(ies), 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 whom fresh grant will be made under the KOEL ESOP 2019.

In terms of Regulation 6 and 7 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations"), the Board of Directors in its meeting held on 13th May 2021, based on the recommendation of the Nomination and Remuneration Committee in its meeting held on 13th May 2021 considered and approved the proposal of amendment in the KOEL ESOP 2019 in terms to cover and grant of Options to such eligible employees of the Subsidiary Company(ies) 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 subject to shareholders' approval by passing special resolution.

Given the details of amendments, rationale thereof and beneficiaries of such variation, as per the SEBI SBEB Regulations, the shareholders' approval is sought for the amendment in the KOEL ESOP 2019 in line stated above.

Features of the KOEL ESOP 2019 after amendment shall remain the same as originally approved except as stated above. However, the features are reproduced in terms of SEBI SBEB Regulations, as under:

1. Brief description of the KOEL ESOP 2019:

"Kirloskar Oil Engines Limited - Employee Stock Option Plan 2019" ("KOEL ESOP 2019") was approved by the shareholders of the company in the 10th AGM of the company held on 9th August 2019 for granting options to the eligible employees of the Company and its subsidiary Company(ies) 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 under KOEL ESOP 2019.

After vesting of Options, the eligible employees of the Company and its subsidiary Company(ies) 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, earn a right, but not obligation, to exercise the vested Options within the exercise period and obtain equity shares of the Company subject to payment of exercise price and satisfaction of any tax obligation arising thereon.

The Nomination and Remuneration Committee ('Committee') shall act as Compensation Committee for the administration of KOEL ESOP 2019. All questions of interpretation of the KOEL ESOP 2019 shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in KOEL ESOP 2019.

2. Total number of options to be granted:

The total number of Options granted under the KOEL ESOP 2019 shall not exceed 14,00,000 (Fourteen Lakhs) number of Options convertible into equivalent number of equity shares of the Company, of face value of Rs. 2 each fully paid equity share capital of the Company. (0.97% of paid-up equity share capital of the Company as on 31st March 2019)

Further, SEBI SBEB Regulations require that in case of any corporate action(s) such as rights issue, bonus issue, merger, sale of division etc., a fair and reasonable adjustment needs to be made to the options granted. In this regard, the Committee shall adjust the number and price of the options granted in such a manner that the total value of the options granted under the KOEL ESOP 2019 remain the same after any such corporate action. Accordingly, if any additional options are issued by the Company to the option grantees for making such fair and reasonable adjustment, the ceiling of 14,00,000 (Fourteen Lakhs), shall be deemed to be increased to the extent of such additional options issued.

Options lapsed or cancelled due to any reason including the reason of lapse of exercise period or due to resignation of the employees/ Director(s), whether whole time or otherwise, would be available for being re-granted at a future date. The Committee is authorized to re-grant such lapsed / cancelled options as per the KOEL ESOP 2019.

3. Identification of classes of employees entitled to participate in the KOEL ESOP 2019:

All permanent employees and Directors (hereinafter referred to as "employees") of the Company including that of its subsidiary Company(ies) 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, shall be eligible subject to determination or selection by the Committee. Following classes of employees/ Directors are eligible being:

a) a permanent employee of the Company who has been working in India or outside India;

b) a director of the Company, whether a whole time director or not but excluding an independent director or

c) an employee as defined in clause (i) or (ii) of a subsidiary company.

Provided that employees of the Subsidiary Company(ies) which have formed and engaged in financial service business including Arka Fincap Limited shall be specifically excluded from the classification and definition of the employees under the KOEL ESOP 2019.

The following category of employees/directors shall not be eligible to participate in the KOEL ESOP 2019:

a) an employee who is a promoter or a person belonging to the promoter group; and

b) a director who either by himself/ herself or through his / her relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company;

4. Requirements of vesting and period of vesting:

The options granted shall vest so long as the employee continues to be in the employment of the Company and its Subsidiary Company. The Board or Nomination and Remuneration Committee may at its discretion, lay down criteria including, but not limited to, the performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting and the proportion in which options granted would vest (subject to the maximum vesting period as specified below).

The options have a minimum vesting period of not earlier than 1 (one) year and not later than 4 (four) years from the date of Grant of option or such other period as may be determined by the Board or Nomination and Remuneration Committee. The Options granted under the KOEL ESOP 2019 may vest in one or more tranches.

5. Maximum Period within which the option shall be vested:

Option granted on any date shall vest not later than a maximum of 4 (four) years from the date of grant of options as may be determined by the committee.

6. Exercise Price or pricing formula:

The options will be granted at a discount of up to a maximum of 40% as decided by the Nomination and Remuneration Committee, to the latest available closing price on the stock exchange on which the shares of the Company are listed, prior to the date of the meeting of the Nomination and Remuneration Committee, in which options are granted. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.

7. Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting of Options and would expire not more than 3 (three) years from the date of Vesting of the respective Options or such other period as may be determined by the Board or Nomination and Remuneration Committee as the case may be.

The vesting options will be exercisable by the employees by a written application to the Company to exercise the options in such manner and on execution of such documents, as may be prescribed by the Nomination and Remuneration Committee or Board of the Company from time to time. The options will lapse if not exercised within the specified exercise period.

8. Appraisal Process for determining the eligibility of the employees under KOEL ESOP 2019:

The appraisal process for determining the eligibility of the employees will be specified by the Board or the Nomination and Remuneration Committee and will be based on criteria, such as role / criticality of the employee, length of service with the Company, work performance, technical knowledge, managerial level, future potential and such other criteria that may be determined by the Board or the Nomination and Remuneration Committee at its sole discretion as applicable.

The Board or the Nomination and Remuneration Committee may decide to extend the benefits of the KOEL ESOP 2019 to new entrants or to existing employees of the subsidiary company (ies) 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 on such basis as it may deem fit, in accordance with applicable law.

9. Maximum number of options to be issued per employee and in aggregate:

The quantum of employees stock options to be granted per employee under the KOEL ESOP 2019 in any financial year and in aggregate shall not exceed 3,00,000 (Three Lakhs) options.

10. Maximum quantum of benefits to be provided per employee under the KOEL ESOP 2019:

Apart from grant of options as stated above, no monetary benefits are contemplated under the KOEL ESOP 2019.

11. Whether the scheme is to be implemented and administered directly by the Company or through a Trust:

The KOEL ESOP 2019 shall be implemented and administered directly by the Company without forming or involving any trust.

12. Whether the scheme involves new issue of shares by the company or secondary acquisition by the trust or both:

The KOEL ESOP 2019 involves new issue of shares against exercise of options. There is no involvement of trust and therefore, there will not be any secondary acquisition.

13. Accounting and Disclosure Policies:

The Company shall comply with the IND AS 102 on Share based Payments and/ or any relevant Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India (ICAI) from time to time, applicable disclosure and the accounting policies as prescribed under Regulation 15 of the SEBI SBEB Regulations and those prescribed by the concerned authorities from time to time.

14. Source of acquisition of shares under the KOEL ESOP 2019:

The KOEL ESOP 2019 involves issue of new shares against exercise of options. There is no involvement of trust and therefore, there will not be any secondary acquisition.

15. Amount of loan to be provided for implementation of the scheme(s) by the company to the trust, its tenure, utilization, repayment terms, etc:

The KOEL ESOP 2019 is to be implemented and administered directly by the Company without forming or involving any Trust. Therefore, provision of any loan to a Trust under the KOEL ESOP 2019 does not arise.

16. Maximum percentage of secondary acquisition:

The KOEL ESOP 2019 is to be implemented and administered directly by the Company without forming or involving any Trust. Therefore, the KOEL ESOP 2019 does not envisage any secondary acquisition.

17. Lock-in:

The shares arising out of exercise of Vested Option shall not be subject to any lock-in period from the date of allotment of such shares under the KOEL ESOP 2019.

Provided that the Shares allotted on such Exercise cannot be sold for such further period or intermittently as required under the terms of Code of Conduct for Prevention of Insider Trading of the Company framed under Securities and Exchange Board of India (Prohibition of Insider Trading), Regulation, 2015, including amendment thereunder.

18. Method of Stock Option's Valuation:

To calculate the employee compensation cost, the Company shall use the Fair Value Method for valuation of the Options granted or such valuation method as may be prescribed from time to time in accordance with applicable laws.

19. Statement:

In case, the Company opts for expensing of share based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options and the impact of this difference on profits and on Earning Per Share (EPS) of the Company shall also be disclosed in the Directors' Report.

A draft scheme of amended KOEL ESOP 2019 is available for inspection by the members at the registered office of the Company on all working days of the Company during business hours.

None of the Directors, Key Managerial Personnel of the Company and their relatives are concerned or interested in this resolution, except to the extent of their entitlements, if any, under KOEL ESOP 2019 and to the extent of their shareholding, if any.

Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune 411003 INDIA.
Phone: +91 20 2581 0341, 6608 4000 Fax: +91 20 2581 3208, 2581 0209 Toll Free: 1800 233 3344
Email: investors@kirloskar.com **Website:** www.koel.co.in
CIN No.: L29100PN2009PLC133351

In terms of Section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013 read with rules thereunder including amendments thereof and as per Regulation 6 and 7 of the SEBI SBEB Regulations the resolution set out at Item no. 7 of the Notice requires approval of the members of the Company by passing special resolution.

ITEM NO. 8 OF THE NOTICE

Kirloskar Oil Engines Limited (KOEL or the Company) had obtained the approval of shareholders on 30th January 2018 for amendment to Main Object Clause of Memorandum of Association to include Financial Service business.

Pursuant to the approval of the Board of Directors of KOEL dated 19th January 2018, a wholly owned subsidiary company viz. Arka Fincap Limited (earlier known as Kirloskar Capital Limited) was incorporated on 20th April 2018 to carry on the Financial Services business.

Arka Fincap Limited received registration certificate dated 29th October 2018 from the Reserve Bank of India for commencing the business of non-deposit accepting non-banking financial company. Arka Fincap Limited commenced the financial services business from 25th April 2019.

Arka Fincap Limited is a material subsidiary of KOEL pursuant to Regulation 16(1)(c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 based on audited consolidated annual accounts of KOEL as on 31st March 2021.

The Board of Directors of the Company in its meeting held on 13th May 2021 based on recommendation of the Audit Committee, considered the incorporation of a wholly owned subsidiary company to be registered as Core Investment Company (CIC) as per RBI Regulations, in order to expand its financial service business activities. The CIC will facilitate diversification of financial business in separate verticals such as Housing Finance, Vehicle Finance, Alternative Investment Funds (AIFs), Infrastructure Debt Finance and other financial services businesses which shall be housed in separate legal entities. This will be facilitated through one or more subsidiary companies of CIC which approach will help in effective monitoring, efficient use of capital and meeting regulatory compliances for financial services. Currently, the Board of Directors has decided to keep the total investment in AFL and/or CIC, directly or indirectly, at Rs. 1000 Crores including the investment made in AFL so far.

The Board of Directors based on recommendation of the Audit Committee, has further recommended to the members of the Company to transfer all equity shares (including existing and proposed investment if any) having face value of Rs. 10/- each held by the Company in Arka Fincap Limited to the proposed afore-mentioned wholly owned subsidiary company of the Company with the name as may be approved by the Ministry of Corporate Affairs, New Delhi, India, and thereafter registered as “Core Investment Company” [‘CIC’] under the applicable regulations), in one or more tranches as the Board may decide and at a price which shall not be 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 fair market value of equity shares shall be calculated as per provisions of Income Tax Act, 1961 including rules thereunder and amendment thereto.

Regulation 24(5) of SEBI (LODR) Regulations, 2015 (“Listing Regulations”) provides that a listed entity shall not dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) equal to or less than 50% (fifty percent) or cease the exercise of control over the subsidiary without passing a special resolution in its general meeting, except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under Section 31 of the Insolvency and Bankruptcy Code.

Material subsidiary for the purpose of Regulation 24 of the Listing Regulations shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Considering the fact that AFL is a material subsidiary of the Company, the proposed transaction will require shareholders' approval by way of special resolution in terms of Regulation 24 of the Listing Regulations.

As per the provisions of Sections 180(1)(a) and 110 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, the resolution set out in the Notice for disposal of undertaking requires approval of the members of the Company by passing special resolution through Postal Ballot.

Pursuant to the General Circular No. 14/2020 dated 8th April 2020, General Circular No. 17/2020 dated 13th April 2020 and General Circular No. 20/2020 dated 5th May 2020, issued by Ministry of Corporate Affairs the approval of members of the Company is sought in view of the uncertainty of the timeframe for which the pandemic would last, by passing special resolution in the forthcoming Annual General Meeting (instead of Postal Ballot) sought in the resolution set out in Item No. 8 of this Notice.

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

By Order of the Board of Directors

Sd/-

Place: Pune

Date: 13th May 2021

Smita Raichurkar

Company Secretary

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Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

ANNUAL REPORT 2020 - 2021

Stand Together, Grow Together

With Great Change Comes Great Resilience

The importance of togetherness in the workplace is demonstrated by feelings of unity, collaboration and motivation. Each of us is different in nature, strength and personal inspirations. But our effective team works as a collective by utilising the various skills and talents of each of our team members to support and achieve a common goal.

It is not only about how we perform during the good times, but the strength, courage and professionalism we display through the most difficult times. Yes! Teamwork, flexibility & resilience are the core virtues which can turn setbacks into opportunities.

Today, resilience holds more significance than ever. With continuing uncertainty in the external environment, there are challenges every day for business leaders and managers to contend with. We cannot always control these circumstances, but we can control our actions. With each problem that comes our way, we look for solutions that enable us to seek an advantage, rather than just attempting to eliminate the problem.

Navigating a storm with resilience and determination gives us the knowledge and strength to tame it. In our new and rapidly changing normal, transition has been tough but we have emerged stronger than before. It is because of this collective collaboration, hard work and sacrifice of our teams that we have been able to transcend all barriers and dispel all doubts. All our people rose to the occasion and showed immense perseverance and strength to deal with the disruptions.

Transformation is the key to growth and our people have embraced it not only to deliver, but set the bar higher while innovating and growing from strength to strength. The undying spirit, dedication, determination and teamwork helped us deliver a stronger result.

Kirloskar has been synonymous with setting industry standards. Today, we are ready to embrace the endless possibilities the future holds.

As part of our transformation, we are becoming more agile and adaptable to create solutions through innovation, business processes and market competitiveness. We are integrating new technologies such as digitisation, Industry 4.0, 3D printing and artificial intelligence, and are considering several new businesses. We are shifting gears from the manufacturing space to offering solutions around it.

As we enter this era, we are ready to work with the renewed spirit of our people by imparting new skills and offering more opportunities and processes that will help them and us unleash our full potential. Together with them, we will build socially responsible, sustainable and profitable businesses.

BOARD OF DIRECTORS

Atul C. Kirloskar	Executive Chairman
Sanjeev Nimkar	Managing Director (w.e.f. 29th April 2020)
Nihal G. Kulkarni	Non-Executive Non-Independent Director (w.e.f. 29th April 2020)
Rahul C. Kirloskar	
M. Lakshminarayan	
Mahesh R. Chhabria	
Gauri Kirloskar	
Pradeep R. Rathi	
Vinesh Kumar Jairath	
Satish Jamdar	
Sunil Shah Singh	
Mrunalini Deshmukh	
Kandathil Mathew Abraham	
Dr. Shalini Sarin	

CHIEF FINANCIAL OFFICER
Pawan Kumar Agarwal

COMPANY SECRETARY
Smita Raichurkar

AUDITORS
P G Bhagwat LLP, Chartered Accountants

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

REGISTRAR & SHARE TRANSFER AGENT
Link Intime India Private Limited
Block No. 202, 2nd Floor, 'Akshay' Complex, Near Ganesh Temple,
Off Dhole Patil Road, Pune- 411 001
Ph. No. 020 - 26161629 / 26160084

REGISTERED OFFICE
Laxmanrao Kirloskar Road, Khadki, Pune - 411 003, Maharashtra.
Ph. No. 020 - 25810341
www.koel.co.in

LOCATION OF FACTORIES
Pune, Bhare, Nasik and Kagal

CIN: L29100PN2009PLC133351

Information for shareholders

Annual General Meeting

Date	: Thursday, 12th August 2021
Time	: 11.30 A.M. (IST)
Dates of Book Closure	: 6th August 2021 to 12th August 2021 (both days inclusive)
Venue	: Through Video Conferencing (VC) / Other Audio Visual Means (OAVM)

Contents	**Page No.**

DECADE AT A GLANCE

₹ in Crores

Sr No	Particulars	Ind AS						Indian GAAP			
		2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
1	Gross Sales	2,664	2,841	3,117	* 2,860	2,818	2,587	2,641	2,475	2,521	2,446
2	Net Sales	2,664	2,841	3,117	2,804	2,614	2,406	2,473	2,287	2,320	2,276
3	Profit Before Tax	231	225	336	222	252	205	205	243	271	281
4	Profit After Tax	170	170	225	150	174	165	143	178	199	192
5	Dividend (%)	200	200	250	250	250	250	250	250	250	200
6	Dividend per share (Rs)	4	4	5	5	5	5	5	5	5	4
7	Dividend Amount	58	58	72	72	72	72	72	72	72	58
8	Earning Per Share (Rs)	12	12	16	10	12	11	10	12	14	13
9	Book Value Per Share (Rs)	137	126	123	113	112	100	93	88	80	71
10	Share Capital	29	29	29	29	29	29	29	29	29	29
11	Reserves and Surplus	1,954	1,801	1,746	1,608	1,588	1,415	1,313	1,238	1,125	1,004
12	Shareholders' Funds	1,983	1,830	1,775	1,637	1,617	1,444	1,341	1,267	1,154	1,033
13	Loan Funds	78	15	13	17	12	7	-	-	-	169
14	Total Capital Employed	2,061	1,845	1,788	1,654	1,629	1,451	1,341	1,267	1,154	1,202
15	Net Block	446	362	399	422	440	477	514	543	591	576

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

Green Initiative - Go Paperless!!!

Dear Shareholder(s),

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

Further, due to COVID-19 pandemic, the MCA vide its General Circular No. 20/2020 dated 5th May 2020 read with the General Circular No. 02/2021 dated 13th January 2021 and the SEBI vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020 read with the Circular No. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January 2021, dispensed with the requirement of sending physical copies of Annual Report to shareholders who have not registered their email addresses with the Company or the Depository Participant or the Registrar & Share Transfer Agent of the Company.

Accordingly, in compliance with the aforesaid circulars and to support the 'Green Initiative', the Notice of the Annual General Meeting along with the Annual Report for the Financial Year 2020-21 is being sent only through electronic mode to those Members whose email addresses are registered.

To participate in this green initiative, you are requested to :

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

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

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

Further 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.

Considering this Shareholders are requested to upload the requisite form for claiming tax exemption on the URL https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html by selecting the Company Name - Kirloskar Oil Engines Limited and following the process as guided therein.

Note:

- In case of shares held in physical mode register the email addresses / Bank Account details by visiting the link https://linkintime.co.in/emailreg/email_register.html > select the Company Name - Kirloskar Oil Engines Limited and follow the registration process as guided therein.
- In case of shares held in dematerialized mode contact your Depository Participant.
- For more details visit Investors Relations Section on Company's website: www.koel.co.in

REPORT OF THE DIRECTORS

TO THE MEMBERS

OF KIRLOSKAR OIL ENGINES LIMITED

The Directors are pleased to present the 12th Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2021 of Kirloskar Oil Engines Limited (“KOEL” or the “Company”).

1. FINANCIAL RESULTS (STANDALONE)

(₹ in Crores)

Particulars	**2020-21**	**2019-20**
Total Income	**2,720.40**	**2,914.87**
Profit before exceptional items and tax	**239.77**	**208.73**
Exceptional Items	(8.37)	16.49
Profit before tax	**231.40**	**225.22**
Tax Expense (Current & Deferred Tax)	61.66	54.84
Net Profit for the Period	**169.74**	**170.38**
Other Comprehensive Income	4.57	(1.94)
Total Comprehensive Income for the year, net of tax	**174.31**	**168.44**
Profit Brought Forward	1,192.73	1,137.61
Profit Available for Appropriation	1,362.47	1,307.99
Transfer to General Reserve	-	-
Dividend and dividend distribution tax	21.69	113.32
Balance of the Profit carried forward	1,345.31	1,192.73

2. COMPANY’S FINANCIAL PERFORMANCE

Your Company posted sales of Rs. 2,663.62 Crores, a decrease of 6% as compared to the previous year's sales of Rs. 2,840.57 Crores. Profit from operations was Rs. 231.40 Crores as against Rs. 225.22 Crores in the previous year.

The Profit After Tax was Rs. 169.74 Crores as against Rs. 170.38 Crores in the previous year.

3. DIVIDEND

The Directors have declared an interim dividend of 75% (Rs. 1.50/- per share) and also recommended a final dividend of 125 % (Rs. 2.50/- per share) for the year ended 31st March 2021. (Previous Year Interim Dividend 200%, Rs. 4 per share).

Total dividend payout for the Financial Year 2020-21 was Rs. 21.69 Crores. The payment of dividend is subject to deduction of TDS at the applicable tax rate.

The Dividend Distribution Policy of the Company is annexed herewith as **Annexure A**. In terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder, the Dividend Distribution Policy of the Company is available on the Company's website (http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2020/Dividend%20 Distribution%20Policy%20-%2025%20Jan%202017.pdf)

4. ALTERATION OF MAIN OBJECT CLAUSE OF MEMORANDUM OF ASSOCIATION OF THE COMPANY

The Members of the Company at the Annual General Meeting held on 28th August 2020, had approved the alteration of the Main Object Clause of the Memorandum of Association of the Company to commence business for the products which are synergistic & natural extension of existing business portfolio, and which would help the Company pursue business growth in energy management / transformation solutions, water management solutions including agricultural farm mechanization space.

5. 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, had 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 Nomination and Remuneration Committee at its meeting held on 5th March 2021, approved the grant of 9,40,000 stock options exercisable into 9,40,000 equity shares of Rs. 2/- each of the Company to its specified employees. KOEL ESOP 2019 is in compliance with the applicable provisions of the Companies Act, 2013 and the rules issued thereunder, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("Employee Benefit Regulations") and other applicable regulations, if any.

The disclosures as required under Companies (Share Capital and Debentures) Rules, 2014, including amendments thereunder and Employee Benefit Regulations as on 31st March 2021 are as under:

Options granted during the Financial Year 2020-21	9,40,000
Options vested during the Financial Year 2020-21	Nil
Options exercised during the Financial Year 2020-21*	NA
The total number of shares arising as a result of exercise of option during the year 2020-21*	NA
Options lapsed during the year 2020-21	Nil
Exercise Price (Rs.)	103.14
Variation of terms of options during the year 2020-21	No variation
Money realized by exercise of options during the year 2020-21 (Rs.)	Nil
Total number of options in force during the year 2020-21	9,40,000
Employee wise details of options granted to :	
1. Key Managerial Personnel:	
a) Mr. Sanjeev Nimkar, Managing Director	1,34,025
b) Mr. Pawan Kumar Agarwal, Chief Financial Officer	67,012
c) Ms. Smita Raichurkar, Company Secretary	5,004

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 2020-21	
	a) Mr. Sanjeev Nimkar	1,34,025
	b) Mr. Pawan Kumar Agarwal	67,012
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 2020-21.	Nil

* Not yet vested

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

The Certificate from P G Bhagwat LLP, Chartered Accountants, Pune - (Firm Registration Number 101118W/W100682) Statutory 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 Meeting held on 9th August 2019, would be placed before the Members at the ensuing Annual General Meeting. A copy of the same will be available for inspection at the Company's website viz. www.koel.co.in.

The disclosures on the scheme, details of options granted, changes to the scheme, if any, are placed on the website of the company as required under Employee Benefit Regulations, 2014 read with SEBI Circular No. CIR/CFD/POLICY CELL/2/2015 dated 16th June, 2015 and can be accessed on the web-link (https://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2021/Employee%20Stock%20Option%20Plan_%20Disclosure%20as%20per%20SEBI%20Regulation.pdf).

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.

6. 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 2021	Ratio as on 31st March 2020	Reason for significant change (more than 25%)
i.	Debtors' Turnover	7.4	7.9	-
ii.	Inventory Turnover	9.4	10.5	-
iii.	Interest Coverage Ratio	47.2	77.4	Higher utilization of working capital credit facilities
iv.	Current Ratio	1.9	2.1	-
v.	Debt Equity Ratio	0.04	0.01	Higher utilization of working capital credit facilities
vi.	Operating Profit Margin (%)	7.9%	6.0%	Optimization of operating costs

Sr. No.	Particulars	Ratio as on 31st March 2021	Ratio as on 31st March 2020	Reason for significant change (more than 25%)
vii.	Net Profit Margin (%)	6.3%	5.9%	-

Note: The Company did not have any non-current borrowing.

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 2021	As on 31st March 2020	% of change	Reason for significant change more than 25%
1	Return on Net worth	8.6%	9.3%	(8.1)%	-

7. 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 28th August 2020, had approved the appointment of Mr. Sanjeev Nimkar (DIN 07869394), as a Director and also as the Managing Director of the Company, with effect from 29th April 2020.

ii. Mr. Mahesh R. Chhabria (DIN 00166049) retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

iii. Ms. Gauri Kirloskar (DIN 03366274) retires by rotation at the ensuing Annual General Meeting and being eligible, offers herself for re-appointment.

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

b) Changes in Key Managerial Personnel

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

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

iii) Mr. Sanjeev Nimkar (DIN 07869394), the Managing Director of the Company, was appointed as the Key Managerial Personnel of the Company, with effect from 29th April 2020.

Other than the above, there are no other changes in Key Managerial Personnel of the Company in the Financial Year 2020-21.

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 Members of the Company in the Annual General Meeting held on 28th August 2020 had approved the re-appointment of Mr. Pradeep R. Rathi as Independent Director for the second consecutive term of 5 years with effect from 7th August 2020.

Other than the above, there are no other appointment / re-appointment of Independent Directors of the Company in the Financial Year 2020-21.

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 2020-21.

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

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

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

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

The Chairman of the Board had a meeting with the Independent Directors. This meeting was intended to obtain Independent Directors' inputs on effectiveness of the Board processes.

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

f) Nomination and Remuneration Policy

The Board of Directors, on the recommendation of the Nomination & Remuneration Committee, has adopted a policy that lays guidelines for selection and appointment of Directors, Key Managerial Personnel and Senior Management personnel together with their remuneration. The Nomination and Remuneration Policy is available on the website of the Company. Web–link (http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2019/Nomination%20and%20Remuneration%20Policy.pdf)

g) Number of meetings of the Board

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

8. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, the Company has invested in the equity shares of Arka Fincap Limited (earlier known as Kirloskar Capital Limited) and cumulative redeemable preference shares of La-Gajjar Machineries Private Limited. The details are given in the Financial Statements. The Company has not granted any Loans and Guarantees covered under Section 186 of the Companies Act, 2013 & Rules thereof including amendments thereunder.

9. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered into during the Financial Year 2020-21 were on an arm's length basis and in the ordinary course of business. Hence, there are no transactions to be reported in Form AOC-2. None of the related party transactions entered into by the Company, were materially significant, warranting members' approval under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder. All related party transactions are routinely placed before the Audit Committee for approval after being duly certified by the Statutory Auditors/Independent Chartered Accountant.

The policy on related party transactions as adopted by the Board is uploaded on the Company's website.

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

10. RISK MANAGEMENT FRAMEWORK

The Company's risk management process is designed to facilitate identification, evaluation, mitigation and review of risks which may affect achievement of the 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 enterprise risks and mitigation plans thereof are reviewed by the Risk Management Committee, Audit Committee and the Board of Directors periodically.

11. INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Company has in place adequate internal financial controls with reference to the Financial Statements commensurate with the size, scale and complexity of its operations. Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report, which forms part of this Report.

12. CORPORATE SOCIAL RESPONSIBILITY

The Company has always believed in working for the betterment and upliftment of society. Corporate Social Responsibility (CSR) has been practiced and ingrained over the years in the Company. The focus areas under CSR have remained consistent over the years and include Education, Health and Hygiene, Environment, Disaster Management and Rural Development etc. The Company strongly believes in 'Enriching Lives' of the people in the communities in which it operates.

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

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

13. VIGIL MECHANISM / WHISTLE BLOWER POLICY

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

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

The Policy is uploaded on the Company's website. Web-link (http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2019/Whistle%20Blower%20-%20Vigil%20Mechanism.pdf)

14. 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 2019-20 is available on the web-link (https://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2021/Annual%20Return_2019-20_KOEL.pdf) and the Annual Return for Financial Year 2020-21 will be made available on the website of the Company once it is filed with the MCA.

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

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

16. 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 D** 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.

17. POLICY ON PREVENTION OF SEXUAL HARRASSMENT

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 Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the year under review, the Company continued with awareness module for this policy in its employee induction program.

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

18. GENERAL

During Financial Year 2020-21:

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

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

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

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

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

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

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

19. SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

As on 31st March 2021, the Company had the following three subsidiaries:

a) KOEL Americas Corp., USA (“KOEL Americas”)

For the fiscal ended 31st March 2021, the Sales Revenue was $ 38,26,059 (Rs. 28.24 Crores) [Previous Year $27,04,328]. The Profit after Tax was $ 98,769 (Rs. 0.54 Crores) [Previous Year $101,756].

The revenue from business in the Financial Year 2020-21 has grown by 49% to US$ 3,812,010 as compared to US$ 2,549,443 in the Financial Year 2019-20. Impact of COVID-19 pandemic on revenues was severe in the Quarter 1 of Financial Year 2020-21 but the later quarter sales had a boost, especially in the Agriculture segment.

All the 4 intended engine models certified by Environment Protection Agency (EPA) were commercially available in the Financial Year 2020-21.

The revenues from Agricultural segment grew by 110% as compared to previous fiscal to $ 2,169,901, which covers sales in the Central American region. This is result of increase in demand for agricultural products.

The revenues of industrial segment also grew by 2.5 times as compared to previous year to $ 879,357, which includes sale of FM/UL certified fire pump engines to OEMs in USA and Latin America.

The revenues from Power Generation segment decreased by 50% as compared to previous year to $ 615,338. It is result of lower demand and also due to lock-down condition on account of COVID-19 pandemic as there was a delay for developing new generator sets by OEMs. Severe market conditions due to emergence of the COVID-19 pandemic have affected the revenues from countries like Peru, Venezuela, Argentina, Colombia, and Caribbean islands.

KOEL Americas continues to stock generator sets and engines in Miami, Florida for ready stock availability for Latin American as well as the United States of Americas distributors.

During the year under review, KOEL Americas has provided online sales training to their distributors and online service training to the technical team. The Company is also using social media campaigns to stay in touch with the market as well as for brand promotion.

KOEL Americas is in the process of developing common rail diesel injection engines to address the construction, agriculture and industrial segments in North American region. The Company also expects to make natural gas engines commercially viable in the later part of Financial Year 2021-22 and the efforts towards exploring the market for this is progressing well. This is likely to boost the Company's growth prospectus in the long term.

The United States of America government has launched a financial assistance program for small businesses affected by COVID-19 pandemic called "Corona Virus Relief Option". Under this relief package a program called "Paycheck Protection Program" (PPP), has been announced. The Company had applied for this relief package in the first and second draws.

b) La-Gajjar Machineries Private Limited ("LGM")

The Financial Year 2020-21 saw the COVID-19 outbreak challenge that disrupted lives as well as businesses worldwide. The rapid transmission of the virus across the world has meant families, communities and businesses must adapt to new ways of living and working. Given the need to manage the business dynamically in the wake of the far-reaching effects of the COVID-19 pandemic, the Company took the prudent decision early in the year to focus on growth and the delivery of underlying operating profit.

For the fiscal year ended 31st March 2021, the Sales Revenue was Rs. 519.83 Crores (PY Rs. 467.09 Crores). Net Profit after tax was Rs. 19.53 Crores (PY Rs. 16.21 Crores).

LGM continued to expand its network both in domestic and international markets and geographies. 'Varuna' brand continued to expand its footprint in new potential countries like Somalia, Romania & Bulgaria. LGM is also planning to expand its distribution network in South East Asian countries.

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

In the Financial Year 2019-20, the Board of Directors of LGM had approved the long-term strategy of consolidation of all the manufacturing facilities of LGM in and around Ahmedabad, Gujarat. In the Financial Year 2020-21, LGM has identified land for this purpose and is in the process of completing the legal formalities for acquisition of land for this purpose. The said project will be funded through a combination of long term bank borrowings and internal accruals.

During the Financial Year 2020-21, LGM has incorporated a Wholly Owned Subsidiary namely Optiqua Pipes and Electricals Private Limited based in Ahmedabad, on 19th February 2021, with a view to backward integrating and also developing its "allied products" business vertical.

The business of pipes, cables & wires of M/s. Optiflex Industries, a Partnership Firm, based in Ahmedabad, has been transferred (on a slump sale basis as a going concern) to Optiqua Pipes and Electricals Private Limited on 16th April 2021.

c) Arka Fincap Limited (formerly known as Kirloskar Capital Limited – "AFL")

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

For the fiscal year ended 31st March 2021, the revenue was Rs. 101.88 Crores (Previous Period 20th April 2019 to 31st March 2020 Rs. 48.44 Crores) and Net Profit after tax was Rs. 16.88 Crores (Previous Period 20th April 2019 to 31st March 2020 Loss Rs. 6.10 Crores)

During the year under review, the Company invested Rs. 124.82 Crores towards Rights Issue of AFL, increasing the Equity Share Capital to Rs. 651.32 Crores including securities premium.

AFL started its lending business with a focus on three different segments namely Corporate, Real Estate and SME/MSME Lending. During the year, AFL did gross disbursements of more than Rs. 1,500 Crores across various industries including Industrial Pipes, Transportation, Cement, Power, Pharmaceutical, Warehousing, Logistics, Construction etc. and also started venturing into SME/MSME/ Retail segment. With this, all three business segments have started generating assets for AFL and contribute to the long-term growth of AFL.

As on 31st March 2021, AFL has Assets Under Management (AUM) of Rs. 1,124 Crores. (As on 31st March 2020 was Rs. 447.54 Crores). There have been no overdues in the portfolio of AFL.

On the Liability side, AFL has established relationships with 16 institutional lenders and raised more than Rs. 750 Crores. As on 31st March 2021, outstanding borrowing was Rs. 665.64 Crores. The liquidity position of AFL is comfortable. As on 31st March 2021, AFL has cash or equivalent assets of Rs. 226.08 Crores which includes fixed deposits with banks, investment in liquid schemes of various MFs and balances lying in current accounts.

AFL continues to have credit rating of AA [-] for its long-term borrowings and A1[+] for its short-term borrowings by CRISIL Limited. During the year, Infomerics Valuation and Rating Private Limited also assigned rating of AA[-] for one of its Non Convertible Debentures (NCD) issuance.

AFL considers technology as one of the major drivers of growth, sustenance, and subsequently to improve operational excellence. Effective collaboration and no disruptions to the systems and operations ensured no loss of productivity and helped the Company to achieve business goals.

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

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

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

20. AUDITORS

a) Statutory Auditors

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

The Board of Directors, based on recommendation of the Audit Committee considered and recommended for approval by the Members of the Company at its forthcoming Annual General Meeting, the appointment of G. D. Apte, Chartered Accountants, Pune, (Firm Registration Number 100515W) as Statutory Auditors of the Company for a first term of 5 consecutive years to hold office from Annual General Meeting to be held in the year 2021 till the conclusion of the Annual General Meeting to be held in the year 2026.

The Company has received from the proposed new auditors 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 2020-21 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 2021-22 as required under section 148 of the Companies Act, 2013 & Rules thereof including amendments thereunder.

c) Secretarial Audit Report

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

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

There are no adverse remarks / qualifications of Secretarial Auditors in the Secretarial Audit Report for the year ended 31st March 2021.

Mr. Mahesh J. Risbud, Practising Company Secretary, Pune, has submitted the Secretarial Compliance Report as laid down in SEBI Circular CIR/CFD/CMD1/27/2019 dated 8th February 2019, and has also confirmed that the Company has complied with all the applicable SEBI Regulations and circulars / guidelines issued thereunder, for the Financial Year 2020-21.

d) Secretarial Audit of Material Unlisted Subsidiary

La-Gajjar Machineries Private Limited (LGM), is a material unlisted subsidiary of the Company. The Secretarial Audit of LGM for the Financial Year 2020-21 was carried out pursuant to Section 204 of the Companies Act, 2013 & Rules thereof including amendments thereunder read with Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder. The Secretarial Audit Report of LGM has been submitted by Mr. Mahesh J. Risbud, Practicing Company Secretary for the Financial Year 2020-21.

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

There are no adverse remarks / qualifications in the Secretarial Audit Report of LGM for the the Financial Year 2020-21.

21. MANAGEMENT DISCUSSION & ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

The Management Discussion & 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 REPORT

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

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 judgements 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 2021 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 Board of Directors, I would like to pay tribute to the following groups of people whose support has helped us, in one way or other, in navigating through the difficult year.

I am thankful for the government's approach and measures taken to contain the spread of COVID-19 in the country. This has enabled the Country to have a good control on the pandemic and the gradual resumption of social and business activities from June 2020, clearing a path for the economy to emerge from a slow-down. The various ministries' advisories, guidance and directives, for example on infection control and safe management, have also been important resources to us in implementing health and safety protocols to operate safely and prevent infections at our plants, warehouses and other premises in Financial Year 2020-21.

I am thankful to our customers for returning and trusting us following the reopening of the economy in June 2020. Our top priority of providing quality products and services to all our customers remains unchanged in these difficult times.

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

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

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

For and on behalf of the Board of Directors

Sd/-

ATUL C. KIRLOSKAR
EXECUTIVE CHAIRMAN
DIN: 00007387

Date: 13th May 2021

Place: Pune

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

1. PREAMBLE

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

2. OBJECTIVE

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

3. EFFECTIVE DATE

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

4. DEFINITIONS

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

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

c) 'Company' means KIRLOSKAR OIL ENGINES LIMITED.

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

5. PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND

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

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

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

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

A. FINANCIAL PARAMETERS

i. The operating and financial performance of the Company

ii. Earnings Per Share (EPS)

iii. Operating cash flow of the Company

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

B. INTERNAL FACTORS

i. Proposals for major capital expenditures

ii. Proposals for inorganic growth

iii. Contingent Liabilities, under exceptional circumstances

iv. Past Dividend trends

v. Providing for unforeseen events and contingencies with financial implications

C. EXTERNAL FACTORS

i. Economic environment

ii. Government Policies

iii. Taxation

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

6. UTILISATION OF RETAINED EARNINGS

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

7. TARGET DIVIDEND PAYOUT RATIO

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

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

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

i. Proposed expansion plans requiring higher capital allocation

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

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

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

v. In the event of loss or inadequacy of profit

9. DISCLOSURES

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

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

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

10. AMENDMENT

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

For Kirloskar Oil Engines Limited

Sd/-

Atul C. Kirloskar

Executive Chairman

DIN: 00007387

Date: 25th January 2017

ANNEXURE 'B' TO THE DIRECTORS' REPORT

Annual Report on Corporate Social Responsibility (CSR) activities for Financial Year 2020-21

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

1. **Brief outline on CSR Policy of the Company:**

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

2. **Composition of CSR Committee:**

Sl. No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Rahul C. Kirloskar, Non-Executive Director	Chairman	2	2
2	Mr. Nihal G. Kulkarni, Non-Executive Director	Member	2	2
3	Mr. Pradeep R. Rathi, Independent Director	Member	2	2

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

   - **For Composition of CSR Committee** - Web-link (http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2020/Composition-of-Board-Committees-April2020.pdf)
   - **For CSR Policy** - Web-link (http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2021/KOEL_Corporate%20Social%20Responsibility%20Policy.pdf)
   - **CSR projects approved by the board** - Web-link (https://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2021/CSR%20Projects%20FY%202020-21.pdf)

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

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

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

6. **Average net profit of the company as per section 135(5):** Rs. 258 Crores

7. a. **Two percent of average net profit of the company as per section 135(5):** Rs. 5.16 Crores

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

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

   d. **Total CSR obligation for the financial year (7a+7b- 7c).:** Rs. 5.16 Crores

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

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount.	Date of transfer
5,16,00,886	NA	NA	NA	NA	NA

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

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

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

(1)	**(2)**	**(3)**	**(4)**	**(5)**		**(6)**	**(7)**	**(8)**	
Sl. No.	**Name of the Project**	**Item from the list of activities in schedule VII to the Act.**	**Local area (Yes/ No)**	**Location of the project.**		**Amount spent for the project (in Rs. In Crores)**	**Mode of implementation - Direct (Yes/ No)**	**Mode of implementation - Through implementing agency**	
				State	**District**			**Name**	**CSR registration number***
1.	Financial Assistance for Education	Clause (ii) of schedule VII Promoting education	Yes	Maharashtra	Pune	**5.01**	**No**	Kirloskar Institute of Advance Management and Studies	**NA**
2.	Promotion of Rural & Nationally recognized Sports	Clause (vii) of schedule VII - Training to promote rural sports, nationally recognized sports	Yes	Maharashtra	Kagal, Kolhapur	**0.02**	**No**	Dr. V. T. Patil Foundation and Sham Swayamsevi Sanstha	**NA**

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	**Name of the Project**	**Item from the list of activities in schedule VII to the Act.**	**Local area (Yes/ No)**	**Location of the project.**		**Amount spent for the project (in Rs. In Crores)**	**Mode of implementation - Direct (Yes/ No)**	**Mode of implementation - Through implementing agency**	
				State	**District**			**Name**	**CSR registration number***
3.	Health Check up Camp	Clause (i) of schedule VII promoting health care	Yes Yes	Maharashtra Maharashtra	Kagal, Kolhapur Nasik	**0.005** **0.005**	**No** **No**	Dr. V. T. Patil Foundation Shri Guruji Rugnalaya	**NA**
4.	Community Mental health Program (New Initiative)	Clause (i) of schedule VII promoting health care	Yes	Maharashtra	Kagal, Kolhapur	**0.008**	**No**	Manspandan Foundation	**NA**
5.	TB Awareness & Control program (New Initiative)	Clause (i) of schedule VII promoting health care	Yes	Maharashtra	Kagal, Kolhapur	**0.025**	**No**	Network of Maharashtra by People living with HIV/AIDS	**NA**
6.	New Initiative - Community Development Project - Urban	Clause (i) of schedule VII promoting health care and Clause (ii) livelihood enhancement projects	Yes	Maharashtra	Kagal, Kolhapur	**0.003**	**No**	Dr. V. T. Patil Foundation	**NA**
7.	Distribution of PPE kits and Mask to Government Hospital	Clause (i) of schedule VII promoting health care	Yes	Maharashtra	Kagal, Kolhapur	**0.03**	**Yes**	NA	**NA**
8.	Innovation in Waste management with Automation with PI Jam foundation	Clause (ii) of schedule VII - promoting education, including special education and employment enhancing vocation skills especially among children	Yes	Maharashtra	Pune	**0.015**	**No**	PI Jam Foundation	**NA**
9.	Community Development Project (Rural)	Clause (x) of schedule VII - Rural development projects	Yes Yes	Maharashtra Maharashtra	Kagal, Kolhapur Pune	**0.003** **0.025**	**No** **No**	Dr. V. T. Patil Foundation Work for Equality	**NA**

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/ No)	Location of the project.		Amount spent for the project (in Rs. In Crores)	Mode of implementation - Direct (Yes/ No)	Mode of implementation - Through implementing agency	
				State	District			Name	CSR registration number*
10.	Women empowerment (Sustainable livelihood initiative)	Clause (ii) of schedule VII - Employment enhancing vocation skills especially among women and livelihood enhancement projects	Yes	Maharashtra	Kagal, Kolhapur	**0.005**	**No**	Dr. V. T. Patil Foundation	**NA**
			Yes	Maharashtra	Nasik	**0.005**	**No**	Sahyadri Bahuddeshiya Mahila Sanstha	
	TOTAL					**5.16**			

*Applicable with effect from 1st April 2021

(d) Amount spent in Administrative Overheads: NIL

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

i. Total amount spent for the Financial Year (8b+8c+8d+8e): Rs. 5.16 Crores

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

Sl. No.	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135(5)	5,16,00,000
(ii)	Total amount spent for the Financial Year	5,16,00,886
(iii)	Excess amount spent for the financial year [(ii)-(i)]	886
(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)]	886

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

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

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allo-cated for the project (in Rs.).	Amount spent on the project in the report-ing Fi-nancial Year (in Rs).	Cumu-lative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project- Com-pleted /Ongo-ing.
1.								
	TOTAL							

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

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

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

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

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

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

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

Sd/-
Sanjeev Nimkar
Managing Director
DIN: 07869394

ANNEXURE 'C' TO THE DIRECTORS' REPORT

A. Conservation of Energy

KOEL has already begun a remarkable journey towards environmental conservation. KOEL has been a frontrunner in energy conservation, both in its processes and products.

The Company has formulated a policy on Energy Conservation.

Optimization of energy usage in the manufacturing facilities and employing low carbon solutions for the various products and operations is the primary focus. KOEL is committed to optimizing the use of energy in operations as also to bring about continuous improvement in processes and products through the use of energy efficiency interventions and renewable energy technologies.

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

Consecutive for the 2nd year, the Kagal Plant of the Company is the winner for "Golden Peacock Award" for energy efficiency by Indian institute of Directors.

I. The steps taken for energy conservation and its impact

Main Kagal Plant

- Installation of additional capacity of 2.68MWp for Solar Power plant to maximize use of renewable energy
- Installation of Solar Light Pipes to avoid usage of conventional lighting during day time
- Installation of High Volume Low Speed Fans at machine shop for energy saving
- Installation of inverter based energy efficient air conditioning system for office
- Carried out external energy audit to assess processes for conservations of energy

Khadki, Pune Plant

- Energy Efficient LED lights installed
- Installation of occupancy sensors in toilets
- Carried out external energy audit to assess processes for conservations of energy

KMW Kagal Plant

- Installed Energy Efficient LED lights
- Various initiatives undertaken to reduce diesel consumption for testing process

Nasik Plant

- Installed Energy Efficient LED lights
- Use of energy efficient motors in place of conventional motors for manufacturing

Bhare Plant

- Installation of Energy Efficient LED lights
- Adopted various measures to reduce leakage of compressed air at manufacturing processes.

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

During the year under review, 51% of total electricity energy consumption at Kagal plant, with an approximate savings of Rs. 4.72 Crores, was through units generated from Solar Captive Power Plant installed and Third Party Windmill Units purchased from independent Windmill generators under open access policy.

4% of total electricity energy consumption at Khadki, Pune plant, with an approximate savings of Rs. 0.21 Lacs was through units generated from Solar Plant installed in this year and Third Party Windmill Units purchased from independent Windmill generators under open access policy.

III. The capital investment on energy conservation equipment

The Company made a capital investment of Rs. 12.35 Crores on energy conservation equipment.

B. Technology absorption

i. Efforts made towards technology absorption

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

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

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

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

iv. The expenditure incurred on Research and Development

(Rs. In Crores)

Sr. No.	Particulars	2020-21	2019-20
1	Revenue Expenditure	60.57	73.69
2	Capital Expenditure	68.53	5.49
3	Total R & D expenditure	129.10	79.18
4	Total R&D expenditure as % to sales	4.8%	2.8%

C. Foreign exchange earnings and outgoes

Total foreign exchange used and earned

(Rs. In Crores)

Total Foreign Exchange used & earned	2020-21	2019-20
Used	86.59	113.88
Earned	242.35	239.95

ANNEXURE 'D' 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 'D-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 'D-2'
3	The percentage increase in the median remuneration of employees in the Financial Year	1.02%
4	The number of permanent employees on the rolls of company	2,122
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: 6.64 percentile Average percentile increase in salaries of non-managerial personnel: 5.17 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 "D-1"

Sr. No.	Name of the Director	Ratio of remuneration of each director to the median remuneration of the employees of the Company
1	Mr. Atul C. Kirloskar	103.03
2	Mr. Nihal G. Kulkarni	7.03
3	Mr. Rajendra R. Deshpande (upto 28th April 2020)	7.69
4	Mr. Sanjeev Nimkar (w.e.f. 29th April 2020)	131.79
5	Mr. Rahul C. Kirloskar	1.70
6	Mr. M. Lakshminarayan	8.24
7	Mr. Mahesh R. Chhabria	21.08
8	Ms. Gauri Kirloskar	7.66
9	Mr. Pradeep R. Rathi	2.88
10	Mr. Vinesh Kumar Jairath	9.15
11	Mr. Satish Jamdar	3.39
12	Mr. Sunil Shah Singh	1.09
13	Mrs. Mrunalini Deshmukh	1.09
14	Dr. Shalini Sarin	1.51
15	Mr. K. M. Abraham	2.60

Note:

Median is computed on the basis of permanent employees on the rolls of the Company for the full Financial Year 2020-21.

ANNEXURE TO BOARD REPORT- Annexure "D-2"

Sr. No.	Name of the Director/KMP	Designation	% Increase/(decrease) in the Remuneration
1	Mr. Atul C. Kirloskar	Director & KMP	15.63
2	Mr. Nihal G. Kulkarni (w.e.f. 29th April 2020 continues as Non-Executive Director and MD & KMP upto 28th April 2020)	Director	(88.45)
3	Mr. Sanjeev Nimkar (w.e.f. 29th April 2020)	Director & KMP	211.17
4	Mr. Rajendra R. Deshpande (upto 28th April 2020)	Director & KMP	(94.37)
5	Mr. Rahul C. Kirloskar	Director	(26.32)
6	Mr. M. Lakshminarayan	Director	0.74
7	Mr. Mahesh R. Chhabria	Director	(7.20)
8	Ms. Gauri Kirloskar	Director	(0.39)
9	Mr. Pradeep R. Rathi	Director	(43.45)
10	Mr. Vinesh Kumar Jairath	Director	7.86
11	Mr. Satish Jamdar	Director	(37.78)
12	Mr. Sunil Shah Singh	Director	12.50
13	Mrs. Mrunalini Deshmukh	Director	(10.00)
14	Mr. K. M. Abraham	Director	79.17
15	Dr. Shalini Sarin	Director	212.50
16	Mr. Pawan Kumar Agarwal *	CFO & KMP	-
17	Ms. Smita A. Raichurkar	CS & KMP	(5.80)

Note:

* CFO has joined during Financial Year 2019-20 as such the increase in remuneration is not computed.

ANNEXURE 'E-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, 2021

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 2021 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 2021 according to the provisions of:

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

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

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

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

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

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

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

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

   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

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

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

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

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

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

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

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

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

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

I further report that,

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

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance (except for Board Meeting held on 29th March 2021 with shorter notice) and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

I further report that, during the audit period the Board has approved to make further investment to the extent of Rs. 125 Cr. in the capital of Arka Fincap Limited a wholly owned subsidiary of the Company.

AND

With the approval of the members at the Annual General Meeting held on 28th August, 2020, the Company has altered its Memorandum of Association to include the objects and to commence business for the products which are synergistic & natural extension of existing business portfolio, which would help the Company pursue business growth in energy management / transformation solutions, water management solutions including agricultural farm mechanization space.

The aforesaid decisions might have impact on the affairs of the Company.

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

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

Date: 13th May 2021

Place: Pune

PR – 1089/2021

UDIN - F000810C000267208

To,
The Members
Kirloskar Oil Engines Limited
Pune

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

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

*Note: In view COVID 19 impacted position this report has been given on the basis of records and documents received from the Company or its Agents from time to time through electronic means.

Place: Pune
Date: 13th May 2021

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

ANNEXURE 'E-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]

SECRETARIAL AUDIT REPORT

FOR THE PERIOD ENDED ON 31ST MARCH, 2021

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 MACHINERIS PRIVATE LIMITED, (CIN U17110GJ1981PTC004263), a material subsidiary of a listed public limited company (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed, reports and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the year ended on 31st March 2021, 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 2021, 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;

(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 was 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 Extra Ordinary General Meeting held on 3rd March 2021, Finance Cum Allotment Committee Meeting held on 23rd March 2021, Audit Committee Meeting held on 26th March 2021 and Board Meeting held on 26th March 2021) which were held at a shorter notice and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All the decisions 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. Additionally, company is carrying out the Audit of the compliances through external consulting agency.

I further report that:

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

AND

B. During the financial year 2020-21, the Company has incorporated a Wholly Owned Subsidiary namely Optiqua Pipes and Electricals Private Limited with a view to having backward integration and also developing its "allied products" business vertical.

The above decisions 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.

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

Date: 30th April 2021

Place: Pune

PR – 1089/2021

UDIN: F000810C000199415

To,
The Members
LA-GAJJAR MACHINERIS PRIVATE LIMITED
Ahmedabad

My secretarial audit report for Financial Year 2020-21 of even date is to be read along with this annexure:

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

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

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

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

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

6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Pune
Date: 30th April 2021

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

MANAGEMENT DISCUSSION & ANALYSIS

ECONOMY AND MARKETS

The world as we knew it was thrown into bedlam in the year 2020 because of the spread of the novel COVID-19 virus, threatening all that was taken for granted– mobility, safety, and a normal life itself. This, in turn, posed the most formidable economic challenge to India and to the world in a century. The inherent trade-off due to the restrictions in economic activities from the lockdown required to contain the pandemic, led to the policy dilemma of “lives versus livelihoods”.

Governments and central banks across the world deployed a range of policy tools to support their economies such as lowering key policy rates, quantitative easing measures, loan guarantees, cash transfers and fiscal stimulus measures. India recognized the disruptive impact of the pandemic and charted its own unique path amidst dismal projections by several international institutions of the spread in the country given its huge population, high population density and an overburdened health infrastructure.

Sector-wise, agriculture has remained the silver lining while contact-based services, manufacturing, construction were hit hardest, and have been recovering steadily. Government consumption and net exports have cushioned the growth from diving further down.

The V-shaped economic recovery is supported by the initiation of a mega vaccination drive with hopes of a robust recovery in the services sector. Together, prospects for robust growth in consumption and investment have been rekindled with the estimated real GDP growth for Financial Year 2021-22 at double-digit.

This report will provide insights and an update on the Company performance through the Financial Year 2020-21 with a brief outlook for the Financial Year 2021-22.

INDUSTRY AND COMPANY OVERVIEW

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

After the outbreak of COVID-19 pandemic situation, the Company has moved swiftly to implement business continuity plans to mitigate its impact on our businesses and to ensure the health and safety of our workers and their families. Adopting guidelines provided by the Indian Government and the World Health Organisation (WHO), our management teams developed policies, protocols and procedures to ensure that our operations could continue safely and securely. With the decisive pandemic measures implemented by the Company and the co-operation and the common spirit manifested by the management and employees working together as one family has enabled us to navigate the pandemic with minimal disruptions to operations.

The COVID-19 pandemic disrupted the world order during Financial Year 2021 causing large-scale humanitarian, social and economic impact across nations. Your Company stayed resilient and relevant through it all. We moved to ‘work from home’ proactively and enhanced employee support, safety and information security measures. The Company’s digital and connected products and channel strategies implemented in the last 5 years came very handy. Almost on the next day of lockdown announcement, the organization was fully prepared to work remotely except factories. Investments in technology, strong risk management and business continuity discipline cultured over the years ensured we remained fully operational, serving and meeting the needs of our stakeholders. Even in this time of significantly increased global uncertainty, KOEL’s business model has demonstrated its resilience.

The Financial Year 2020-21 has been a tumultuous year in many respects. The financial results of the Company reflected the impact of the COVID-19 pandemic which surfaced in early 2020. Business conditions will continue to be challenging amid the ongoing uncertainties associated with the COVID-19 pandemic. The COVID-19 pandemic and resultant lockdown had led to an unprecedented disruption in demand and supply and general business activity in the Financial Year 2020-21.

KOEL retained focus around people and communication throughout this journey. The Company established strong upwards and downwards links of weekly communication covering all employees. This retained positive team sentiments irrespective of daily operational challenges.

KOEL will strive to create value for its stakeholders by being agile and prudent in its approach and strategy, improve cost efficiency, and will continue to set itself apart by providing cost-effective, quality care and outstanding service to its customers. Our long-standing reputation as a respected and trusted provider of quality products and services at competitive prices will continue to benefit us as the situation gradually improves.

A. PRIME POWER SOLUTIONS

I. POWER GENERATION

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

In the Financial Year 2020-21, the overall genset industry witnessed a slowdown owing to the ongoing pandemic. Liquidity crunch, lower industrial growth, hospitality sector majorly affected due to travel restrictions, decline in Telecom majorly in the first half of Financial Year impacted industries' growth. The market revival observed from Q4, has set a momentum and industry is expected to have growth in Financial Year 2021-22 over Financial Year 2020-21 assuming subsequent waves of the virus are contained.

Business Overview

The Company's revenue in Financial Year 2020-21 from Power Generation Business stood at Rs. 883 Crores as compared to Rs. 1,148 Crores in Financial Year 2019-20. The overall Genset retail market (excluding Telecom) witnessed 25% decline, while telecom segment shrunk by 50%.

Even with unfavorable economic circumstances your Company withheld its dominant market share position in the Low and Medium kVA segments with iGreen and gained 3% market share in the Ultra High Horse Power kVA segment.

Major gains in HHP segment due to gain in mind share with key influencers and execution of Turnkey solutions through channel partners

Digital connect sessions conducted by your Company with key influencers during the lockdown period has delivered mind share gain with key influencers and growth in ultra-high horse power segment in Financial year 2020-21. The sessions were tailor made in line with customer's area of interest, giving major focus to design optimization and improving solution efficiency. The drive towards providing turnkey solutions continued in this financial year by providing innovative solutions in the space of changeover, power distribution and exhaust management through our channel partners for major health care projects, Mobility segment, institutions and realtors.

Telecom business

The telecom business witnessed a major decline due to a massive drop by almost 50% in demand. However, 5G expansion may reopen the window in this segment.

Future outlook

With the introduction of iGreen range value package and HHP solutions foray the power generation business is poised to grow profitably.

In addition to this, the new emission norms for power generating sets are likely to be implemented in the next Financial Year 2022-23 and your Company is fully geared up for this transition and will fully support Government of India's drive for the green cause.

II. INDUSTRIAL ENGINES BUSINESS

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

In the Industrial business, your Company was able to strengthen its market presence across operating segments by providing the right 'Fit for Market' product with assured deliveries at competitive price, backed by strong after sale support network of KOEL CARE across India.

KOEL is a leading independent engine manufacturer in India and is a preferred choice of all the Construction Equipment OEMs in India – both domestic as well as global players.

Business Overview

In Q1 of Financial Year 2020-21, due to impact of COVID, market demand slowed down initially, however it picked up from Q2. In 2nd half of the Financial Year 2020-21, it further increased because of BS III emission certified pre-buy stock build up by OEMs. There was all time high demand for Off Highway machines. Tractor market also peaked to all time high volumes in this financial year due to the buoyant rural economy.

The Company's revenue in Financial Year 2020-21 from Industrial Engine Business stood at Rs. 502 Crores, as compared to Rs. 435 Crores in Financial Year 2019-20.

New Product Developments

To address the upcoming Construction Equipment Vehicle - Bharat Stage IV (CEV-BSIV) emission changes, your Company had initiated a program to launch superior electronic engines with key customers since the last two years. Due to COVID, the introduction of BS-VI emission norms got postponed by six months, and are now effective from 1st April 2021.

This program progressed well and your Company has developed multiple power nodes of the BS IV engine models to cater to a vast range of equipment across Construction Equipment Vehicles. These include power nodes in the range from 74 hp to 130 hp. Your Company is working with all the leading OEMs across India for several applications such as Backhoe Loader, Compactor, Self-Loading Mixer, Cranes, Wheel Loader, Paver, Tele-handler etc.

The proto / pilot machines clocked more than @ 25,000 hours in the field prior to going for SOP from 1st April 2021. The same engine platform is capable of meeting BS V emission norms which are expected to be effective from 1st April 2024.

KOEL 4R1190TA – 110 HP, BS IV Engine

KOEL 4R1190NA – 74.5 HP, BS IV Engine

Future Outlook

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

In Financial Year 2021-22, focus will be to add further new OEMs / applications by working closely with OEMs and meeting their requirements for machines under development

The Government has a clear focus in the long term on road construction and infrastructure projects to bring the economy back on track, therefore your Company believes that in the long term, India's growth story remains intact.

III. CUSTOMER SUPPORT

KOEL's after sales service support, provided through its widespread digitally connected 425 service outlets pan India with robust digitized processes and 3000+ trained service teams makes it a dominant service brand and industry benchmark.

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

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

Innovative Service Products & New Initiatives

With the introduction of innovative service products viz. Bandhan & Anubandh and putting a strong measurement process of Customer Retention "CRI" into place, gives us an opportunity to get directly engaged with numerous retail customers for the long term and delivers an assurance of best in class after-sales service for their Gensets.

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

Many digital initiatives taken by your Company to enhance customer experience are the benchmark in the service industry and set your Company apart from its competition. The Company continues to implement the following initiatives this year also:

- System based tracking of the following KPIs to improve customer confidence and service satisfaction viz : -
  - o FTR (First Time Right)
  - o FVR (First Visit Resolution)
- Customer Delight Index (CDI) score consistently above 90+ (externally measured)
- 24 hours Maximum Time To Restore (MaxTTR) monitoring for improved response time and restoration

With all the above mentioned initiatives, despite a challenging market due to pandemic situation, our speedy service response to our all essential category customers continued without interruption. Many customers appreciated service support provided during the lockdown situation. Despite unfavorable market situation, the proactive services helped the customer support business to maintain its revenue at Rs. 388 Crores in Financial Year 2020-21 as against Rs. 405 Crores of Financial Year 2019-20.

Future outlook

Your company has put robust processes and measurement system with the support of a strong CRM for ensuring long term customer engagement with KOEL CARE.

Your Company has also taken initiatives for capability building to handle new emission norm viz. BSIV and CPCB IV technology through structured service trainings throughout the year.

B. WATER MANAGEMENT SOLUTIONS – CROP IRRIGATION

The electric pump industry is estimated to have declined by 6% while the diesel engine & pumpset segment is estimated to have declined by 20%. The Q1 of Financial Year 2020-21 which is generally the peak season for sale of pumps was under lockdown situation. Even in the later part of the Financial Year, buying decision of customers was affected due to surge in the prices of pump sets and allied products especially column pipes.

This business continues to focus on further increasing its reach into rural India and building efficient supply chain, to increase its business in engines, pump sets, oil & allied products.

Business Overview

The contribution to revenue in Financial Year 2020-21 from the Crop Irrigation Business stood at Rs. 342 Crores, as compared to Rs. 330 Crores in Financial Year 2019-20.

The sales of diesel engines and pump-sets declined by 10% over last year. Despite this decrease in sales numbers, our market share is expected to remain at a robust 32%.

The sales of electric pumps grew by 44% over last year and crossed many milestones on the way. Electric motor based MMB segment did very well.

For Diesel segment, renewed focus on OEM applications such as concrete mixers, agro applications has helped the business enhance its share of wallet and revenues.

OEM engine

New Product introduced

During the year under review, several new Stock Keeping Units were introduced for electric pumps business to fill product gaps and to establish product superiority in its focused states. These have contributed significantly towards the strong growth in the electric pumps. In case of diesel pumps business the Company had worked out cost effective packaging which resulted in savings for offering the products to customers.

Further, the Company has successfully developed several additional products (viz. urban focused version) which will be introduced to the market in early Financial Year 2021-22. The Company is in the process of developing the lightweight pump sets in the petrol category.

Future Outlook

Considering the government initiatives for Agricultural, Irrigation and Rural development, it is expected that the market for electric pump segment will witness a boost in the coming years especially the demand in the rural and construction segment. The Company's focus will be to create better brand visibility to capture a significant market share in electric pump segment. The Diesel pump set segment will continue to see de-growth, however with higher focus on the engines segment the plan to introduce new products to cater to new application, will help maintain market share.

C. FARM MECHANIZATION SOLUTIONS

Despite the challenges in the Financial Year 2020-21, like COVID-19, subsequent lockdowns, unprecedented deceleration of economy, volatile increase in raw material prices across the spectrum, it empowered & motivated the Company to sail with renewed Vigor and the Company continued its journey to offer new farm mechanization solutions for enriching the lives of the farming community.

The Company's revenue from Farm Mechanization Business for Financial Year 2020-21 stood at Rs. 180 Crores as compared to Rs. 130 Crores in Financial Year 2019-20.

The Farm Mechanization business recorded a growth of 44% in revenue from all of the product segments.

The demand for Power Tiller which is the leading product of Farm Mechanization Business is highly seasonal and government subsidy driven. In the Financial Year 20-21, the Government subsidy remained the dominant factor in Power Tiller sales all across India. The Direct Benefit Transfer (DBT) to end beneficiaries was extended to almost all states across India. In the state of Tamilnadu, a Farmer Producer Group subsidy was introduced. Other States like Assam, Orissa, Jammu & Kashmir, Himachal Pradesh introduced regular subsidy programs. This has played a vital role in the growth of this business.

Though the seasonality patterns for various markets are known, monsoon patterns of the year also decide regional demand. In Financial Year 20-21, overall Power tiller market witnessed 13% growth as compared to Financial Year 19-20.

New Products Launched

In Financial Year 2020-21, Farm Mechanization continued its innovation journey and introduced a new product range to address the market requirements in 12HP & 15 HP segment powered by New Generation “K cool” Engine Technology and Power Weeder segment with reaper attachment.

The Company developed a sprayer attachment to cater to the need of sanitization during the COVID situation. Now a full range of products of MinT 5 (Petrol, diesel) & MinT 8 (Petrol, diesel & DLX) , MinT reaper, Mega T 12 LV and Mega T 15 LV along with rotary tiller & brush cutter range are available.

Min T Reaper

Min T Reaper is launched to target challenges faced by farmers to harvest crops like paddy.

Future Outlook

Agriculture & related industries are expected to be on priority for government & formulations of policies post the COVID-19 pandemic and will most likely benefit the overall Farm Mechanization sector. Return to normalcy, preferably before Kharif season peak in June-July would be critical for Farm Mechanization business.

Subsidy from Government will be a key driver for power tiller sales in Financial Year 2021-22.

The Company will continue its efforts on establishing new product range in the market and this will be a key driver for growth in Financial Year 2021-22.

D. INTERNATIONAL BUSINESS

The Company's International Business has a vast product range consisting of diesel engines, generating sets, power tillers, pumpsets and spare parts required for these products. These products have a variety of applications in Agriculture, Power, Construction, Marine, and Mining sectors.

The Financial Year 2020-21 started in the shadows of COVID-19 pandemic. The business still confronts an environment of extreme uncertainty. Even as economies started opening in the second half of Financial Year 2020-21, the market conditions remained volatile which has drastically affected new investments.

The global economy is growing again after a contraction of 4.3% in 2020. The path of recovery is increasingly visible. Fiscal support by many countries has been an economy booster. This has especially helped the Agriculture segment.

KOEL's major markets are in Africa, Middle East Asia, South East Asia, and Latin America. Some of the key markets are facing political or economic challenges. International business will be adversely affected if volatility continues in these economies.

The outlook for 2021-22 highlights major challenges such as commodity price increase, labor shortage, and increase in inflation and interest rates. Even though uncertainty prevails in the business environment, the industry has started responding progressively, thinking through the contours of the 'Next Normal'. The global economy is expected to expand 4% in 2021. Improved commodity prices would boost business in Industrial segment. Agriculture segment is expected to continue to get support which offers opportunities in traditional markets. However, the recovery in power generation segment may take more time.

Business Overview

KOEL's International Business Revenue for the Financial Year 2020-21 amounted to Rs. 239 Crores, as compared to Rs. 233 Crores in the last Financial Year 2019-20. The main contributors to growth were market coverage in focus countries, new product development, and addition of new OEMs in our portfolio. Firefighting and Agriculture product verticals were the major growth contributors along with Customer Services. New products accounted for 21% of the exports revenue.

Business was adversely affected due to closure of mines in Southern Africa. However, growth in Industrial segment helped us to avoid revenue drop. We could not surpass last year's business levels in West Africa and South East Asia.

We made an encouraging progress in firefighting segment in USA through innovative business processes. However, Power generation market conditions remained sluggish which affected the business. Product range expansion planned in the Financial Year 2021-22 is expected to put us on the growth path.

Competition continued to be strong from global players in power generation business. Price pressures were often witnessed in most of the markets. We improved our competitiveness through offering power solutions and value engineering projects.

Product performance, and pre and after sales support have been our strengths in Industrial segment. We further strengthened on these parameters thereby scoring over competition. In the Agriculture segment, we continued to face severe price competition from domestic as well as Chinese players.

Some of the highlights in the International Business for the Financial Year 2020-21 include:

- Firefighting engines and Agriculture verticals registered robust growth of 61% and 40% respectively.
- Firefighting engines business contributed to 22% of overall exports business as we expanded business in the USA and UAE. We have started new product development to expand our product range.
- UAE, which is a focus market, registered 40% growth over last year.
- Various new digital initiatives were conceptualized and institutionalized during the year with the objectives of improving process efficiency and effectiveness, and enhancing customer experience. This will form the new way of conducting business in the 'New Normal' era.

Future outlook

The focus in Financial Year 2021-22 will be to continue to achieve significant market share in the focus markets identified.

KOEL Americas Corporation, USA (a wholly owned subsidiary company) is exploring the market for firefighting engines as an offer of a complete solution to OEMs. KOEL Americas is also working closely with OEMs for gas engines. This will boost business growth during Financial Year 2021-22.

E. INSTITUTIONAL PROJECT SOLUTIONS (IPS) BUSINESS - LARGE ENGINES BUSINESS

The Company's revenue in Financial Year 2020-21 from the Institutional Project Solutions (IPS) Business Unit stood at Rs. 129 Crores, as compared to Rs. 160 Crores in Financial Year 2019-20.

IPS Business Unit operates in niche segments like Defence and Marine for supply energy systems for radars, vehicle repowering, propulsion engines and gensets for Marine. This Business Unit has started working as a Systems integrator and complete Solution provider to key customers.

Business Overview

Being a Systems integrator, design, development, delivery, erection & commissioning of customized products meeting stringent qualification requirements of customer remained the focused area for growth.

The Company has developed various nodes for Defence requirements with successful completion of qualification test.

Responding to the requirements of the fishing boat industry, your Company has developed specific horse power fishery engines (various nodes of SL90 – 180 HP to 350 BHP). Addressing the need of the Commercial Marine segment as a complete solution provider, your Company has developed product nodes for propulsion package with 4R, 3R and 4RT engine having tie-ups with Gear box, Shafting & Propeller Manufacturers.

New Product Development

Successful performance validation and supply of 490 kWe DG set of Project 'Whale' and this boosted our confidence in developing special application engines and DG sets.

Large Engines

Future outlook

The IPS businesss unit will be focusing on various projects as a System Integrator and Complete solutions provider by increasing products offering which will ensure growth in Defence and Marine power and propulsion segments and the fishing engine segment. IPS Business Unit is emerging as the preferred choice of Customer and in pursuit of demand from the Defence segment, this business unit will continue to focus on development of compact and lightweight sets.

Your Company is the only Indian company offering a complete range of engines for the Fishery segment with in-house development of durable and efficient engines that meet stringent product performance requirements, and is gearing up to get sizable market in Fishing boat engines.

RESEARCH AND APPLICATION ENGINEERING

Research is a key enabler that helps KOEL remain relevant and competitive in the global markets and drives growth through innovative solutions and enhanced product offerings. In pursuit of excellence in product performance and enhancing value to customers R&D is focused on expanding product range, as well as emission upgrades and solutions for sustainable future growth. R&D supported the launch of several innovative products that enabled your Company to fortify its market leadership position.

K4300 engine platform of HHP segment is under development. Engine validation for R550 engine platform of LHP segment was achieved in Financial Year 2020-21.

The launch of new products includes engines developed for applications such as BSIV CEV, Power tiller, 490 kWe submarine genset. In the Fire Fighting domain, FM/UL listed fire pump engines upto 3000 rpm and HHP fire pump engines are now part of regular production. With regards to certifications, 4 models of genset used in emergency standby application received an Environment Protection Authority certification.

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

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

Innovating for a sustainable future

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

- Cost effective emission solution for Tier 4 Final / BS IV CEV norms
- Commercial availability of new engine platforms namely K4300 and R550
- Development of special marine, railways and defense applications
- Product portfolio and emission strategy for CPCB IV+ norms
- Alternate fuels and alternate technologies

QUALITY ASSURANCE

KOEL embraces shared value of Collaboration and Value Creation while focusing on Quality. The significant reduction in defects levels and complaints across various segments is achieved through various quality initiatives.

The sustained high levels of customer perception index through AC Neilson‘s Customer Satisfaction Survey, Net Promoter Score and Customer Delight Index confirm KOEL’s leadership on Quality of Products and Services.

In pursuit of Quality culture, following initiatives are taken across value chain:

- Journey Towards Zero Defect for suppliers
- Making pool of VDA 6.3 (Verband der Automobilindustrie - German Quality Management Standard) certified auditors available for audits and assessments
- Application Solutions for customers
- Quality Circles
- Competency Enhancements through various trainings in line with Best Practices
- Going Digitized way to automate the process for better performance and future readiness

SUPPLY CHAIN

In the Financial Year 2020-21 the Company’s Supply Chain Management team played a vital role in sustaining the supplies in the wake of constant uncertainties. The Company’s strong allegiance to the Demand Driven Production System has been a great advantage, as it has helped us in coping with the demands of the market under many challenges from the ecosystem. Digitally connected Supply chain was a great advantage during this period. KOEL engagement with the supplier base and long fruitful association in many cases has come handy in tiding over these challenging times.

Industrial engines business could meet the upsurge in Tractor Industry and also the demand in the Industrial segments propelled by the phase out of BS-III emission norms Engines and the Phase-in of BS-IV emission norms engines. Your Company has successfully provided prototype engines with robust solutions for the BS-IV emission norms for the Industrial segment.

Your Company has formulated the Suppliers’ Code of Conduct and also a detailed engagement program. Your Company also conducts vendor satisfaction survey periodically and the outcome of the same including suggestions were reviewed by the Management of the Company.

Base material inflation has been a major concern during the last two quarters of the Financial Year 2020-21. Cost reduction drive has helped to mitigate some impact due to unprecedented inflation. The Company continues to work aggressively on this initiative in the Financial Year 2021-22.

The Company conducted the virtual Supplier Quality Improvement Contest.

Your Company is well equipped to meet the challenges in the coming days by building a future ready Supply chain by getting aligned to the modern concepts of Internet of Things (IoT).

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY (EHS)

EHS is one significant area which needs constant focus and attention. During the year, numerous initiatives were undertaken in your Company's plants and offices in the areas of Environment, Occupational Health and Safety (EHS).

To ensure efficient control of all processes in quality management, environmental protection, occupational health and safety, KOEL has implemented IMS, which integrates ISO 9001, ISO 14001 and OHSAS 18001 management systems. KOEL is now IMS certified by ABS QE.

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

KOEL has undertaken a number of initiatives to reduce the adverse effect on environment & society such as innovative energy conservation projects, Environment-friendly disposal of hazardous material etc.

Some of the key initiatives are listed below:

Environment initiatives

A. Kagal Plant

- Installation of Piezometer to check impact on ground water level
- Installation of Sewage Treatment Plant (STP) for new warehouse facility
- Installation of Soil Immobilized Bio Filtration (SIBF) system treating sewage at Drivers rest room facility
- Installation of digital flow meter with telemetry to monitor ground water consumption
- Provided digital display on main gate to display MPCB consented parameters
- Use of filtered rainwater and treated effluent for Toilet flushing and industrial processes
- Publication of Carbon sequestration and Biodiversity report
- Carried out external water audit

B. Khadki Plant

- Celebrated World Environment Day by plantation of trees in the Company's premises
- Treated water is being used for toilet flush & gardening
- Hazardous waste is regularly disposed of through MPCB authorized agency
- Ambient air monitoring is carried out half yearly
- Carried out external water audit

Other than these special initiatives celebration of “World Environment Day” and Tree plantation on various occasions are horizontally deployed at all KOEL manufacturing locations. Also online monitoring of all air monitoring, effluent quality parameters were checked at all locations.

Safety Initiatives

- Installation of Sprinklers for new solar shed at Kagal plant
- Capacity enhancement of firefighting pumping system at Kagal plant.

Celebration of Safety week, Mock drills as a part of Emergency Preparedness program, External safety Audit and Training on Fire Fighting was organized at all locations under the safety initiatives.

At KOEL, Sustainability management is a journey and not a destination. In this journey, the Company strives for balance amongst various stakeholder expectation, Sustainable Development Goals (UN SDGs) and the business growth. In tracking KOEL's contribution to the three pillars of the Sustainability - Economic, Environment and Social Development, the 9th Annual Corporate Sustainability Report as per the Global Reporting Initiative (GRI), Netherlands, for the year 2019-20 was released in April 2021.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Human Resources function has been enabling business transformation by striking a balance between business needs and individual aspirations. The Financial Year 2020-21 started with unprecedented challenges which called for a collective mindset change and positively pushed us to break our boundaries to adopt newer ways of collaborating with our employees. The Company has a dedicated human capital of over 2,122 employees spread across locations in the organization.

The Company continues to maintain healthy and harmonious industrial relations across all its manufacturing plants and offices.

The Company recognizes that it’s human capital as critical to the Company's success and initiated numerous initiatives related to safety, health and engagement to ensure that the Company can continuously cater to the changing business opportunities and challenges are as below:

- At plant level many new COVID-19 related safety procedures were introduced to ensure safety of employees so that the plant could operate smoothly.
- 24x7 guidance / medical assistance was provided to employees at all locations during the pandemic.
- New Values were rolled out seamlessly on virtual platform and several sessions were conducted online to communicate the new values and to make employees aware about the behavioral attributes required to demonstrate the values.
- Several health sessions by experts were offered to employees on maintaining healthy lifestyle specially in work from home scenario and safety living habits during the time of pandemic.
- Introduced e-learning module system to ensure learning and skill updation of employees in the remote working scenario.

FINANCE, LEGAL AND SECRETARIAL

The Financial Year 2020-21 began with full of challenges on account of lockdown conditions due to outbreak of COVID-19. The Finance, Legal and Secretarial functions have played the role of business partner and have led several digital initiatives that ensure improved efficiency and profitability in the organization. The Company has robust ERP and other IT systems in place and all its locations are well networked. Even during the lockdown with critical staffs working from home, all reporting systems worked seamlessly without any major disruption. Adherence to statutory and regulatory compliance has always been given the highest importance. The Company has built a strong compliance management system and has automated the compliance management process.

With practically zero debt, a strong cash position and excellent working capital management the Company's Balance Sheet remains strong and poised for accelerated growth despite such critical conditions of business operations of the Company.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Company's internal control system is commensurate with the nature of the business, size and complexity of operations covering all businesses and functions of the organization. The internal 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. 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.

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.

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

AWARDS, RECOGNITIONS AND CERTIFICATIONS

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

- Consecutively second year "Golden Peacock Award" – 2020 for Energy Efficiency by Institute of Directors' (IOD). This award is regarded as a benchmark of Corporate Excellence worldwide and recognition of a world-class organization promoting and implementing energy efficiency and energy conservation measures
- "First Rank" in the Envirocare Green Awards 2020
- "Par Excellence Award" and "Sliver Award" at National, State and Chapter level on Quality Control Circles in categories viz. Quality Assurance, 3M and Kaizen

RISKS, OPPORTUNITY AND THREATS

Risks

- As per earlier estimate, India's real GDP is projected to record a double digit growth in 2021-22. The Company's business is dependent on a favourable macroeconomic environment. Considering the potential impact of COVID-19 on India's economic growth in 2021-22, there might be impact on achieving targeted business opportunities
- The country's climate change related objectives of adaptation, mitigation and preparedness on climate risks
- Rising Commodity Price and its impact on the business
- Attracting and retaining required talent for business continuity

Opportunities

- The COVID-19 pandemic is a crisis like no other. Yet, it offers opportunities like no other. Businesses and Ecosystems should assess their measures to enhance resilience to counter pandemic challenges and to strengthen business positions
- Collaboration with global market players to establish cost-effective manufacturing base
- The need to 'Go Digital' will be an opportunity to drive efficiencies through digital initiatives
- Emergence of new technologies, fuel systems and upgradation of emission norms
- Allied Business in Water Management Segment

Threats

- The 2nd wave of COVID-19 has impacted the country in a massive way and has created situation of national emergency again. There are also indication of severe third wave hitting India by second quarter of the Financial Year 2021-22. The identification of appropriate remedies or cures or correct strategies of avoidance whether it be lockdowns, social distancing, masks, testing, tracing or treatments, the policy makers have been forced to experiment and unable to solve the determinants
- Short term demand / supply imbalances may result in loss of business opportunities

COVID-19 - IMPACT

KOEL continues to closely monitor developments related to the pandemic and follow recommendations from various authorities, including the state and central government and local bodies. KOEL established a COVID-19 response team, which the Managing Director leads, that closely monitors the evolving situation, develops and implements precautionary measures to help limit the impact of COVID-19 at our workplace and on our communities and ensures business continuity. KOEL is actively monitoring the potential impact on our key priorities and assessing the situation on an ongoing basis to evaluate the impact and challenges posed by the COVID-19 situation and manage them accordingly.

The Company has analysed the impact that COVID-19 had on our financial reporting. The Company's operations and financial performance remains satisfactory despite the COVID-19 pandemic, and identified no significant impact on the financial reporting in Financial Year 2020-21. Further KOEL has not received any specific governmental financial support in relation to COVID-19.

A steep increase in virtual collaboration during COVID-19 has fast-tracked the need for digitalization both at our customers and at KOEL. Looking ahead, your Company will continue to make investments in digitalization and technology, which will also be crucial in a post-COVID-19 environment, in order to keep ensuring the well-being of our employees and to better serve our customers.

REPORT ON CORPORATE GOVERNANCE

[Pursuant to Regulation 34 (3) read with Schedule V of SEBI
(Listing Obligations and Disclosure Requirements) Regulations, 2015
includng amendments thereunder (the Regulations)

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.

A. BOARD OF DIRECTORS

- **Composition of the Board**

  The Board composition is in conformity with Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder (hereinafter referred as SEBI Listing Regulations, 2015). The Board comprised of 14 directors as on 31st March 2021. The composition of the Board was as under:

Category of Directors	No. of Directors
Executive (including Promoter Executive Chairman)	2
Non-Executive and Independent (including 2 Women Directors)	7
Non-Executive and Non Independent (including 1 Woman Director)	5
Total	**14**

- **Meetings held**

  The annual calendar of the Board and Committee Meetings is circulated to the directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. The gap between the two meetings did not exceed one hundred and twenty days.

  During Financial Year 2020-21, the Board met 6 times on 19th June 2020, 30th July 2020, 30th October 2020, 5th February 2021, 5th March 2021 and 29th March 2021. In the wake of COVID-19 pandemic and to adhere to the lockdown and social distancing norms, the directors participated in the meetings of the Board and Committees held after March 2020 through video conferencing / other audio visual means. The meetings and agenda items taken up during the meetings complied with the Companies Act, 2013 and SEBI Listing Regulations, 2015 read with various circulars issued by Ministry of Corporate Affairs (MCA) and Securities Exchange Board of India (SEBI) due to COVID 19 pandemic.

The Annual General Meeting (AGM) of the Company was held on 28th August 2020, due to the COVID-19 pandemic, by electronic means in due compliance with the provisions of the Companies Act, 2013 and rules made thereunder including circulars issued thereof by the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI) and the Secretarial Standards as members of the Company were not allowed to attend AGM in person. The Company had dispatched the annual report for Financial Year 2019-20 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.

- **Board Procedure**

The Agenda is circulated well in advance to the Board members. The items in the Agenda are backed by comprehensive background information to facilitate meaningful discussions and enable the Board to take appropriate decisions. As part of the process of good governance, the agenda also includes the progress on the decisions taken by the Board in its previous meeting(s). A board portal is made available that allows Board of Directors to securely access board documents and collaborate with other board members electronically.

The Board also, inter-alia, reviews quarterly / half yearly / annual results, the strategy of business, annual operating plan, reports for all laws applicable to the Company, review of major legal cases, minutes of Meetings of Committee of the Board, review of internal control framework and risk management etc. The required information as enumerated in Part A of Schedule II of SEBI Listing Regulations, 2015 is made available to the Board of Directors for discussions and consideration at Board Meetings. The Board is also kept informed of major events / items and approvals are taken wherever necessary. As a part of corporate governance the Board Charter has drawn up setting out roles / terms of references and processes of functioning of the Board including Committees of the Board.

- **Category and Attendance of Directors**

The names and categories of the Directors on the Board, their attendance at the Board Meetings (BM) held during the Financial Year 2020-21 and at the last Annual General Meeting (AGM) and also the Directorships, Committee positions held by them in other public limited companies and shareholding of non-executive directors as at 31st March 2021 are given in Table A and the names of the other listed entities in which the Directors hold directorship and category thereof as at 31st March 2021 are given in Table B:

I. Table A

Sr. No.	Name of Director	No. of Director-ships in other Public Ltd. Cos. @	No. of Committee positions held in other Public Ltd. Cos. **		Attendance at meetings		No. of shares held by Non-Executive Directors
			Chairman	Member	BM	AGM	
	Executive Directors						
1	Mr. Atul C. Kirloskar *	4	1	-	6	Yes	NA
2	Mr. Sanjeev Nimkar	-	-	-	6	Yes	NA
	Non-Executive and Non Independent Director						
3	Mr. Rahul C. Kirloskar *	4	-	2	6	Yes	1,77,82,902
4	Ms. Gauri Kirloskar *	4	-	2	6	Yes	57,53,580
5	Mr. Nihal G. Kulkarni *	3	-	1	5	Yes	66,52,472
6	Mr. Mahesh R. Chhabria	7	3	-	6	Yes	11,552
7	Mr. Vinesh Kumar Jairath	6	-	6	6	Yes	-
	Non-Executive and Independent Directors						
8	Mr. M. Lakshminarayan	7	1	5	6	Yes	-
9	Mr. Pradeep R. Rathi	5	1	3	5	Yes	-
10	Mr. Satish Jamdar	2	-	1	6	Yes	-
11	Mrs. Mrunalini Deshmukh	1	-	-	6	Yes	-
12	Mr. Sunil Shah Singh	3	3	2	6	Yes	-
13	Mr. Kandathil Mathew Abraham	1	-	2	6	Yes	-
14	Dr. Shalini Sarin	3	-	2	5	Yes	-

Notes:

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

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

@ Directorships held in Foreign Companies, private limited companies, one person companies and companies under Section 25 of the Companies Act, 1956/ under Section 8 of the Companies Act, 2013 & rules thereof including amendments thereunder have not been considered.

II. Table B:

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

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

Note:

None of the Directors on the Board of the Company is a Director nor an Independent Director of more than 7 listed entities as at 31st March 2021.

None of the Directors on the Board of the Company is a Member of more than 10 Committees and Chairperson of more than 5 Committees in all public limited Companies whether listed or not in which he is director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other public limited Companies.

Mr. Atul C. Kirloskar and Mr. Rahul C. Kirloskar, being brothers, are related to each other. Mr. Atul C. Kirloskar and Ms. Gauri Kirloskar, being father and daughter, are related to each other. None of the other Directors are related to any other Director of the Company as defined under Companies Act, 2013 & Rules thereof including amendments thereunder.

- **Familiarization Programme for Independent Directors**

The Company has familiarization programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company etc. 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. http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2020/KOEL%20Familiarisation%20Programme%20for%20Independent%20Directors%20-%2031%20March%202021.pdf)

- **The list of core skills / expertise / competencies required and available with the Board and names of Directors who have such skills / expertise / competencies in the context of business of the Company for its effective functioning is as follows [Pursuant to Schedule V, Part C (2)(h) of SEBI Listing Regulations, 2015]**

Sr. No.	List of Core skills / expertise / Competencies	Atul Kirloskar	Nihal Kulkarni	Sanjeev Nimkar	Rahul Kirloskar	Vinesh Kumar Jairath	Mahesh Chharbria	Gauri Kirloskar	M Lakshminarayan	Sunil Shah Singh	Satish Jamdar	Mrunalini Deshmukh	Shalini Sarin	K M Abraham	Pradeep Rathi
A	**Technical**														
1	Finance		✓			✓	✓	✓	✓		✓			✓	✓
2	Law			✓		✓	✓					✓		✓	
3	Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
4	Sales & Marketing	✓	✓	✓					✓	✓					✓
5	Manufacturing & Operations	✓	✓						✓						
6	Research & Development	✓							✓					✓	
7	Human Resource	✓		✓				✓	✓				✓	✓	
8	Information Technology		✓											✓	
B	**Industry**														
1	Knowledge about Economy	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	
2	Industry experience	✓	✓	✓					✓	✓	✓		Energy Industry		✓
3	Knowledge of business sector	✓	✓	✓	✓		✓	✓	✓		✓				
C	**Governance**														
1	Compliance Management	✓		✓		✓	✓		✓	✓			✓		✓
2	Knowledge about statutory / regulatory laws		✓	✓		✓	✓					✓		✓	
3	Experience in developing and implementing Risk Management	✓		✓		✓	✓		✓	✓	✓		✓		
4	Strategic Planning	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓
D	**Others**														
1	Communication and Interpersonal Skills	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
2	Public Relations	✓		✓		✓	✓		✓			✓	✓	✓	
3	Corporate Restructuring		✓				✓		✓		✓		✓		

- **Criteria of Performance Evaluation of Independent Directors**

  The Nomination and Remuneration Committee lays down the criteria for performance evaluation of directors. A separate exercise was carried out to evaluate the performance of individual directors including the Chairman of the Board, who were evaluated on parameters such as achievement against key performance objectives, attendance at meetings, time devoted for the Company, contribution in the Board process etc.

- **Confirmation on declarations given by Independent Directors**

  The Board of Directors, after due assessment of veracity of the declarations received from the Independent Directors, confirm that the Independent Directors fulfill the conditions specified in the Regulation 25(8) of SEBI Listing Regulations, 2015 and they are independent of the management.

- **Reasons for the resignation of Independent Directors during the Financial Year 2020-2021, if any:**

  No Independent Directors resigned during the Financial Year 2020-21.

- **Separate meeting of Independent Directors**

  The Independent Directors met once in Financial Year 2020-21 without the presence of Executive Directors or Management representatives. They also had a separate meeting with the Chairman of the Board to discuss issues and concerns, if any. The Independent Directors *inter alia* discuss the issues arising out of Committee Meetings and Board discussion including the quality, quantity and timely flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

B. BOARD COMMITTEES

1. Audit Committee

The Audit Committee comprises of 6 Non-Executive Directors, out of which 4 are Independent Directors. The composition is in conformity with Regulation 18 of SEBI Listing Regulations, 2015.

During Financial Year 2020-21, 5 meetings of the Committee were held on 19th June 2020, 30th July 2020, 30th October 2020, 5th February 2021 and 5th March 2021. All the meetings were conducted through Video Conferencing mode.

The composition of the Committee and attendance at its meetings as at 31st March 2021 are given below:

Sr. No.	Name of the Member Director	Category	No. of meetings attended
1	Mr. M. Lakshminarayan (Chairman)	Non-Executive and Independent	5
2	Mr. Mahesh R. Chhabria	Non-Executive and Non-Independent	5
3	Mr. Vinesh Kumar Jairath	Non-Executive and Non-Independent	5
4	Mr. Pradeep R. Rathi	Non-Executive and Independent	4
5	Mr. Satish Jamdar	Non-Executive and Independent	5
6	Mr. Kandathil Mathew Abraham	Non-Executive and Independent	5

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

The role/terms of references of Audit Committee broadly include:

i. Reviewing with the management, the quarterly / annual financial statements before submission to the Board for approval;

ii. Recommendation for appointment of statutory and cost auditor and their remuneration;

iii. Review of Internal audit reports relating to internal control weaknesses and discussion with internal auditors any significant findings and follow up thereon 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 judgement by management.

d. Significant adjustments made in the financial statements arising out of audit findings.

e. Compliance with listing and other legal requirements relating to financial statements.

f. Disclosure of any related party transactions.

g. Modified opinion(s) in the Draft Audit Report.

v. All other terms/role as specified under Section 177 of the Companies Act, 2013 rules thereof including amendments thereunder, SEBI Listing Regulations, 2015, and SEBI (Prohibition of Insider Trading) Regulations, 2015 including amendments thereunder.

2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of 4 Non-Executive Directors, out of which 2 are Independent Directors. The composition is in conformity with Regulation 19 of SEBI Listing Regulations, 2015.

During Financial Year 2020-21, 2 meetings of the Committee were held on 19th June 2020 and 5th March 2021.

The composition of the Committee and attendance at meeting as at 31st March 2021 is given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Mr. Satish Jamdar (Chairman)	Non-Executive and Independent	2
2	Mr. M. Lakshminarayan	Non-Executive and Independent	2
3	Mr. Mahesh Chhabria	Non-Executive and Non-Independent	2
4	Mr. Rahul C. Kirloskar	Non-Executive and Non-Independent	2

The role/terms of reference of the Nomination and Remuneration Committee broadly include:

i. To identify persons who are qualified to become directors in accordance with the criteria laid down in the Companies Act, 2013 read with rules made thereunder including amendments thereunder and SEBI Listing Regulations, 2015, and recommend to the Board their appointment and removal;

ii. To make recommendations to the Board concerning suitable candidates for the role of independent director;

iii. To formulate policy relating to the remuneration for the directors, key managerial personnel and other employees;

iv. Evaluation of performance of each director;

v. Recommendation of appointment and remuneration of senior management one level below the Board;

vi. Review succession planning mechanism and recommend changes/modifications thereto, if required, to the Board for its consideration;

vii. To seek professional guidance in succession planning mechanism, if required, and to set the terms and conditions, including remuneration, in consultation with the Chairman of the Board;

viii. Constitute a panel comprising of such members of the Nomination and Remuneration committee and external experts if any as it deems fit, for identifying candidates to fill vacancies at senior management level and to recommend appointment of senior management personnel, as and when required and set the terms and conditions, including as remuneration of panelists, in consultation with the Chairman of the Board;

ix. All other terms/role as specified under Section 178 of the Companies Act, 2013 rules thereof including amendments thereunder and SEBI Listing Regulations, 2015 and assigned by the Board of Directors of the Company from time to time.

3. Stakeholders Relationship Committee

The Stakeholders Relationship Committee comprises 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 the Financial Year 2020-21, the Committee met once i.e. on 29th January 2021.

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 financial statements, 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 2021 are given below:

Sr. No.	Name of the Member Director	Category	No. of meetings attended
1	Mr. Pradeep R. Rathi (Chairman)	Non-Executive and Independent	1
2	Mr. Sanjeev Nimkar	Executive Director and Non-Independent	1
3	Ms. Gauri Kirloskar	Non-Executive and Non-Independent	1

Status of Investor's Complaints as on 31st March 2021 and reported under Regulation 13 of SEBI Listing Regulations, 2015 is as under:

Complaints as on 1st April 2020	0
Received during the year	2
Resolved during the year	2
Pending as on 31st March 2021	0

Name, designation and address of Compliance Officer

Ms. Smita A. Raichurkar, Company Secretary

Kirloskar Oil Engines Limited (Secretarial Department)

Laxmanrao Kirloskar Road, Khadki, Pune - 411 003

Tel: 91 - 20 25810341 (Extn. - 4461) Fax: 91- 20 25813208 and 25810209

E-mail: Smita.Raichurkar@kirloskar.com

Designated email ID for Investors: investors@kirloskar.com

The Company has displayed same ID on its website for the use of investors.

4. Risk Management Committee

The Risk Management Committee of the Company comprises 3 Independent Directors. The composition is in conformity with Regulation 21 of SEBI Listing Regulations, 2015.

During Financial Year 2020-21, 3 meetings of the Committee were held on 17th June 2020, 30th September 2020 and 29th January 2021.

The composition of the Committee and attendance at meeting as at 31st March 2021 is given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Mr. M. Lakshminarayan (Chairman)	Non-Executive and Independent	3
2	Mr. Satish Jamdar	Non-Executive and Independent	3
3	Mr. Pradeep R. Rathi	Non-Executive and Independent	3

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

C. REMUNERATION TO DIRECTORS

The Company has adopted a Nomination and Remuneration Policy for the Directors, Key Managerial Personnel and Senior Management Personnel which is uploaded on website of the Company.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Executive Directors. The Board based on recommendation of Nomination and Remuneration Committee, decides the commission payable to the Executive Directors on determination of the profits for the Financial Year, within the ceilings prescribed under the Companies Act, 2013 rules thereof including amendments thereunder. Agreements have been separately entered into with the Executive Directors setting out the terms and conditions of appointment and tenure as recommended by the Committee and approved by the Board and the members. There is no notice period and no severance fees prescribed in the agreement(s).

The Board of Directors based on recommendation of Nomination and Remuneration Committee decides the remuneration payable to Non-Executive Directors by way of Commission, based on parameters for performance evaluation given under the Nomination and Remuneration Policy. The members at the Annual General Meeting of the Company held on 12th August 2014, approved the payment of commission to the Non-Executive Directors, at the rate of 1% of the net profits of the Company computed in the manner laid down in the Companies Act, 2013 rules thereof including amendments thereunder.

Sitting fees of Rs. 50,000/- per Director per meeting of the Board & Audit Committee and Rs. 25,000/- per meeting for Corporate Social Responsibility Committee, Nomination and Remuneration Committee, Risk Management Committee and Stakeholders Relationship Committee is payable to Non-Executive Directors for the meetings attended.

However, due to uncertain impact of COVID-19 pandemic on business performance of the Company, the Board of Directors based on the recommendation of the Nomination and Remuneration Committee approved 50% reduction in the sitting fees payable to Non-Executive Directors of the Company for the Financial Year 2020-21 with effect from the Board and Committee Meetings held on 19th June 2020.

Accordingly, Sitting fees of Rs. 25,000/- per meeting of the Board & Audit Committee and Rs. 12,500/- per meeting for Corporate Social Responsibility Committee, Nomination and Remuneration Committee, Risk Management Committee and Stakeholders Relationship Committee were paid to Non-Executive Directors for the meetings attended in the Financial Year 2020-21 with effect from 19th June 2020.

The Board of Directors based on the recommendation of the Nomination and Remuneration Committee approved re-instatement of sitting fees payable to Non-Executive Directors of the Company from Financial Year 2021-22 with effect from 1st April 2021, upon normalcy in business operations and considering financial performance of the Company.

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, if any 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 2020-21:

Amount in Rs.

Sr. No.	Name of director	Basic Salary	Allowances	Statutory Contributions	Perquisites*	Commission	Sitting Fees	Total
	Executive Directors							
1	Mr. Atul C. Kirloskar #	-	-	-	25,22,730	4,00,00,000	-	4,25,22,730
2	Mr. Sanjeev Nimkar (w.e.f. 29th April 2020)	87,61,741	33,06,612	20,65,082	2,23,223	4,00,00,000	-	5,43,56,658
3	Mr. Nihal Kulkarni (upto 28th April 2020) #	-	-	-	2,50,432	25,00,000	-	27,50,432
4	Mr. Rajendra R. Deshpande (upto 28th April 2020)	14,16,667	1,34,166	3,82,500	2,41,068	10,00,000	-	31,74,401
	Non- Executive Directors							
5	Mr. Rahul C. Kirloskar	-	-	-	-	500,000	200,000	700,000
6	Mr. Nihal Kulkarni (w.e.f. 29th April 2020)	-	-	-	-	-	150,000	150,000
7	Mr. M. Lakshminarayan	-	-	-	-	30,50,000	3,50,000	34,00,000
8	Mr. Mahesh R. Chhabria	-	-	-	-	84,00,000	3,00,000	87,00,000
9	Ms. Gauri Kirloskar	-	-	-	-	30,00,000	1,62,500	31,62,500
10	Mr. Pradeep R. Rathi	-	-	-	-	9,00,000	2,87,500	11,87,500
11	Mr. Vinesh Kumar Jairath	-	-	-	-	35,00,000	2,75,000	37,75,000
12	Mr. Satish Jamdar	-	-	-	-	10,50,000	3,50,000	14,00,000
13	Mrs. Mrunalini Deshmukh	-	-	-	-	3,00,000	1,50,000	4,50,000
14	Mr. Sunil Shah Singh	-	-	-	-	3,00,000	1,50,000	4,50,000
15	Mr. Kandathil Mathew Abraham	-	-	-	-	800,000	275,000	10,75,000
16	Dr. Shalini Sarin	-	-	-	-	500,000	125,000	6,25,000
	Total	**1,01,78,408**	**34,40,778**	**24,47,582**	**32,37,453**	**10,58,00,000**	**27,75,000**	**12,78,79,221**

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.

Due to uncertain impact of COVID-19 pandemic on business performance of the Company, Mr. Atul Kirloskar (Financial Year 2020-21) and Mr. Nihal Kulkarni (1st April 2020 to 28th April 2020) voluntarily forego their salary.

- **Employee Stock Option Plan**

  During the year under review, the Nomination and Remuneration Committee of the Board of Directors of the Company in its meeting held on 5th March 2021 had approved the grant of 9,40,000 employee stock options ("Options") to eligible employees of the Company at exercise price of Rs.103.14/- per share, in accordance with the 'Kirloskar Oil Engines Limited – Employee Stock Option Plan 2019 ("KOEL ESOP 2019") and the special resolution passed by the Members of the Company at their Annual General Meeting held on 9th August 2019.

  1,34,025 options were granted to Mr. Sanjeev Nimkar, Managing Director of the Company. No options were granted to the Independent Directors of the Company.

D. DETAILS ON GENERAL BODY MEETINGS

The details of General Meetings of the shareholders, held during previous 3 years are as under:

During FY	Date	Time	Type of Meeting	Venue	Special Resolutions passed
2018-19	10th August 2018	12.15 p.m.	Annual General	Sheraton Grand Pune Bund Garden Hotel, RBM Road, Pune – 411 001	Continuation of present second term of Mr. R. Srinivasan [DIN: 00043658] as an Independent Director of the Company.
2019-20	9th August 2019	12.15 p.m.	Annual General	Sheraton Grand Pune Bund Garden Hotel, RBM Road, Pune – 411 001	1. Appointment of Mr. Sunil Shah Singh [DIN: 00233918] as Independent Director of the Company and continuation of his first term of appointment. 2. Re-appointment of Mr. M. Lakshminarayan [DIN: 00064750] as an Independent Director for second term of 3 years 3. Approval for 'Kirloskar Oil Engines Limited - Employees Stock Option Plan 2019'

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

As per the provisions of Sections 13, 110 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, the resolution 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, Circular No. 17/2020 dated 13th April 2020 and Circular No. 20/2020 dated 5th May 2020, issued by Ministry of Corporate Affairs (collectively referred to as 'MCA Circulars'), the approval of Members of the Company was sought by passing special resolution in the Annual General Meeting held on 28th August 2020 instead of Postal Ballot.

No resolution was passed through the postal ballot during the Financial Year 2020-21.

E. PARTICULARS OF APPOINTMENT / RE-APPOINTMENT OF DIRECTORS

The particulars of appointment / re-appointment of directors are given in the explanatory statement of notice of the Annual General Meeting.

F. MEANS OF COMMUNICATION

a. Quarterly results

The Quarterly and Half Yearly results are published in national and local dailies such as Financial Express (English all quarters) and Loksatta (Marathi – all quarters), having wide circulation. Since the results of the Company were published in the newspapers, half yearly reports were not sent individually to the shareholders. The Company's results and official news releases are displayed on the Company's website www.koel.co.in and also available on the websites, viz. www.bseindia.com and www.nseindia.com

b. Presentations to Institutional Investors / Analysts

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

c. NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre

The NEAPS and the Listing Centre of BSE are web based application designed by National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) respectively for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, quarterly results, Corporate Announcements etc. are filed electronically on NEAPS and the Listing Centre of BSE.

G. GENERAL INFORMATION FOR SHAREHOLDERS

a. Annual General Meeting

Corporate Identification Number (CIN)	L29100PN2009PLC133351* (Registrar of Companies, Pune)
Annual General Meeting	**Date and Day : 12th August 2021, Thursday** **Time : 11.30 am** Venue : Through Video Conferencing (VC) / Other Audio Visual Means (OAVM)
Financial Year ended	31st March 2021
Book Closure	6th August 2021 to 12th August 2021 (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 conduct Annual General Meeting through VC / OAVM.
Financial Calendar 2020-21	During Financial Year 2020-21 the results were announced as under: First quarter : 30th July 2020 Second quarter : 30th October 2020 Third quarter : 5th February 2021 Fourth quarter : 13th May 2021
International Security Identification Number (ISIN)	INE146L01010
Name of Stock Exchange and Stock Code	1. BSE Limited (BSE) – 533293 Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. 2. National Stock Exchange of India Limited (NSE) – KIRLOSENG Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.
Listing fees	The Annual Listing fee for FY 2020-21 has been paid to BSE and NSE, where the Company's shares are listed.

* CIN of the Company was changed from L29120PN2009PLC133351 to L29100PN2009PLC133351, due to amendment in the Main Object Clause of the Company with effect from 24th September 2020.

b. Shareholding Pattern as on 31st March 2021

Category	No. of shares of Rs. 2/- each	% of Share holding
Promoter and Promoter Group	8,59,62,905	59.44
Foreign Institutional Investors (FII)	90,14,403	6.23
Foreign National	1,132	0.00
Individuals	2,52,65,683	17.47
Insurance Companies	39,11,936	2.71
Financial Institution and Banks (FI & Banks)	29,75,691	2.06
Mutual Fund	1,34,75,288	9.32
Bodies Corporate	26,47,312	1.83
Non Resident Indians	5,71,356	0.40
Investor Education and Protection Fund	6,95,874	0.48
Others	92,281	0.06
TOTAL	**14,46,13,861**	**100.00**

c. Distribution of shareholding as on 31st March 2021

Range of Shares	No. of shareholders	No. of Shares	% to total shares
1- 500	34,879	32,54,383	2.25
501-1000	3,505	25,38,041	1.75
1001-5000	3,730	77,80,278	5.38
5001-10000	465	32,79,184	2.26
10001-20000	200	27,75,700	1.91
20001-30000	57	13,89,058	0.96
30001-40000	33	11,68,899	0.80
40001-50000	20	8,80,321	0.60
50001-100000	32	24,52,218	1.69
100001-Above	41	11,90,95,779	82.35
Total	**42,962**	**14,46,13,861**	**100.00**

Dematerialization of shares and liquidity (as on 31st March 2021)	13,92,78,979 Equity Shares (96.31%)
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 Financial Year 2020-21 on the BSE and NSE are as below:

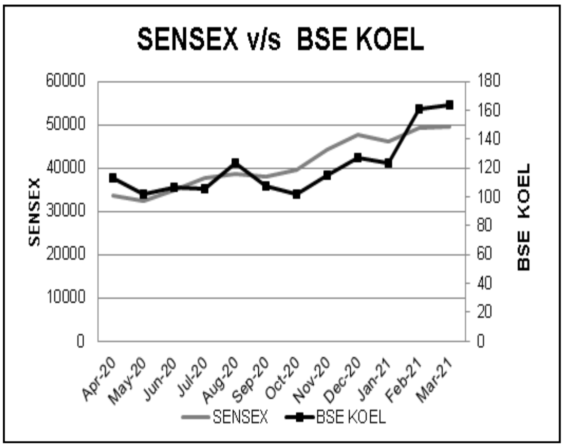
BSE

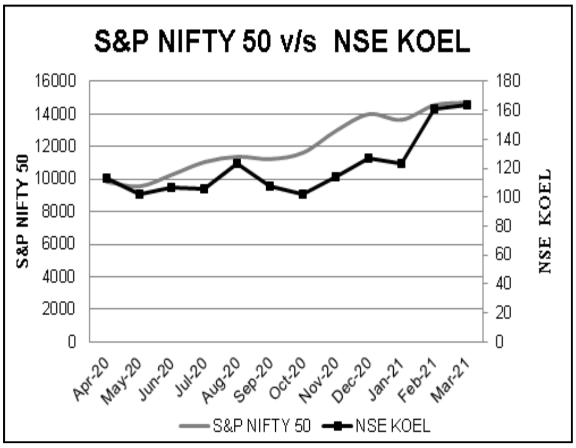
Month	High Price	Low Price
Apr-20	120.00	85.10
May-20	120.95	97.05
Jun-20	119.80	99.00
Jul-20	118.65	103.00
Aug-20	135.00	103.20
Sep-20	127.05	102.10
Oct-20	109.40	94.50
Nov-20	118.00	99.15
Dec-20	131.00	107.65
Jan-21	138.00	121.50
Feb-21	173.50	123.00
Mar-21	184.70	151.05

NSE

Month	High Price	Low Price
Apr-20	124.70	85.30
May-20	118.65	96.55
Jun-20	119.50	96.50
Jul-20	118.75	102.10
Aug-20	134.90	104.50
Sep-20	127.10	104.25
Oct-20	109.95	94.25
Nov-20	117.50	98.20
Dec-20	131.20	107.80
Jan-21	137.75	121.25
Feb-21	173.90	122.65
Mar-21	184.40	156.00

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 Financial Year 2020-21





e. Share Transfer System

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

During the year under review no applications for transfer of shares which were executed prior to 1st April 2019 in physical form were processed by Registrar and Share Transfer Agent of the Company.

Pursuant to the provisions of SEBI Circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated 7th September 2020 and SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236 dated 2nd December 2020, transfer deeds lodged prior to 1st April 2019 which were rejected and returned due to insufficient documents and again re-lodged with requisite documents after 31st March 2021, such shares shall be issued only in demat mode.

No share transfer requests were pending as on 31st March 2021.

Pursuant to the SEBI Listing Regulations, 2015, a certificate on half yearly basis is issued by the Practicing Company Secretary for compliance with share transfer formalities by the Company.

The information on procedures and forms, which are being asked for by the members frequently, viz. Indemnity/Affidavit etc. for issue of duplicate certificates, transmission procedure, change of address, NECS form, Nomination Form, information about shares allotted pursuant to the Scheme of Arrangement for Demerger/Composite Scheme etc. is uploaded on the Company's website under Investors' Relations section.

f. **List of all credit ratings obtained by the Company during the financial year for all debt instruments or any fixed deposit programme or any scheme or proposal involving mobilization of funds, whether in India or abroad -** Not Applicable

g. **Address for correspondence**

Registrar and Share Transfer Agent

The Company had appointed Link Intime India Private Limited as Registrar & Share Transfer Agent (R & T Agent). All physical transfers, transmission, transposition, issue of duplicate share certificate/s, issue of demand drafts in lieu of dividend warrants, change of address etc. as well as requests for dematerialisation / rematerialisation are being processed at Link Intime India Private Limited.

The contact details are as follows –

Link Intime India Private Limited	Block No. 202, 2nd Floor, 'Akshay' Complex, Off Dhole Patil Road, Pune – 411 001 Tel: 91- 20 26161629 / 26160084 Email: - pune@linkintime.co.in

h. **Plant Locations**

Sr. No.	Location	Address	Products manufactured
1	Pune	Laxmanrao Kirloskar Road, Khadki, Pune, Maharashtra – 411 003	Engines
2	Kagal	**Plant I -** Plot No. D1, 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District – Kolhapur Maharashtra-416236	Engines and Gensets
		Plant II - Plot No. A-262, Phase I, 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District - Kolhapur Maharashtra – 416236	Engines
		Plant III- (KMW Unit) Plot No. E-18, Opposite M/s. Soktas India Ltd., 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District-Kolhapur Maharashtra– 416236	Power Tiller

Sr. No.	Location	Address	Products manufactured
3	Nasik	A-11/1, MIDC, Ambad, Nashik Maharashtra - 422 010	Engines and Gensets
4	Bhare	Plot No. 10 A, Gat No. 405, Village – Bhare, Tal. Mulshi, Dist. Pune, Maharashtra – 412115	Gensets, Pumpsets, Engines and Power Weeder

H. DISCLOSURES

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of SEBI Listing Regulations, 2015.

This Corporate Governance Report of the Company for the Financial Year 2020-21 is in compliance with the requirements of Corporate Governance under SEBI Listing Regulations, 2015.

a. Related Party Transactions

There were no materially significant related party transactions during the financial year that have a potential conflict with the interests of the Company. Suitable disclosure as required by the Indian Accounting Standards (IND AS 24) has been made in note no. 40.5.11 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 – http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2020/Policy%20on%20Related%20Party%20Transactions.pdf)

b. Details of capital market non-compliance, if any

There have been no instances of non-compliances by the Company on any matters related to capital markets in the last three (3) years. Neither penalties have been imposed nor any strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter related to capital markets.

c. Vigil Mechanism / Whistle Blower Policy

The Company has a Vigil Mechanism / Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement etc. This Policy has been amended with effect from 1st April 2019 to include instances of leakage of Unpublished Price Sensitive Information. This would inter alia provide a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee any instance of unethical behavior, actual or suspected fraud or violation of the Company's code of conduct. No person has been denied access to the Audit Committee in this regard. The policy is uploaded on the website of the Company.

d. Policy on material subsidiary

The Board of Directors had formulated a material subsidiary policy which is available on the website of the Company.

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

During the year under review, as per the audited Consolidated Financial Statements of the Company for Financial Year 2019-20, La-Gajjar Machineries Private Limited and Arka Fincap Limited were “material subsidiaries” of the Company as per Regulation 16(1)(c) of the SEBI Listing Regulations, 2015.

e. Dividend Distribution Policy

Pursuant to Regulation 43A of SEBI Listing Regulations, 2015, the Board of Directors had formulated a Dividend Distribution Policy which is available on the website of the Company.

(Web-link–http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2020/Dividend%20Distribution%20Policy%20-%2025%20Jan%202017.pdf)

f. Disclosure of commodity price risk, foreign exchange risk and commodity hedging activities

The Company does not have any significant direct exposure in commodities for hedging through commodity derivatives. The Company manages the foreign exchange risk and hedges 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. 40.5.15 to the financial statements in the Annual Report.

g. CEO/CFO Certification

The CEO/CFO Certificate signed by Mr. Sanjeev Nimkar, Managing Director and Mr. Pawan Kumar Agarwal, Chief Financial Officer was placed before the meeting of the Board of Directors held on 13th May 2021.

h. Disclosure with respect to unclaimed shares

The Company has sent two reminders to those shareholders, whose share certificates have returned undelivered by the postal authorities due to insufficient / incorrect information and are lying with the Company. The Company will be sending third reminder letter in due course.

As on 31st March 2021, the total unclaimed equity shares are 4,92,842.

i. The certificate from Mr. Mahesh Risbud, Practicing Company Secretary, [Registration No. 185] stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board / Ministry of Corporate Affairs or any such statutory authority has been obtained.

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

k. Statement of fees paid by the Company along with its Subsidiary Company to Statutory Auditors Fees of Rs. 53,92,360/- paid by the Company and Fees of Rs. 18,82,596/- paid by La-Gajjar Machineries Private Limited, Subsidiary Company to P G Bhagwat LLP, Chartered Accountants, Statutory Auditors of the Company during the Financial Year 2020-21.

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

m. 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.

n. Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) – Not Applicable

o. Non-Mandatory / discretionary requirements

The extent of adoption of non-mandatory / discretionary requirements is as follows:

i. The Board

The Chairman of the Company is an Executive Director. He maintains his office at the Company's expense and is also allowed reimbursement of expenses incurred in performance of his duties.

ii. Audit qualifications

There are no audit qualifications on the financial statements of the Company.

iii. Shareholder Rights

Since the Company publishes its quarterly results in newspapers (English and Marathi) having wide circulation, and the results are also displayed on the website of the Company and the Stock Exchanges, the Company does not send any declaration of half yearly performance to the shareholders.

iv. The position of Chairman and Managing Director is separate.

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

The members of Kirloskar Oil Engines Limited

I hereby declare that all Board members and senior management personnel have affirmed compliance with the Code of Conduct, applicable to them as laid down by the Board of Directors in terms of provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendment thereunder.

For Kirloskar Oil Engines Limited

Sd/-

Sanjeev Nimkar
Managing Director
DIN: 07869394

Place: Pune
Date: 13th May 2021

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

To

The Members

Kirloskar Oil Engines Limited

This report contains details of compliance of conditions of corporate governance by Kirloskar Oil Engines Limited ('the Company') for the year ended 31st March 2021 as stipulated in regulations 17-27, clause (b) to (i) of regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as amended from time to time.

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

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

Auditors' Responsibility

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

Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of corporate governance as stipulated in Listing Regulations for the year ended 31st March 2021.

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

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

Opinion

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

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

Restriction on use

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

For P G BHAGWAT LLP
Chartered Accountants
FRN : 101118W / W100682

Sd/-
Sanjay Athavale
Partner
Membership No. 83374
Pune : 13.05.2021

UDIN : 21083374AAAACL5284

Business Responsibility Report for Financial Year 2020-21

OVERVIEW

In keeping with the Company's commitment to responsibility and accountability towards all its stakeholders, Kirloskar Oil Engines Limited (KOEL) is pleased to present its Business Responsibility Report in line with Regulation 34 (2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder and 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' ("NVG") as released by Ministry of Corporate Affairs in 2011. This report outlines the Company's efforts to conduct business with responsibility.

GENERAL INFORMATION

<table>
<tr><td>1</td><td>Corporate Identity Number (CIN) of the Company</td><td colspan="2">L29100PN2009PLC133351</td></tr>
<tr><td>2</td><td>Name of the Company</td><td colspan="2">Kirloskar Oil Engines Limited</td></tr>
<tr><td>3</td><td>Registered Address</td><td colspan="2">Laxmanrao Kirloskar Road, Khadki, Pune – 411 003</td></tr>
<tr><td>4</td><td>Website</td><td colspan="2">www.koel.co.in</td></tr>
<tr><td>5</td><td>Email</td><td colspan="2">sustainability@kirloskar.com</td></tr>
<tr><td>6</td><td>Financial Year of Reported</td><td colspan="2">2020 – 21</td></tr>
<tr><td rowspan="5">7</td><td rowspan="5">Sectors that the Company is engaged in (Industrial Activity Code wise)</td><td colspan="2">Engineering</td></tr>
<tr><td>NIC Code</td><td>Product Description</td></tr>
<tr><td>281</td><td>Engines</td></tr>
<tr><td>271</td><td>Genset</td></tr>
<tr><td colspan="2">As per National Industrial Classification for India (NIC)</td></tr>
<tr><td rowspan="3">8</td><td rowspan="3">List three key products that Company manufactures/ provides</td><td colspan="2">Gensets</td></tr>
<tr><td colspan="2">Engines</td></tr>
<tr><td colspan="2">Pumps Sets and Power Tillers</td></tr>
<tr><td rowspan="3">9</td><td colspan="3">Total number of locations where business activity is undertaken by the Company</td></tr>
<tr><td>i) International Locations</td><td colspan="2">None</td></tr>
<tr><td>ii) National Locations</td><td colspan="2">Bhare (Pune), Khadki (Pune), Kagal (Kolhapur) and Nasik.</td></tr>
<tr><td>10</td><td>Markets served by the Company</td><td colspan="2">India and selected countries in North America, South America, Africa, Europe and Asia.</td></tr>
</table>

FINANCIAL DETAILS

1	Paid up capital (Rs.)	28.92 Crores
2	Total turnover (Rs.)	2,663.62 Crores
3	Total profit after taxes (Rs.)	169.74 Crores
4	Total spending on corporate social responsibility (CSR) as % of average profit for last 3 Financial Years (Rs.)	5.16 Crores
5	Activities under which expenditure on 4 above has been incurred includes: a) Health: Health Check-up camps, Community Mental health Program, TB Awareness & Control program, promoting health care, Distribution of PPE kits and Mask to Government Hospital etc. b) Education: Financial assistance for education, vocational training program for women on income generation, promoting education and employment enhancing skills among youth, Training to promote rural sports, nationally recognized sports etc.	

OTHER DETAILS

1	Does the Company have any Subsidiary Company/ Companies?	As on 31st March 2021, the Company has following subsidiaries viz. 1) KOEL Americas Corp., USA, 2) La-Gajjar Machineries Private Limited (LGM), Ahmedabad 3) Optiqua Pipes and Electricals Private Limited, Ahmedabad (Subsidiary of LGM) and 4) Arka Fincap Limited (earlier known as Kirloskar Capital Limited), Mumbai.
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with / participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities (less than 30%, 30-60%, more than 60%).	No

BUSINESS RESPONSIBILITY (BR) INFORMATION

Director/Directors responsible for implementation of BR Policy/Policies

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

BR Head

Name	Designation	Telephone No.	Email ID
Pawan Kumar Agarwal	Chief Financial Officer	020–25810341	Pawan.Agarwal@kirloskar.com

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

Principle 1 (P1)	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
Principle 2 (P2)	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
Principle 3 (P3)	Businesses should promote the well-being of all employees.
Principle 4 (P4)	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
Principle 5 (P5)	Businesses should respect and promote human rights.
Principle 6 (P6)	Businesses should respect, protect, and make efforts to restore the environment.
Principle 7 (P7)	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
Principle 8 (P8)	Businesses should support inclusive growth and equitable development.
Principle 9 (P9)	Businesses should engage with and provide value to their customers and consumers in a responsible manner.

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

BR Policies and coverage of NVG nine principles

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

Y Yes

N No

NA Not Applicable

Few Policies are adopted under the authority given by the Board.

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

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

@ All policies are evaluated internally.

a) If answer against any principle, is 'No', please explain why: (Tick up to 2 options)

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

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

Governance of Business Responsibility (BR)

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

NVG PRINCIPLE-WISE PERFORMANCE

ETHICS, TRANSPARENCY AND ACCOUNTABILITY

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

The core purpose of KOEL is captured in two words "Enriching Lives". KOEL believes in conducting its business in a fair and transparent manner. Integrity is a core value at KOEL and the values are widely communicated to all relevant stakeholders. The values of the Company are aligned with all the Senior Leadership Management Team's thoughts & actions towards achieving long term goals of the Company.

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

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

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

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

The Company also has an Internal Complaints Committee (ICC) to redress complaints received with respect to sexual harassment. There were no complaints received in the Financial Year 2020-21.

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

KOEL also has an effective vigil mechanism/whistleblower policy in place, which enables employees and other stakeholders to report instances of unethical behaviour including leakages of Unpublished Price Sensitive Information instances and any violation of the Company's CoC. A senior company official is designated as Values Ombudsman and is entrusted with the responsibility to administer complaints related to violation of CoC, Values and vigil mechanism/whistleblower policy of the Company. Under the Vigil Mechanism/Whistleblower Policy of the Company, there were no complaints received in the Financial Year 2020-21.

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

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

The status of complaints of shareholders received and resolved in the Financial Year 2020-21 are forming part of Report on Corporate Governance section of this Annual Report.

PRODUCT STEWARDSHIP

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

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

KOEL embarks on a remarkable journey towards environmental conservation. The Company ensures that its products uphold the highest levels of safety, quality and environment friendliness. The Company's products are designed factoring in various environmental and social norms and regulations restricting emissions and noise.

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

The Company's operations adhere to and are certified for ISO 9001 and all manufacturing units are certified for adherence to ISO 14001 and OHSAS 18001.

The products of the Company have received a variety of certifications like FMUL (Factory Mutual Underwriters Laboratory). The Company's products are also certified by BIS (Bureau of Indian Standards) and 'Conformite Europeene' (CE) or European Conformity label.

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

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

1) Specific energy consumption (SEC) of production

Plant	SEC (kWh/ BHP)		Highlight/ Remark
	2019-20	2020-21	
Kagal	2.3	2.3	The first 2 quarters of Financial Year 2020-21 are not considered due to minimal loading of plant.
Nasik	13.43	10.73	12.63% reduction in SEC

2) Specific water consumption of production

Plant	Specific water consumption (m3/ BHP)		Highlight/ Remark
	2019-20	2020-21	
Kagal	12.43	12.23	Considering the risk of COVID-19, utilisation of rainwater and treated effluent stopped and replaced with MIDC water. Hence, 20% consumption offset considered in calculation.
Nasik	0.24	0.30	25% higher than previous year considering sanitization and washing activities resulted into increase in fixed consumption

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

The Company promotes and has taken strategic steps to ensure business with local and small producers. The structured supply chain policy also recommends procurement of material from suppliers within a radius of 300 kilometres. Over 65 % of the purchases happen from such strategic supplier partners. Further, in order to improve business competency of the suppliers to manage the external challenges in business, the Company has taken forward the second stage of a very well accepted initiative ‘Samvardan’ which aims at improving the business acumen of SME suppliers and making them future ready following a structured road map.

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

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

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

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

The usage of plastic for packaging the finished product is as per norms laid down by the Pollution Control Board. Further the processes in place for receipt and disposal of plastic are also as per norms applicable within the jurisdiction of Maharashtra.

The Company has reduced usage of plastic in packaging with alternate recycled material which has resulted into saving of 15.70 tonnes of plastic worth approximately Rs. 21 Lacs.

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

Product recycling is not practiced in this industry sector. However, some of the products such as DG sets are reconditioned to improve efficiency and extend the serviceable life.

Further, the lube oil used in all our manufacturing facilities is recycled via certified oil recyclers. In Financial Year 2020-21, the Company recycled 2.68 Lacs liters of lube oil.

The Company also recycles plastic bags and covers used in packaging. In Financial Year 2020-21, the Company recycled packaging materials worth approximately Rs. 12.68 Lacs.

EMPLOYEE WELL - BEING

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

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

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

Employee category	Number of Employees	% Trained on Safety	% Trained for Skill Up-gradation
Permanent	2122	8%	34%
Permanent Female	71	11%	77%
Temporary/Contractual	2085	12%	9%
Disabled Employees	NIL	NIL	NIL

Health and physical well-being are fundamental to employee well-being. Financial Year 2020-21 was a challenging year for all of us. Suddenly the situation warranted a work from home policy for most of our employees. Even though a few of our critical functions would still come into the office and factories, almost everyone was advised to work from home. The unusual situation called for swift adaptation. To secure the well-being of our employees and support them as they adapted to a new working life, we implemented several initiatives including but not limited to the reimbursement of internet connectivity charges, provision of laptops/ printers etc. at employees' homes wherever necessary.

KOEL believes that an inclusive culture is not only a key to attracting new talent, but also to motivating and retaining existing employees. KOEL has broadened diversity agenda to include the promotion of diversity of thought in management teams and will be focusing on increasing diversity for three factors: gender, age and industry/experience.

There were no complaints relating to child labour, forced labour, involuntary labour or sexual harassment in the last Financial Year and pending, as at the end of Financial Year 2020-21.

Collective Bargaining and Employee Engagement

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

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

Occupational Health & Safety

The Company has adopted a range of top-down, bottom-up and horizontal communication channels to effectively communicate with its employees.

KOEL continues to maintain healthy and harmonious industrial relations at all manufacturing plants. There are also formal agreements with the trade union covering Health & Safety topics such as responsibility of the workers for using Personal Protective Equipment, compliance with provisions of the Factories Act etc.

The 'Occupational Health & Safety Policy' is adopted for all factory locations of the Company.

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

STAKEHOLDER ENGAGEMENT

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

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

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

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

RESPECT FOR HUMAN RIGHTS

PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

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

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

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

There were no stakeholder complaints related to human rights violations during the Financial Year 2020-21.

PROTECTION AND RESTORATION OF ENVIRONMENT

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

The Company is committed to creating and preserving a clean environment. The Integrated Management Systems including ISO 14001 based Environmental Management System, is the main framework to address protection and restoration of the environment. The Company directs its commitment towards the environment through the mitigation of air and water pollution and management of hazardous waste and resource conservation.

The Company makes all efforts to minimise the environmental impact due to its manufacturing activities as also due to use of its products. It makes efforts to restore and address some environmental problems in the neighbourhood of its manufacturing plants.

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

The Details of GHG emissions from production are as below:

Plant	Total GHG emissions (tons of CO_2)	
	FY 2019-20	FY 2020-21
Main Plant I at Kagal	11,344	9,937
Khadki, Pune	10,593	6,877
Nasik	447	327
Plant II (KMW) at Kagal	342	464
Total	**22,726**	**17,605**

Consecutive for 2nd year, the Kagal Plant of the Company is the winner for “Golden Peacock award for energy efficiency by Indian Institute of Directors.

The Company is in process of completing the certification of “Carbon neutrality 2019-20” for Kagal plant facility.

The Company carried out carbon sequestration study for Kagal plant and the report indicated that trees at plant store 44.51 tons of carbon with a potential of sequestering 0.89 tons per year.

The Company as part of sustainability is moving towards taking initiatives in Bio diversity which will include protection of various species of birds, insects, butterflies, reptiles, mammals.

During the year under review, 51% of total electricity energy consumption at Kagal plant, with an approximate savings of Rs. 4.72 Crores was through units generated from Solar Captive Power Plant installed and Third Party Windmill Units purchased from independent Windmill generators under open access policy.

4% of total electricity energy consumption at Khadki, Pune plant, with an approximate savings of Rs. 0.21 lakhs was through units generated from Solar Plant installed, in this year and Third Party Windmill Units purchased from independent Windmill generators under open access policy.

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

The updates on environment protection are given during energy conservation programme. The management of the Company is abreast periodically on energy conservation awareness and Energy Management System.

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

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

Climate change is the defining issue at the moment. From shifting weather patterns to rising sea levels, the impacts of climate change are unprecedented in scale and global in scope. The coronavirus pandemic might have had a temporary positive environmental impact but this current crisis has taught that society has the capacity to swiftly make major adjustments and devise alternative solutions when necessary. The climate change and natural disasters, remain material issues for our stakeholders.

PUBLIC POLICY ADVOCACY

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

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

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

a) Bombay Chamber of Commerce and Industry

b) Confederation of Indian Industry (Western region)

c) Engineering Export Promotion Council

d) Federation of Indian Chambers of Commerce & Industry

e) Federation of Indian Export Organizations

f) Mahratta Chamber of Commerce Industries and Agriculture

g) The Automotive Research Association of India

INCLUSIVE GROWTH

PRINCIPLE 8: BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

The Company supports, to the extent practicable, activities that contribute to inclusive growth and equitable development. The CSR program impact assessment is done from time to time and the number of beneficiaries and the change in their livelihood and income levels is monitored.

The Company has adopted a Corporate Social Responsibility ('CSR') policy and a CSR committee of the Board guides policy implementation, monitoring and reporting. The CSR policy is available on the website of the Company. The CSR programs are undertaken through employee volunteering led by an internal team and a few external NGOs. The CSR Report has been dealt with more exhaustively in the annexure to the Board's Report for Financial Year 2020-21.

DELIVERING VALUE TO CUSTOMERS

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

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

The Company ensures that it creates social value by serving its customers through competitive value propositions by innovating strategies that maximize sustainable livelihood creation. Despite a challenging market due to pandemic situation, there was speedy service response to our all essential category customers without any interruption and also extended support for warranty, renewal of annual maintenance contracts.

The Company continues to leverage the usage of technology and also implemented many path breaking digital initiatives for proactive engagement with customers and providing efficient after sales service support.

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

The latest Customer Survey based on Customer Delight Index process indicates excellent scores.

INDEPENDENT AUDITOR'S REPORT

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

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

Opinion

We have audited the accompanying standalone Ind AS financial statements of Kirloskar Oil Engines Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of Significant Accounting Policies and other explanatory information (hereinafter referred to as "the Standalone Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS standalone Financial Statements give the information required by the Companies Act, 2013 as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the standalone state of affairs of the Company as at March 31, 2021, and its standalone profit (including Other Comprehensive Income), standalone changes in equity and its standalone cash flows for the year ended on that date.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Revenue recognition:

During the financial year the company has recognised revenue from contracts with customers for sale of goods and services of Rs. 2,663.62 Crores (Refer Note 29 of standalone financial statements). Revenue is recognised as per revenue recognition policy described in Note 40.4.18.

We have identified revenue recognition as a key audit matter since it involves significant management judgement and estimates including whether contracts contain multiple performance obligations which should be accounted for separately. This comprises allocation of the transaction price to each performance obligation and assessing whether the identified performance obligations are satisfied at a point in time or satisfied over a period of time and determining when the control is transferred.

Our audit methodology included the following:

- Obtained an understanding and assessed internal controls and its effectiveness with regards to recognition of revenue.
- Analysed major streams of revenue of company to assess whether the method of revenue recognition is consistent with IND AS 115 and has been applied consistently.
- Focused on contract classification, determination of the performance obligations and determination of transaction price including variable consideration for selected samples.
- Tested on sample basis whether revenue transactions near to the reporting date have been recognised in the appropriate period based on terms of the contract.
- Evaluated and critically analysed on sample basis, the significant judgements and estimates made by the management in applying the accounting policy for allocation of transaction price and the timing of transfer of control.
- Critically analysed the adequacy and appropriateness of disclosures required as per Ind AS 115-Revenue from Contracts with Customers.

Other Information

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

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

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

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

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

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

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

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

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

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

We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS Financial Statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A; a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.

   d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.

   e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.

   f) With respect to the adequacy of the internal financial controls with reference to standalone Ind AS financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B" to this report.

   g) As required by section 197 (16) of the Act; in our opinion and according to information and explanation provided to us, the remuneration paid/ provided for by the company to its directors is in accordance with the provisions of section 197 of the Act and remuneration paid to directors is not in excess of the limit laid down under this section.

   h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

      (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 40.5.1 to the financial statements.

      (ii) The Company did not have any long-term contracts including derivative contracts as at March 31, 2021.

      (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For P G BHAGWAT LLP
Chartered Accountants
FRN : 101118W / W100682
Sd/-
Sanjay Athavale
Partner
Membership No. 83374
Pune : 13.05.2021
UDIN : 21083374AAAACJ3234

Annexure A to Independent Auditor's Report

Referred to in paragraph 1 of Report on Other Legal and Regulatory Requirements section of the Independent Auditor's Report of even date to the members of Kirloskar Oil Engines Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2021

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

(b) The property, plant and equipment have been physically verified by the management according to the phased program of three years which is reasonable with regard to size of the company and nature of its assets. According to the information and explanations given to us no material discrepancies were noticed during such physical verification;

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

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

(iii) According to information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act, except short term unsecured loan amounting to Rs. 40 crores to its wholly owned subsidiary company :

(a) the terms and conditions of the grant of such loan is not prejudicial to the company's interest ;

(b) the principal has been fully repaid and the interest has been fully paid ;

(c) there is no over due amount.

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

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

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

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

According to the information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31st March, 2021, for a period more than six months from the date they became payable.

(b) According to the information and explanations given to us, the particulars of dues of income tax, sales tax, wealth tax, service tax, custom duty, goods and service tax, excise duty and cess as at 31st March, 2021 which has not been deposited on account of disputes are as follows:

Name of the Statue	Nature of dispute due	Amount under dispute not deposited (Rs in Crores)	Period to which amount is related	Forum where the dispute is pending
Sales Tax	Sales tax, disallowance for non- receipt of Forms and penalty for pump set	2.17	1992-1993 2004-2005 2007-2008	High Court
	Demand for Disallowance of Claims	0.56	1995-1996 2007-2008 2011-2012	Tribunal
	Non receipt of Forms & Disallowance of Credit	0.78	1996-97 2004-06 2008-09 2011-17	Appellate authority - Up to Commissioner level
Service Tax	Disallowance of credit	0.03	2007-2010	High Court
		0.68	2006 2013-2015 2016-2018	Tribunal
		0.32	2005-2007 2012-2016	Appellate authority - Up to Commissioner level
Excise Duty	Valuation & exemption disputes and disallowance of cenvat credit against the excise duty	5.30	1999-2002 2004-2013	Tribunal
		11.71	1996 2014-17	Appellate authority - Up to Commissioner level
Customs Duty	Dispute related to exemption and other matters	0.86	1994-1997 2011-2012	Appellate authority - Up to Commissioner level

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

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

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

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

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

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

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

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

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

For P G BHAGWAT LLP
Chartered Accountants
FRN : 101118W / W100682

Sd/-
Sanjay Athavale
Partner
Membership No. 83374
Pune : 13.05.2021
UDIN : 21083374AAAACJ3234

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

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

We have audited the internal financial controls with reference to Standalone Ind AS Financial Statements of Kirloskar Oil Engines Limited (“the Company”) as of March 31, 2021 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

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

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

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

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

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

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

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone Ind AS financial statements and such internal financial controls were operating effectively as at March 31, 2021, 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 P G BHAGWAT LLP
Chartered Accountants
FRN : 101118W / W100682

Sd/-
Sanjay Athavale
Partner
Membership No. 83374
Pune : 13.05.2021
UDIN : 21083374AAAACJ3234

Balance Sheet as at 31 March 2021

₹ in Crores

Particulars	Note No.	As at 31 March 2021	As at 31 March 2020
ASSETS			
I. Non-current assets		**1,487.71**	**1,324.15**
(a) Property, plant and equipment	1a	366.79	329.82
(b) Capital work-in-progress	1a	31.72	30.30
(c) Right-of-use assets	1b	12.56	11.45
(d) Other Intangible assets	2	66.17	21.00
(e) Intangible assets under development	2	23.18	44.10
(f) Financial assets			
(i) Investments	3	915.73	782.37
(ii) Loans	4	0.06	0.05
(iii) Other financial assets	5	31.52	35.94
(g) Other non-current assets	6	39.98	69.12
II.Current assets		**1,355.87**	**1,134.20**
(a) Inventories	7	265.19	300.33
(b) Financial assets			
(i) Investments	8	618.23	319.04
(ii) Trade receivables	9	355.82	362.83
(iii) Cash and cash equivalents	10a	17.28	2.89
(iv) Bank balance other than (iii) above	10b	12.13	14.24
(v) Loans	11	0.04	0.03
(vi) Other financial assets	12	50.98	61.88
(c) Assets held for sale	13	-	0.12
(d) Other current assets	14	36.20	72.84
Total Assets		**2,843.58**	**2,458.35**
EQUITY AND LIABILITIES			
Equity		**1,983.15**	**1,830.24**
(a) Equity share capital	15	28.92	28.92
(b) Other equity			
Capital redemption reserve	16	0.20	0.20
General reserve	16	608.39	608.39
Retained earnings	16	1,345.31	1,192.73
FVOCI reserve	16	0.04	-
Employee stock option reserve	16	0.29	-
Liabilities			
I. Non-current liabilities		**77.91**	**74.72**
(a) Financial liabilities			
(i) Lease liabilities	17	0.84	-
(ii) Other financial liabilities	18	16.27	18.55
(b) Provisions	19	29.17	34.43
(c) Deferred tax liabilities (net)	20	12.50	5.16
(d) Other non-current liabilities	21	19.13	16.58
II.Current liabilities		**782.52**	**553.39**
(a) Financial liabilities			
(i) Borrowings	22	77.68	15.26
(ii) Trade and other payables	23		
a) total outstanding dues of micro enterprises and small enterprises		77.45	22.24
b) total outstanding dues of creditors other than micro enterprises and small enterprises		427.33	325.85
(iii) Lease liabilities	24	0.77	0.36
(iv) Other financial liabilities	25	85.99	51.81
(b) Other current liabilities	26	50.85	79.22
(c) Provisions	27	62.16	57.95
(d) Government grants	28	0.29	0.70
Total Equity and Liabilities		**2,843.58**	**2,458.35**
Significant accounting policies	40		

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

As per our attached report of even date

FOR P G BHAGWAT LLP
Chartered Accountants
Firm Registration Number : 101118W/W100682

SANJAY ATHAVALE
Partner
Membership Number : 83374

Pune: 13 May 2021

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN:07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Pune: 13 May 2021

Statement of profit and loss for the year ended 31 March 2021

₹ in Crores

Particulars	Note No.	2020-2021	2019-2020
Income			
Revenue from operations	29	2,694.44	2,877.48
Other income	30	25.96	37.39
Total income		**2,720.40**	**2,914.87**
Expenses			
Cost of raw materials and components consumed	31	1,177.27	1,302.98
Purchase of traded goods	32	525.64	598.75
Changes in inventories of finished goods, work-in-progress and traded goods	33	40.22	(27.76)
Employee benefits expense	34	198.87	217.81
Finance costs	35	6.36	3.82
Depreciation and amortisation expense	36	62.15	66.63
Other expenses	37	480.06	552.81
Expense capitalised		(9.94)	(8.90)
Total expenses		**2,480.63**	**2,706.14**
Profit before exceptional items and tax		**239.77**	**208.73**
Exceptional items [income/(expense)]	38	(8.37)	16.49
Profit before tax		**231.40**	**225.22**
Tax expense		**61.66**	**54.84**
Current tax	39	55.86	55.38
Deferred tax	39	5.80	(0.54)
Profit for the year		**169.74**	**170.38**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		**4.57**	**(1.94)**
Re-measurement gains / (losses) on defined benefit plans		6.06	(2.59)
Income tax effect on above		(1.53)	0.65
Subtotal (A)		**4.53**	**(1.94)**
Net gain / (loss) on FVOCI equity instruments		0.05	-
Income tax effect on above		(0.01)	-
Subtotal (B)		**0.04**	**-**
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (A + B)		**4.57**	**(1.94)**
Total other comprehensive income/(loss) for the year, net of tax [A + B]		**4.57**	**(1.94)**
Total comprehensive income for the year		**174.31**	**168.44**
Earnings per equity share [nominal value per share Rs.2/- (31 March 2020: Rs.2/-)]			
Basic		11.74	11.78
Diluted		11.74	11.78
Significant accounting policies	40		

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

As per our attached report of even date

FOR P G BHAGWAT LLP
Chartered Accountants
Firm Registration Number : 101118W/W100682

SANJAY ATHAVALE
Partner
Membership Number : 83374

Pune: 13 May 2021

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN:07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Pune: 13 May 2021

Statement of Cash Flow the year ended 31 March 2021

₹ in Crores

Particulars	2020-21	2019-20
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	**231.40**	**225.22**
Adjustments to reconcile profit before tax to net cash flows:		
Add:		
Depreciation and amortisation	62.15	66.63
Inventories written down	1.91	3.19
Bad debts and irrecoverable balances written off	2.30	0.54
Provision for doubtful debts and advances (Net) (Including expected credit loss)	14.22	7.62
Loss/(Profit) on revalorisation on imports payable	(0.11)	0.29
Share based expense	0.29	-
Finance costs	6.36	3.82
Amortisation of rent expenses	0.75	0.75
	87.87	**82.84**
Less:		
Net gain on disposal of property, plant and equipment	0.11	0.30
Profit/(Loss) on revalorisation on exports receivable	2.31	2.75
Profit/(Loss) on sale of mutual fund investment at FVTPL (Net)	12.59	24.03
Marked to market gain on investments measured at FVTPL	1.13	0.17
Interest income and unwinding of interest on deposits and government grant (Subsidy receivable under PSI scheme, 2001)	5.41	2.80
Exceptional items (Profit on sale of leasehold property)	-	16.49
Sundry credit balances appropriated	0.55	3.51
Provisions no longer required written back	3.07	3.03
Revenue from deferred EPCG income	0.41	0.15
Dividend income	0.00	0.00
	25.58	**53.23**
Operating Profit before working capital changes	**293.69**	**254.83**
Working Capital Adjustments		
(Increase)/Decrease in government grant receivable	23.70	6.19
(Increase)/Decrease in trade and other receivables	10.92	133.53
(Increase)/Decrease in inventories	33.22	(61.33)
Increase/(Decrease) in trade and other payables	188.83	(38.81)
Increase/(Decrease) in provisions	8.33	1.13
	265.00	**40.71**
Net cash generated from operations	**558.69**	**295.54**
Direct taxes paid (net of refunds)	(32.35)	(67.87)
NET CASH FLOW FROM OPERATING ACTIVITIES	**526.34**	**227.67**

₹ in Crores

Particulars	2020-21	2019-20
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of PPE & other intangible assets including advance	0.96	0.36
Commission on sale of leasehold property	-	(0.38)
Proceeds from sale of mutual funds (Net)/Purchase of mutual funds	(285.48)	416.39
Dividend received	-	0.00
Investment in subsidiary	(133.32)	(499.50)
Investment in other than subsidiary	-	(0.49)
Interest received	1.77	-
Payments for purchase of property, plant and equipment	(129.20)	(75.58)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**(545.27)**	**(159.20)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from bill discounting & borrowings	277.69	15.26
Finance costs	(6.18)	(3.78)
Payment for lease liabilities	(1.24)	(0.38)
Repayment of borrowings	(215.26)	(13.07)
Final and interim dividend paid	(21.69)	(94.00)
Tax on final and interim dividend	-	(19.32)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**33.32**	**(115.29)**
Net increase/(decrease) in cash and cash equivalents	**14.39**	**(46.82)**
Opening cash and cash equivalents	**2.89**	**49.71**
Closing cash and cash equivalents (Refer note 10a)	**17.28**	**2.89**

As per our attached report of even date

FOR P G BHAGWAT LLP
Chartered Accountants
Firm Registration Number : 101118W/W100682

SANJAY ATHAVALE
Partner
Membership Number : 83374

Pune: 13 May 2021

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN:07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Pune: 13 May 2021

Statement of Changes in Equity for the year ended 31 March 2021

A. Equity Share Capital (Note 15)

₹ in Crores

Equity Shares of Rs 2 each issued, subscribed and fully paid	No. of Shares	Amount
At 1 April 2019	**14,46,14,326**	**28.92**
Increase/decrease, if any during the year	-	-
At 31 March 2020	**14,46,14,326**	**28.92**
Increase/decrease, if any during the year	-	-
At 31 March 2021	**14,46,14,326**	**28.92**

B. Other Equity (Note 16)

₹ in Crores

Particulars	Reserves and Surplus			Items of OCI			Total
	Capital Redemption Reserve	General Reserve	Retained Earnings	Equity Instruments Through Other Comprehensive Income	Employee Stock Option Reserve	Foreign Currency Translation Reserve	
As at 1 April 2019	**0.20**	**608.39**	**1,137.61**	**-**	**-**	**-**	**1,746.20**
Profit for the year	-	-	170.38	-	-	-	170.38
Other comprehensive income/(loss) for the year	-	-	(1.94)	-	-	-	(1.94)
Total Comprehensive income for the year	**-**	**-**	**168.44**	**-**	**-**	**-**	**168.44**
Final dividend for year ended 31 March 2019	-	-	(36.15)	-	-	-	(36.15)
Tax on final dividend for the year ended 31 March 2019	-	-	(7.43)	-	-	-	(7.43)
Interim dividend for year ended 31 March 2020	-	-	(57.85)	-	-	-	(57.85)
Tax on interim dividend for the year ended 31 March 2020	-	-	(11.89)	-	-	-	(11.89)
As at 31 March 2020	**0.20**	**608.39**	**1,192.73**	**-**	**-**	**-**	**1,801.32**
As at 1 April 2020	**0.20**	**608.39**	**1,192.73**	**-**	**-**	**-**	**1,801.32**
Profit for the year	-	-	169.74	-	-	-	169.74
Other comprehensive income/(loss) for the year	-	-	4.53	0.04	-	-	4.57
Total Comprehensive income for the year	**-**	**-**	**174.27**	**0.04**	**-**	**-**	**174.31**
Share based payment expense	-	-	-	-	0.29	-	0.29
Premium on issue of shares under ESOP scheme	-	-	-	-	-	-	-
Interim dividend for year ended 31 March 2021	-	-	(21.69)	-	-	-	(21.69)
Tax on interim dividend for the year ended 31 March 2021	-	-	-	-	-	-	-
As at 31 March 2021	**0.20**	**608.39**	**1,345.31**	**0.04**	**0.29**	**-**	**1,954.23**

Significant accounting policies 40

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

As per our attached report of even date

FOR P G BHAGWAT LLP
Chartered Accountants
Firm Registration Number : 101118W/W100682

SANJAY ATHAVALE
Partner
Membership Number : 83374

Pune: 13 May 2021

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN:07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Pune: 13 May 2021

Notes to the Financial Statements

Note 1a : Property, plant and equipment

₹ in Crores

Particulars	Land Leasehold	Buildings	Plant & Equipment*	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
Gross Block											
As at 1st April 2019	**12.88**	**196.87**	**978.32**	**30.48**	**10.22**	**25.88**	**5.59**	**64.03**	**40.13**	**1,364.40**	**17.88**
Additions	-	0.34	17.97	0.31	1.29	-	0.18	2.32	0.43	22.84	35.26
Reclassified on account of Adoption of Ind AS 116	12.88	-	-	-	-	-	-	-	-	12.88	-
Asset Held for Disposal	-	-	1.11	-	-	-	-	-	-	1.11	-
Deductions	-	-	5.30	0.12	0.04	-	-	0.04	0.65	6.15	22.84
As at 31 March 2020	**-**	**197.21**	**989.88**	**30.67**	**11.47**	**25.88**	**5.77**	**66.31**	**39.91**	**1,367.10**	**30.30**
Additions	-	1.15	83.13	0.52	0.86	-	0.05	1.58	0.17	87.46	88.89
Asset Held for Disposal	-	-	(0.54)	-	-	-	-	-	-	(0.54)	-
Deductions	-	-	4.36	0.57	1.39	-	0.07	1.45	-	7.84	87.47
As at 31 March 2021	**-**	**198.36**	**1,069.19**	**30.62**	**10.94**	**25.88**	**5.75**	**66.44**	**40.08**	**1,447.26**	**31.72**
Depreciation											
Upto 1 April 2019	**1.64**	**53.34**	**800.67**	**19.34**	**8.58**	**20.69**	**4.89**	**54.33**	**28.69**	**992.17**	**-**
For the year	-	7.05	34.17	2.48	1.16	1.69	0.28	4.24	2.62	53.69	-
Reclassified on account of Adoption of Ind AS 116	1.64	-	-	-	-	-	-	-	-	1.64	-
Asset Held for Disposal	-	-	1.11	-	-	-	-	-	-	1.11	-
Deductions	-	-	5.04	0.12	0.04	-	-	0.04	0.59	5.83	-
As at 31 March 2020	**-**	**60.39**	**828.69**	**21.70**	**9.70**	**22.38**	**5.17**	**58.53**	**30.72**	**1,037.28**	**-**
For the year	-	6.99	32.88	2.26	0.56	0.92	0.14	3.62	2.39	49.76	-
Asset Held for Disposal	-	-	(0.54)	-	-	-	-	-	-	(0.54)	-
Deductions	-	-	4.30	0.52	0.88	-	0.07	1.33	-	7.10	-
As at 31 March 2021	**-**	**67.38**	**857.81**	**23.44**	**9.38**	**23.30**	**5.24**	**60.82**	**33.11**	**1,080.48**	**-**
Net Block											
As at 1 April 2019	**11.24**	**143.53**	**177.65**	**11.14**	**1.64**	**5.19**	**0.70**	**9.70**	**11.44**	**372.24**	**17.88**
As at 31 March 2020	**-**	**136.82**	**161.19**	**8.97**	**1.77**	**3.50**	**0.60**	**7.78**	**9.19**	**329.82**	**30.30**
As at 31 March 2021	**-**	**130.98**	**211.38**	**7.18**	**1.56**	**2.58**	**0.51**	**5.62**	**6.97**	**366.79**	**31.72**

Notes :

1. Gross block is at Cost.
2. For Depreciation and amortisation refer accounting policy (Note 40.4.3).
3. Capital work in progress (CWIP) : Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is Rs. 31.72 Crores (31 March 2020: Rs 30.30 Crores).
4. The Company had adopted deemed cost exemption under IND AS 101, on transition date of 1 April 2015. The information of Gross block and accumulated depreciation as on 1 April 2015 is carried forward for disclosures.

5* Includes certain assets provided on cancellable operating lease (Note 40.5.17)

6. Note 1a of Property, plant and equipment includes assets at Research and Development facility, the details of which are as under.

Notes to the Financial Statements

Property, plant and equipment : Research and Development facility
(Below figures are included in Note 1a: Property, plant and equipment)

₹ in Crores

Particluars	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block										
As at 1 April 2019	**-**	**-**	**96.40**	**5.29**	**-**	**-**	**0.13**	**1.77**	**3.57**	**107.16**
Additions	-	-	3.70	-	-	-	-	0.04	-	3.74
Inter transfers - Net	-	-	(0.30)	-	-	-	-	-	-	(0.30)
Asset held for disposal	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	-	-
As at 31 March 2020	**-**	**-**	**99.80**	**5.29**	**-**	**-**	**0.13**	**1.81**	**3.57**	**110.60**
Additions	-	-	14.62	-	-	-	-	0.06	-	14.68
Inter transfers - Net	-	-	0.00	-	-	-	-	-	-	0.00
Asset held for disposal	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	5.59	-	-	-	-	-	-	5.59
As at 31 March 2021	**-**	**-**	**108.83**	**5.29**	**-**	**-**	**0.13**	**1.87**	**3.57**	**119.69**
Depreciation										
Upto 1 April 2019	-	-	49.66	2.56	-	-	0.11	1.55	1.73	55.61
For the year	-	-	7.50	0.68	-	-	-	0.11	0.38	8.67
Inter transfers - Net	-	-	(0.30)	-	-	-	-	-	-	(0.30)
Asset held for disposal	-	-	0.00	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	-	-
As at 31 March 2020	**-**	**-**	**56.86**	**3.24**	**-**	**-**	**0.11**	**1.66**	**2.11**	**63.98**
For the year	-	-	8.04	0.64	-	-	-	0.05	0.36	9.09
Inter transfers - Net	-	-	0.00	-	-	-	-	-	-	0.00
Asset held for disposal	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	5.45	-	-	-	-	-	-	5.45
As at 31 March 2021	**-**	**-**	**59.45**	**3.88**	**-**	**-**	**0.11**	**1.71**	**2.47**	**67.62**
Net Block										
As at 1 April 2019	-	-	46.74	2.73	-	-	0.02	0.22	1.84	51.55
As at 31 March 2020	**-**	**-**	**42.94**	**2.05**	**-**	**-**	**0.02**	**0.15**	**1.46**	**46.62**
As at 31 March 2021	**-**	**-**	**49.38**	**1.41**	**-**	**-**	**0.02**	**0.16**	**1.10**	**52.07**

Notes to the Financial Statements

Note 1b : Right-of-use assets

₹ in Crores

Particulars	Category of Right-of-use assets			Total
	Land	Building	Plant & Equipment	
Balance as on 1 April 2019- on account of adoption of IND AS 116				
- Reclassified (refer to note 1a)	11.24	-	-	**11.24**
- Recognition	-	0.48	0.22	**0.70**
Depreciation	0.14	0.24	0.11	**0.49**
Balance as at 31 March 2020	**11.10**	**0.24**	**0.11**	**11.45**
Addition	-	2.37	-	**2.37**
Deletion	-	-	0.11	**0.11**
Depreciation	0.14	1.01	-	**1.15**
Balance as at 31 March 2021	**10.96**	**1.60**	**-**	**12.56**

1. The aggregate depreciation expense on Right-of-use (ROU) assets is included under depreciation and amortisation expense in the Statement of Profit and Loss.
2. Refer Note 40.5.17

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 2019	**41.08**	**11.73**	**3.74**	**48.90**	**105.45**	**23.04**
Additions	4.90	-	1.50	-	6.40	27.46
Deductions	-	-	-	-	-	6.40
As at 31 March 2020	**45.98**	**11.73**	**5.24**	**48.90**	**111.85**	**44.10**
Additions	4.61	0.61	18.20	32.99	56.41	35.48
Deductions	-	-	-	-	-	56.41
As at 31 March 2021	**50.59**	**12.34**	**23.44**	**81.89**	**168.26**	**23.18**
Amortisation						
Upto 1 April 2019	**34.41**	**11.15**	**3.74**	**29.10**	**78.40**	**-**
For The Year	3.16	0.12	0.29	8.88	12.45	-
Deductions	-	-	-	-	-	-
As at 31 March 2020	**37.57**	**11.27**	**4.03**	**37.98**	**90.85**	**-**
For The Year	2.81	0.13	0.64	7.66	11.24	-
Deductions	-	-	-	-	-	-
As at 31 March 2021	**40.38**	**11.40**	**4.67**	**45.64**	**102.09**	**-**
Net Block						
As at 1 April 2019	**6.67**	**0.58**	**-**	**19.80**	**27.05**	**23.04**
As at 31 March 2020	**8.41**	**0.46**	**1.21**	**10.92**	**21.00**	**44.10**
As at 31 March 2021	**10.21**	**0.94**	**18.77**	**36.25**	**66.17**	**23.18**

Notes :

1. Intangible assets are amortised on straight line method.
2. For Depreciation and amortisation refer accounting policy (Note 40.4.5).
3. Intangibles under development: Intangible assets under development comprise intangible assets not ready for the intended use on the date of the Balance Sheet. Total amount intangibles under development is Rs. 23.18 Crores (31 March 2020: Rs 44.10 Crores).
4. Note 2 of Other Intangible assets includes assets at Research and Development facility, the details of which are as under.

Notes to the Financial Statements

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

₹ in Crores

Particluars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow - Internally generated	Total
Gross Block					
As at 1 April 2019	**15.30**	**11.03**	**1.50**	**48.89**	**76.72**
Additions	0.25	-	1.50	-	1.75
Deductions	-	-	-	-	-
As at 31 March 2020	**15.55**	**11.03**	**3.00**	**48.89**	**78.47**
Additions	2.14	0.61	18.20	32.90	53.85
Deductions	-	-	-	-	-
As at 31 March 2021	**17.69**	**11.64**	**21.20**	**81.79**	**132.32**
Amortisation					
Upto 1 April 2019	**11.52**	**10.45**	**1.50**	**29.11**	**52.58**
For The Year	1.62	0.12	0.29	8.88	10.91
Deductions	-	-	-	-	-
As at 31 March 2020	**13.14**	**10.57**	**1.79**	**37.99**	**63.49**
For The Year	1.15	0.13	0.64	7.66	9.58
Deductions	-	-	-	-	-
As at 31 March 2021	**14.29**	**10.70**	**2.43**	**45.65**	**73.07**
Net Block					
As at 1 April 2019	**3.78**	**0.58**	**-**	**19.78**	**24.14**
As at 31 March 2020	**2.41**	**0.46**	**1.21**	**10.90**	**14.98**
As at 31 March 2021	**3.40**	**0.94**	**18.77**	**36.14**	**59.25**

Notes to the Financial Statements

Note 3 : Non-current investments

₹ in Crores

	Particulars	Par Value / Face Value Per Unit	As at 31 March 2021		As at 31 March 2020	
			Nos.	₹ in Crores	Nos.	₹ in Crores
(i)	**At Cost**					
	Investment					
	Investment in wholly owned subsidiary					
	In unquoted equity instruments					
	KOEL Americas Corp.- Equity Instruments (Fully paid up)	0.001 $	50	1.59	50	1.59
	Arka Fincap Limited (formerly known as Kirloskar Capital Limited) - Equity Instruments (Fully paid up)	10 ₹	63,99,69,828	651.32	52,65,00,000	526.50
	Investment in subsidiary - others					
	In unquoted equity instruments					
	La-Gajjar Machineries Private Limited (LGM) fully paid up	10 ₹	8,17,760	253.78	8,17,760	253.78
(ii)	**At amortised cost**					
	Investment in subsidiary - others					
	In unquoted preference shares	10 ₹	85,00,000	8.50	-	-
	8% cumulative redeemable preference shares in La-Gajjar Machineries Private Limited (LGM) fully paid up					
(iii)	**At fair value through other comprehensive income (FVOCI)**					
	Investment					
	In unquoted equity instruments					
	Kirloskar Proprietary Limited - Equity Share (Fully Paid up)	100 ₹	1	0.00	1	0.00
	S.L.Kirloskar CSR Foundation - Equity Shares (Fully paid up)	10 ₹	9,800	0.01	9,800	0.01
	Kirloskar Management Services Pvt Ltd (Fully paid up)	10 ₹	4,87,500	0.53	4,87,500	0.49
	Total			**915.73**		**782.37**

$: United States of America Dollar

Notes :

1. Aggregate amount of unquoted investments 915.73 782.37
2. Face value per unit in Rupees unless otherwise stated.
3. The Company has invested Rs.124.82 Crores (@ Rs. 11 per share (Including Premium Rs. 1 per share) towards rights issue of 11,34,69,828 Shares in Arka Fincap Limited (formerly known as Kirloskar Capital Limited) as given below (Application money @ Rs. 4 per share (Including Premium Rs. 1 per share) Total value Rs. 45.39 Crores on 7 August 2020, 1st call money @ Rs. 3 per share Total Value Rs. 34.04 Crores on 15 January 2021, 2nd call money @ Rs. 4 per share Total Value Rs. 45.39 Crores on 12 February 2021)

Notes to the Financial Statements

4. The Company has invested Rs. 8.5 Crores (@ Rs. 10 per share) towards 8% cumulative redeemable preference shares right issue of 85,00,000 Shares, in La-Gajjar Machineries Private Limited. (LGM)
5. Refer Note 40.5.13 and 40.5.14 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments.
6. Refer Note 40.5.15 on risk management objectives and policies for financial instruments.

Note 4 : Loans (Non-current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Loans to employees (unsecured, considered good)	0.06	0.05
Total	**0.06**	**0.05**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 40.5.15 on risk management objectives and policies for financial instruments.
4. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.

Note 5 : Other financial assets (non-current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Security deposits		
Unsecured, considered good	21.76	21.05
Doubtful	0.54	0.50
Less :Loss allowance for doubtful deposits	(0.54)	(0.50)
Subsidy receivable under PSI scheme, 2001	9.57	14.66
Others	0.19	0.23
Total	**31.52**	**35.94**

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 31st March 2019 along with the extension of original operative period by 2 years and compliances thereof. The eligible receivables as on 31 March 2021, 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.

Notes to the Financial Statements

2. Other financial assets are measured at amortised cost.
3. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.
4. Refer Note 40.5.15 on risk management objectives and policies for financial instruments.

Note 6 : Other non-current assets

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Capital advances	4.74	9.62
Prepaid expenses	0.18	0.67
Tax paid in advance (net of provision)	34.51	58.28
Other Advances to suppliers	**0.55**	**0.55**
Unsecured, considered good	0.55	0.55
Total	**39.98**	**69.12**

Note 7 : Inventories

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Raw materials	**159.23**	**152.43**
Raw materials and components	158.91	150.94
Raw materials in transit	0.32	1.49
Work-in-progress	14.96	39.22
Finished goods	32.45	39.39
Traded goods	49.17	58.19
Stores and spares	9.38	11.10
Total	**265.19**	**300.33**

1. Write Down of inventories to net realisable value amounted to Rs. 1.91 Crores (31 March 2020 : Rs. 3.19 Crores). These were recognised as an expense during the year.
2. Refer Note 22 for information on inventory hypothecation with bankers for the purpose of Working Capital facilities.

Notes to the Financial Statements

Note 8 : Current investments

₹ in Crores

Particulars	Face Value Per Unit	As at 31 March 2021		As at 31 March 2020	
	in ₹	Nos.	₹ in Crores	Nos.	₹ in Crores
At fair value through Profit or Loss (FVTPL)					
Other current investment					
Investments in mutual funds					
LIQUID AND MONEY MARKET SCHEMES - GROWTH OPTION					
Axis Liquid Fund - Regular Growth (CF-GP)	1,000	2,11,312	48.03	-	-
Aditya Birla Sun Life Liquid Fund - Growth -Regular Plan	100	-	-	13,54,442	43.04
Aditya Birla Sun Life Money Manger Fund - Growth - Regular Plan	100	8,88,761	25.33	-	-
Aditya Birla Sun Life Money Manger Fund - Growth-Direct Plan	100	-	-	23,30,299	63.13
DSP Liquidity Fund - Regular Plan - Growth	1,000	2,22,788	65.05	-	-
ICICI Prudential Liquid fund - Growth	100	15,51,227	47.01	-	-
ICICI Prudential - Money Market Fund - Growth	100	8,55,604	25.08	-	-
ICICI Prudential - Money Market Fund - Direct Plan - Growth	100	-	-	18,94,867	52.92
Invesco India Liquid Fund - Growth (LF-SG)	1,000	1,28,184	36.02	-	-
Kotak Liquid Fund Regular Plan - Growth	1,000	1,32,914	55.03	-	-
Kotak Money Market fund - Direct Plan - Growth (Erstwhile Kotak Floater ST)	1,000	-	-	1,59,019	52.68
LIC MF Liquid Fund - Regular Plan - Growth	1,000	86,472	32.01	-	-
L & T Liquid Fund - Regular Growth	1,000	46,335	13.00	-	-
Nippon India Liquid Fund - Growth Plan Growth Option	1,000	1,22,129	61.03	97,629	47.08
Nippon India Money Market Fund - Growth Plan - Growth Option	1,000	79,270	25.34	-	-
SBI Liquid Fund Regular Growth	1,000	1,59,332	51.04	-	-
SBI Savings Fund - Direct Plan - Growth	10	-	-	1,48,70,416	48.14
Tata Liquid Fund Regular Plan - Growth	1,000	1,27,213	41.02	38,713	12.05
UTI-Money Market Fund - Regular - Growth Plan	1,000	1,05,588	25.07	-	-
			550.06		**319.04**
OVERNIGHT SCHEMES - GROWTH OPTION					
Aditya Birla Sun Life Overnight Fund - Growth - Regular Plan	1,000	1,08,153	12.00	-	-
ICICI Prudential Overnight Fund Growth	100	18,06,479	20.00	-	-
SBI Overnight Fund Regular Growth	1,000	1,08,954	36.17	-	-
			68.17		**-**
Total			**618.23**		**319.04**

Notes :

1. Aggregate amount of unquoted investments 618.23 319.04
2. Face value per unit in Rupees unless otherwise stated.
3. Fair value disclosures for financial assets and liabilities are stated in Note 40.5.13 and fair value hierarchy disclosures for investment are stated in Note 40.5.14.
4. Refer Note 40.5.15 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements

Note 9 : Trade receivables

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Total Trade Receivables	**355.82**	**362.83**
Trade receivables [Refer note (1) below]	355.82	362.83
Break-up for security details:	**355.82**	**362.83**
Secured considered good	-	-
Unsecured considered good	355.82	362.83
Doubtful	37.90	24.31
Loss allowance (for expected credit loss under simplified approach)	(37.90)	(24.31)
Total	**355.82**	**362.83**

Trade receivable which have significant increase in credit risk: Rs. Nil (31 March 2020 : Rs. Nil)

Trade receivable - credit impaired :Rs. Nil (31 March 2020 : Rs. Nil)

1. Trade receivables are measured at amortised cost.
2. Trade receivables due from private companies in which director of the company, is a director or a member as at 31 March 2021 Rs. 7.83 Crores (31 March 2020 : Rs. 7.83 Crores)
3. For related party receivables, refer Note 40.5.11
4. **Movement of Loss Allowance (for expected credit loss under simplified approach)**

Particulars	₹ in Crores
At 1 April 2019	**19.45**
Allowance made/(reversed) during the year	4.98
Less : written off	(0.12)
At 31 March 2020	**24.31**
Allowance made/(reversed) during the year	15.85
Less : written off	(2.25)
At 31 March 2021	**37.90**

5. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.
6. Refer Note 40.5.15 on credit risk of trade receivables, which explains how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.
7. The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, the Company has retained credit risks.

The Company therefore continues to recognise these assets in the entirety in its Balance Sheet. The amount repayable under this arrangement is presented as secured borrowings.

Notes to the Financial Statements

The relevant carrying amounts are as follows: ₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Total transferred receivables w.r.t. Bills discounted	17.08	15.25
Related secured borrowings (Refer Note 22)	17.08	15.25

Note 10a : Cash and cash equivalents

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Balance with Bank		
Current accounts and debit balance in cash credit accounts	17.26	2.87
Cash on hand	0.02	0.02
Total	**17.28**	**2.89**

Note 10b : Other bank balances

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Unpaid dividend accounts	12.08	12.43
Deposits with original maturity of more than three months but less than 12 months	0.05	1.81
Total	**12.13**	**14.24**

1. Fixed deposit is earmarked deposit.
2. Refer Note 40.5.15 for further details
3. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.

Note 11 : Loans (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Loans to employees (unsecured, considered good)	0.04	0.03
Total	**0.04**	**0.03**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.
4. Refer Note 40.5.15 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements

Note 12 : Other financial assets (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Security deposits		
Unsecured, considered good	5.49	5.52
Doubtful	0.44	0.44
Less : Loss allowance for doubtful deposits	(0.44)	(0.44)
Subsidy receivable under PSI scheme, 2001	30.75	47.28
Export incentive receivable	9.14	6.01
Other receivables	5.60	3.07
Total	**50.98**	**61.88**

1. Other financial assets are measured at amortised cost.
2. Other receivables due from private companies in which director of the Company is, a director or a member as at 31 March 2021 Rs. 0.13 Crores (31 March 2020 : Rs. 0.45 Crores)
3. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.
4. Refer Note 40.5.15 on risk management objectives and policies for financial instruments.

Note 13 : Assets held for sale (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Property, plant and equipment (net)	-	0.12
Total	**-**	**0.12**

1. Fair value hierarchy disclosures for Assets held for sale are in Note 40.5.14.
2. Property, plant and equipment classified as held for sale during the reporting period was measured at the lower of its carrying value and fair value less cost to sale at the time of reclassification, resulted in the recognition of write down in the statement of profit and loss account 31 March 2021 : Nil (31 March 2020 : Nil). The fair value of property, plant and equipment was determined based on its estimated realisable value.

Notes to the Financial Statements

Note 14 : Other current assets

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Advance to suppliers	11.63	16.27
Unsecured, considered good	11.63	16.27
Doubtful	0.05	-
Less : Loss allowance for doubtful advances	(0.05)	-
Sales tax / VAT / GST receivable	18.06	52.03
Prepaid expenses	6.39	4.38
Others	0.12	0.16
Total	**36.20**	**72.84**

Note 15 : Share capital

Authorised share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
At 1 April 2019	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2020	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2021	**27,00,00,000**	**54.00**

Terms/Rights attached to the equity shares

The Company has only one class of equity shares having a par value of Rs. 2/- each. Each equity shareholder is entitled to one vote per share and has a right to receive dividend as recommended by Board of Directors subject to the necessary approval from the shareholders.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes to the Financial Statements

Issued and subscribed share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
At 1 April 2019	**14,46,14,326**	**28.92**
Changes during the year	-	-
At 31 March 2020	**14,46,14,326**	**28.92**
Changes during the year	-	-
At 31 March 2021	**14,46,14,326**	**28.92**

Subscribed and fully paid up

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
At 1 April 2019	**14,46,13,861**	**28.92**
Changes during the year	-	-
At 31 March 2020	**14,46,13,861**	**28.92**
Changes during the year	-	-
At 31 March 2021	**14,46,13,861**	**28.92**

The Company has share suspense account which represents equity shares of Rs. 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by Board of Industrial and Financial Reconstruction (BIFR), are kept in abeyance as per the Scheme of Arrangement approved by Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with order dated 19 March 2010.

Particulars	No. of shares	₹ in Crores
At 1 April 2019	**465**	**0.00**
Changes during the year	-	-
At 31 March 2020	**465**	**0.00**
Changes during the year	-	-
At 31 March 2021	**465**	**0.00**

Notes to the Financial Statements

1. Number of Shares held by each shareholder holding more than 5% Shares in the Company

Name of the Shareholder	As at 31 March 2021		As at 31 March 2020	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Atul Chandrakant Kirloskar	1,46,70,947	10.14	1,85,06,667	12.80
Rahul Chandrakant Kirloskar	1,77,82,902	12.30	1,77,82,902	12.30
Nalanda India Fund Limited	-	-	1,08,96,124	7.53
Kirloskar Industries Limited	82,10,439	5.68	82,10,439	5.68
Alpana Rahul Kirloskar	77,11,817	5.33	77,11,817	5.33
Jyotsna Gautam Kulkarni	1,29,85,432	8.98	1,29,85,432	8.98
SBI Small Cap Fund	81,53,401	5.64	-	-

2. Scheme of Arrangement and amalgamation

Hon'ble High Court of Judicature at Bombay vide its order dated 30 April 2015 had approved the Composite Scheme of Arrangement and Amalgamation (The Composite Scheme) between Kirloskar Brothers Investments Limited ('KBIL' - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited ('KOEL' - Transferee Company) and their respective shareholders and creditors under Sections 391 to 394 and other relevant Sections of the Companies Act, 1956, and the relevant Sections of the Companies Act, 2013, to the extent applicable. The said Scheme has been effective from 30 June 2015.

Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in the Company were cancelled on account of Cross holdings and same number of equity shares were allotted to the shareholders of KBIL on 14 July 2015. In view of the same there is no change in the paid-up capital of the Company pre and post the Composite Scheme.

Notes to the Financial Statements

Note 16 : Other Equity

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Capital redemption reserve	**0.20**	**0.20**
General reserve	**608.39**	**608.39**
Equity instruments through other comprehensive income	**0.04**	**-**
Employee stock option reserve	**0.29**	**-**
Retained earnings	**1,345.31**	**1,192.73**
Opening Balance	1,192.73	1,137.61
Add : Profit for the year	169.74	170.38
Add : Other Comprehensive Income / (Loss)	4.53	(1.94)
	174.27	**168.44**
Less : Appropriations		
Final dividend	-	36.15
Tax on final dividend	-	7.43
Interim dividend	21.69	57.85
Tax on interim dividend	-	11.89
	21.69	**113.32**
Total	**1,954.23**	**1,801.32**

Other reserves

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Capital redemption reserve	0.20	0.20
General reserve	608.39	608.39
Retained earnings	1,345.31	1,192.73
Equity instruments through other comprehensive income	0.04	-
Employee stock option reserve	0.29	-
Total other reserves	**1,954.23**	**1,801.32**

1. Capital redemption reserve is created out of General reserve being nominal value of shares bought back in terms of erstwhile section 77A of the Companies Act, 1956 for equity shares buy back in the year 2012-13.
2. General reserve is created by setting aside amount from the Retained Earnings of the company for general purposes which is freely available for distribution.

Notes to the Financial Statements

3. Equity instruments through other comprehensive income represents the cumulative gains and losses arising on the revaluation 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.

4. 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 stock options not exercised by employees. Refer note no. 40.5.19 for disclosure on Employee Stock Option Plan (ESOP) of the Company.

5. Dividend distribution made and proposed

Particulars	2020-2021	2019-2020
Cash dividends on Equity shares declared and paid		
Final dividend for the year ended 31 March 2020: Rs. Nil per share	-	36.15
(31 March 2019: Rs. 2.5 per share)		
Dividend distribution tax on final dividend	-	7.43
Interim dividend for year ended 31 March 2021: Rs. 1.5 per share	21.69	57.85
(31 March 2020: Rs. 4 per share)		
Dividend distribution tax on Interim dividend	-	11.89
	21.69	**113.32**
Proposed dividends on Equity shares		
Final cash dividend proposed for the year ended 31 March 2021: Rs. 2.5 per share (31 March 2020: Rs. Nil per share)	36.15	-
Dividend distribution tax on proposed dividend	-	-
	36.15	**-**

Proposed dividend, if any, on equity shares are subject to approval of the shareholders of the Company at the annual general meeting and are not recognised as a liability (including taxes thereon) as at 31 March.

Note 17 : Lease liabilities (Non current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Lease liabilities	0.84	-
Total	**0.84**	**-**

1. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.

2. For explanations on the Company's Interest risk, foreign currency risk and liquidity risk management processes, refer to Note 40.5.15

Notes to the Financial Statements

Note 18 : Other financial liabilities (Non current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Deposits/ Retentions from customers and others	16.27	18.55
Total	**16.27**	**18.55**

1. Other financial liabilities are measured at amortised cost.
2. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.
3. For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 40.5.15

Note 19 : Provisions (Non current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits	**18.62**	**24.59**
Provision for compensated absence	15.96	21.80
Provision for pension and other retirement benefits	2.66	2.79
Other provisions	**10.55**	**9.84**
Provision for warranty	10.55	9.84
Total	**29.17**	**34.43**

Refer Note 27 Provisions (Current) for additional disclosures.

Notes to the Financial Statements

Note 20: Deferred tax liabilities (net)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Deferred Tax Liability	**32.99**	**22.87**
Depreciation	32.62	22.56
Others	0.37	0.31
Less : Deferred Tax Assets	**20.49**	**17.71**
Disallowances u/s 43 B of Income Tax Act	8.28	11.04
Provision for Doubtful debts & advances	9.54	6.12
VRS Compensation	2.11	-
Others	0.56	0.55
Total	**12.50**	**5.16**

1. **Reconciliation of deferred tax assets / (liabilities), net**

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance as of 1 April	**(5.16)**	**(6.35)**
Tax income/(expense) during the year recognised in Statement of Profit and Loss	(5.80)	0.54
Tax income/(expense) during the year recognised in OCI	(1.54)	0.65
Closing balance as at 31 March	**(12.50)**	**(5.16)**

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. The Company has paid dividend to its shareholders during FY 2020-21 and 2019-20. As per the Finance Act, 2020, the provisions of Payment of dividend distribution tax u/s 115-O was abolished. Now the dividend paid or distributed by a Company on or after 1 April 2020 shall be taxable in hands of the shareholders. Therefore company shall be required to deduct Tax at Source (TDS) at the time of payment of dividend. Accordingly, company has deducted tax on dividend as per the provisions of Income Tax Act. Therefore no dividend distribution tax was paid by the company during the year FY 2020-21.

4. Refer Note no.39 for Income tax and deferred tax rate.

Notes to the Financial Statements

Note 21 : Other non current liabilities

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Advance from customers (Refer Note 40.5.8)	17.93	15.15
Revenue received in advance (Refer Note 40.5.8)	1.20	1.43
Total	**19.13**	**16.58**

Note 22 : Borrowings

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Interest bearing borrowings from banks		
Export preshipment loan in INR	10.94	-
Loans : Export sales bill discounted	17.08	15.25
Commercial paper	49.66	-
Cash credit	-	0.01
Total	**77.68**	**15.26**
Aggregate secured borrowings	**28.02**	**15.26**
Aggregate unsecured borrowings	49.66	-

1. Borrowings are measured at amortised cost.
2. During the year under review, the Company's Consortium Bankers approved the Company's fund and non-fund based working capital facilities aggregating to Rs. 475 Crores (Rs. 125 Crores Fund-based and Rs. 350 Crores Non-Fund based) from existing Rs. 410 Crores (Rs. 60 Crores Fund-based and Rs. 350 Crores Non-Fund based). Out Rs. 475 Crores, Rs. 410 Crores is currently secured to the extent 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 Company is in process of execution of necessary agreements with Consortium Bankers to give effect to the increase in working capital facilities. Accordingly, the necessary forms will be filed with the Ministry of Corporate Affairs (including Registrar of Companies) for modification of charge created to the extent of increase in working capital facilities.
3. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.
4. For explanations on the company's Interest risk, foreign currency risk and liquidity risk management processes, refer to Note 40.5.15

Notes to the Financial Statements

Note 23 : Trade and other payables

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Acceptances	37.45	29.78
Due to micro and small enterprises	77.45	22.24
Due to other than micro and small enterprises	389.88	296.07
Total	**504.78**	**348.09**

1. Trade and other payables are measured at amortised cost.
2. For terms and conditions with related parties, refer to Note 40.5.11.
3. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.
4. For explanations on the Company's Foreign currency risk and liquidity risk management processes, refer to Note 40.5.15

Note 24 : Lease liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Lease liabilities	0.77	0.36
Total	**0.77**	**0.36**

1. Lease liabilities are measured at amortised cost.
2. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.
3. For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 40.5.15.

Notes to the Financial Statements

Note 25 : Other financial liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Deposits from customers	1.28	0.83
Unclaimed dividends	12.09	12.44
Payable for capital purchases	31.61	8.70
Employee benefits payable	35.27	22.81
Other Payables	5.74	7.03
Total	**85.99**	**51.81**

1. Other financial liabilities are measured at amortised cost.
2. Refer Note 40.5.13 for fair value disclosure of financial assets and financial liabilities and Note 40.5.14 for fair value hierarchy.
3. For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 40.5.15.

Note 26 : Other current liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Advance from customers (Refer Note 40.5.8)	14.67	55.49
Revenue received in advance (Refer Note 40.5.8)	26.08	18.39
Statutory dues	10.03	5.27
Others	0.07	0.07
Total	**50.85**	**79.22**

Notes to the Financial Statements

Note 27 : Provisions (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits	**10.64**	**10.80**
Provision for gratuity	-	0.10
Provision for compensated absence	10.26	10.30
Provision for pension and other retirement benefits	0.38	0.40
Others	**51.52**	**47.15**
Provision for warranty	35.45	31.91
Tax provision (Net of tax paid in advance)	0.25	-
Other Provision	15.82	15.24
Total	**62.16**	**57.95**

Refer Note 19 Provisions (Non Current)

Note :

1. **Employee benefits obligations**

   a. **Gratuity**

   The Company provides gratuity for employees as per the Payment of Gratuity Act, 1972 and the Company's Internal Gratuity Scheme. Employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity is payable on retirement or termination whichever is earlier. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity plan is funded plan.

   b. **Pension, post retirement medical benefit and long term award benefits**

   The Company provides certain post-employment medical scheme and long term award benefits to employees (unfunded). For long-term award scheme, the Company has defined certain eligibility criteria and grade-wise benefit available to employees and is payable only at time of separation. Pension and medical benefits are payable to employees for 15 years after retirement.

   c. **Compensated absences**

   The leave obligation cover the Company's liability for earned leaves.

   Also refer Note 40.5.9 for detailed disclosure.

2. **Breakup of others Provision**

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Non-current	10.55	9.84
Current	51.52	47.15
Total	**62.07**	**56.99**

Notes to the Financial Statements

3. Others

a. Warranty is provided to customers at the time of sale of engines, generating sets and equipments manufactured. Warranty cost includes expenses in connection with repairs, free replacement of parts / engines and after sales services during warranty period which varies from 1 year to 4 years.

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of reporting period. It is expected that majority of these costs will be incurred in the next financial year and balance will be incurred in following years. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

Particulars	**₹ in Crores**
At 1 April 2019	**40.87**
Arising during the year	42.00
Less : Utilised	41.10
Less : Unused amount reversed	(0.02)
At 31 March 2020	**41.75**
Arising during the year	35.03
Less : Utilised	(30.78)
Less : Unused amount reversed	-
At 31 March 2021	**46.00**

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.

Notes to the Financial Statements

c. Provision for stamp duty and liquidated damages has been made and same is disclosed as Short-term provision as under:

Particulars	₹ in Crores
At 1 April 2019	**15.63**
Arising during the year	0.26
Less: Utilised	(0.44)
Less: Unused amount reversed	(0.21)
At 31 March 2020	**15.24**
Arising during the year	0.86
Less: Utilised	(0.21)
Less: Unused amount reversed	(0.07)
At 31 March 2021	**15.82**

Note 28 : Government grants

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Eligible incentives under Export Promotion Capital Goods Scheme (EPCG)	0.29	0.70
Total	**0.29**	**0.70**

Note :

1. The company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods. Refer Note 40.5.1(b).

2. Government grants

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
As at 1 April	**0.70**	**0.85**
Availed during the year	-	-
Released to Statement of Profit and Loss	(0.41)	(0.15)
As at 31 March	**0.29**	**0.70**

Notes to the Financial Statements

Note 29 : Revenue from operations

₹ in Crores

Particulars	2020-2021	2019-2020
Sales and services	**2,663.62**	**2,840.57**
Sale of products	2,535.55	2,730.16
Sale of services	128.07	110.41
Other operating income	**30.82**	**36.91**
Sale of scrap	8.80	8.97
Commission received	1.03	2.09
Export incentives	10.30	10.40
Sundry credit balances written back	0.55	3.51
Provisions no longer required written back	3.07	3.03
Miscellaneous receipts	7.07	8.91
Total	**2,694.44**	**2,877.48**

1. Export incentives includes incentive under EPCG scheme amounting to Rs. 0.41 Crores (PY : Rs. 0.15 Crores)
2. Refer Note 40.3.1 & 40.4.18

Note 30 : Other income

₹ in Crores

Particulars	2020-2021	2019-2020
Interest on Income Tax and Sales Tax refund	3.77	4.03
Interest income on financial assets measured at amortised cost		
(i) Bank deposits	1.77	0.38
(ii) Unwinding of interest on security deposits	0.78	0.73
(iii) Preference shares	0.02	-
(iv) Other financial assets	2.85	3.27
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	1.13	0.17
Gain on sale of mutual fund measured at fair value through profit or loss	12.59	24.03
Net Gain/(loss) on disposal of property, plant & equipment	0.11	0.30
Rent income (Refer Note 30.2)	1.11	1.05
Miscellaneous income	1.83	3.43
Total	**25.96**	**37.39**

Notes to the Financial Statements

1. Fair value gain/(loss) on financial instruments at fair value through profit or loss relates to the gain/(loss) arising on fair value restatements of investment in mutual funds at balance sheet dates which are held as current or non-current investments.
2. Refer Note 40.3.1, 40.4.11 & 40.5.17

Note 31 : Cost of raw materials and components consumed

₹ in Crores

Particulars	2020-2021	2019-2020
Raw materials and components consumed	1,177.27	1,302.98
Total	**1,177.27**	**1,302.98**

Note 32 : Purchases of Traded goods

₹ in Crores

Particulars	2020-2021	2019-2020
Engines and Gensets	234.51	205.89
K-Oil	91.91	109.66
Alternators, Batteries and Others	199.22	283.20
Total	**525.64**	**598.75**

Note 33 : Changes in inventories of finished goods, work-in-progress and traded goods

₹ in Crores

Particulars	2020-2021	2019-2020
Opening inventory	**136.80**	**109.04**
Work-in-progress	39.22	19.53
Finished goods	39.39	35.52
Traded goods	58.19	53.99
Closing Inventory	**96.58**	**136.80**
Work-in-progress	14.96	39.22
Finished goods	32.45	39.39
Traded goods	49.17	58.19
(Increase)/decrease in inventory	**40.22**	**(27.76)**
Total	**40.22**	**(27.76)**

Notes to the Financial Statements

Note 34 : Employee benefits expense

₹ in Crores

Particulars	2020-2021	2019-2020
Salaries, wages, bonus, commission, etc.	169.63	183.78
Gratuity (Refer Note 40.5.9)	4.44	3.96
Contribution to provident and other funds	11.01	12.58
Welfare and training expenses	13.15	17.11
Share based payment to employees (Refer Note 40.5.19)	0.29	-
Provident and other funds' expenses	0.35	0.38
Total	**198.87**	**217.81**

Note 35 : Finance costs

₹ in Crores

Particulars	2020-2021	2019-2020
Interest & discounting charges	4.29	2.62
Interest on lease liabilities	0.18	0.05
Other finance cost	1.89	1.15
Total	**6.36**	**3.82**

Note 36 : Depreciation and amortisation expense

₹ in Crores

Particulars	2020-2021	2019-2020
Depreciation and amortisation expense	**62.15**	**66.63**
Depreciation on Tangible & ROU Asset	50.91	54.18
Amortisation on Intangible assets	11.24	12.45
Total	**62.15**	**66.63**

Notes to the Financial Statements

Note 37 : Other expenses

₹ in Crores

Particulars	2020-2021	2019-2020
Manufacturing expenses	**215.32**	**228.91**
Stores consumed	49.21	57.38
Power and fuel	20.71	24.31
Machinery spares	5.69	6.74
Repairs to machinery	5.89	7.96
Job work charges	23.44	27.47
Labour charges	10.88	12.37
Cost of services	89.33	81.84
Other manufacturing expenses	10.17	10.84
Selling expenses	**144.60**	**163.54**
Commission	17.45	19.37
Freight and forwarding	60.28	69.49
Warranty	35.03	42.03
Royalty	6.59	6.98
Advertisement and publicity	6.94	14.16
Provision for doubtful debts and advances (net) (Including expected credit loss)	14.22	7.62
Other selling expenses	4.09	3.89
Administration expenses	**120.14**	**160.36**
Rent	28.64	32.30
Rates and taxes	2.10	2.17
Insurance	2.40	1.40
Repairs to building	0.73	1.79
Other repairs and maintenance	26.12	32.52
Travelling and conveyance	6.59	24.39
Communication expenses	3.08	3.99
Printing and stationery	0.63	1.27
Professional charges	31.18	41.58
Auditor's remuneration (Refer Note 40.5.5)	0.61	0.62
Donations	0.40	0.12
Spend on Corporate social responsibility (CSR) activities (Refer Note 40.5.18)	5.16	5.49
Non Executive Directors’ fees & commission	2.51	2.79
Miscellaneous expenses	6.21	12.21
Bad debts and irrecoverable balances written off	2.30	0.54
Loss on exchange difference	1.48	(2.82)
Total	**480.06**	**552.81**

Notes to the Financial Statements

Note 38 : Exceptional items

₹ in Crores

Particulars	2020-2021	2019-2020
Profit on sale of leasehold property	-	16.49
VRS Compensation - Wages	(8.37)	-
Total	**(8.37)**	**16.49**

The company launched "Voluntary Retirement Scheme 2021" (the VRS Scheme) on 5 March 2021 for its workers at its Khadki (Pune, Maharashtra) location who have either completed 10 years of services or have attained 40 years of age. Under the said VRS scheme, 31 employees of the company opted for VRS and a total compensation amounting to Rs. 8.37 Crores is charged to the Statement of Profit and Loss under the head "Exceptional items"

During 2019-2020, the Company has sold its leasehold property situated at Ahmednagar, which was classified as “Assets held for sale” as at 31 March 2019. The net profit arising on sale of the same is Rs. 16.49 Crores.

Note 39 : Income tax

The note below details the major components of income tax expenses for the year ended 31 March 2021 and 31 March 2020. The note further describes the significant estimates made in relation to Company's income tax position, and also explains how the income tax expense is impacted by non-assessable and non-deductible items.

₹ in Crores

Particulars	2020-2021	2019-2020
Current tax	**55.86**	**55.38**
Current income tax	55.86	55.38
Deferred tax	**5.80**	**(0.54)**
Relating to origination and reversal or temporary difference	5.80	(0.54)
Income tax expense reported in the Statement of Profit and Loss	**61.66**	**54.84**

Other Comprehensive Income (OCI)

₹ in Crores

Particulars	2020-2021	2019-2020
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	1.53	(0.65)
Net gain / (loss) on FVOCI equity instruments	0.01	-
Deferred tax charged to OCI	**1.54**	**(0.65)**

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 2021 and 31 March 2020.

Current tax ₹ in Crores

Particulars	**2020-2021**	**2019-2020**
Accounting profit before income tax expense	231.40	225.22
Tax @ 25.168% (31 March 2020 : 25.168%)	**58.24**	**56.68**
Tax effect of adjustments in calculating taxable income:	**3.42**	**(1.84)**
Corporate social responsibility expenses/donations	1.40	0.77
Other disallowances/(allowances)	1.83	0.48
Provision for doubtful advances and debit balances written off	0.17	0.78
Interest on MSMED	0.02	0.01
Deferred tax impact due to rate change on opening liability		(1.78)
Permanent allowance against capital gain on sale of land including difference in tax rates	-	(2.10)
At the effective income tax rate of 26.65 % (31 March 2020 : 24.35%)	**61.66**	**54.84**

NOTE 40: NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2021

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 13 May 2021.

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:

Government grants

The Company was eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI), 2001 from 1 April 2008 to 31 March 2017. The Company has received an extension of the said scheme of incentives, for a further period of 2 years i.e. till 31 March 2019 along with the extension of original operative period by 2 years and compliances thereof. Further the company had determined the grant as a grant related to income based on the evaluation of terms and conditions attached to the eligibility of grant and the Company accounts for the grant as income in Statement of Profit and Loss.

Leases

The company 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.

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 40.4.18 on revenue recognition for information about methods, input and assumptions w.r.t transaction price & variable consideration.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company bases its assumptions and estimates on information available till the date of approval of these 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 40.5.9.

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 utilized.

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 40.5.19

Uncertainty relating to global health pandemic on COVID-19

The Company has considered the possible effects that may result from COVID-19 in the preparation of these financial results including recovering of carrying amounts of financial and non-financial assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of COVID- 19, the Company has at the date of approval of financial results, used internal and external sources of information and expects that the carrying amount of the assets will be recovered. The impact of COVID-19 on the Company’s financial results may differ from that estimated as at the date of approval of the same.

4 Significant Accounting Policies

4.1 Current Vs. Non-Current Classification

The company presents assets and liabilities in the Balance Sheet based on current/non - current classification.

An asset is treated as current when it is:

a. Expected to be realised or intended to be sold or consumed in normal operating cycle

b. Held primarily for the purpose of trading

c. Expected to be realised within twelve months after the reporting period, or

d. Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non - current.

A liability is current when it is:

a. Expected to be settled in normal operating cycle

b. Held primarily for the purpose of trading

c. Due to be settled within twelve months after the reporting period, or

d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Deferred tax assets and liabilities are classified as non - current assets and liabilities.

The Company classifies all other liabilities as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

4.2. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the 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.

Depreciation and Amortisation

Depreciation is charged on the basis of useful life of assets on straight line method which are follows:

Asset Category	Life in Years	Basis for useful life
Factory Buildings	30	Life as prescribed under Schedule II of the Companies Act, 2013
Building- Non Factory		
RCC Frame Structure	60	
*Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
Building – Roads		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	
Building - Temporary Shed	3	
*** Plant & Equipment other than Pattern Tooling**	7.5 to 15	Useful life based on Number of Shifts as prescribed under Schedule II of the Companies Act, 2013
Plant & Equipment - Pattern Tooling	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Computers		
Network	6	Life as prescribed under Schedule II of the Companies Act, 2013
End user devices, such as, desktops, laptops, etc.	3	
Servers	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Electrical Installations	10	Life as prescribed under Schedule II of the Companies Act, 2013
***Furniture & Fixture**		
Furniture, Fixtures and Electrical Fittings	10	Life as prescribed under Schedule II of the Companies Act, 2013
Furniture , AC , Refrigerators and Water coolers - Residential Premises	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
AC, Refrigerators and Water coolers - Company and Guest House Premises	5	Lower useful life considered based on past history of usage and supported by Technical Evaluation

Asset Category	Life in Years	Basis for useful life
Office Equipment	5	Life as prescribed under Schedule II of the Companies Act, 2013
***Vehicles**		Lower useful life considered based on past history of usage
Motorcars, Jeep	5	
Trucks	5	
Other Vehicles	5	
***Aircrafts**	15	Lower useful life considered based on past history of usage and supported by Technical Evaluation

- Depreciation on additions is provided from the beginning of the month in which the asset is added.

- Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on pro-rata basis up to the end of the month prior to the month in which such assets are sold, discarded or demolished.

- Foreign exchange fluctuation gain/ loss on imported plant and equipment were capitalized in the cost of the respective fixed asset up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

*The Company, based on technical assessments made by technical experts and management estimates depreciates certain items of plant and equipment; building; computers; furniture and fixtures; vehicles and aircraft over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.4 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the property are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.

Depreciation & Amortisation

Depreciation on investment property is calculated on a straight-line basis over the estimated useful life of assets as follows:

Asset Category	Life in Years	Basis for charging depreciation
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	

An investment property is derecognised on disposal or on permanent withdrawal from use or when no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

Transfers are made to (or from) investment property only when there is a change in use. Transfers between investment property, owner-occupied property and inventories are at carrying amount of the property transferred.

4.5 Intangible Assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets are recorded at the consideration paid for acquisition. In case of internally generated intangible assets, expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses. Other internally generated intangibles are not capitalised and the related expenditure is reflected in the Statement of Profit and Loss for the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortised by using straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset maybe impaired.

Sr. No.	Asset category	Life in years
1	Computer Software	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".

4.6. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized till the month in which the asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expenses in the period in which these are incurred.

4.7. Impairment of non financial assets

The Company assesses at each Balance Sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is 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 profit and loss account. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognised or relates to a change in the estimate of the recoverable amount in the previous periods.

4.8 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Transaction costs of financial assets carried at fair value through profit or loss are expensed in Statement of Profit and Loss.

a. **Financial assets**

i **Initial recognition and measurement of financial assets**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

ii **Subsequent measurement of financial assets**

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)

Debt Instrument :
A financial asset is measured at amortised cost if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category is most relevant to the Company . After initial measurement, such financial assets are subsequently measured at amortised cost by applying the effective interest rate ("EIR"). The amortised cost is calculated by taking into account any premium or discount on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

• **Financial assets at fair value through other comprehensive income**

A financial asset is measured at fair value through other comprehensive income if:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in Other Comprehensive Income except for interest income, impairment gains or losses and foreign exchange gains and losses which are recognised in the Statement of Profit and Loss.

- **Financial assets at fair value through profit or loss**

  A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Equity Instrument :

Investment in equity instruments issued by subsidiary are measured at cost.

Investments in equity instruments issued by other than subsidiaries are classified as at FVTPL, unless the related instruments are not held for trading and the Company irrevocably elects on initial recognition to present subsequent changes in fair value in Other Comprehensive Income.

In addition, the Company may elect to classify a financial asset, which otherwise meets amortised cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

After initial measurement, such financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the Statement of Profit and Loss.

iii Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire,

  or

- The Company has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither 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 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

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 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 not designated any financial liability as at fair value through profit and loss.

- **Loans and borrowings at amortised cost**

  This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit and Loss when the liabilities are derecognised as well as through the EIR amortisation process.

  Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

iii Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its Balance Sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

iv Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in teh normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

4.9 Derivatives

Company uses derivative contracts to hedge its exposure against movements in foreign exchange rates. The use of derivative contracts is intended to reduce the risk or cost to the Company. Derivative contracts are not used for trading or speculation purpose.

All derivatives are measured at fair value through the profit or loss unless they form part of a qualifying cash flow hedge, in which case the fair value is taken to reserves and released into the Statement of Profit and Loss at the same time as the risks on the hedged instrument are recognised therein. Any hedge ineffectiveness will result in the relevant proportion of the fair value remaining in the Statement of Profit and Loss. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third-party quotes. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. All hedging activity is explicitly identified and documented by the Company.

4.10 Foreign currency transactions

a Initial recognition

Foreign currency transactions are recorded in Indian currency (the "functional and presentation currency"), by applying the exchange rate between the Indian currency and the foreign currency at the date of the transaction.

b Conversion

Current assets and current liabilities, secured loans, being monetary items, designated in foreign currencies are revalorized at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate rate.

c Exchange differences

Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they were adjusted in the cost of the corresponding asset. Further, as per extant circulars issued by the Ministry of Corporate Affairs, eligible exchange difference on foreign currency loans utilized for acquisition of assets, was adjusted in the cost of the asset to be depreciated over the balance life of the asset up to transition date of Ind AS.

4.11 Leases

Lease is a contract that provides to the customer (lessee) the right to use an asset for a period of time in exchange for consideration.

a Where the Company is a lessee

A lessee is required to recognise assets and liabilities for all leases and to recognise depreciation of leased assets separately from interest on lease liabilities in the statement of Profit and Loss. The Company uses the practical expedient to apply the requirements of this standard to a portfolio of leases with similar characteristics if the effects on the financial statements of applying to the portfolio does not differ materially from applying the requirement to the individual leases within that portfolio.

However, when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty the Company considers that lease to be no longer enforceable. Also according to Ind AS 116, for leases with a lease term 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.

4.12 Inventories

a Raw materials, components, stores and spares are valued at cost or net realizable value whichever is lower. Cost includes all cost of purchase and incidental expenses incurred in bringing the inventories to their present location and condition. Cost is ascertained using weighted average method.

b Work-in-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.

4.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

4.14 Taxes

Current income tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in Other Comprehensive Income or directly in equity is recognised in Other Comprehensive Income or in equity, respectively, and not in the Statement of Profit and Loss. The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences including, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit and loss is recognised outside the profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales Tax / Goods and Service Tax ("GST")

Expenses and assets are recognised net of the amount of sales tax / GST, except:

- When the sales tax/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax/GST included.

The net amount of sales tax/GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

4.15 Non-Current assets held for sale and Discontinuing operations

a Non-Current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate use in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

b Discontinuing operations

Discontinuing operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Profit and Loss.

Assets and liabilities classified as held for distribution are presented separately from others assets and liabilities in the Balance Sheet.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

i Represents a separate major line of business or geographical area of operations

ii Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

or

iii Is a subsidiary acquired exclusively with a view to resale

An entity does not depreciate (or amortise) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

4.16 Employee benefits

a Short term employee benefits

The distinction between short term and long term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and are recognised in the period in which the employee renders the related service.

b Post-Employment benefits

i Defined contribution plan

The Company makes payment to approved superannuation schemes, state government provident fund scheme and employee state insurance scheme which are defined contribution plans. The contribution paid/payable under the schemes is recognised in the Statement of Profit and Loss during the period in which the employee renders the related service. The Company has no further obligations under these schemes beyond its periodic contributions.

ii Defined benefit plan

The employee's gratuity fund scheme, pension, post-retirement medical and long term service award benefit schemes are the 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 the Company's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on a net basis.

In regard to other long term employment benefits, the Company recognises the net total of service costs; net interest on the net defined benefit liability (asset); and remeasurements of the net defined benefit liability (asset) in the Statement of Profit and Loss.

d Termination benefits:

Termination benefits such as compensation under voluntary retirement scheme are recognised in the statement of profit and loss in the year in which termination benefits become payable or when the Company determines that it can no longer withdraw the offer of those benefits, whichever is earlier.

4.17 Provisions, contingencies and commitments

Necessary provisions are made for the present obligations that arise out of past events entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

However a disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Commitments are future liabilities for contractual expenditure, classified and disclosed as estimated amount of contracts remaining to be extracted on capital account and not provided for.

4.18 Revenue recognition

Revenue from operations

a Sale of goods and 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.

b Contract Balances

Contract assets

The incremental cost to obtain a contract are recognised as an asset if the Company expects to recover those cost over the period of contract. Company recognises the incremental costs of obtaining a contract as an expense, when incurred, if the amortisation period of the asset that the entity otherwise would have recognised is one year or less. Impairment loss (termed as provision for foreseeable losses in the financial statements) is recognised in Statement of Profit and Loss to the extent the carrying amount of the contract asset exceeds the remaining amount of consideration that the company expects to receive towards remaining performance obligations (after deducting the costs that relate directly to fulfill such remaining performance obligations).

Trade receivables

The amounts billed on customer for work performed and are unconditionally due for payment i.e. only passage of time is required before payment falls due, are disclosed in the Balance Sheet as trade receivables.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is 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.

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 Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions, if any, are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the Statement of Profit and Loss.

4.22 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

4.23 Cash Flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature and any deferral or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Company are segregated.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flow exclude items which are not available for general use as at the date of the Balance Sheet.

4.24 Share based payments

Equity settled share-based payments

Employees of the Company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (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 40.5.19. 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

		As at 31 March 2021	As at 31 March 2020
a	**Contingent liabilities not provided for**		
i	Disputed Central Excise Demands	16.41	16.30
ii	Disputed Sales Tax & Octroi Demands	9.03	11.27
iii	Disputed Customs Duty Demands	0.86	0.86
iv	Disputed Income Tax Liability – matter under appeal	10.12	8.43
v	Claims against Company not acknowledged as debts	61.31	61.72

b The Company has imported capital goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports . Non fulfillment of export obligations, if any, entails options/rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export obligation to be fulfilled by the company is achieved by the company under the said scheme in financial year 19-20.

5.2 Charge of Hypothecation referred to in Note no. 22 for working capital facilities extends to letter of credit issued by the Company's bankers

	As at 31 March 2021	As at 31 March 2020
Aggregate amount of such letters of credit outstanding	9.15	22.92

Capital & Other Commitments

5.3 Capital Commitment

	As at 31 March 2021	As at 31 March 2020
Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	27.05	47.60

5.4 Commitment w.r.t. Acquisitions

The Company, on 21 June 2017 executed definitive share purchase agreement for acquisition of 100 % equity shares in La-Gajjar Machineries Private Limited (LGM). On 1 August 2017 the company acquired 76% of equity shares of LGM as per the terms of share purchase agreement.

Further, the Company has entered into a shareholders agreement on 21 June 2017 to purchase remaining 24% equity shares. The Company has a call option to acquire and simultaneously, shareholders of LGM have put option to sell the remaining 24% equity shares, to be exercised after holding period at a price based on mutually agreed upon formula. However, if the options are not exercised in the given option period, the company has to purchase remaining equity shares at the end of the option period by applying same formula agreed for at the time of exercising options.

The company has made an initial assessment of impact due to COVID-19 pandemic while evaluating the purchase price of 24 % shares based on agreed upon formula and reasonably believes that it does not carry any intrinsic value.

5.5 Payments to Auditors (Net of taxes) **₹ in Crores**

Sr. No.	Particulars	2020-21	2019-20
a	**Statutory Auditor**		
i	As Auditors	0.49	0.49
	Audit Fees	0.37	0.37
	Tax Audit Fees	0.06	0.06
	Limited Review	0.06	0.06
ii	Certification fees & assurance services	0.04	0.04
iii	Reimbursement of expenses	0.01	0.01
	Total (a)	**0.54**	**0.54**
b	**Cost Auditor**		
i	As auditors	0.07	0.08
ii	In other capacity		
	Certification fees	0.00	0.00
	Reimbursement of expenses	-	-
	Total (b)	**0.07**	**0.08**
	Grand Total (a+b)	**0.61**	**0.62**

5.6 The Sales for the current year includes an amount of Rs. 0.34 Crores (PY : Rs. 0.29 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 2021. The disclosure pursuant to the said Act is as under,

₹ in Crores

Particulars	2020-21	2019-20
Principal outstanding to MSME suppliers	77.21	22.06
Payment made to suppliers (other than interest) beyond the appointed day, during the year	8.48	5.13
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.06	0.03
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 MSME Act	0.24	0.18

Note : The information has been given in respect of such vendors on the basis of information available with the company.

5.8 Revenue Recognition

a Disaggregation of Revenue

Set out below is the disaggregation of the Company's revenue from contracts with its customers:

₹ in Crores

Business	Engines	Others	Total
March 2021			
Power Generating Business	889.66	-	889.66
Agriculture & Allied Businesses	213.27	306.52	519.79
Industrial Engine Business	502.24	-	502.24
Customer Support	383.99	-	383.99
International Business	238.68	-	238.68
Large Engine Business	129.26	-	129.26
Total	**2,357.10**	**306.52**	**2,663.62**
March 2020			
Power Generating Business	1,148.40	-	1,148.40
Agriculture & Allied Businesses	240.04	222.04	462.08
Industrial Engine Business	434.59	-	434.59
Customer Support	402.74	-	402.74
International Business	232.82	-	232.82
Large Engine Business	159.94	-	159.94
Total	**2,618.53**	**222.04**	**2,840.57**

b Revenue recognised in relation to contract liabilities

The Company has generated revenue of Rs. 60.54 Crores (PY: Rs. 35.50 Crores) during the year from its contract liabilities as on 1 April 2020. The Contract liabilities are presented in Note 21 & 26 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, either according to stage of completion or on straight line basis depending upon the type of services provided. The stage of completion is determined based on the contractual terms.

When the Company's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis.

The payment is due from the date of invoice and payment terms are in the range of 7 days to 90 days depending on product/market segment and market channel.

iii The Company provides to its customers warranties in the forms of repairs or replacement warranty under its standard terms and 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 2021, the company has unsatisfied performance obligation of Rs. 106.37 Crores (PY : Rs. 66.89 Crores). The Company expects that Rs. 73.44 Crores will be recognised as revenue in financial year 2021-22 and remaining in subsequent years based on contractual terms.

e Asset recognised for cost incurred to obtain a contract and cost incurred to fulfil contract

The company has recognized an asset as on 31 March 21 of Rs. 1.02 Crores (PY : Rs. 1.36 Crores) from cost incurred to obtain a contract & fulfil a contract. Asset is included in Note 14 Other current asset prepaid expenses.

f Reconciliation of the Company's revenue from contract price with revenue:

₹ in Crores

Particulars	**2020-2021**	**2019-2020**
Contract price	2,700.12	2885.10
Adjustment for :		
Contract liabilities: Discounts, incentives & late delivery charges	(36.50)	(44.53)
Revenue from contracts with customers	**2,663.62**	**2,840.57**

5.9 Disclosure pursuant to Employee benefits:

A. Defined contribution plans:

Amount of Rs. 11.01 Crores (PY : Rs. 12.58 Crores) is recognised as expenses and included in Note No. 34 "Employee benefits expense"

B. Defined benefit plans:

The Company has following post employment benefits which are in the nature of defined benefit plans:

(a) Gratuity

(b) Pension, Post retirement medical scheme and Long-term award scheme

31 March 2021 : Changes in defined benefit obligation and plan assets ₹ in Crores

		Gratuity cost charged to Statement of Profit and Loss				Remeasurement gains/(losses) in Other Comprehensive Income						
	1 April 2020	Service cost	Net interest expense	**Sub-total included in Statement of Profit and Loss (Note 34)**	**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 2021**
Gratuity												
Defined benefit obligation	(48.29)	(4.54)	(3.03)	(7.57)	7.35	-	(0.10)	2.09	3.80	5.79	-	(42.72)
Fair value of plan assets	48.19	-	3.14	3.14	(7.11)	-	-	(0.32)	0.53	0.21	3.15	47.58
Benefit (liability)/asset	(0.10)	(4.54)	0.11	(4.43)	0.24	-	(0.10)	1.77	4.33	6.00	3.15	4.86
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(3.19)	(0.05)	(0.21)	(0.26)	0.34	-	(0.06)	-	0.13	0.07	-	(3.04)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(3.19)	(0.05)	(0.21)	(0.26)	0.34	-	(0.06)	-	0.13	0.07	-	(3.04)
Total benefit (liability)/asset	**(3.29)**	**(4.59)**	**(0.10)**	**(4.69)**	**0.58**	**-**	**(0.16)**	**1.77**	**4.46**	**6.07**	**3.15**	**1.82**

31 March 2020 : Changes in defined benefit obligation and plan assets

₹ in Crores

		Gratuity cost charged to Statement of Profit and Loss				Remeasurement gains/(losses) in Other Comprehensive Income						
	1 April 2019	Service cost	Net interest expense	**Sub-total included in Statement of Profit and Loss (Note 34)**	**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 2020**
Gratuity												
Defined benefit obligation	(43.32)	(4.22)	(3.16)	(7.38)	2.44	-	(0.06)	0.63	(0.60)	(0.03)	-	(48.29)
Fair value of plan assets	43.68	-	3.42	3.42	(2.39)	-	-	(0.14)	(2.49)	(2.63)	6.11	48.19
Benefit liability	0.36	(4.22)	0.26	(3.96)	0.05	-	(0.06)	0.49	(3.09)	(2.66)	6.11	(0.10)
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(3.30)	(0.05)	(0.24)	(0.29)	0.34	-	0.02	(0.12)	0.16	0.06	-	(3.19)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(3.30)	(0.05)	(0.24)	(0.29)	0.34	-	0.02	(0.12)	0.16	0.06	-	(3.19)
Total benefit liability	**(2.94)**	**(4.27)**	**0.02**	**(4.25)**	**0.39**	**-**	**(0.04)**	**0.37**	**(2.93)**	**(2.60)**	**6.11**	**(3.29)**

C. Other long-term employment benefits

The Company has compensated absences plan which is covered by other long-term employment benefits

31 March 2021 : Changes in defined benefit obligation and plan assets of compensated absences

₹ in Crores

Particulars	1 April 2020	Cost charged to Statement of Profit and Loss: Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in Statement of Profit and Loss (Note 34)	Benefit paid	Contributions by employer	31 March 2021
Compensated absences								
Defined benefit obligation	(32.10)	(3.46)	(2.06)	7.68	2.16	3.72	-	(26.22)
Fair value of plan assets	-	-	-	-	-	-	-	-
benefit liability	**(32.10)**	**(3.46)**	**(2.06)**	**7.68**	**2.16**	**3.72**	**-**	**(26.22)**

31 March 2020 : Changes in defined benefit obligation and plan assets of compensated absences

₹ in Crores

	1 April 2019	Cost charged to Statement of Profit and Loss: Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in Statement of Profit and Loss (Note 34)	Benefit paid	Contributions by employer	31 March 2020
Compensated absences								
Defined benefit obligation	(28.87)	(3.55)	(2.07)	(0.22)	(5.84)	2.61	-	(32.10)
Fair value of plan assets	-	-	-	-	-	-	-	-
benefit liability	**(28.87)**	**(3.55)**	**(2.07)**	**(0.22)**	**(5.84)**	**2.61**	**-**	**(32.10)**

The major categories of plan assets of the fair value of the total plan assets of gratuity are as follows:

Particulars	Year ended 31 March 2021 (₹ in Crores)	Year ended 31 March 2020 (₹ in Crores)
Special Deposit Scheme	-	-
(%) of total plan assets	0%	0%
Insured managed funds	22.84	48.19
(%) of total plan assets	48%	100%
Others	24.74	-
(%) of total plan assets	52%	0%

The principal assumptions used in determining above defined benefit obligations for the Company's plans are shown below:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Discount rate	6.80%	6.80%
Future salary increase	0.00%-7.00%	7.00%
Expected rate of return on plan assets	6.80%	7.50%
Expected average remaining working lives (in years)		
Gratuity	13.40	11.35
Pension, Post retirement medical scheme and Long-term award scheme	9.16 - 11.37	9.73 - 11.78
Compensated absences	13.40	11.35
Withdrawal rate (based on grade and age of employees)		
Gratuity	0%-11%	0%-13%
Pension, Post retirement medical scheme and Long-term award scheme	0%-11%	0%-13%
Compensated absences	0%-11%	0%-13%

A quantitative sensitivity analysis for significant assumption is as shown below:

Gratuity

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2021 (₹ in Crores)	Year ended 31 March 2020 (₹ in Crores)
Discount rate	1% Increase	3.25	3.31
	1% Decrease	(3.74)	(3.80)
Future salary increase	1% Increase	(3.31)	(3.29)
	1% Decrease	2.89	2.93
Withdrawal rate	1% Increase	0.01	0.05
	1% Decrease	(0.03)	(0.03)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Pension, Post retirement medical scheme and Long-term award scheme

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2021 (₹ in Crores)	Year ended 31 March 2020 (₹ in Crores)
Discount rate	1% Increase	0.15	0.17
	1% Decrease	(0.19)	(0.17)
Withdrawal rate	1% Increase	0.00	0.02
	1% Decrease	0.14	0.15

The sensitivity analyse above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The followings are the expected future benefit payments for the defined benefit plan :

Particulars	Year ended 31 March 2021 (₹ in Crores)	Year ended 31 March 2020 (₹ in Crores)
Within the next 12 months (next annual reporting period)		
Gratuity	6.67	6.98
Pension, Post retirement medical scheme and Long-term award scheme	0.34	0.36
Compensated absences	-	-
Between 2 and 5 years		
Gratuity	20.53	20.36
Pension, Post retirement medical scheme and Long-term award scheme	1.10	1.60
Compensated absences	-	-
Beyond 5 years		
Gratuity	21.47	19.82
Pension, Post retirement medical scheme and Long-term award scheme	1.38	2.00
Compensated absences	-	-
Total expected payments	**51.49**	**51.12**

Weighted average duration of defined plan obligation (based on discounted cash flows)

Particulars	Year ended 31 March 2021 Years	Year ended 31 March 2020 Years
Gratuity	12.27	10.97
Pension, Post retirement medical scheme and Long-term award scheme	9.16 -10.99	8.99 -11.59

The followings are the expected contributions to planned assets for the next year:

Particulars	Year ended 31 March 2021 (₹ in Crores)	Year ended 31 March 2020 (₹ in Crores)
Gratuity	3.92	7.00

Risk Exposure

Through its defined benefit plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

a. **Discount rate risk:** Variations in the discount rate used to compute the present value of the liabilities may see small,but in practise can have a significant impact on the defined benefit liabilities.

b. **Future salary escalation and inflation risk:** Since price inflation and salary growth are linked economically, they are combined for disclosure purposes. Rising salaries will often result in higher future defined benefit payments resulting in a higher present value of liabilities especially unexpected salary increases provided at management's discretion may lead to uncertainities in estimating this increasing risk.

c. **Asset risks:** Plan assets are maintained in a self-managed trust fund equally managed by investments in leading Mutual Fund companies and public sector insurer viz; Life Insurance Corporation ("LIC") of India.

   LIC has a sovereign guarantee and has been providing consistent and competitive returns over the years. The Company has opted for a traditional fund wherein all assets are invested primarily in risk averse markets. The Company has no control over the management of funds but this option provides a high level of safety for the total corpus. Also interest rate and inflation risk are taken care of.

   The Company has opted for Mutual Funds which is market linked with options to invest in equity funds. The Company has the option to structure the portfolio based on its risk appetite providing an opportunity to earn market linked returns. But there is an investment risk here which is borne by the company.

   A single account is maintained for both investment and claim settlement and hence 100% liquidity is ensured.

d. **Asset-Liability mismatch risk:** Risk which arises if there is a mismatch in the duration of the assets relative to the liabilities. By matching duration with the defined benefit liabilities, the Company is successfully able to neutralize valuation swings caused by interest rate movements.

e. **Unfunded Plan Risk –** This represents unmanaged risk and a growing liability. There is an inherent risk here that the Company may default on paying the benefits in adverse circumstances. Funding the plan removes volatility from the Balance Sheet and better manages defined benefit risk through increased returns.

Funding policy:

There is no compulsion on the part of the Company to fully prefund the liability of the Gratuity Plan. The Company’s philosophy is to fund these benefits based on its own liquidity and the level of underfunding of the plan.

5.10 The Company's operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof and hence the Company has considered "Engines" as the single reportable segment. As per Ind AS 108 "Operating Segments", the Company is required to disclose required segment details in consolidated financial statements. Hence, these details are disclosed under consolidated financial statements.

5.11 Related parties have been identified as defined under Clause 9 of Accounting Standard (Ind AS 24) "Related Party Disclosures"

a Description of Related Parties

i Name of the Related party and nature of relationship where control exists:

Sr. No.	Related Party Category	Company
1	Entities controlled by Company (Company controlling > 50% of voting power)	KOEL Americas Corp, USA
		La-Gajjar Machineries Private Limited (LGM), Ahmedabad
		Arka Fincap Limited, Mumbai (formerly known as Kirloskar Capital Limited)
		Optiqua Pipes and Electricals Private Limited, Ahmedabad (wholly owned subsidiary of LGM) w.e.f. 19 February 2021
2	Entities controlled by Key Management Personnel	Achyut & Neeta Holdings & Finance Private Limited (Upto 28 April 2020)
		Expert Quality Cloud Information Technology Private Limited (Upto 28 April 2020)
		Kirloskar Energen Private Limited
		Kirloskar Solar Technologies Private Limited
		Kloudq Technologies Limited
		Lakeland Universal Limited BVI
		Navsai Investments Private Limited
3	Entities controlled by Close Member of Key Management Personnel	Alpak Investments Private Limited
		Beluga Whale Capital Management Pte Limited
		Snow Leopard Technology Ventures LLP
4	Promoter/Promoter group which hold(s) 10% or more shareholding	Atul C. Kirloskar
		Rahul C. Kirloskar
5	Post-Employment benefit plan of Company	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund
		Kirloskar Oil Engines Limited Employees' Gratuity Trust
		Kirloskar Oil Engines Limited Officers' Superannuation Scheme
		Kirloskar Oil Engines Limited Officers' Superannuation Trust

ii Key Management Personnel and their relatives:

Sr. No.	Name	Name of Relatives	Relationship
1	Atul C. Kirloskar (Executive Chairman)	Arti A. Kirloskar	Wife
		Gauri A. Kirloskar (Kolenaty)	Daughter
		Aditi A. Kirloskar (Sahni)	Daughter
		Rahul C. Kirloskar	Brother
		Suman C. Kirloskar	Mother
2	Nihal G. Kulkarni (Managing Director) upto 28 April 2020	Shruti N. Kulkarni	Wife
		Ambar G. Kulkarni	Brother
		Jyotsna G. Kulkarni	Mother
3	Sanjeev Nimkar (Managing Director) w.e.f. 29 April 2020	Ashwini Nimkar	Wife
		Ishita Nimkar	Daughter
		Sakshi Nimkar	Daughter
4	Rajendra R. Deshpande (Managing Director & Chief Executive Officer) upto 28 April 2020	Veena R. Deshpande	Wife
		Kaustubh R. Deshpande	Son
		Saurabh R. Deshpande	Son

b Transactions with Related Parties

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2020-21		2019-20	
		Amount	Amount from major parties	Amount	Amount from major parties
1	**Sales**				
	Subsidiary Company	**23.01**		**15.52**	
	KOEL Americas Corp.		23.01		15.52
	Total	**23.01**	**23.01**	**15.52**	**15.52**
2	**Purchases of other intangible assets - Computer software**				
	Entity controlled by Key Management Personnel	**-**		**0.84**	
	Kloudq Technologies Limited		-		0.84
	Total	**-**	**-**	**0.84**	**0.84**
3	**Purchases of Capital Goods (Includes CWIP)**				
	Entity controlled by Key Management Personnel	**11.53**		**-**	
	Kirloskar Solar Technologies Private Limited		11.53		-
	Total	**11.53**	**11.53**	**-**	**-**

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2020-21		2019-20	
		Amount	Amount from major parties	Amount	Amount from major parties
4	**Sale of Capital Goods**				
	Key Management Personnel	**0.00**		**-**	-
	Sanjeev Nimkar		0.00		
	Rajendra R. Deshpande		0.00		
	Total	**0.00**	**0.00**	**-**	**-**
5	**Purchases of goods**				
	Subsidiary Company	**27.84**		**15.29**	
	La-Gajjar Machineries Private Limited		27.84		15.29
	Entity controlled by Key Management Personnel	**-**		**6.29**	
	Kloudq Technologies Limited		-		6.29
	Total	**27.84**	**27.84**	**21.58**	**21.58**
6	**Rendering of Services from**				
	Key Management Personnel	**10.28**		**11.83**	
	Atul C. Kirloskar		4.25		3.68
	Nihal G. Kulkarni		0.28		2.51
	Sanjeev Nimkar		5.44		-
	Rajendra R. Deshpande		0.32		5.64
	Close member of Key Management Personnel	**0.39**		**0.42**	
	Rahul C. Kirloskar		0.07		0.10
	Gauri A. Kirloskar (Kolenaty)		0.32		0.32
	Entity controlled by Key Management Personnel	**1.59**		**22.04**	
	Kloudq Technologies Limited		1.59		22.04
	Total	**12.26**	**12.26**	**34.29**	**34.29**
7	**Expenses paid to**				
	Subsidiary Company	**0.10**		**1.12**	
	KOEL Americas Corp.		0.10		1.12
	Entity controlled by Key Management Personnel	**0.36**		**0.40**	
	Kirloskar Solar Technologies Private Limited		0.36		0.40
	Total	**0.46**	**0.46**	**1.52**	**1.52**

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2020-21		2019-20	
		Amount	Amount from major parties	Amount	Amount from major parties
8	**Reimbursement / (recovery) of Expenses**				
	Subsidiary Company	**(2.83)**		**(1.79)**	
	La-Gajjar Machineries Private Limited		(2.83)		(1.83)
	KOEL Americas Corp.		-		0.04
	Arka Fincap Limited		-		-
	Total	**(2.83)**	**(2.83)**	**(1.79)**	**(1.79)**
9	**Interim Dividend and Final Dividend Paid**				
	Key Management Personnel	**3.20**		**16.35**	
	Atul C. Kirloskar		2.20		12.02
	Nihal G. Kulkarni		1.00		4.32
	Rajendra R. Deshpande		-		0.01
	Close member of Key Management Personnel	**7.23**		**28.84**	
	Rahul C. Kirloskar		2.67		11.55
	Arti A.Kirloskar		0.48		4.59
	Gauri A. Kirloskar		0.86		-
	Aditi A. Kirloskar		0.29		-
	Jyotsna G. Kulkarni		1.95		8.44
	Suman C. Kirloskar		0.01		0.04
	Ambar Kulkarni		0.97		4.22
	Entity controlled by Key Management Personnel	**0.02**		**0.07**	
	Achyut & Neeta Holdings & Finance Pvt. Ltd.		0.02		0.07
	Navsai Investments Pvt. Ltd.		0.00		0.00
	Entity controlled by Close Member of Key Management Personnel	**0.00**		**0.00**	
	Alpak Investments Private Limited		0.00		0.00
	Total	**10.45**	**10.45**	**45.26**	**45.26**
10	**Investment made**				
	Subsidiary Company	**133.32**		**499.50**	
	Arka Fincap Limited		124.82		499.50
	La Gajjar Machineries Private Limited		8.50		-
	Total	**133.32**	**133.32**	**499.50**	**499.50**

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2020-21		2019-20	
		Amount	Amount from major parties	Amount	Amount from major parties
11	**Interest Accrued on Preference share Investment**				
	Subsidiary Company	**0.02**		**-**	
	La Gajjar Machineries Private Limited		0.02		-
	Total	**0.02**		**-**	
12	**Contributions Paid**				
	Post-Employment Benefit Plan of Company	**4.75**		**8.35**	
	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund		3.00		6.00
	Kirloskar Oil Engines Limited Employees' Gratuity Trust		0.15		0.11
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		1.52		2.14
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.08		0.10
	Total	**4.75**	**4.75**	**8.35**	**8.35**
13	**Short term Loan given to**				
	Subsidiary Company	**40.00**		**-**	
	Arka Fincap Limited		40.00		-
	Total	**40.00**		**-**	
14	**Short term Loan repayment from**				
	Subsidiary Company	**(40.00)**		**-**	
	Arka Fincap Limited		(40.00)		-
	Total	**(40.00)**		**-**	
15	**Interest received on short term Loan given**				
	Subsidiary Company	**0.35**		**-**	
	Arka2 Fincap Limited		0.35		-
	Total	**0.35**		**-**	

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	As at 31 March 2021		As at 31 March 2020	
		Amount	Amount from major parties	Amount	Amount from major parties
	Outstanding				
1	**Accounts Payable**				
	Subsidiary Company	**6.40**		**3.09**	
	KOEL Americas Corp.		0.10		0.04
	La-Gajjar Machineries Private Limited		6.30		3.05
	Key Management Personnel				
	Commission	**8.35**		**5.50**	
	Atul C. Kirloskar		4.00		1.00
	Nihal G. Kulkarni		0.25		0.50
	Sanjeev Nimkar		4.00		-
	Rajendra R. Deshpande		0.10		4.00
	Close member of Key Management Personnel	**0.35**		**0.35**	
	Rahul C. Kirloskar		0.05		0.06
	Gauri A. Kirloskar (Kolenaty)		0.30		0.29
	Entity controlled by Key Management Personnel	**3.98**		**1.38**	
	Kloudq Technologies Limited		-		1.32
	Kirloskar Solar Technologies Private Limited		3.98		0.06
	Post-Employment Benefit Plan of Company	**0.44**		**0.61**	
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		0.37		0.53
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.07		0.08
	Total	**19.52**	**19.52**	**10.93**	**10.93**
2	**Accounts Receivable**				
	Subsidiary Company	**15.33**		**5.97**	
	KOEL Americas Corp.		15.05		5.97
	La Gajjar Machineries Private Limited		0.28		-
	Total	**15.33**	**15.33**	**5.97**	**5.97**

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	As at 31 March 2021		As at 31 March 2020	
		Amount	Amount from major parties	Amount	Amount from major parties
	Outstanding				
3	**Investment**				
	Subsidiary Company	**915.19**		**781.87**	
	KOEL Americas Corp.		1.59		1.59
	La-Gajjar Machineries Private Limited		262.28		253.78
	Arka Fincap Limited		651.32		526.50
	Total	**915.19**	**915.19**	**781.87**	**781.87**

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 & 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 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (PY : Rs. Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Commitments with related parties

The Company has not provided any commitment to the related party as at 31 March 2021 (PY : Rs. Nil)

Transactions with key management personnel

Compensation of key management personnel of the Company **₹ in Crores**

Particulars	2020-21	2019-20
Short-term employee benefits	10.16	15.00
Post employment benefits	0.12	0.57
Other long-term employment benefits	-	-
Termination benefits	-	-
Total compensation paid to key management personnel	**10.28**	**15.57**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

The above figures do not include provision for leave encashment and gratuity, as actuarial valuation of such provision for the key management personnel is included in the total provision for leave encashment & gratuity.

5.12 Earnings Per Share (Basic and Diluted)

Particulars	**2020-21**	**2019-20**
Profit for the year after taxation (Rs. in Crores)	169.74	170.38
Total number of equity shares at the end of the year (One Equity share of face value of ₹ 2/- each fully paid -up)	14,46,14,326	14,46,14,326
Weighted average number of equity shares for the purpose of computing Basic Earning Per Share	14,46,14,326	14,46,14,326
Basic Earnings Per Share (in Rs.)	**11.74**	**11.78**
Weighted average number of equity shares for the purpose of computing Dilutive Earning Per Share	14,46,14,326	14,46,14,326
Diluted Earnings Per Share (in Rs.)	**11.74**	**11.78**

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, other payables and others) approximate their carrying amounts.

The Company has not performed a fair valuation of its investment in unquoted ordinary shares other than subsidiary, which are classified as FVOCI (refer Note 3), as the Company believes that impact of change, if any , on account of fair value is insignificant.

Fair value of unquoted investment in Mutual fund is determined by reference to Net Asset Value ('NAV') available from respective Assets Management Companies ('AMC').

5.14 Fair Value Measurement hierarchy

a. The following table provides the fair value measurement hierarchy of assets & liabilities

₹ in Crores

Particulars	Note	Carrying Amount	Level of Input Used in		
			Level 1	Level 2	Level 3
As at 31 March 2021					
Financial Assets					
Investment at FVTPL					
Mutual Funds	8	618.23	-	618.23	-
Investments at FVOCI					
Unquoted Equity Shares	3	0.54	-	-	0.54
Other Financial assets at FVTPL					
Assets held for sale	13	-	-	-	-
As at 31 March 2020					
Investment at FVTPL					
Mutual Funds	8	319.04	-	319.04	-
Investments at FVOCI					
Unquoted Equity Shares	3	0.50	-	-	0.50
Other Financial assets at FVTPL					
Assets held for sale	13	0.12	-	-	0.12

Movement in fair value measurement of unquoted equity share and for asset held for sale is not material.

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 Rs. 0.03 Crore or decrease by Rs. 0.01 Crore 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 Rs. 0.02 Crore or increase by Rs. 0.03 Crore.

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 2021 and 31 March 2020.

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 2021 and 31 March 2020 including the effect of hedge accounting.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any long term borrowings with floating interest rate. Thus the Company does not have any interest rate risk at present.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries.

Amounts in Foreign Currencies in 000's

Nature of exposure	Currency	31 March 2021	31 March 2020
Receivable	USD	8,795	6,161
Payable	USD	1,113	1,982
	EUR	354	374
	GBP	56	1
	SEK	-	250
	CHF	0	-
	JPY	400	176

The Company manages its foreign currency risk by hedging transactions related to sales & purchases. This foreign currency risk is hedged by using foreign currency forward contracts. As on 31 March 2021 and 31 March 2020, the Company has hedged Nil of its total foreign currency exposure.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD & EUR exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Company's pre-tax equity is due to changes in the Company's profit before tax . The Company's exposure to foreign currency changes for all other currencies is not material.

As at	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2021	+5%	2.81	2.81
	-5%	(2.81)	(2.81)
31 March 2020	+5%	1.57	1.57
	-5%	(1.57)	(1.57)

As at	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2021	+5%	(0.15)	(0.15)
	-5%	0.15	0.15
31 March 2020	+5%	(0.16)	(0.16)
	-5%	0.16	0.16

Commodity price risk

The Company is affected by the price volatility of certain commodities. Its operating activities require the on-going purchase and manufacture of engines and therefore require a continuous supply of copper and steel. However, Company being the indirect user of these commodities, volatility in price of such commodity does not have direct or immediate impact on the profitability of the Company. Hence, the Company does not foresee any direct or immediate risk with respect to such commodity price fluctuation.

Other Price Risk

The Company's portfolio of investments mainly consists of debt mutual fund with short term maturity. Hence management believes that this portfolio is not significantly susceptible to market risk.

b. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

Receivables are reviewed, managed and controlled for each class of customers separately. Credit exposure risk is mainly influenced by class /type of customers, depending upon their characteristics. Credit risk is managed through credit approval process by establishing credit limits along with continuous monitoring of credit worthiness of customers to whom credit terms are granted. Wherever required, credit risk of receivables is further covered through letter of credit, bank guarantee, business deposits and such other forms of credit assurance schemes.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are combined into homogenous category and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are spread over vast spectrum.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made as per the approved investment policy. Investment limits are set to minimise the concentration of risks and therefore mitigate financial loss if any.

c. Liquidity risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Company to manage risk concentrations at both the relationship and industry levels.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

₹ in Crores

Particulars	On demand	upto 3 months	> 3 months to 1 year	1 year to 5 years	More than 5 years	Total
Year ended 31 March 2021						
Interest bearing borrowings	-	67.98	9.70	-	-	**77.68**
Other financial liabilities	23.26	14.97	47.75	0.01	16.27	**102.26**
Lease liabilities	-	0.18	0.59	0.84	-	**1.61**
Trade payables	0.24	502.61	1.93	-	-	**504.78**
Total	**23.50**	**585.74**	**59.97**	**0.85**	**16.27**	**686.33**
Year ended 31 March 2020						
Interest bearing borrowings	-	9.58	5.68	-	-	**15.26**
Other financial liabilities	15.92	14.52	21.37	0.00	18.55	**70.36**
Lease liabilities	-	0.09	0.27	-	-	**0.36**
Trade payables	0.18	341.67	6.24	-	-	**348.09**
Total	**16.10**	**365.86**	**33.56**	**0.00**	**18.55**	**434.07**

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 2021 and 31 March 2020.

5.17 Leases

a Lessee accounting

Effective 1 April 2019, the company adopted Ind AS 116 “Leases” using the modified retrospective transition method, applied to lease contracts that are ongoing as at 1 April 2019. In accordance with such transition method, the company has recognised right-of-use asset at the date of initial application, for leases previously classified as operating leases, at an amount equal to lease liability, adjusted for prepaid or accrued lease payments, if any. The following practical expedients have been used by the Company :

- The lease liability is measured at the present value of the outstanding lease payments only for leases previously classified as operating leases according to Ind AS 17 which are discounted using incremental borrowing rate at 1 April 2019. The weighted average incremental borrowing rate was 9%. The respective right-of-use asset is generally recognised at an amount equal to the lease liability.
- An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognised in the Balance Sheet as at 31 March 2019.
- Regardless of their original lease term, leases for which the lease term ends at the latest on 31 March 2020 are recognised as short-term leases.
- At the date of initial application, The measurement of a right-of-use asset excludes the initial direct costs.
- Information in hindsight is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.
- The difference between the lease commitment disclosed under Ind AS 17 as at 31 March 2019 and the lease liability recognised in the Balance Sheet as at 1 April 2019 are in respect of discounting of such lease payments.

Disclosures as required by Ind AS 116 ‘Leases’ are given below:

₹ in Crores

Particulars	2020-21	2019-20
Initial Measurement of Right-of-use assets including reclassification under Ind AS 116 amounting to Rs 11.24 Crores (refer to Note 1b)	-	11.94
Initial Measurement of Lease liabilities	-	0.70

Lease liabilities movement **₹ in Crores**

Particulars	As at 31 March 2021	As at 31 March 2020
Lease liability at beginning of the year	0.36	0.70
Add : Lease liability recognised during the year	2.31	-
Add: Interest on lease liability	0.18	0.05
Less: Lease rental payments	(1.24)	(0.38)
Lease liability at the end of the year	1.61	0.36

Rental expenses recorded for short-term leases for current year is Rs. 0.38 Crores (PY : Rs. 0.46 Crores)

Lessee has entered into enforceable lease agreements for Plant Building up to 31 March 2024. The said agreement has an extension option for further 1 term of 3 years each at the sole option of the lessee. Lessee has not considered this extension period for the purpose of recognising lease liability keeping in view the uncertainty involved in opting the extension. The lease payments for the said extension, if opted, would be as follows :

₹ in Crores

Period of balance term	Annual lease payment
From 1 April 2024 to 31 March 2027	0.78

The Ministry of Corporate affairs (MCA) through the notification issued on 24 July 2020 amended Ind AS 116, “Leases”, which provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments allowed the expedient to be applied to COVID-19-related rent concessions to payments originally due on or before 30 June 2021 and also require disclosure of the amount recognised in profit or loss to reflect changes in lease payments that arise from COVID-19-related rent concessions. Accordingly, the Company recognised Rs. 0.02 Crores as a reversal of lease liability in the Statement of Profit and Loss under the head "Other income" for the year ended 31 March 2021.

b. Lessor accounting

"The Company is a lessor in the operating lease. The subject of these transactions is primarily aircraft leasing and, to a small extent plant and machinery. There is definitive binding agreement between lessor and lessee defining rights and obligation with respect to underlying assets which in substance mitigates the Company's risk.

Tangible assets provided on operating lease as at 31 March 2021 are as follows:

₹ in Crores

Particulars	Gross block	Accumulated depreciation	Net block
As at March 2021			
Aircraft	25.88	23.30	2.58
Plant & Equipments	8.59	8.57	0.02
As at March 2020			
Aircraft	25.88	22.38	3.50
Plant & Equipments	8.59	8.55	0.04

Lease income generated during the year is Rs. 1.11 Crores (PY : Rs. 1.05 Crores) (Note 31)

Maturity analysis of lease payments

The following is maturity analysis of lease payments showing non-discounted operating lease payments which are expected over the coming years:

₹ in Crores

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Lease payments	1.15	1.15	0.91	0.84	0.28	4.32

5.18 Expenditure on Corporate Social Responsibility (CSR) Activities

₹ in Crores

a.

Sr No	Particulars	2020-21	2019-20
1	Gross amount required to be spent by the Company during the year	5.16	5.38
2	Amount approved by the Board to be spent during the year	5.16	5.40
3	**Amount spent during the year on :**		
	(i) Construction/Acquisition of any asset	-	-
	(ii) On purpose other than (i) above	5.16	5.49

b. No transaction have taken place during the year related to CSR expenditure with the trust/ society/section 8 company which is controlled by related party of the company as defined in Ind AS 24 "Related party Disclosures".

5.19 Employee Stock Option Plans (ESOP)

Company provides share-based employee benefits to the employees of the Company. The relevant details of the scheme and the grant are as below.

Description of share-based payment arrangements

As at 31 March 2021, the Company has the following share-based payment arrangements

Share option plans (equity settled)

According to the Scheme, the employee selected by the Nomination and Remuneration Committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The Option may be exercised within a specified period.

The Plan was approved by the shareholders of Kirloskar Oil Engines Limited in Annual General Meeting (AGM) conducted on 9 August 2019 for issue of maximum 14,00,000 options representing 14,00,000 Equity shares of Rs. 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 has approved the grant of 9,40,000 employee stock options ("Options") to eligible employees of the Company, details of the same are produced in the below table.

a. Details of the ESOP

Particulars	ESOP Grant
ESOP Plan/Scheme	KOEL ESOP-2019
Date of Grants	5 March 2021
Vesting Requirements	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 three year from the date of vesting
Method of Settlement	Equity
Method used for accounting of Options	Fair Value Method

b. Employee Stock Option Plan

Grant date	Exercise Price	Options granted	Options Vested and Exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
5 March 2021	103.14	9,40,000	-	9,40,000	-	-	9,40,000
Total		**9,40,000**	**-**	**9,40,000**	**-**	**-**	**9,40,000**

c. Option Movement during the year ended 31 March 2021

Particulars	No. of Options	Range of exercise prices Rs.	Weighted average exercise price Rs.	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	-	103.14	103.14	NA
Granted during the year	9,40,000			103.14
Forfeited/Lapsed during the year	-			NA
Exercised during the year	-			NA
Outstanding at the end of the year	9,40,000			103.14
Exercisable at the end of the year	-			NA

d. Significant assumptions used to estimate the fair value of options:

Variables	Weighted average
1. Risk Free Interest Rate	5%
2. Expected Life	3.44
3. Expected Volatility	38%
4. Dividend Yield	2%
5. Price of the underlying share in market at the time of the option grant (Rs.)	171.90
6. Number of options granted	9,40,000

e. Weighted average remaining contractual life of outstanding options (in years)

Particulars	Life (in years)
The weighted average contractual life of options outstanding as on 31 March 2021	4.37
The weighted average contractual life of options exercisable as on 31 March 2021	NA

f. Effect of share-based payment transactions on the entity's Statement of Profit and Loss for the period:

₹ in Crores

Particulars	31 March 2021	31 March 2020
Employee share based expenses	0.29	-
Total ESOP reserve outstanding at the end of the period	0.29	-

5.20 Research and Development (R & D) Expenditure eligible for deduction under section 35(2AB) of Income-Tax Act, 1961

The Company has adopted a new tax ordinance u/s 115BAA during FY 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 FY 2020-21. Thus the Company will not avail weighted deduction benefit on in-house R & D expenditure for FY 2020-21. However, the Company will continue to maintain a separate set of books for in-house R & D activities.

5.21 During the Financial Year 2020-21, the Board of Directors of the Company had given consent to grant unsecured short term loan to Arka Fincap Limited (AFL - a wholly owned subsidiary company) of upto Rs. 25 Crores for a period not exceeding 90 days for each occassion upto 31 March 2021 at interest Rate based on 200 basis above Repo rate prevailing at the time of drawdown of the dem and loan.

Accordingly, the total amount of Rs. 40 Crores loan granted to AFL (including 2 occasions) at Interest Rate based on 200 basis above Repo rate prevailing at the time of drawdown, which is repaid as on 31 March 2021.

41 (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 2021

₹ in Crores

Particulars	31 March 2021	31 March 2020
Cash and Cash Equivalents	17.28	2.89
Current Borrowings	(77.68)	(15.26)
(Net Debt)/Surplus	(60.40)	(12.37)

₹ in Crores

Particulars	Other Assets	Liabilities from financing activity	Total
	Cash and Cash Equivalents	Current Borrowings	
(Net Debt)/Surplus as on 31 March 2020	**2.89**	**(15.26)**	**(12.37)**
Cash Inflow/(outflow)	14.39	(62.42)	(48.03)
(Net Debt)/Surplus as on 31 March 2021	**17.28**	**(77.68)**	**(60.40)**

42 Standard issued but not effective

On 24 March 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III (Division I, II and III) of the Companies Act, 2013. The amendment is applicable from 1 April 2021 and it specifies additional disclosures in the financial statements.

Key amendments in Division II applicable to the Company include:

- Disclosures for prior period errors in the statement of changes in equity
- Disclosure of shareholdings of promoters
- Disclosure for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development
- Disclosure of deviation from stated purpose in use of borrowings from banks and financial institutions
- Disclosures under 'additional regulatory requirements' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable properties not held in the name of the company, loans and advances to promoters, directors, key managerial personnel and related parties, details of benami property held etc.
- Disclosures relating to amount of expenditure on CSR, crypto or virtual currency, undisclosed income etc.

The amendments are extensive and the Company is in the process of evaluating the same to give effect to the same as required by law.

Exposure Drafts:

Following exposure drafts have been issued by the Institute of Chartered Accountants of India:

1. **Amendment to Ind AS 116, "Leases" - COVID-19 - Related Rent Concessions beyond 30 June 2021**

   On 24 July 2020, the MCA issued the Companies (Indian Accounting Standard) Amendment Rules, 2020 which amended Ind AS 116 to provide relief for lessees in accounting for eligible rent concessions upto 31 July 2021 that are a direct consequence of COVID-19. The exposure draft on amendments to Ind AS 116 issued by the Institute of Chartered Accountants of India proposes amendments to extend the relief for lessees in accounting for eligible rent concessions upto 31 July 2022.

2. **Amendment to Ind AS 116, "Leases" - Interest Rate Benchmark Reform: Phase 2**

   The exposure draft on amendments to Ind AS 116 issued by the Institute of Chartered Accountants of India proposes amendments to include a practical expedient in respect of all lease modifications that change the basis for determining future lease payments as a result of interest rate benchmark reform.

3. **Amendments to Ind AS 37, "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts**

   The exposure draft on amendments to Ind AS 37 issued by the Institute of Chartered Accountants of India proposes amendments regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

4. **Amendments to Ind AS 16, "Property, Plant and Equipment" – Proceeds before Intended Use**

   The exposure draft on amendments to Ind AS 16 issued by the Institute of Chartered Accountants of India proposes amendments regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

5. **Amendments to Ind AS 103, "Business Combinations" – Reference to the Conceptual Framework**

   The exposure draft on amendments to Ind AS 103 issued by the Institute of Chartered Accountants of India proposes amendments to change out updated reference to "Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards" and update it with reference to "Conceptual Framework for Financial Reporting under Indian Accounting Standards". It also proposes certain consequential amendments.

6. **Amendments to Ind AS 101, "First-time Adoption of Indian Accounting Standards" – Subsidiary as a First-time Adopter**

   The exposure draft on amendments to Ind AS 101 issued by the Institute of Chartered Accountants of India proposes amendments to simplify the application of Ind AS 101 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

7. **Amendments to Ind AS 41, "Agriculture" – Taxation in Fair Value Measurements**

   The exposure draft on amendments to Ind AS 41 issued by the Institute of Chartered Accountants of India proposes amendments to remove a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in Ind AS 41 with those in other Ind AS's.

8. **Amendments to Ind AS 109, "Financial Instruments" and Ind AS 107, "Financial Instruments: Disclosures" - Interest Rate Benchmark Reform: Phase 2**

The exposure draft on amendments to Ind AS 109 and Ind AS 107 issued by the Institute of Chartered Accountants of India proposes amendments to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of Ind AS's when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate.

9. **New Indian Accounting Standard (Ind AS) 117, Insurance Contracts**

The exposure draft of Ind AS 117 is issued by the Institute of Chartered Accountants of India as replacement for Ind AS 104 Insurance Contracts.

The above exposure drafts have not been notified by the Ministry of Corporate Affairs ('MCA') to be applicable from 1 April 2021 as at the date of approval of these financial statements. On issue of the amendment by MCA, the Company would evaluate the impact of the change in the financial statements.

The above exposure drafts have not been notified by the Ministry of Corporate Affairs ('MCA') to be applicable from 1 April 2021 as at the date of approval of these financial statements. On issue of the amendment by MCA, the Company would evaluate the impact of the change in the financial statements.

43 Salient features of the financial statements of subsidiary for the year ended 31 March 2021

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	KOEL Americas Corp.	* La-Gajjar Machineries Private Limited	Arka Fincap Limited (formerly known as Kirloskar Capital Limited)
a	The date since when subsidiary was Acquired / Incorporated	23 June 2015	1 August 2017	20 April 2018
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	73.11	-	-
e	Share capital	1.59	1.08	639.97
f	Reserves and surplus	3.50	78.93	33.38
g	Total assets	20.63	297.29	1,366.14
h	Total liabilities	15.54	217.28	692.79

Sr No.	Particulars	KOEL Americas Corp.	* La-Gajjar Machineries Private Limited	Arka Fincap Limited (formerly known as Kirloskar Capital Limited)
i	Investments	-	-	214.80
j	Turnover	28.24	519.83	101.88
k	Profit / (Loss) before tax	0.66	26.70	23.27
l	Provision for tax	0.13	7.20	6.39
m	Profit / (Loss) after tax	0.53	19.50	16.88
n	Proposed dividend	-	-	-
o	% of shareholding	100%	76%	100%

* La-Gajjar Machineries Private Limited (LGM) includes Optiqua Pipes and Electricals Private Limited, Ahmedabad (wholly owned subsidiary of LGM) w.e.f. 19 February 2021

44 Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as follows:

a Subsidiary Company

KOEL Americas Corp.

There are no loans and advances in the nature of loans to firms/companies in which directors are interested.

There are no loans and advances in the nature of loans to subsidiary companies.

There are no investments in the firms/companies in which directors are interested except as disclosed in Note 3 (i) and (ii).

b La-Gajjar Machineries Private Limited

There are no loans and advances in the nature of loans to firms/companies in which directors are interested.

There are no loans and advances in the nature of loans to subsidiary companies.

There are no investments in the firms/companies in which directors are interested except as disclosed in Note 3(i) and (ii).

c Arka Fincap Limited (formerly known as Kirloskar Capital Limited)

There are no loans and advances in the nature of loans to firms/companies in which directors are interested.

There are no loans and advances in the nature of loans to subsidiary companies.

There are no investments in the firms/companies in which directors are interested except as disclosed in Note 3(i) and (ii).

45 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 45 forming part of the Financial Statements.

As per our attached report of even date	For and on behalf of the board of directors	
FOR P G BHAGWAT LLP Chartered Accountants Firm Registration Number : 101118W/W100682	ATUL C. KIRLOSKAR Executive Chairman DIN: 00007387	SANJEEV NIMKAR Managing Director DIN:07869394
SANJAY ATHAVALE Partner Membership Number : 83374 Pune: 13 May 2021	PAWAN KUMAR AGARWAL Chief Financial Officer FCA: 056975 Pune: 13 May 2021	SMITA RAICHURKAR Company Secretary ACS: A21265

CONSOLIDATED FINANCIAL STATEMENTS INCLUDING AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

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

Opinion

We have audited the accompanying consolidated Ind AS Financial Statements of Kirloskar Oil Engines Limited (hereinafter referred to as the "Holding Company"), KOEL Americas Corporation ("the subsidiary"), La- Gajjar Machineries Private Limited ("the subsidiary") and Arka Fincap Limited (formerly known as Kirloskar Capital Limited) ("the subsidiary"), (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated Balance Sheet as at March 31, 2021, and the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated statement of Changes in Equity and the consolidated statement of Cash Flows for the year then ended, and notes to the consolidated Ind AS Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditor on separate Financial Statements and on the other financial information of the subsidiary, the aforesaid consolidated Ind AS Financial Statements give the information required by the Companies Act, 2013, as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2021, their consolidated profit (including other comprehensive Income), consolidated changes in equity and their consolidated cash flows for the year then ended.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Revenue Recognition

During the financial year the Group has recognised revenue from contracts with customers for sale of goods and services of Rs. 3,254.81 Crores (Refer Note 33 of consolidated financial statements). Revenue is recognised as per revenue recognition policy described in Note 44.4.18.

We have identified revenue recognition as a key audit matter since it involves significant management judgement and estimates including whether contracts contain multiple performance obligations which should be accounted for separately. This comprises allocation of the transaction price to each performance obligation and assessing whether the identified performance obligations are satisfied at a point in time or satisfied over a period of time and determining when the control is transferred.

Our audit methodology included the following:

- Obtained an understanding and assessed internal controls and its effectiveness with regards to recognition of revenue.
- Analysed major streams of revenue of Group to assess whether the method of revenue recognition is consistent with IND AS 115 and has been applied consistently.
- Focused on contract classification, determination of the performance obligations and determination of transaction price including variable consideration for selected samples.
- Tested on sample basis whether revenue transactions near to the reporting date have been recognised in the appropriate period based on terms of the contract.
- Evaluated and critically analysed on sample basis, the significant judgements and estimates made by the management in applying the accounting policy for allocation of transaction price and the timing of transfer of control.
- Analysed the report/information received from independent auditor/management in case of the subsidiaries which we have not audited.
- Critically analysed the adequacy and appropriateness of disclosures required as per Ind AS 115-Revenue from Contracts with Customers.

Goodwill impairment assessment:

The Group carries goodwill of Rs. 184.50 Crores resulting from business acquisition of the subsidiary La-Gajjar Machineries Private Limited.

The Group tests goodwill for impairment annually as per requirement of Ind AS 36 which involves significant estimates and judgements. Due to inherent uncertainties involved in forecasting of cash flows, which are the basis of the assessment of recoverability of goodwill, this is one of the key judgmental areas.

(Refer notes 44.3.2 and 44.5.26 to the consolidated Ind AS financial statements)

We have identified this as a key audit matter due to the significance of the amount of goodwill to the Group's financial statements and significant estimates and judgements involved in impairment testing.

Our audit methodology included the following:

- Obtained an understanding of Group's evaluation of identification of cash generating units and allocation of goodwill to the respective cash generating units.
- Evaluated the underlying key assumptions in estimating projections including cash flows.
- Evaluated reasonableness of assumptions and methodologies used by the Group and external experts appointed by the Group.
- Analysed external valuation reports, obtained by the Group for its impairment assessment.
- Assessed the sensitivity of the outcome of impairment assessment to changes in key assumptions.
- Critically analysed the adequacy and appropriateness of disclosures required as per Ind AS 36-Impairment of Assets.

Other Information

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

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

In connection with our audit of the consolidated Ind AS Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated Ind AS Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated Ind AS Financial Statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

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

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

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

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

  We communicate with those charged with governance of the Holding Company and such other entity included in the consolidated Ind AS Financial Statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

  From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS Financial Statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of Rs 1365.90 Crores and net assets of Rs 673.35 Crores as at March 31, 2021, total revenue of Rs. 101.64 Crores, net profit of Rs 16.88 Crores and net cash flows amounting to Rs 102.81 Crores for the year ended on that date, as considered in the consolidated Ind AS financial statements. These financial statements have been audited by other auditors, which along with auditors' reports thereon have been furnished to us by the Management, and our opinion on the consolidated Ind AS Financial Statements insofar as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiary is based solely on the report of the other auditor.

We did not audit the financial statements/financial information of one subsidiary whose financial statements/ financial information reflect total assets of Rs 20.63 Crores and net assets of Rs 5.09 Crores as at March 31, 2021, total revenue of Rs. 28.24 Crores, net profit of Rs 0.54 Crores and net cash flows amounting to Rs 0.55 Crores for the year ended on that date, as considered in the consolidated Ind AS financial statements. These financial statements/ financial information is unaudited and have been furnished to us by the Management, and our opinion on the consolidated Ind AS Financial Statements insofar as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiary is based solely on such unaudited financial statements/ financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements/ financial information is not material to the Group.

Our opinion on the consolidated Ind AS Financial Statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the report of the other auditor and the financial statements/ financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, based on our audit and on the consideration of report of the other auditor on separate financial statements and the other financial information of subsidiary as noted in the 'other matters' paragraph we report, to the extent applicable, that:

   a) We/the other auditor whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.

   b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the report of the other auditors.

   c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.

   d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read the Companies (Indian Accounting Standards) Rules, 2015, as amended.

   e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, incorporated in India, none of the directors of the Group companies, incorporated in India is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls with reference to Consolidated Ind AS financial statements of the Holding Company and its Subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

g) As required by section 197 (16) of the Act; in our opinion and according to the information and explanations given to us and based on the reports of the statutory auditors of such subsidiary company incorporated in India which was not audited by us, the remuneration paid/provided for during the current year by the Holding Company, its subsidiary company to its directors is in accordance with the provisions of section 197 of the Act. The remuneration paid to any director by the Holding Company and its subsidiary companies is not in excess of the limit laid down under section 197 of the Act.

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on separate financial statements as also the other financial information of the subsidiary, as noted in the 'other matter' paragraph:

(i) The consolidated Ind AS financial statements disclose the impact, of pending litigations as at March 31, 2021 on the consolidated financial position of the Group, refer Note 44.5.1 to the consolidated Ind AS financial statements;

(ii) The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies incorporated in India during the year ended March 31, 2021.

For **P G Bhagwat LLP**
Chartered Accountants
Firm Registration Number : 101118W / W100682

Sd/-
Sanjay Athavale
Partner
Membership No. 83374
Pune : 13.05.2021
UDIN : 21083374AAAACK5676

Annexure A to the Independent Auditor’s Report of even date on the Consolidated Ind AS Financial Statements of Kirloskar Oil Engines Limited.

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

We have audited the internal financial controls with reference to Consolidated Ind AS Financial Statements of Kirloskar Oil Engines Limited (“the Holding Company”) and its subsidiary companies incorporated in India as of March 31, 2021 in conjunction with our audit of the Consolidated Ind AS Financial Statements of the Holding Company and its subsidiary companies incorporated in India and for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

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

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their report referred to in ‘Other Matters’ paragraph below, in respect of Holding company and its subsidiary companies incorporated in India, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to Consolidated Ind AS financial statements.

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

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

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

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

Opinion

In our opinion, the Holding company and its subsidiary companies incorporated in India, have, in all material respects, adequate internal financial controls with reference to consolidated Ind AS financial statements and such internal financial controls were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our report under Section 143 (3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated Ind AS financial statements of the Holding Company, insofar as it relates to its one subsidiary company incorporated in India, is based on the corresponding report of the auditors of such subsidiary incorporated in India.

For **P G Bhagwat LLP**
Chartered Accountants
Firm Registration Number : 101118W / W100682

Sd/-
Sanjay Athavale
Partner
Membership No. 83374
Pune : 13.05.2021
UDIN : 21083374AAAACK5676

Consolidated Balance Sheet as at 31 March 2021

₹ in Crores

Particulars	Note No.	As at 31 March 2021	As at 31 March 2020
ASSETS			
I. Non-current assets		**1,507.97**	**1,082.19**
(a) Property, plant and equipment	1a	387.86	352.32
(b) Capital work-in-progress	1a	31.65	30.32
(c) Right-of-use assets	1b	23.72	24.94
(d) Goodwill	2	184.50	184.50
(e) Other Intangible assets	2	102.19	61.02
(f) Intangible assets under development	2	23.20	47.45
(g) Financial assets			
(i) Investments	3	47.90	74.33
(ii) Receivables of Financial Service Business	4	614.49	181.13
(iii) Loans	5	0.22	0.28
(iv) Other financial assets	6	45.55	49.42
(h) Deferred tax assets (net)	24 (a)	4.04	3.02
(i) Other non-current assets	7	42.65	73.46
II.Current assets		**2,292.77**	**1,679.70**
(a) Inventories	8	379.47	405.77
(b) Financial assets			
(i) Investments	9	785.68	358.29
(ii) Trade receivables	10	438.57	412.10
(iii) Cash and cash equivalents	11a	246.05	128.34
(iv) Bank balance other than (iii) above	11b	12.26	14.25
(v) Receivables of Financial Service Business	12	291.87	180.75
(vi) Loans	13	0.11	0.26
(vii) Other financial assets	14	54.68	63.42
(c) Assets held for sale	15	-	0.12
(d) Current tax assets (net)	16	0.93	0.64
(e) Other current assets	17	83.15	115.76
Total Assets		**3,800.74**	**2,761.89**
EQUITY AND LIABILITIES			
Equity		**1,922.14**	**1,745.16**
(a) Equity share capital	18	28.92	28.92
(b) Other equity			
Capital redemption reserve	19	0.20	0.20
General reserve	19	608.39	608.39
Statutory Reserve	19	4.60	1.22
Employee stock option reserve	19	7.28	4.72
Retained earnings	19	1,272.36	1,101.40
OCI Reserve (Representing FV Changes of Equity Instruments designated through OCI)	19	0.04	-
Reserves representing unrealised gains/ losses	19	0.35	0.31
Equity attributable to equity holders of the parent		**1,922.14**	**1,745.16**
Non-controlling interests	19	-	-
Liabilities			
I. Non-current liabilities		**626.19**	**268.73**
(a) Financial liabilities			
(i) Borrowings	20	416.99	64.44
(ii) Lease Liabilities	21	6.89	7.51
(iii) Other financial liabilities	22	133.03	129.33
(b) Provisions	23	30.78	35.73
(c) Deferred tax liabilities (net)	24 (b)	19.37	15.14
(d) Other non-current liabilities	25	19.13	16.58
II.Current liabilities		**1,252.41**	**748.00**
(a) Financial liabilities			
(i) Borrowings	26	269.85	84.92
(ii) Trade and other payables	27		
a) total outstanding dues of micro enterprises and small enterprises		133.50	55.96
b) total outstanding dues of creditors other than micro enterprises and small enterprises		460.70	357.61
(iii) Lease Liabilities	28	3.87	2.37
(iv) Other financial liabilities	29	249.42	90.57
(b) Other current liabilities	30	61.32	86.83
(c) Provisions	31	73.46	69.04
(d) Government grants	32	0.29	0.70
Total Equity and Liabilities		**3,800.74**	**2,761.89**
Significant accounting policies	44		

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

As per our attached report of even date

FOR P G BHAGWAT LLP
Chartered Accountants
Firm Registration Number: 101118W / W100682

SANJAY ATHAVALE
Partner
Membership Number : 83374

Pune : 13 May 2021

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN: 07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265

Pune : 13 May 2021

Consolidated Statement of Profit and Loss for the year ended 31 March 2021

₹ in Crores

Particulars	Note No.	2020-21	2019-20
Income			
Revenue from operations	33	3,296.10	3,379.45
Other income	34	26.49	35.05
Total income		**3,322.59**	**3,414.50**
Expenses			
Cost of raw materials and components consumed	35	1,432.09	1,576.96
Purchase of traded goods	36	567.45	625.51
Changes in inventories of finished goods, work-in-progress and traded goods	37	50.46	(60.25)
Employee benefits expense	38	257.40	270.37
Finance costs	39	50.12	14.21
Depreciation and amortisation expense	40	83.98	87.34
Other expenses	41	612.98	681.01
Expense capitalised		(9.94)	(8.90)
Total expenses		**3,044.54**	**3,186.25**
Profit before exceptional items and tax		**278.05**	**228.25**
Exceptional items [income/(expense)]	42	(8.37)	16.49
Profit before tax		**269.68**	**244.74**
Tax expense		**72.28**	**56.85**
Current tax	43	70.53	65.08
MAT credit		-	0.00
(Excess)/short provision related to earlier years		0.09	(0.48)
Deferred tax	43	1.66	(7.75)
Profit for the year		**197.40**	**187.89**
Other Comprehensive Income/(Loss)			
A. Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences in translating the financial statements of a foreign operation	19	0.04	0.05
Income tax effect		-	0.00
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (A)		**0.04**	**0.05**
B. Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		**4.69**	**(2.19)**
Re-measurement gains / (losses) on defined benefit plans		6.22	(2.92)
Income tax effect on above		(1.57)	0.73
Subtotal		4.65	(2.19)
Net gain / (loss) on FVOCI equity instruments		0.05	0.00
Income tax effect on above		(0.01)	0.00
Subtotal		0.04	0.00
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (B)		4.69	(2.19)
Total other comprehensive income/(loss) for the year, net of tax [A+B]		**4.73**	**(2.14)**
Total comprehensive income for the year		**202.13**	**185.75**
Profit for the year attributable to:			
Owners of the Company		194.96	185.18
Non-controlling interest		2.44	2.71
		197.40	**187.89**
Other comprehensive income/(loss) attributable to:			
Owners of the Company		4.72	(2.09)
Non-controlling interest		0.01	(0.05)
		4.73	**(2.14)**
Total comprehensive income attributable to:			
Owners of the Company		199.68	183.09
Non-controlling interest		2.45	2.66
		202.13	**185.75**
Earnings per equity share [nominal value per share Rs. 2/- (31 March 2020: Rs. 2/-)]			
Basic		13.48	12.81
Diluted		13.48	12.81
Significant accounting policies	44		

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

As per our attached report of even date

FOR P G BHAGWAT LLP
Chartered Accountants
Firm Registration Number: 101118W / W100682

SANJAY ATHAVALE
Partner
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Pune : 13 May 2021

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Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265
Pune : 13 May 2021

Statement of Consolidated Cash Flow the year ended 31 March 2021

₹ in Crores

Particulars	2020-21	2019-20
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	**269.68**	**244.74**
Adjustments to reconcile profit before tax to net cash flows:		
Add:		
Depreciation and Amortisation	83.98	87.34
Inventories written down	0.50	5.94
Bad debts and irrecoverable balances written off	2.38	2.93
Provision for doubtful debts and advances (net) (Including expected credit loss)	2.21	6.89
Loss/(Profit) on revalorisation on imports payable	(0.11)	0.30
Loss on revalorisation on forex loans	0.28	1.17
Provisions for share based payments	2.56	4.72
Unrealised exchange differences in translating the financial statements of a foreign operation	1.18	0.05
Exceptional items (VRS)	8.37	-
Finance cost	34.72	14.21
Amortisation of rent expenses	0.75	1.42
	136.82	**124.97**
Less:		
Net gain on disposal of property, plant and equipment	0.13	(2.77)
Profit on revalorisation on exports receivable	2.22	3.81
Amortised discount income on commercial paper	4.96	7.42
Interest received on debt instrument	19.74	5.40
Profit / (Loss) on sale of mutual fund investment at FVTPL (net)	12.59	24.03
Marked to market gain on investments measured at FVTPL including of financial service business	1.13	0.25
Interest income and unwinding of interest on deposits and government grant (Subsidy receivable under PSI scheme, 2001)	6.36	3.93
Exceptional items (Profit on sale of leasehold property)	-	16.49
Interest received (Finance income)	-	-
Sundry credit balances appropriated	0.55	3.70
Provisions no longer required written back	3.73	3.52
Revenue from deferred EPCG income	0.41	0.15
Dividend income	0.00	0.00
	51.82	**65.93**
Operating Profit before working capital changes	**354.68**	**303.78**
Working Capital Adjustments		
(Increase) / Decrease in government grant receivables	21.21	6.19
(Increase) / Decrease in trade and other receivables	9.34	129.78
(Increase) / Decrease in receivables of financial service business	(546.68)	(363.14)
(Increase) / Decrease in inventories	25.80	(102.13)
Increase / (Decrease) in trade and other payables	168.77	(24.14)
Increase / (Decrease) in provisions	(2.89)	2.79
	(324.45)	**(350.65)**

₹ in Crores

Particulars	2020-21	2019-20
Net cash generated from/(used in) operations	**30.23**	**(46.87)**
Direct taxes paid (net of refunds)	(46.26)	(77.30)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	**(16.03)**	**(124.17)**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of PPE & other intangible assets including advance	1.02	1.07
Commission on sale of leasehold property	-	(0.38)
Proceeds from sale of investments (Net)	(362.50)	310.80
Interest received on debt instrument	1.76	5.24
Dividend received	0.00	0.00
Investment in equity instrument of other than subsidiary companies		(0.49)
Payments for purchase of property, plant and equipment	(105.49)	(82.89)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**(465.21)**	**233.35**
CASH FLOW FROM FINANCING ACTIVITIES		
Payment for lease liabilities	(5.43)	(3.10)
Finance cost	(27.55)	(13.35)
Proceeds from bill discounting & borrowings (Net)	1,082.29	177.50
(Repayment) of bill discounting & borrowings	(428.67)	(89.81)
Stamp duty paid on right issue by subsidiary company (Arka Fincap Limited)	-	(0.50)
Final and interim dividend paid	(21.69)	(94.00)
Tax on final and interim dividend	-	(19.32)
NET CASH GENERATED FROM/(USED IN) IN FINANCING ACTIVITIES	**598.95**	**(42.58)**
Net increase / (decrease) in cash and cash equivalents	**117.71**	**66.60**
Opening cash and cash equivalents	**128.34**	**61.74**
Closing cash and cash equivalents (Refer Note 11a)	**246.05**	**128.34**

Refer Note No 45

As per our attached report of even date

FOR P G BHAGWAT LLP
Chartered Accountants
Firm Registration Number: 101118W / W100682

SANJAY ATHAVALE
Partner
Membership Number : 83374
Pune : 13 May 2021

For and on behalf of the board of directors

ATUL C. KIRLOSKAR
Executive Chairman
DIN: 00007387

SANJEEV NIMKAR
Managing Director
DIN: 07869394

PAWAN KUMAR AGARWAL
Chief Financial Officer
FCA: 056975

SMITA RAICHURKAR
Company Secretary
ACS: A21265
Pune : 13 May 2021

Statement of changes in Equity for the year ended 31 March 2021

A. Equity Share Capital (Note 18)

₹ in Crores

Equity Shares of ₹ 2 each issued, subscribed and fully paid	No. of Shares	Amount
At 1 April 2019	**14,46,14,326**	**28.92**
Increase/decrease, if any during the year	-	-
At 31 March 2020	**14,46,14,326**	**28.92**
Increase/decrease, if any during the year	-	-
As at 31 Mar 2021	**14,46,14,326**	**28.92**

B. Other Equity (Note 19)

₹ in Crores

Particulars	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Reserves and Surplus					Items of OCI		Total		
	Capital Redemption Reserve	General Reserve	Statutory Reserve	Employee Stock Option Reserve	Retained Earnings	Equity Instruments Through Other Comprehensive Income	Foreign Currency Translation Reserve			
As at 1 April 2019	**0.20**	**608.39**	**-**	**-**	**1,060.81**	**-**	**0.26**	**1,669.66**	**-**	**1,669.66**
Profit for the year	-	-	-	-	185.18	-	-	185.18	2.71	187.89
Other comprehensive income/(loss) for the year	-	-	-	-	(2.14)	-	0.05	(2.09)	(0.05)	(2.14)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**183.04**	**-**	**0.05**	**183.09**	**2.66**	**185.75**
Share based payment expense	-	-	-	4.72	-	-	-	4.72	-	4.72
Stamp duty paid on equity issue by subsidiary (Arka Fincap Limited)	-	-			(0.50)	-	-	(0.50)	-	(0.50)
Final dividend for year ended 31 March 2019	-	-	-	-	(36.15)		-	(36.15)	-	(36.15)
Tax on final dividend for the year ended 31 March 2019	-	-	-	-	(7.43)		-	(7.43)	-	(7.43)
Interim dividend for year ended 31 March 2020	-	-	-	-	(57.85)		-	(57.85)	-	(57.85)
Tax on Interim dividend for the year ended 31 March 2020	-	-	-	-	(11.89)		-	(11.89)	-	(11.89)
Adjustment towards Present value of future purchase consideration payable (Refer Note. 44.5.20)	-	-	-	-	(27.41)		-	(27.41)	(2.66)	(30.07)
Transfer to Special Reserve under Section 45-IC of The Reserve Bank of India Act, 1934			1.22		(1.22)					-
As at 31 March 2020	**0.20**	**608.39**	**1.22**	**4.72**	**1,101.40**	**-**	**0.31**	**1,716.24**	**-**	**1,716.24**

₹ in Crores

Particulars	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Reserves and Surplus					Items of OCI		Total		
	Capital Redemption Reserve	General Reserve	Statutory Reserve	Employee Stock Option Reserve	Retained Earnings	Equity Instruments Through Other Comprehensive Income	Foreign Currency Translation Reserve			
As at 1 April 2020	**0.20**	**608.39**	**1.22**	**4.72**	**1,101.40**	**-**	**0.31**	**1,716.24**	**-**	**1,716.24**
Profit for the year	-	-	-	-	194.96	-	-	194.96	2.44	197.40
Transfer from Retained Earnings	-	-	-	-	-		-	-	-	-
Other comprehensive income for the year	-	-	-	-	4.64	0.04	0.04	4.72	0.01	4.73
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**199.60**	**0.04**	**0.04**	**199.68**	**2.45**	**202.13**
Share based payment expense	-	-	-	2.56	-		-	2.56	-	2.56
Stamp duty paid on equity issue by subsidiary (Arka Fincap Limited)	-	-	-	-	-		-	-	-	-
Final dividend for year ended 31 March 2020	-	-	-	-	-	-	-	-	-	-
Tax on final dividend for the year ended 31 March 2020	-	-	-	-	-	-	-	-	-	-
Interim dividend for year ended 31 March 2021	-	-	-	-	(21.69)	-	-	(21.69)	-	(21.69)
Tax on Interim dividend for the year ended 31 March 2021	-	-	-	-	-	-	-	-	-	-
Adjustment towards Present value of future purchase consideration payable (Refer Note. 44.5.20)	-	-	-	-	(3.57)	-	-	(3.57)	(2.45)	(6.02)
Transfer to Special Reserve under Section 45-IC of The Reserve Bank of India Act, 1934	-	-	3.38	-	(3.38)		-	-	-	-
As at 31 March 2021	**0.20**	**608.39**	**4.60**	**7.28**	**1,272.36**	**0.04**	**0.35**	**1,893.22**	**-**	**1,893.22**

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

As per our attached report of even date

FOR P G BHAGWAT LLP
Chartered Accountants
Firm Registration Number: 101118W / W100682

SANJAY ATHAVALE
Partner
Membership Number : 83374
Pune : 13 May 2021

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Chief Financial Officer
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SMITA RAICHURKAR
Company Secretary
ACS: A21265
Pune : 13 May 2021

Notes to the Consolidated Financial Statements

Note 1a : Property, Plant and equipment

₹ in Crores

Particulars	Leasehold land and lease hold improvements	Buildings	Plant & Equipment*	Furniture & Fixture	Vehicles	Aircraft*	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
Gross Block											
As at 1 April 2019	**17.65**	**196.86**	**1,020.15**	**32.02**	**14.44**	**25.88**	**8.45**	**65.62**	**40.13**	**1,421.20**	**17.89**
Additions	0.11	0.34	20.21	0.43	1.29	-	0.31	3.11	0.43	26.23	35.46
Inter transfers - Net	2.07	-	(0.75)	0.09	-	-	(1.42)	(0.06)	-	(0.07)	-
Reclassified on account of Adoption of Ind AS 116	12.88	-	-	-	-	-	-	-	-	12.88	-
Asset Held of Disposal	-	-	1.11	-	-	-	-	-	-	1.11	-
Asset Written off / Scrap	-	-	6.44	0.26	-	-	0.67	0.18	-	7.55	
Deductions	-	-	6.27	0.12	0.53	-	-	0.10	0.65	7.67	23.03
As at 31 March 2020	**6.95**	**197.20**	**1,025.79**	**32.16**	**15.20**	**25.88**	**6.67**	**68.39**	**39.91**	**1,418.15**	**30.32**
Additions	0.13	1.15	84.38	0.55	1.22	-	0.24	1.94	0.33	89.94	88.82
Inter transfers - Net	-	-	(0.02)	0.04	-	-	(0.22)	0.00	0.20	0.00	-
Reclassified on account of Adoption of Ind AS 116	-	-	-	-	-	-	-	-	-	-	
Asset Held of Disposal	-	-	(0.54)	-	-	-	-	-	-	(0.54)	-
Deductions	-	-	4.36	0.57	1.62	-	0.07	1.45	-	8.07	87.49
As at 31 March 2021	**7.08**	**198.35**	**1,106.33**	**32.18**	**14.80**	**25.88**	**6.62**	**68.88**	**40.44**	**1,500.56**	**31.65**
Depreciation											
Upto 1 April 2019	**2.92**	**53.34**	**822.24**	**20.22**	**11.34**	**20.70**	**6.67**	**55.24**	**28.69**	**1,021.36**	**-**
For the year	1.58	7.05	36.30	2.63	1.47	1.69	0.40	4.63	2.62	58.37	-
Inter transfers - Net	1.24	-	(0.26)	(0.16)	-	-	(0.83)	(0.04)	-	(0.05)	-
Reclassified on account of Adoption of Ind AS 116	1.64	-	-	-	-	-	-	-	-	1.64	-
Asset Written off / Scrap	-	-	3.76	0.16	-	-	0.50	0.18	-	4.60	
Asset Held of Disposal	-	-	1.11	-	-	-	-	-	-	1.11	-
Deductions	-	-	5.19	0.12	0.50	-	-	0.10	0.59	6.50	-
As at 31 March 2020	**4.10**	**60.39**	**848.22**	**22.41**	**12.31**	**22.39**	**5.74**	**59.55**	**30.72**	**1,065.83**	**-**

Particulars	Leasehold land and lease hold improvements	Buildings	Plant & Equipment*	Furniture & Fixture	Vehicles	Aircraft*	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
For the year	0.82	6.99	34.81	2.38	0.93	0.92	0.25	4.14	2.40	53.64	-
Inter transfers - Net	-	-	(0.02)	0.02	-	-	(0.13)	0.00	0.12	(0.01)	-
Reclassified on account of Adoption of Ind AS 116	-	-	-	-	-	-	-	-	-	-	-
Asset Held of Disposal	-	-	(0.54)	-	-	-	-	-	-	(0.54)	-
Deductions	-	-	4.28	0.52	1.10	-	0.07	1.33	-	7.30	-
As at 31 March 2021	**4.92**	**67.38**	**879.27**	**24.29**	**12.14**	**23.31**	**5.79**	**62.36**	**33.24**	**1,112.70**	**-**
Net Block											
As at 1 April 2019	**14.73**	**143.52**	**197.91**	**11.80**	**3.10**	**5.18**	**1.78**	**10.38**	**11.44**	**399.84**	**17.89**
As at 31 March 2020	**2.85**	**136.81**	**177.57**	**9.75**	**2.89**	**3.49**	**0.93**	**8.84**	**9.19**	**352.32**	**30.32**
As at 31 March 2021	**2.16**	**130.97**	**227.06**	**7.89**	**2.66**	**2.57**	**0.83**	**6.52**	**7.20**	**387.86**	**31.65**

Notes :

1. Gross block is at Cost.
2. For Depreciation and Amortisation refer accounting policy (Note 44.4.3).
3. Capital work-in-progress (CWIP):

   Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is Rs. 31.65 Crores (31 March 2020: Rs. 30.32 Crores).
4. The Group had adopted deemed cost exemption under IND AS 101, on respective transition dates. The information of Gross block, and Accumulated Depreciation as on transition dates are carried forward for disclosures.
5. *Includes certain assets provided on cancellable operating lease (Note 44.5.17)
6. Note 1a of Property, plant and equipment includes assets at Research and Development facility, the details of which are as under.

Notes to the Consolidated Financial Statements

Property, plant and equipment : Research and Development facility (Below figures are included in Note 1a: Property, Plant and equipment)

₹ in Crores

Particulars	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block										
As at 1 April 2019	**-**	**-**	**96.40**	**5.29**	**-**	**-**	**0.13**	**1.77**	**3.57**	**107.16**
Additions	-	-	3.70	-	-	-	-	0.04	-	3.74
Inter transfers - Net	-	-	(0.30)	-	-	-	-	-	-	(0.30)
Asset Held of Disposal	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	-	-
As at 31 March 2020	**-**	**-**	**99.80**	**5.29**	**-**	**-**	**0.13**	**1.81**	**3.57**	**110.60**
Additions	-	-	14.62	-	-	-	-	0.06	-	14.68
Inter transfers - Net	-	-	0.00	-	-	-	-	-	-	0.00
Asset Held of Disposal	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	5.59	-	-	-	-	-	-	5.59
As at 31 March 2021	**-**	**-**	**108.83**	**5.29**	**-**	**-**	**0.13**	**1.87**	**3.57**	**119.69**
Depreciation										
Upto 1 April 2019	-	-	49.66	2.56	-	-	0.11	1.55	1.73	55.61
For the year	-	-	7.50	0.68	-	-	-	0.11	0.38	8.67
Inter transfers - Net	-	-	(0.30)	-	-	-	-	-	-	(0.30)
Asset Held of Disposal	-	-	0.00	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	-	-
As at 31 March 2020	**-**	**-**	**56.86**	**3.24**	**-**	**-**	**0.11**	**1.66**	**2.11**	**63.98**
For the year	-	-	8.04	0.64	-	-	-	0.05	0.36	9.09
Inter transfers - Net	-	-	0.00	-	-	-	-	-	-	0.00
Asset Held of Disposal	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	5.45	-	-	-	-	-	-	5.45
As at 31 March 2021	**-**	**-**	**59.45**	**3.88**	**-**	**-**	**0.11**	**1.71**	**2.47**	**67.62**
Net Block										
As at 1 April 2019	**-**	**-**	**46.74**	**2.73**	**-**	**-**	**0.02**	**0.22**	**1.84**	**51.55**
As at 31 March 2020	**-**	**-**	**42.94**	**2.05**	**-**	**-**	**0.02**	**0.15**	**1.46**	**46.62**
As at 31 March 2021	**-**	**-**	**49.38**	**1.41**	**-**	**-**	**0.02**	**0.16**	**1.10**	**52.07**

Notes to the Consolidated Financial Statements

Note 1b : Right-of-use assets

₹ in Crores

Particulars	Category of Right-of-use assets			Total
	Land	Building	Plant & Equipment	
Balance as on 1 April 2019 - on account of adoption of IND AS 116				
- Reclassified (refer to note 1a)	11.24	-	-	11.24
- Recognition	-	17.31	0.22	17.53
Depreciation	0.14	3.58	0.11	3.83
Balance as at 31 March 2020	**11.10**	**13.73**	**0.11**	**24.94**
- Recognition	-	4.30	-	4.30
Deletion	-	-	0.11	0.11
Depreciation	0.14	5.27	-	5.41
Balance as at 31 March 2021	**10.96**	**12.76**	**-**	**23.72**

1. The aggregate depreciation expense on Right-of-use (ROU) assets is included under depreciation and amortisation expense in the Statement of Profit and Loss.
2. Refer Note 44.5.17

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 2019	**41.29**	**11.72**	**7.02**	**47.22**	**22.18**	**48.90**	**178.33**	**184.50**	**23.03**
Additions	5.68	-	-	-	1.50	-	7.18	-	30.82
Inter Transfers	0.08	-	-	-	-	-	0.08	-	-
Deductions	-	-	-	-	-	-	-	-	6.40
As at 31 March 2020	**47.05**	**11.72**	**7.02**	**47.22**	**23.68**	**48.90**	**185.59**	**184.50**	**47.45**
Additions	14.29	0.62	-	-	18.20	32.99	66.10	-	35.51
Inter Transfers	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	59.76
As at 31 March 2021	**61.34**	**12.34**	**7.02**	**47.22**	**41.88**	**81.89**	**251.69**	**184.50**	**23.20**
Amortisation									
Upto 1 April 2019	**34.47**	**11.15**	**0.78**	**15.75**	**8.13**	**29.10**	**99.38**	**-**	**-**
For The Year	3.30	0.12	0.47	9.45	2.93	8.87	25.14	-	-
Inter Transfers	0.05	-	-	-	-	-	0.05	-	-
Deductions	-	-	-	-	-	-	-	-	-
As at 31 March 2020	**37.82**	**11.27**	**1.25**	**25.20**	**11.06**	**37.97**	**124.57**	**-**	**-**
For The Year	3.95	0.13	0.47	9.45	3.27	7.66	24.93	-	-
Inter Transfers	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	-
As at 31 March 2021	**41.77**	**11.40**	**1.72**	**34.65**	**14.33**	**45.63**	**149.50**	**-**	**-**

Particulars	Computer Software	Drawings & Designs	Brand	Customer Relationship	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Goodwill	Intangible assets under development
Net Block									
As at 1 April 2019	**6.82**	**0.57**	**6.24**	**31.47**	**14.05**	**19.80**	**78.95**	**184.50**	**23.03**
As at 31 March 2020	**9.23**	**0.45**	**5.77**	**22.02**	**12.62**	**10.93**	**61.02**	**184.50**	**47.45**
As at 31 March 2021	**19.57**	**0.94**	**5.30**	**12.57**	**27.55**	**36.26**	**102.19**	**184.50**	**23.20**

Notes :

1. Intangible assets are amortised on straight line method.
2. For Depreciation and Amortisation refer accounting policy (Note 44.4.5).
3. Intangibles under development:

   Intangible assets under development comprise intangible assets not ready for the intended use on the date of the Balance Sheet. Total amount of Intangible assets under development is Rs. 23.20 Crores (31 March 2020: Rs. 47.45 Crores).
4. Note 2 of Other Intangible assets includes assets at Research and Development facility, the details of which are as under.
5. Goodwill includes Rs. 183.23 Crores arising on account of consolidation (Refer Note 44.5.20)

Notes to the Consolidated Financial Statements

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

₹ in Crores

Particulars	Computer Software	Drawings & Designs	Brand	Customer Relationship	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total
Gross Block							
As at 1 April 2019	**15.31**	**11.03**	**-**	**-**	**1.50**	**48.89**	**76.73**
Additions	0.25	-	-	-	1.50	-	1.75
Deductions	-	-	-	-	-	-	-
As at 31 March 2020	**15.56**	**11.03**	**-**	**-**	**3.00**	**48.89**	**78.48**
Additions	2.14	0.61	-	-	18.20	32.90	53.85
Deductions	-	-	-	-	-	-	-
As at 31 March 2021	**17.70**	**11.64**	**-**	**-**	**21.20**	**81.79**	**132.33**
Amortisation							
Upto 1 April 2019	**11.53**	**10.45**	**-**	**-**	**1.50**	**29.11**	**52.59**
For The Year	1.62	0.12	-	-	0.29	8.88	10.91
Deductions	-	-	-	-	-	-	-
As at 31 March 2020	**13.15**	**10.57**	**-**	**-**	**1.79**	**37.99**	**63.50**
For The Year	1.15	0.13	-	-	0.64	7.66	9.58
Deductions	-	-	-	-	-	-	-
As at 31 March 2021	**14.30**	**10.70**	**-**	**-**	**2.43**	**45.65**	**73.08**
Net Block							
As at 1 April 2019	**3.78**	**0.58**	**-**	**-**	**-**	**19.78**	**24.14**
As at 31 March 2020	**2.41**	**0.46**	**-**	**-**	**1.21**	**10.90**	**14.98**
As at 31 March 2021	**3.40**	**0.94**	**-**	**-**	**18.77**	**36.14**	**59.25**

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 2021		As at 31 March 2020	
		Nos.	₹ in Crores	Nos.	₹ in Crores
(i) At Amortised Cost					
Quoted Investment					
Investments in debentures or bonds (quoted)					
12.50% Sterlite Power Transmission Limited	10,00,000	-	-	500	49.63
9.45% ECL Finance Limited	1,000	-	-	2,50,000	24.33
Vivriti Capital Private Limited RR NCD 03MR23	10,00,000	250	25.19	-	-
Less: Provision for expected credit loss	-	-	(0.04)	-	(0.13)
			25.15		**73.83**
Unquoted Investment					
Investments in Pass through certificates (PTC) units					
Dhruva-VIII AK 12 2020 (Five Star PTC)	-	-	22.21	-	-
Less: Provision for expected credit loss	-	-	(0.00)	-	-
			22.21		**-**
(ii) At fair value through Other Comprehensive Income (FVOCI)					
Investment					
In Unquoted equity instruments					
Kirloskar Proprietary Limited - (Fully paid up)	100	1	0.00	1	0.00
S.L.Kirloskar CSR Foundation - (Fully paid up)	10	9,800	0.01	9,800	0.01
Kirloskar Management Services Pvt Ltd (Fully paid up)	10	4,87,500	0.53	4,87,500	0.49
			0.54		**0.50**
Total			**47.90**		**74.33**

Notes :

		31 March 2021	31 March 2020
1.	Aggregate amount of quoted Investments	25.15	73.83
	Aggregate amount of unquoted Investments	22.75	0.50

2. Face value per unit in Rupees unless otherwise stated.
3. Refer Note 44.5.13 and 44.5.14 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments and for fair value hierarchy
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 4 : Receivables of Financial Service Business (Non-Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Receivables of Financial Service Business	**614.49**	**181.13**
Secured, considered good	616.30	182.26
Less : Provision for expected credit loss for receivables of financial service business	(1.81)	(1.13)
Total	**614.49**	**181.13**

1. Receivables of financial service business are measured at amortised cost.
2. Refer Note 44.4.8 for policy on provision for expected credit loss.
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Note 5 : Loans (Non-current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Loans to employees (unsecured, considered good)	0.22	0.28
Total	**0.22**	**0.28**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 6 : Other financial assets (Non-current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Security deposits		
Unsecured, considered good	35.79	34.53
Doubtful	0.75	0.98
Less : Loss allowance for doubtful deposits	(0.75)	(0.98)
Subsidy receivable under PSI scheme, 2001	9.57	14.66
Others	0.19	0.23
Total	**45.55**	**49.42**

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 2021, calculated on the basis of VAT, CST as well as SGST paid on sales made from Kagal plant for such extended period are fair valued.
2. Other financial assets are measured at amortised cost.
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Note 7 : Other non-current assets

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Capital advances	5.25	10.00
Prepaid expenses	0.39	2.01
Tax paid in advance (net of provision) (Refer Note 16)	36.46	60.90
Other Advances to suppliers	**0.55**	**0.55**
Unsecured, considered good	0.55	0.55
Doubtful	-	-
Less : Loss Allowance for doubtful advances	-	-
Total	**42.65**	**73.46**

Notes to the Consolidated Financial Statements

Note 8 : Inventories

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Raw materials	**205.36**	**178.77**
Raw materials and components	205.04	177.28
Raw materials in transit	0.32	1.49
Work-in-progress	30.86	59.04
Finished goods	65.70	86.11
Traded goods	66.56	68.43
Stores and spares	10.99	13.42
Total	**379.47**	**405.77**

1. Write Down of inventories to net realisable value amounted to Rs 0.50 Cr (31 March 2020 : Rs 5.93 Crores). These were recognised as an expense during the year.
2. Refer Note 26 for information on inventory hypothecation with bankers for the purpose of Working Capital facilities.

Note 9 : Current Investments

₹ in Crores

Particulars	Face Value Per Unit	As at 31 March 2021		As at 31 March 2020	
	In ₹	Nos.	₹ in Crores	Nos.	₹ in Crores
At Amortiz d Cost					
Investments in debentures or bonds (quoted)					
8.65% Avanse Financial Services Limited	10,00,000	-	-	200	20.22
9.45% ECL Finance Limited NCD (Series II) 06/08/2021	1,000	2,50,000	25.89	-	-
Less: Provision for expected credit loss			(0.04)		(0.04)
			25.85		**20.18**
Unquoted Investment					
Investment in commercial papers (unquoted)					
8.50% Adani Enterprises Limited	5,00,000	1,000	49.12	-	-
8.30% Adani Enterprises Limited	5,00,000	300	14.74	-	-
7.70% Northern Arc Capital Ltd	5,00,000	500	24.69	-	-
7.90% JSW Cement Limited	5,00,000	1,000	49.39	-	-
Less: Provision for expected credit loss	-	-	(0.28)	-	-
			137.65		**-**
Investments in PTC units (unquoted)					
Vivriti Bane 12 2019	-	-	3.95	-	-
Less: Provision for expected credit loss	-	-	-	-	-
			3.95		**-**

Notes to the Consolidated Financial Statements

Note 9 : Current Investments [continuation] **₹ in Crores**

Particulars	Face Value Per Unit	As at 31 March 2021		As at 31 March 2020	
	In ₹	Nos.	₹ in Crores	Nos.	₹ in Crores
At fair value through Profit or Loss (FVTPL)					
Investments In Mutual Funds					
LIQUID AND MONEY MARKET SCHEMES - GROWTH OPTION					
Axis Liquid Fund - Regular Growth (CF-GP)	1,000	2,11,312	48.03	-	-
Aditya Birla Sun Life Liquid Fund - Growth -Regular Plan	100	-	-	13,54,442	43.04
Aditya Birla Sun Life Money Manger Fund - Growth - Regular Plan	100	8,88,761	25.33	-	-
Aditya Birla Sun Life Money Manger Fund - Growth-Direct Plan	100	-	-	23,30,299	63.13
BNP Paribas Liquid Fund Direct Growth	1,000	-	-	9,851	3.01
DSP Liquidity Fund - Regular Plan - Growth	1,000	2,22,788	65.05	-	-
Franklin India Liquid Fund - Super Inst. Plan - Direct	1,000	-	-	26,935	8.04
ICICI Prudential Liquid fund - Growth	100	15,51,227	47.01	-	-
ICICI Prudential Money Market Fund - Growth	100	8,55,604	25.07	-	-
ICICI Prudential Money Market Fund - Direct Plan - Growth	100	-	-	18,94,867	52.92
ICICI Prudential Liquid Fund-Direct Plan-Growth	100	-	-	2,73,383	8.03
Invesco India Liquid Fund - Growth (LF-SG)	1,000	1,28,184	36.02	-	-
Kotak Liquid Regular Plan - Growth	1,000	1,32,914	55.04	-	-
Kotak Money Market fund - Direct Plan - Growth (Erstwhile Kotak Floater ST)	1,000	-	-	1,59,019	52.68
LIC MF Liquid Fund - Regular Plan - Growth	1,000	86,472	32.02	-	-
L & T Liquid Fund - Regular Growth	1,000	46,335	13.00	-	-
Nippon India Liquid Fund - Growth Plan - Growth Option	1,000	1,22,129	61.03	97,629	47.08
Nippon India Money Market Fund - Growth Plan - Growth Option	1,000	79,270	25.34	-	-
SBI Liquid Fund Regular Growth	1,000	1,59,332	51.04	-	-
SBI Savings Fund - Direct Plan - Growth	10	-	-	1,48,70,416	48.13
Tata Liquid Fund Regular Plan - Growth	1,000	1,27,213	41.02	38,713	12.05
UTI-Money Market Fund - Regular - Growth Plan	1,000	1,05,588	25.07	-	-
			550.07		**338.11**
OVERNIGHT SCHEMES - GROWTH OPTION					
Aditya Birla Sun Life Overnight Fund - Growth -Regular Plan	1,000	1,08,153	12.00	-	-
ICICI Prudential Overnight Fund Growth	100	18,06,479	20.00	-	-
SBI Overnight fund Regular Growth	1,000	1,08,954	36.17	-	-
			68.17		**-**
Total			**785.68**		**358.29**

Notes to the Consolidated Financial Statements

Notes :

1.	Aggregate amount of quoted Investments	25.85	20.18
	Aggregate amount of Unquoted Investments	759.83	338.11

2. Face value per unit in Rupees unless otherwise stated.
3. Refer Note 44.5.13 and 44.5.14 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments and for fair value hierarchy
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Note 10 : Trade receivables

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Total Trade Receivables	**438.57**	**412.10**
Trade receivables [Refer note (1) below]	438.57	412.10
Break-up for security details:	**438.57**	**412.10**
Secured, considered good	-	-
Unsecured, considered good	438.57	412.10
Doubtful	38.92	25.29
Loss Allowance (for expected credit loss under simplified approach)	(38.92)	(25.29)
Total	**438.57**	**412.10**

Trade receivable which have significant increase in credit risk: Rs. Nil (31 March 2020 : Rs. Nil)

Trade receivable - credit impaired : Rs. Nil (31 March 2020 : Rs. Nil)

1. Trade receivables are measured at amortised cost.
2. Trade or other receivables due from firms or private companies in which any director is a partner, a director or a member Rs. 7.83 Crores (31 March 2020 : Rs. 7.83 Crores)
3. For related party receivables, refer Note 44.5.11
4. **Movement of Loss allowance (for expected credit loss under simplified approach)**

Particulars	₹ in Crores
As at 1 April 2019	**22.59**
Allowance made/(reversed) during the year	5.11
Less: Written off	(2.41)
As at 31 March 2020	**25.29**
Allowance made/(reversed) during the year	15.97
Less: Written off	(2.34)
As at 31 March 2021	**38.92**

Notes to the Consolidated Financial Statements

5. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.

6. Refer Note 44.5.15 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

7. The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, the Group has retained credit risks.

   The Group therefore continues to recognise these assets in the entirety in its Balance Sheet. The amount repayable under this arrangement is presented as secured borrowings.

   The relevant carrying amounts are as follows:-

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Total transferred receivables w.r.t. Bills discounted	17.08	15.25
Related secured borrowings (Refer Note 26)	17.08	15.25

Note 11a : Cash and cash equivalents

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Balance with Bank		
Current accounts and debit balance in cash credit accounts	71.03	78.31
Fixed deposits with original maturity of less than 3 months	175.00	50.00
Cash on hand	0.02	0.03
Total	**246.05**	**128.34**

Note 11b : Other bank balances

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2021
Unpaid dividend accounts	12.08	12.43
Deposits with original maturity of more than three months but less than 12 months	0.18	1.82
Total	**12.26**	**14.25**

1. Fixed deposit of Parent Company is earmarked deposit.
2. Refer Note 44.5.15 for further details
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.

Notes to the Consolidated Financial Statements

Note 12 : Receivables of financial service business (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2021
Receivables of financial service business	**291.87**	**180.75**
Secured, considered good	277.58	180.88
Less : Provision for expected credit loss for receivables of financial service business	(0.88)	(0.13)
Unsecured, considered good	15.29	-
Less: Provision for expected credit loss	(0.12)	-
Total	**291.87**	**180.75**

1. Receivables of Financial Service Business are measured at amortised cost.
2. Refer Note 44.4.8 for policy on provision for expected credit loss.
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Note 13 : Loans (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Loans to employees (unsecured, considered good)	0.11	0.26
Total	**0.11**	**0.26**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

Note 14 : Other financial assets (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Security deposits		
Unsecured, considered good	5.51	5.60
Doubtful	0.44	0.44
Less : Loss allowance for doubtful deposits	(0.44)	(0.44)
Subsidy receivable under PSI scheme, 2001 (Refer Note 6.1)	30.75	47.28
Export incentive receivable	12.48	7.76
Other receivables	5.94	2.78
Total	**54.68**	**63.42**

1. Other financial assets are measured at amortised cost.
2. Other receivables due from private companies in which director of the Parent Company is, a director or a member as at 31 March 2021 : Rs. 0.13 Crores (31 March 2020 : Rs. 0.45 Crores)
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Note 15 : Assets held for sale (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Property, plant and equipment (net)	-	0.12
Total	**-**	**0.12**

1. Fair value hierarchy disclosures for Assets held for sale are in Note 44.5.14.
2. Parent Company has classified Property, plant and equipment as held for sale during the reporting period and was measured at the lower of its carrying value and fair value less cost to sale at the time of reclassification, resulted in the recognition of write down in the statement of profit and loss account 31 March 2021 : Rs Nil (31 March 2020 : Rs Nil). The fair value of property, plant and equipment was determined based on its estimated realisable value.

Note 16 : Current tax assets (net)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Tax Paid in Advance (Net of Provision)	0.93	0.64
Total	**0.93**	**0.64**

Non-current Tax paid in advance included in Note 7.

Notes to the Consolidated Financial Statements

Note 17 : Other current assets

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Advance to suppliers (Unsecured, considered good)	16.81	20.59
Sales tax / VAT / GST receivable	57.76	88.43
Prepaid expenses	8.26	6.44
Others	0.32	0.30
Total	**83.15**	**115.76**

Note 18 : Share capital

Authorised share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
At 1 April 2019	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2020	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2021	**27,00,00,000**	**54.00**

Terms/Rights attached to the equity shares

The Company has only one class of equity shares having a par value of Rs 2/- each. Each equity shareholder is entitled to one vote per share and has a right to receive dividend as recommended by Board of Directors subject to the necessary approval from the shareholders.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Issued and subscribed share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crores
As at 1 April 2019	**14,46,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2020	**14,46,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2021	**14,46,14,326**	**28.92**

Notes to the Consolidated Financial Statements

Subscribed and fully paid up

Equity shares of ₹ 2 each

Particulars	**No. of shares**	**₹ in Crores**
As at 1 April 2019	**14,46,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2020	**14,46,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2021	**14,46,13,861**	**28.92**

The Company has share suspense account which represents equity shares of Rs 2/- each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by Board of Industrial and Financial Reconstruction (BIFR), are kept in abeyance as per the Scheme of Arrangement approved by Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with order dated 19 March 2010.

Particulars	**No. of shares**	**₹ in Crores**
As at 1 April 2019	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2020	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2021	**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 2021**		**As at 31 March 2020**	
	No. of shares	**% of shareholding**	**No. of shares**	**% of shareholding**
Atul Chandrakant Kirloskar	1,46,70,947	10.14	1,85,06,667	12.80
Rahul Chandrakant Kirloskar	1,77,82,902	12.30	1,77,82,902	12.30
Nalanda India Fund Limited	-	-	1,08,96,124	7.53
Kirloskar Industries Limited	82,10,439	5.68	82,10,439	5.68
Alpana Rahul Kirloskar	77,11,817	5.33	77,11,817	5.33
Jyotsna Gautam Kulkarni	1,29,85,432	8.98	1,29,85,432	8.98
SBI Small Cap Fund	81,53,401	5.64	-	-

2. Scheme of Arrangement and amalgamation

Hon’ble High Court of Judicature at Bombay vide its order dated 30 April 2015 had approved the Composite Scheme of Arrangement and Amalgamation (The Composite Scheme) between Kirloskar Brothers Investments Limited ('KBIL' - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited ('KOEL' - Transferee Company) and their respective shareholders and creditors under Sections 391 to 394 and other relevant Sections of the Companies Act, 1956, and the relevant Sections of the Companies Act, 2013, to the extent applicable. The said Scheme has been effective from 30 June 2015.

Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in the Company were cancelled on account of Cross holdings and same number of equity shares were allotted to the shareholders of KBIL on 14 July 2015. In view of the same there is no change in the paid-up capital of the Parent Company pre and post the Composite Scheme.

Notes to the Consolidated Financial Statements

NOTE 19 : Other Equity

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Capital redemption reserve	**0.20**	**0.20**
General reserve	**608.39**	**608.39**
Statutory reserve u/s 45-IC of the Reserve Bank of India Act, 1934	**4.60**	**1.22**
Equity instruments designated through other comprehensive income	**0.04**	**-**
Employee stock option reserve	**7.28**	**4.72**
Foreign currency translation reserve	**0.35**	**0.31**
Retained Earnings	**1,272.36**	**1,101.40**
Opening Balance	1,101.40	1,060.81
Add : Profit for the year	194.96	185.18
Add : Other Comprehensive income / (Loss)	4.64	(2.14)
	199.60	**183.04**
Less : Appropriations		
Stamp duty paid on equity issue by subsidiary	-	0.50
Adjustment towards Present value of future purchase consideration payable	3.57	27.41
Transfer to special reserve under section 45-IC of The Reserve Bank of India Act, 1934	3.38	1.22
Final dividend	-	36.15
Tax on final dividend	-	7.43
Interim dividend	21.69	57.85
Tax on Interim dividend	-	11.89
	28.64	**142.45**
Non-Controlling Interest		
Opening Balance	-	-
Add : Profit for the year	2.44	2.71
Add : Other comprehensive income / (Loss)	0.01	(0.05)
Less : Adjustment towards Present value of future purchase consideration payable (Refer Note. 44.5.20)	(2.45)	(2.66)
Closing Balance	-	-
Total	**1,893.22**	**1,716.24**

Notes to the Consolidated Financial Statements

Other reserves ₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Capital redemption reserve	0.20	0.20
General reserve	608.39	608.39
Statutory reserve	4.60	1.22
Employee stock option reserve	7.28	4.72
Foreign currency translation reserve	0.35	0.31
Equity instruments designated through OCI	0.04	-
Retained earnings	1,272.36	1,101.40
Total other reserves	**1,893.22**	**1,716.24**

1. Capital redemption reserve is created out of General reserve being nominal value of shares bought back in terms of erstwhile section 77A of the Companies Act, 1956 for equity shares buy back in the year 2012-13.
2. General reserve is created by setting aside amount from the Retained Earnings of the company for general purposes which is freely available for distribution.
3. Statutory Reserve is created pursuant to the provision of section 45-IC of Reserve Bank of India Act, 1934, the Subsidiary Company Arka Fincap Limited has transferred ₹ 3.38 Crores (Previous Year : ₹ 1.22 Crores) towards statutory reserve fund.
4. Equity instruments designated through other comprehensive income represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income, under an irrevocable option, net of amounts reclassified to retained earnings when such assets are disposed off.
5. Employee Stock Option Reserve is used to record the fair value of equity-settled share based payment transactions with employees. The amounts recorded in share options outstanding account are transferred to securities premium upon exercise of stock options and transferred to general reserve on account of stock options not exercised by employees. Refer note no. 44.5.19 for disclosure on Employee Stock option Plan (ESOP) of the Group.
6. Dividend distribution made and proposed

₹ in Crores

Particulars	2020-21	2019-20
Cash dividends on Equity shares declared and paid		
Final dividend for the year ended 31 March 2020: Rs. Nil per share (31 March 2019: Rs 2.5 per share)	-	36.15
Dividend distribution tax on final dividend	-	7.43
Interim dividend for year ended 31 March 2021: Rs 1.5 per share (31 March 2020: Rs 4 per share)	21.69	57.85
Dividend distribution tax on Interim dividend	-	11.89
	21.69	**113.32**

Notes to the Consolidated Financial Statements

Particulars	2020-21	2019-20
Proposed dividends on Equity shares		
Final cash dividend proposed for the year ended 31 March 2021: Rs. 2.5 per share (31 March 2020: Rs. Nil per share)	36.15	-
Dividend distribution tax on proposed dividend	-	-
	36.15	**-**

Proposed dividend, if any, on equity shares are subject to approval of the shareholders of the Company at the annual general meeting and are not recognised as a liability (including taxes thereon) as at 31 March.

Note 20 : Non-current Borrowings

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Interest bearing borrowings From Banks		
Term Loan	196.61	64.36
Vehicle Loan	-	0.05
Non Convertible Debentures	198.45	-
Interest bearing borrowings From NBFC		
Term Loan	21.93	-
Vehicle Loan	-	0.03
Total	**416.99**	**64.44**
Aggregate secured borrowings	416.99	64.44

1. Borrowings are measured at amortised cost.

2. **Term Loans from Banks**

Subsidiary - Arka Fincap Limited

(i) The term Loans availed from Indusind Bank are secured by first pari passu charge by way of hypothecation on present and future receivables, book debts, cash & cash equivalents and liquid investments.

Subsidiary - La Gajjar Machineries Private Limited

(i) The term Loans availed from Federal Bank and Yes Bank are secured by a First Pari Passu charge by way of Hypothecation of Plant & Machinery and other assets and second charge on entire current assets of the company.

(ii) The subsidiary company La Gajjar Machineries Private Limited availed moratorium of three months on payment of all instalments falling due between 1 March 2020 and 31 May 2020 as per COVID-19 regulatory package announced by Reserved bank of India on 27 March 2020.

Notes to the Consolidated Financial Statements

However, the company opted out of the Moratorium scheme during the year and accordingly has paid the deferred payment pertaining to March 2020 in the current year.

(iii) Term Loan of ₹ 3 Crores to be repaid in 60 monthly installments of ₹ 0.05 Crores each starting from July 2016 at rate of interest 9.00%. Accordingly total ₹ 0.6 Crores have been repaid in the year 2020-21 after considering moratorium effect. The repayment obligation of future 12 months is reflected in Current maturities of non-current borrowings (Note 29).

(iv) Term Loan of ₹ 7 Crores to be repaid in 60 monthly installments of ₹ 0.12 Crores each starting from November 2016 at rate of interest 9.00%. Accordingly total ₹ 1.52 Crores have been repaid in the year 2020-21. The repayment obligation of future 12 months is reflected in Current maturities of non-current borrowings (Note 29).

(v) Working Capital Term Loan of ₹ 14 Crores to be repaid in 60 monthly installments of ₹ 0.23 Crores each starting from May 2018 at rate of interest 9.00%. Accordingly total ₹ 3.03 Crores have been repaid in the year 2020-21 after considering moratorium effect. The repayment obligation of future 12 months is reflected in Current maturities of non-current borrowings (Note 29).

(vi) Working Capital Term Loan of ₹ 6 Crores to be repaid in 12 Quarterly installments of ₹ 0.5 Crores each starting from July 2018 at rate of interest 10.50%. Accordingly total ₹ 2.00 Crores have been repaid in the year 2020-21 after considering moratorium effect. The repayment obligation of future 12 months is reflected in Current maturities of non-current borrowings (Note 29).

Maturity profile of Term Loans from Banks and NBFC (Current and Non-Current) **₹ in Crores**

Period	As at 31 March 2021	As at 31 March 2020
Less than Three Months	2.05	0.52
More than Three Months Up to One Year	3.62	6.15
More than One Year Up to Three Years	4.14	11.86
More than Three Years Up to Five Years	-	-

3. Loan for Purchase of Vehicles - Banks

Loans for purchase of vehicles are secured against Hypothication of vehicles

4. Loan for Purchase of Vehicles - NBFC

Loans for purchase of vehicles are secured against Hypothecation of vehicles

These loans are to be repayed in 36 to 60 monthly installments at an agreed installment rates as per respective sanction terms.

Maturity profile of Vehicle Loans from Banks and NBFC (Current and Non-Current) **₹ in Crores**

Period	As at 31 March 2021	As at 31 March 2020
Less than Three Months	0.03	0.03
More than Three Months Up to One Year	0.05	0.11
More than One Year Up to Three Years	-	0.09
More than Three Years Up to Five Years	-	-

Notes to the Consolidated Financial Statements

5. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15
6. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
7. Refer Note 44.5.15 on risk management objectives and policies for financial instruments.

Note 21 : Lease liabilities (Non-Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Lease liabilities	6.89	7.51
Total	**6.89**	**7.51**

1. Lease liabilities are measured at amortised cost.
2. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
3. For explanations on the Group’s Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15

Note 22 : Other financial liabilities (Non-current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Deposits/ Retentions from customers and others	16.84	19.16
Present value of future purchase consideration payable	116.19	110.17
Total	**133.03**	**129.33**

1. Other financial liabilities are measured at amortised cost.
2. Present value of future purchase consideration payable (Refer Note - 44.5.20)
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. For explanations on the Group’s Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15

Notes to the Consolidated Financial Statements

Note 23 : Provisions (Non-Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits	**18.83**	**24.86**
Provision for gratuity	-	0.18
Provision for compensated absence	16.17	21.90
Provision for pension and other retirement benefits	2.66	2.78
Other provisions	**11.95**	**10.87**
Provision for warranty	11.49	10.87
Expected credit loss on undrawn loan commitments	0.46	-
Total	**30.78**	**35.73**

Refer Note 31 Provisions (Current) for additional disclosures.

Note 24 (a): Deferred tax assets (net)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Deferred Tax Liability	**0.54**	**0.24**
Depreciation	0.58	0.24
Others	(0.04)	-
Less : Deferred Tax Assets	**4.58**	**3.26**
Disallowances u/s 43 B of Income Tax Act	0.42	0.43
Provision for Doubtful debts & advances	0.37	0.25
Amalgamation/Demerger Expenses	0.14	0.20
Others	3.65	2.38
Total	**4.04**	**3.02**

Notes to the Consolidated Financial Statements

1. Reconciliation of deferred tax assets / (liabilities) (net)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance as of 1 April	**3.02**	**6.75**
Tax income/(expense) during the year recognised in Statement of Profit and Loss	1.05	(1.89)
Others	-	(1.92)
Tax income/(expense) during the year recognised in OCI	(0.03)	0.08
Closing balance as at 31 March	**4.04**	**3.02**

2. Tax Losses

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Unused tax losses for which no Deferred Tax Assets have been recognised	12.37	12.87
Potential Tax benefit	2.88	3.00

Note 24 (b): Deferred tax liability (net)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Deferred Tax Liability	**40.16**	**33.25**
Depreciation	39.79	32.94
Others	0.37	0.31
Less : Deferred Tax Assets	**20.79**	**18.11**
Disallowances u/s 43 B of Income Tax Act	8.28	11.04
Provision for Doubtful debts & advances	9.53	6.12
VRS Compensation	2.11	-
Others	0.87	0.95
Total	**19.37**	**15.14**

Notes to the Consolidated Financial Statements

1. Reconciliation of deferred tax liabilities (net)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance as of 1 April	**(15.14)**	**(25.43)**
Tax income/(expense) during the year recognised in Statement of Profit and Loss	(2.69)	9.64
Tax income/(expense) during the year recognised in OCI	(1.54)	0.65
Closing balance as at 31 March	**(19.37)**	**(15.14)**

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 relate to income taxes levied by the same tax authority.
3. The Company has paid dividend to its shareholders during FY 2020-21 and 2019-20. As per the Finance Act, 2020, the provisions of Payment of dividend distribution tax u/s 115-O was abolished. Now the dividend paid or distributed by a Company on or after 1 April 2020 shall be taxable in hands of the shareholders. Therefore Company shall be required to deduct Tax at Source (TDS) at the time of payment of dividend. Accordingly, Company has deducted tax on dividend as per the provisions of the Income Tax Act,1961. Therefore no dividend distribution tax was paid by the Company during the year FY 2020-21.
4. Refer Note 43 for Income Tax & Deferred Tax rate.
5. The deferred tax liability is not recognised 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 recognised any deferred tax liability for taxes on undistributed profits.
6. The unused tax losses were incurred by the one of subsidiary company on sale on Land in which company is not likely to generate taxable income in the foreseeable future. The losses can be carried forward as per the provisions of the Income Tax Act,1961.

Note 25 : Other non-current liabilities

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Advance from customers (Refer Note 44.5.8)	17.93	15.15
Revenue received in advance (Refer Note 44.5.8)	1.20	1.43
Total	**19.13**	**16.58**

Notes to the Consolidated Financial Statements

Note 26 : Borrowings

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Secured Interest bearing borrowings From Banks		
Export preshipment loan in INR	10.94	-
Loans: Export sales bill discounted	17.08	15.25
Cash credit	78.67	69.67
Working Capital Demand Loan	49.96	-
Term Loan - from other financial institution	39.95	-
Unsecured loans		
Commercial paper	73.25	-
Total	**269.85**	**84.92**
Aggregate secured borrowings	**196.60**	**84.92**
Aggregate unsecured borrowings	**73.25**	**-**

1. Borrowings are measured at amortised cost.
2. Parent Company's Consortium Bankers approved the Company's fund and non-fund based working capital facilities aggregating to Rs 475 Crores (Rs. 125 Crores Fund-based and Rs. 350 Crores Non-Fund based) from existing Rs. 410 Crores (Rs. 60 Crores Fund-based and Rs. 350 Crores Non-Fund based). Out Rs. 475 Crores, Rs 410 Crores is currently secured to the extent 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 Company is in process of execution of necessary agreements with Consortium Bankers to give effect to the increase in working capital facilities. Accordingly, the necessary forms will be filed with the Ministry of Corporate Affairs (including Registrar of Companies) for modification of charge created to the extent of increase in working capital facilities.
3. In Indian Subsidiary La Gajjar Machineries Pvt Ltd. fund and non fund based working capital facilities of ₹ 144.63 Crores are secured by first charge by way of hypothecation on the whole of the current assets of the Company both present and future and also the second charge on the whole of the movable Plant and machinery and other fixed assets of the Company in favour of the consortium of banks (Federal Consortium) comprising of The Federal Bank Limited - Ahmedabad (Lead Bank), ICICI Bank Limited - Ahmedabad, Yes Bank Limited - Pune and HDFC Bank Limited - Ahmedabad.
4. The unutilised portion of subsidiary company's La Gajjar Machineries Pvt Ltd. Cash Credit Limit is Rs.16.32 Crores (Rs. 5.34 Crores in FY 2019-2020).
5. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
6. For explanations on the Group’s Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15.

Notes to the Consolidated Financial Statements

Note 27 : Trade and other payables

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Acceptances	37.45	29.78
Due to micro and small enterprises	133.50	55.96
Due to other than micro and small enterprises	423.25	327.83
Total	**594.20**	**413.57**

1. Trade and other payables are measured at amortised cost.
2. For terms and conditions with related parties, refer to Note 44.5.11.
3. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
4. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15.

Note 28 : Lease liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Lease liabilities	3.87	2.37
Total	**3.87**	**2.37**

1. Lease liabilities are measured at amortised cost.
2. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
3. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15

Note 29 : Other financial liabilities (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Deposits from customers	1.28	0.83
Unclaimed dividends	12.09	12.44
Payable for capital purchases	33.43	9.40
Employee benefits payable	45.09	30.62
Current Maturities of Non-Current Borrowings	145.44	29.31
Interest Accrued but Not Due	5.51	0.16
Other Payables	6.58	7.81
Total	**249.42**	**90.57**

Notes to the Consolidated Financial Statements

1. Other financial liabilities are measured at amortised cost.
2. Refer Note 44.5.13 for fair value disclosure of financial assets and financial liabilities and Note 44.5.14 for fair value hierarchy.
3. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 44.5.15

Note 30 : Other current liabilities

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Advance from customers (Refer Note 44.5.8)	22.79	59.28
Revenue received in advance (Refer Note 44.5.8)	26.53	20.70
Statutory dues	11.81	6.78
Others	0.19	0.07
Total	**61.32**	**86.83**

Note 31 : Provisions (Current)

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits	**11.15**	**11.73**
Provision for gratuity	-	0.63
Provision for compensated absence	10.76	10.69
Provision for pension and other retirement benefits	0.39	0.41
Others	**62.31**	**57.31**
Provision for warranty	46.24	42.02
Tax provision (Net of tax paid in advance)	0.25	0.05
Other Provisions	15.82	15.24
Total	**73.46**	**69.04**

Refer Note 23 Provisions (Non-current)

Note :

1. Employee benefits obligations

a. Gratuity

The Group provides gratuity for employees as per the Payment of Gratuity Act, 1972 and internal gratuity scheme. Employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity is payable on retirement or termination whichever is earlier. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity plan is funded plan except for Indian Subsidiary Arka Fincap Limited (formerly known as Kirloskar Capital Limited).

Notes to the Consolidated Financial Statements

b. Pension, post retirement medical benefit and long term award benefits

The Parent Company provides certain post-employment medical scheme and long term award benefits to employees (unfunded). For long-term award scheme, the Company has defined certain eligibility criteria and grade-wise benefit available to employees and is payable only at time of separation. Pension and medical benefits are payable to employees for 15 years after retirement.

c. Compensated absences

The leave obligation cover the Group's liability for earned leaves.

Also Refer Note 44.5.9 for detailed disclosure.

2. Breakup of others Provision

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Non-current	11.95	10.87
Current	62.31	57.31
	74.26	**68.18**

3. Others

a. Warranty is provided to customers at the time of sale of engines, generating sets and equipments manufactured. Warranty cost includes expenses in connection with repairs, free replacement of parts / engines and after sales services during warranty period which varies from 1 year to 4 years.

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of reporting period. It is expected that majority of these costs will be incurred in the next financial year and balance will be incurred in following years. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

Particulars	₹ in Crores
At 1 April 2019	**50.59**
Arising during the year	56.16
Less: Utilised	(53.84)
Less: Unused amount reversed	(0.02)
At 31 March 2020	**52.89**
Arising during the year	44.81
Less: Utilised	(39.97)
Less: Unused amount reversed	-
At 31 March 2021	**57.73**

Notes to the Consolidated Financial Statements

b. The Parent Company has preferred an Appeal bearing No. 125 of 2016 before the Chief Controlling Revenue Authority (CCRA) against the Stamp Duty Adjudication Order dated 2 May 2016 bearing ADJ/188/2015 passed by Collector of Stamps, Enforcement – II, Mumbai levying a total stamp duty amount of Rs 14.94 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 stamp duty and liquidated damages has been made and same is disclosed as Short-term provision as under:

Particulars	₹ in Crores
At 1 April 2019	**15.63**
Arising during the year	0.26
Less: Utilised	(0.44)
Less: Unused amount reversed	(0.21)
At 31 March 2020	**15.24**
Arising during the year	0.86
Less: Utilised	(0.21)
Less: Unused amount reversed	(0.07)
At 31 March 2021	**15.82**

Note 32 : Government grants

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
Eligible incentives under Export Promotion Capital Goods Scheme (EPCG)	0.29	0.70
Total	**0.29**	**0.70**

Note :

1. The Parent Company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods. Refer Note 44.5.1(b).

2. Government grants

₹ in Crores

Particulars	As at 31 March 2021	As at 31 March 2020
As at 1 April	**0.70**	**0.85**
Availed during the year	-	-
Released to statement of profit and loss	(0.41)	(0.15)
As at 31 March	**0.29**	**0.70**

Notes to the Consolidated Financial Statements

Note 33 : Revenue from operations

₹ in Crores

Particulars	2020-21	2019-20
Sales and services	**3,153.17**	**3,282.64**
Sale of products	3,025.10	3,172.23
Sale of services	128.07	110.41
Income of Financial Service Business	**101.64**	**48.20**
Other operating income	**41.29**	**48.61**
Sale of scrap	13.69	15.25
Commission received	1.03	2.09
Export incentives	15.18	15.09
Sundry credit balances written back	0.55	3.70
Provisions no longer required written back	3.73	3.52
Miscellaneous receipts	7.11	8.96
Total	**3,296.10**	**3,379.45**

1. Export incentives of Parent Company includes incentive under EPCG scheme amounting to Rs 0.41 Crores (PY : Rs. 0.15 Crores)
2. Export incentives of LGM includes incentive under EPCG scheme amounting to Rs 4.87 Crores (PY : Rs. 4.69 Crores)
3. Refer Note 44.3.1 & 44.4.18

Note 34 : Other income

₹ in Crores

Particulars	2020-21	2019-20
Interest on income Tax and Sales Tax refund	4.01	4.03
Interest income on financial assets measured at amortised cost		
(i) Bank deposits	1.78	0.40
(ii) Unwinding of interest on security deposits	1.82	1.86
(iii) Other financial assets	2.76	3.93
Dividend income from equity investments designated at fair value through other comprehensive income	0.00	0.00
Net gain on financial instruments mandatorily measured at fair value through profit or loss	1.13	0.17
Gain on sale of mutual fund mandatorily measured at fair value through profit or loss	12.59	24.02
Net Gain/(loss) on disposal of property, plant & Equipment	0.13	(2.77)
Rent income (Refer Note 34.2)	1.11	1.05
Miscellaneous income	1.16	2.34
Total	**26.49**	**35.05**

Notes to the Consolidated Financial Statements

1. Fair value gain/(loss) on financial instruments at fair value through profit or loss relates to the gain/(loss) arising on fair value restatements of investment in mutual funds at balance sheet dates which are held as current or non-current investments.
2. Refer Note 44.3.1 ,44.4.11 & 44.5.17

Note 35 : Cost of raw materials and components consumed

₹ in Crores

Particulars	2020-21	2019-20
Raw materials and components consumed	1,432.09	1,576.96
Total	**1,432.09**	**1,576.96**

Note 36 : Purchases of Traded goods

₹ in Crores

Particulars	2020-21	2019-20
Engines and Gensets	210.26	192.24
K-Oil	91.91	109.66
Alternators, Batteries and Others	265.28	323.61
Total	**567.45**	**625.51**

Note 37 : Changes in inventories of finished goods, work-in-progress and traded goods

₹ in Crores

Particulars	2020-21	2019-20
Opening inventory	**213.58**	**153.33**
Work-in-progress	59.04	35.87
Finished goods	86.11	58.11
Traded goods	68.43	59.35
Closing Inventory	**163.12**	**213.58**
Work-in-progress	30.86	59.04
Finished goods	65.70	86.11
Traded goods	66.56	68.43
(Increase)/decrease in inventory	**50.46**	**(60.25)**
Total	**50.46**	**(60.25)**

Notes to the Consolidated Financial Statements

Note 38 : Employee benefits expense

₹ in Crores

Particulars	2020-21	2019-20
Salaries, wages, bonus, commission, etc.	222.53	228.45
Gratuity (Refer Note 44.5.9)	4.92	4.31
Contribution to provident and other funds	12.93	14.41
Welfare and training expenses	14.11	18.07
Provident and other funds expenses	0.35	0.41
Share based payment to employees (Refer Note 44.5.19)	2.56	4.72
Total	**257.40**	**270.37**

Note 39 : Finance costs

₹ in Crores

Particulars	2020-21	2019-20
Interest and discounting charges	9.89	9.54
Interest on term loan from banks and NBFCs	19.26	1.53
Other Finance cost	2.36	1.45
Other Bank charges	2.11	0.95
Interest on Lease Liability	1.18	0.74
Discount on commercial paper	2.29	-
Interest on debentures	13.03	-
Total	**50.12**	**14.21**

Note 40 : Depreciation and amortisation expense

₹ in Crores

Particulars	2020-21	2019-20
Depreciation and amortisation expense	**83.98**	**87.34**
Depreciation on Tangible & ROU Asset	59.05	62.20
Amortization on Intangible assets	24.93	25.14
Total	**83.98**	**87.34**

Notes to the Consolidated Financial Statements

Note 41 : Other expenses

₹ in Crores

Particulars	2020-21	2019-20
Manufacturing expenses	**296.03**	**303.44**
Stores consumed	74.49	75.32
Power and fuel	22.28	26.29
Machinery spares	5.69	6.74
Repairs to machinery	6.91	8.85
Job work charges	43.93	48.36
Labour charges	42.73	44.60
Cost of services	89.44	82.24
Other manufacturing expenses	10.56	11.04
Selling expenses	**172.11**	**192.60**
Commission	18.39	20.15
Freight and forwarding	72.32	77.81
Warranty	44.81	56.19
Royalty	6.59	6.98
Advertisement and publicity	11.92	22.09
Provision for doubtful debts and advances (net) (Including expected credit loss)	13.99	5.46
Other selling expenses	4.09	3.92
Administration expenses	**144.84**	**184.97**
Rent	30.44	34.49
Rates and taxes	2.56	2.33
Insurance	3.34	2.13
Repairs to building	0.94	2.20
Other repairs and maintenance	31.85	37.97
Travelling and conveyance	10.27	29.41
Communication expenses	3.73	4.57
Printing and stationery	0.76	1.44
Professional charges	35.74	47.11
Auditor's remuneration (Refer Note No.44.5.5)	0.98	0.94
Donations	0.40	0.12
Spend on Corporate social responsibility (CSR) activities (Refer Note 44.5.18)	5.34	5.55
Non Executive Directors’ fees and commission	3.03	2.97
Miscellaneous expenses	9.73	14.08
Provision for expected credit loss of financial service business	2.21	1.43
Bad debts and irrecoverable balances written off	2.38	2.93
Loss on exchange difference	1.14	(4.70)
Total	**612.98**	**681.01**

Notes to the Consolidated Financial Statements

Note 42 : Exceptional items

₹ in Crores

Particulars	2020-21	2019-20
Profit on sale of leasehold property	-	16.49
VRS Compensation - Wages	(8.37)	-
Total	**(8.37)**	**16.49**

The Parent Company launched "Voluntary Retirement Scheme 2021" (the VRS Scheme) on 5 March 2021 for its workers at its Khadki (Pune, Maharashtra) location who have either completed 10 years of services or have attained 40 years of age. Under the said VRS scheme, 31 employees of the company opted for VRS and a total compensation amounting to Rs 8.37 Crores is charged to the Statement of Profit and Loss under the head "Exceptional items"

During 2019-2020, the Group has sold its leasehold property situated at Ahmednagar, which was classified as “Assets held for sale” as at 31 March 2019. The net profit arising on sale of the same is Rs 16.49 Crores.

Note 43 : Income tax

The note below details the major components of income tax expenses for the year ended 31 March 2021 and 31 March 2020. 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	2020-21	2019-20
Current tax	**70.62**	**64.60**
Current income tax	70.53	65.08
MAT credit	-	-
(Excess)/short provision related to earlier years	0.09	(0.48)
Deferred tax	**1.66**	**(7.75)**
Relating to origination and reversal or temporary difference	1.66	(7.75)
Income tax expense reported in the Statement of Profit and Loss	**72.28**	**56.85**

Other Comprehensive Income (OCI)

₹ in Crores

Particulars	2020-21	2019-20
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	1.57	0.73
Net gain / (loss) on FVOCI equity instruments	0.01	-
Deferred tax charged to OCI	**1.58**	**0.73**

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 2021 and 31 March 2020.

Notes to the Consolidated Financial Statements

Current tax ₹ in Crores

Particulars	2020-21	2019-20
Accounting profit before income tax expense	269.68	244.74
Tax at 25.168%(as per rate enacted by Income Tax Act, 1961) (31 March 2020 : 25.168 %)	**67.88**	**62.53**
Tax effect of adjustments in calculating taxable income:	**4.40**	**(5.67)**
Corporate social responsibility expenses/Donations (net)	1.44	0.78
Debit balances written off	0.18	0.81
Interest on MSMED	0.10	0.01
Dividend received	0.00	0.00
Deferred tax Impact due to rate change on opening liability	-	(6.27)
Permanent allowance against capital gain on sale of land including difference in tax rates	-	(2.10)
(Excess)/short provision related to earlier years	0.09	(0.48)
Difference in Tax Rate of foreign subsidiary	(0.03)	0.01
Other Disallowances/(allowances)	2.62	1.57
At the effective income tax rate of 26.80 % (31 March 2020 : 23.23%)	**72.28**	**56.86**

NOTE 44: NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2021

1 Corporate information

The consolidated financial statements comprise the financial statements of Kirloskar Oil Engines Limited (‘the Parent Company’) and its subsidiaries (collectively ‘the Group’). The Parent Company is a public limited company domiciled in India and is incorporated under the provisions of the Companies Act, 1956 (" the 1956 Act"). The registered office of the Parent Company is located at Laxmanrao Kirloskar Road, Khadki, Pune – 411003 Maharashtra. The equity shares of the Parent Company are listed on two recognised stock exchanges in India i.e. Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The Group is engaged in the business of manufacturing of diesel engines, agricultural pump sets, electric pump sets, power tiller, generating sets , spares thereof and providing financial services.

During FY 2015-16, the Parent Company had invested USD 2,50,000 in 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, KOEL Americas Corp. is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 23 June 2015.

During FY 2017-18, the Parent Company has invested Rs. 253.78 Crores in La-Gajjar Machineries Private Limited to acquire 76% shares in its equity from its promoters. With this, La-Gajjar Machineries Private Limited is subsidiary of Kirloskar Oil Engines Limited, India with effect from 1 August 2017. The Parent Company has also invested Rs. 8.5 Crores (@ Rs 10 per share) towards 8% cumulative redeemable preference shares right issue of 85,00,000 Shares, in La-Gajjar Machineries Private Limited (LGM) during FY 2020-21.

During FY 2018-19 and 2019-20, the Parent Company has invested Rs. 27 Crores and Rs.499.50 Crores respectively in “Arka Fincap Limited (formerly known as Kirloskar Capital Limited).” The Company is registered as a non-banking financial institution and has obtained certificate of registration from Reserve Bank of India bearing no. N-13.02282 dated 29 October 2018 in pursuance of Section 45-IA of the Reserve Bank of India Act, 1934. With this, Arka Fincap Limited (formerly known as “Kirloskar Capital Limited.”) is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 20 April 2018.

Further, the Parent Company has also invested Rs.124.82 Crores towards rights issue of 11,34,69,828 Shares in FY 2020-21.

During FY 2020-21, the "La-Gajjar Machineries Private Limited" has invested ₹ 5.00 Lakhs in “Optiqua Pipes and Electricals Private Limited” to acquire cables and pipes business of Optiflex Industries (a partnership firm) during FY 2021-22. With this Optiqua Pipes and Electricals Private Limited is the 100% subsidiary of La-Gajjar Machineries Private Limited w.e.f. 19 February 2021.

2 Basis of preparation of financial statements

The Group’s consolidated financial statements have been prepared in accordance with the provisions of the Companies Act, 2013 and the Indian Accounting Standards (“Ind AS”) as issued under the Companies (Indian Accounting Standards) Rules, 2015 and amendments thereof issued by the Ministry of Corporate Affairs in exercise of the powers conferred by section 133 read with rule 7 of the Companies (Accounts) Rules, 2014. In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) and the guidelines issued by the Securities and Exchange Board of India are also applied.

The consolidated financial statements have been prepared on accrual basis following historical cost convention, except for,

(i) certain financial assets and financial liabilities that are measured at fair value or amortised cost in accordance with Ind AS.

(ii) defined benefit plans - plan assets measured at fair value.

(iii) equity settled share based payments measured at grant date fair value.

Amounts in the consolidated financial statements are presented in Indian Rupees in crore rounded off to two decimal places as permitted by Schedule III to the Companies Act, 2013 unless otherwise stated.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 13 May 2021.

- Basis of Consolidation

(i) Basis of Accounting and Preparation of the Consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting standards (Ind AS) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 (“the 2013 Act”) and the relevant provisions of the 1956 Act / 2013 Act, including rules thereunder as applicable and guidelines issued by Securities and Exchange Board of India (SEBI). The accounting policies adopted in the preparation of the consolidated financial statements are consistent. All assets and liabilities have been classified as current or non-current as per the respective Company’s normal operating cycle and other criteria set out in Schedule III to the 2013 Act.

(ii) Principles of Consolidation

The consolidated financial statements have been prepared on the following basis:

a. The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Ind AS 110, "Consolidated Financial Statements".

b. The financial statements of the company and its subsidiary company have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions and resulting unrealised profit or losses, unless cost cannot be recovered, as per the applicable Accounting Standard in India.

c. The consolidated financial statements are presented, to the extent applicable, in accordance with the requirements of Schedule III of the 2013 Act as applicable to the Group's separate financial statements. Differences if any, in accounting policies have been disclosed separately.

d. Particulars of subsidiaries have been considered in the preparation of the consolidated financial statements:

Name of Company	Country of Incorporation	% of Shareholding of Kirloskar Oil Engines Ltd.	Consolidated As
KOEL Americas Corp.	State of Delaware Laws, United States of America based in Houston, Texas	100%	Subsidiary
La Gajjar Machineries Pvt. Ltd.	India	76%	Subsidiary
Arka Fincap Limited (formerly known as Kirloskar Capital Limited)	India	100%	Subsidiary

e. The accounting policies of the Parent Company are best viewed in its independent financial statements. Differences in accounting policies followed by the KOEL Americas Corp., La-Gajjar Machineries Pvt Ltd. and Arka Fincap Limited have been reviewed and no adjustments have been made, since the impact if any of these differences is not significant.

3 Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.The Group continually evaluates these estimates and assumptions based on the most recently available information. The management believes that the estimates used in preparation of the consolidated financial statements are prudent and reasonable.

3.1 Judgments

In the process of applying the Group's accounting policies, the management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Government grants

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 Statement of Profit and Loss

Lease

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 judgment.

Revenue Recognition

The Group recognises revenue for each performance obligation either at a point in time or over a time. In case performance obligation is satisfied over a time, the output method is used to determine the revenue since it is faithfully depicting the Company's performance towards complete satisfaction of performance obligation. Practical expedient of "right to consideration" is also considered while 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 Group generally recognises revenue when the control is transferred i.e. in case of goods either on shipment or upon delivery in domestic & on bill of lading date in case of export. In case of services, the revenue is recognised based on completion of distinct performance obligation. Refer significant accounting policy note 44.4.18 on revenue recognition for information about methods, input and assumptions w.r.t transaction price & variable consideration.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity of subsidiaries.

The cost of an acquisition also includes the estimated fair value of any contingent consideration measured as at the date of acquisition. This measurement is based on information available at the acquisition date and is based on expectations and assumptions that have been deemed reasonable by management. Any subsequent changes to the fair value of contingent consideration classified as liabilities, other than measurement period adjustments, are recognised in the consolidated statement of profit and loss.

Business combinations arising from transfers of interests in entities that are under the common control are accounted at historical cost. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity are recorded in shareholders' equity.

Acquisition of some or all of the non-controlling interest ("NCI") is accounted for as a transaction with equity holders in their capacity as equity holders. Consequently, the difference arising between the fair value of the purchase consideration paid and the carrying value of the NCI is recorded as an adjustment to retained earnings that is attributable to the Parent Company. The associated cash flows are classified as financing activities. No goodwill is recognised as a result of such transactions.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on information available till the date of approval of consolidated financials statements. The estimates and assumptions used, however may change based on future developments, due to market environment or due to circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions and estimates when they occur.

Defined benefit plans

The cost of the defined benefit plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future post-retirement medical benefit increase. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameter is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are mainly based on expected future inflation rates for the country.

Further details about defined benefit obligations are provided in Note 44.5.9.

Development costs

The Group capitalises development costs for a project in accordance with its accounting policy. Initially, capitalisation of costs is based on management's judgement that the technological and economic feasibility is confirmed when a product development project has reached a defined milestone, according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

For further details about the carrying amount of development costs capitalised as internally generated intangible assets and as intangible assets under development, Refer Note 2.

Warranty

The Group recognises provision for warranties in respect of the products that it sells. The estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidences based on actions on product failures.

Deferred tax

Deferred tax assets are recognised for all deductible temporary differences including the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Impairment of Goodwill recognised under Business Combination

The Parent Company estimates whether goodwill accounted under business combination has suffered any impairment on annual basis. For this purpose, the recoverable amount of the CGU was determined based on value in use calculations which require the use of assumptions.

Share based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 44.5.19

Uncertainty relating to Global health pandemic on COVID-19

The Group has considered the possible effects that may result from COVID-19 in the preparation of these financial results including recovering of carrying amounts of financial and non-financial assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of COVID- 19, the Group has at the date of approval of financial results, used internal and external sources of information and expects that the carrying amount of the assets will be recovered. The impact of COVID-19 on the Group's financial results may differ from that estimated as at the date of approval of the same.

4 Significant Accounting Policies

4.1 Current Vs Non-current Classification

The Group presents assets and liabilities in the Balance Sheet based on current/non - current classification.

An asset is treated as current when it is:

a. Expected to be realised or intended to be sold or consumed in normal operating cycle

b. Held primarily for the purpose of trading

c. Expected to be realised within twelve months after the reporting period, or

d. Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non - current.

A liability is treated as current when it is:

a. Expected to be settled in normal operating cycle

b. Held primarily for the purpose of trading

c. Due to be settled within twelve months after the reporting period, or

d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are treated as non - current.

Deferred tax assets and liabilities are classified as non - current assets and liabilities.

The Group classifies all other liabilities as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

4.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

  or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value.

External valuation experts are involved for valuation of significant assets and liabilities. Involvement of external valuation experts is decided upon annually by the management.

Methods and assumptions used to estimate the fair values are consistently followed.

4.3 Property, plant and equipment

a Property, plant and equipment; and capital work-in-progress are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost represents all expenses directly attributable to bringing the asset to its working condition capable of operating in the manner intended. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.

b Capital work-in-progress comprises cost of property, plant and equipment that are not yet installed and ready for their intended use at the balance sheet date.

c Own manufactured assets are capitalised at cost including an appropriate share of allocable expenses.

Depreciation and Amortia tion

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

Asset Category	Life in Years	Basis for useful life
Computers		
Network	6	Life as prescribed under Schedule II of the Companies Act, 2013
End user devices, such as, desktops, laptops, etc.	3	
Servers	4 to 6	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Electrical Installations	10	Life as prescribed under Schedule II of 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**		Lower useful life considered based on past history of usage and supported by Technical Evaluation
Motorcars, Jeep	5 to 8	
Trucks	5	
Other Vehicles	5 to 10	
***Aircrafts**	15	Lower useful life considered based on past history of usage and supported by Technical Evaluation

- Used assets obtained under Business Combination are measured based on their remaining useful life as on the date of acquisition.

- Depreciation on additions is provided from the beginning of the month in which the asset is added.

- Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on pro-rata basis up to the end of the month prior to the month in which such assets are sold, discarded or demolished.

- Foreign exchange fluctuation gain/ loss on imported plant and equipment were capitalized in the cost of the respective fixed asset up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

* The Group, based on technical assessments made by technical experts and management estimates, depreciates certain items of plant and equipment; buildings; computers; furniture and fixtures; vehicles and aircraft over estimated useful lives which are different from

the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Security:

As at 31 March 2021, Property, Plant & Equipment of subsidiary La-Gajjar Machineries Private Limited with a carrying amount of Rs. 13.46 Crores (PY : +Rs. 13.70 Crores) are subject to first charge to secure bank loan. Refer Note 20 “Borrowings”

4.4 Investment properties

Investment properties were measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties were stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the property are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.

Depreciation & Amortisation

Depreciation on investment property was calculated on a straight-line basis over the estimated useful life of assets as follows:

Asset Category	Life in Years	Basis for charging Depreciation
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	

An investment property is derecognised on disposal or on permanent withdrawal from use or when no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Transfers are made to (or from) investment property only when there is a change in use. Transfers between investment property, owner-occupied property and inventories are at carrying amount of the property transferred.

4.5. Intangible Assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets are recorded at the consideration paid for acquisition. In case of internally generated intangible assets, expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Group, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses. Other internally generated intangibles are not capitalised and the related expenditure is reflected in the statement of profit & Loss for the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortised by using straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset maybe impaired.

Sr No	Asset category	Life in years
1	Computer Software	3 to 5
2	Drawings & Designs	10
3	Technical Knowhow – acquired	6 to 7
4	Technical Knowhow - internally generated	3 to 5
5	Brand	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"

4.6 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized till the month in which the asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expenses in the period in which these are incurred.

4.7 Impairment of non financial assets

The Group assesses at each Balance Sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Group estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is 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 profit and loss account. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognised or relates to a change in the estimate of the recoverable amount in the previous periods.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

4.8. Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Transaction costs of financial assets carried at fair value through profit or loss are expensed in Statement of Profit and Loss.

a. Financial assets

i Initial recognition and measurement of financial assets

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

ii Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost

- Financial assets at fair value through other comprehensive income (FVOCI)

- Financial assets at fair value through profit or loss (FVTPL)

- **Debt Instrument :**

  A financial asset is measured at amortised cost if:

  - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  This category is most relevant to the Group . After initial measurement, such financial assets are subsequently measured at amortised cost by applying the effective interest rate ("EIR"). The amortised cost is calculated by taking into account any premium or discount on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the statement of Statement of Profit and Loss. The losses arising from impairment are recognised in the statement of Statement of Profit and Loss.

- **Financial assets at fair value through other comprehensive income**

  A financial asset is measured at fair value through other comprehensive income if:

  - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income except for interest income, impairment gains or losses and foreign exchange gains and losses which are recognised in the Statement of Profit and Loss.

- **Financial assets at fair value through profit or loss**

  A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Investments in equity instruments are classified as at FVTPL, unless the related instruments are not held for trading and the Company irrevocably elects on initial recognition to present subsequent changes in fair value in Other Comprehensive Income.

In addition, the Group may elect to classify a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

After initial measurement, such financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the Statement of Profit and Loss.

iii Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire,

  or

- The Group has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

iv Reclassification of financial assets

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassifications and how they are accounted for.

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous 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 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.
FCOCI	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 Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost.

- Financial assets that are debt instruments and are measured as at FVOCI
- Lease receivables under Ind AS 116
- Trade receivables under Ind AS 115

The Group follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables resulting from transactions within the scope of Ind AS 115, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 115 that contain a significant financing component, if the Group applies practical expedient to ignore separation of time value of money, and
- All lease receivables resulting from transactions within the scope of Ind AS 116

The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

For the computation of ECL on the financial instruments, the Subsidiary Company (NBFC) Arka Fincap Limited categories its financial instruments as mentioned below:

Stage 1: All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The Company classifies all advances upto 30 days overdue under this category.

Stage 2: All exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired are classified under this stage. Exposures are classified as Stage 2 when the amount is due for more than 30 days but do not exceed 90 days.

Stage 3: All exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Exposures where the amount remains due for 90 days or more are considered as to be stage 3 assets.

The Subsidiary Company (NBFC) undertakes the classification of exposures within the aforesaid stages at each borrower account level.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Exposure-At-Default (EAD): The Exposure-at-default is the amount the subsidiary company is entitled to receive as on reporting date including repayments due for principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities

Probability of Default (PD): The Probability of Default is an estimate of the likelihood of default of the exposure over a given time horizon.

Loss Given Default (LGD): The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

The ECL allowance is applied on the financial instruments depending upon the classification of the financial instruments as per the credit risk involved. ECL allowance is computed on the below mentioned basis:

12-month ECL: 12-month ECL is the portion of Lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. 12-month ECL is applied on stage 1 assets.

Lifetime ECL: Lifetime ECL for credit losses expected to arise over the life of the asset in cases of credit impaired loans and in case of financial instruments where there has been significant increase in credit risk since origination. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument. Lifetime ECL is applied on stage 2 and stage 3 assets.

For the financial service business, ECL allowance is computed on individual basis based on type of asset/exposure and nature of collateral.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Group is required to use the remaining contractual term of the financial instrument.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) 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/ losses are not subsequently transferred to Statement of Profit and Loss. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit and Loss. The Group has not designated any financial liability as at fair value through profit and loss.

- **Loans and borrowings at amortised Cost**

This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit and Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

iii Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the 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 Company or the counter party.

4.9 Derivatives

Group uses derivative contracts to hedge its exposure against movements in foreign exchange rates. The use of derivative contracts is intended to reduce the risk or cost to the Group. Derivative contracts are not used for trading or speculation purpose.

All derivatives are measured at fair value through the profit or loss unless they form part of a qualifying cash flow hedge, in which case the fair value is taken to reserves and released into the Statement of Profit and Loss at the same time as the risks on the hedged instrument are recognised therein. Any hedge ineffectiveness will result in the relevant proportion of the fair value remaining in the Statement of Profit and Loss. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third-party quotes. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. All hedging activity is explicitly identified and documented by the Group.

4.10 Foreign Currency Transactions

a Initial recognition

Foreign currency transactions are recorded in Indian currency, by applying the exchange rate between the Indian currency and the foreign currency at the date of the transaction.

b Conversion

Current assets and current liabilities, secured loans, being monetary items, designated in foreign currencies are revalorized at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate rate.

c Exchange differences

Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they were adjusted in the cost of the corresponding asset. Further, as per extant circulars issued by the Ministry of Corporate Affairs, eligible exchange difference on foreign currency loans utilized for acquisition of assets, was adjusted in the cost of the asset to be depreciated over the balance life of the asset up to transition date of Ind AS.

4.11 Leases

Lease is a contract that provides to the customer (lessee) the right to use an asset for a period of time in exchange for consideration.

a Where the Company is a lessee

A lessee is required to recognise assets and liabilities for all leases and to recognise depreciation of leased assets separately from interest on lease liabilities in the statement of Profit and Loss. The Group uses the practical expedient to apply the requirements of this standard to a portfolio of leases with similar characteristics if the effects on the financial statements of applying to the portfolio does not differ materially from applying the requirement to the individual leases within that portfolio.

However, when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty the Group considers that lease to be no longer enforceable. Also according to Ind AS 116, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, the lessee is not required to recognise 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 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 Group accounts for the re-measurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

b Where the Company is a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Where the Company is a lessor under an operating lease, the asset is capitalised within property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the term of the lease.

4.12 Inventories

a Raw materials, components, stores and spares are valued at cost or net realizable value whichever is lower. Cost includes all cost of purchase and incidental expenses incurred in bringing the inventories to their present location and condition.

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.

4.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

4.14 Taxes

Current income tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in Other Comprehensive Income or directly in equity is recognised in Other Comprehensive Income or in equity, respectively, and not in the Statement of Profit and Loss. The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

  Deferred tax assets are recognised for all deductible temporary differences including, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit and Loss is recognised outside the profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax / GST

Expenses and assets are recognised net of the amount of sales tax / GST, except:

- When the sales tax/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax/GST included

The net amount of sales tax/GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

4.15 Non-Current Assets held for sale and Discontinuing operations

a Non-Current Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate use in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

b Discontinuing operations

Discontinuing operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Profit and Loss account.

Assets and liabilities classified as held for distribution are presented separately from others assets and liabilities in the balance sheet.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

i Represents a separate major line of business or geographical area of operations,

ii Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

OR

iii Is a subsidiary acquired exclusively with a view to resale

An entity does not depreciate (or amortise) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

4.16 Employee Benefits

a Short Term Employee Benefits

The distinction between short term and long term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and are recognised in the period in which the employee renders the related service.

b Post-Employment Benefits

i Defined contribution plan

The Group makes payment to approved superannuation schemes, state government provident fund scheme and employee state insurance scheme which are defined contribution plans. The contribution paid/payable under the schemes is recognised in the Statement of Profit and Loss during the period in which the employee renders the related service. The Group has no further obligations under these schemes beyond its periodic contributions.

ii Defined benefit plan

The employee's gratuity fund scheme, pension, post-retirement medical and long term service award benefit schemes are Group's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on a net basis.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the profit or loss in subsequent periods.

Past service costs are recognised in the Statement of Profit and Loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and

- Net interest expense or income.

c Other long term employment benefits:

The employee's long term compensated absences are Group's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on a net basis.

In regard to other long term employment benefits, the Group recognises the net total of service costs; net interest on the net defined benefit liability (asset); and remeasurements of the net defined benefit liability (asset) in the Statement of Profit and Loss.

d Termination Benefits :

Termination benefits such as compensation under voluntary retirement scheme are recognised in the Statement of Profit and Loss in the year in which termination benefits become payable or when the Group determines that it can no longer withdraw the offer of those benefits, whichever is earlier.

4.17 Provisions, Contingencies and Commitments

Necessary provisions are made for the present obligations that arise out of past events entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

However a disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Commitments are future liabilities for contractual expenditure, classified and disclosed as estimated amount of contracts remaining to be extracted on capital account and not provided for.

4.18 Revenue Recognition

Revenue from operations

a Sale of Goods & services:

The Group 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 group.

Performance obligations are identified based on individual terms of contract. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. The Company reasonably estimates the stand-alone selling prices if such prices are not observable. For each performance obligations identified as above, the revenue is recognised either at a point in time or over time. When the Company's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis over time.

The incremental cost to obtain a contract are recognised as an asset if the company expects to recover those cost over the period of contract. Company recognises the incremental costs of obtaining a contract as an expense, when incurred, if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Customer Reward Points by one of subsidiary provide a material right to customers that they would not have received had they not entered into the contract. Thus, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the reward points on the basis of relative stand -alone selling price. Management estimates the standalone selling price per reward point on the basis of the benefits passed on to the customer and on the basis of the likelihood of redemption, based on past experience.

b Recognition of Interest Income of financial service business

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost.The EIR for the amortised cost asset is calculated by taking into account any discount or premium on acquisition, origination/processing fee and transaction costs that are an integral part of the EIR.The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets

c Recognition of Origination fees or Processing fees income of financial service business

Origination fees, which the subsidiary company Arka Fincap Limited has received/recovered at time of granting of a loan, is considered as a component for computation of the effective rate of interest (EIR) for the purpose of computing interest income.

d Recognition of Profit/loss on sale of investments of financial service business

Profit/loss on sale of investments is recognised on trade date basis. Profit/loss on sale of mutual fund units is determined based on the first in first out (FIFO) method.

e Net gain/(loss) on Fair value changes of financial service business

Any differences between the fair values of financial assets classified as fair value through the profit or loss, held by the Company on the balance sheet date is recognised as a Fair value gain or loss as a gain or expense respectively.

f **Contract Balances**

Contract assets

The incremental cost to obtain a contract are recognised as an asset if the company expects to recover those cost over the period of contract. Group recognises the incremental costs of obtaining a contract as an expense, when incurred, if the amortisation period of the asset that the entity otherwise would have recognised is one year or less. Impairment loss (termed as provision for foreseeable losses in the financial statements) is recognised in Statement of Profit and Loss to the extent the carrying amount of the contract asset exceeds the remaining amount of consideration that the company expects to receive towards remaining performance obligations (after deducting the costs that relate directly to fulfill such remaining performance obligations).

Trade receivables

The amounts billed on customer for work performed and are unconditionally due for payment i.e. only passage of time is required before payment falls due, are disclosed in the Balance Sheet as trade receivables.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised when the Group performs under the contract.

Other Income

a **Interest Income from a Financial Asset**

Interest Income from a Financial Asset is 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.

4.19 Exceptional items

An item of income or expense which by its size, type or incidence requires disclosure in order to improve an understanding of the performance of the Group is treated as an exceptional item and the same is disclosed in the note 42

4.20 Government Grant

Grants and subsidies from the government are 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.

4.21 Cash dividend

The Group recognises a liability to make cash distributions to the equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the provisions of Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions, if any, are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the Statement of Profit and Loss.

4.22 Share based employee payments

Equity settled share-based payments

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 of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note No 44.5.19. 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 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 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.

4.23 Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

4.24 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature and any deferral or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Group are segregated.

Cash and cash equivalents (including bank balances)shown in the Statement of cash flow exclude items which are not available for general use as at the date of the Balance sheet.

4.25 Segment Reporting

a Identification of Segments

The Group's operating business predominantly relates to manufacture of internal combustion engines, gensets, electric pumps and parts thereof (Engines and Electric Pumps Business Segment) used for various applications such as Agriculture, Industrial, Stationery Power Plants, Construction Equipment, etc and providing financial services.

b Allocation of common costs

Common allocable costs are allocated to the reportable segment based on sales of reportable segment to the total sales of the Group.

c Unallocated items

Corporate assets and liabilities, income and expenses which relate to the Group as a whole and are not allocable to segments, are included under other reconciling items.

5 Additional Notes to the Financial Statements

5.1 Contingent Liabilities

₹ in Crores

		As at 31 March 2021	As at 31 March 2020
a	**Contingent Liabilities not provided for**		
i	Disputed Central Excise Demands	16.41	16.30
ii	Disputed Sales Tax & Octroi Demands	14.38	13.04
iii	Disputed Customs Duty Demands	0.86	0.86
iv	Disputed Income Tax Liability – matter under appeal	10.12	8.43
v	Claims against Company not acknowledged as debts	61.31	61.72
vi	Disputed ESI Demands	0.30	0.26

b The Parent Company has imported Capital Goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports. Non fulfillment of export obligations, if any, entails options/rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export obligation to be fulfilled by the Company is achieved by the Company under the said scheme in financial year 19-20.

₹ in Crores

			As at 31 March 2021	As at 31 March 2020
5.2	**Charge of Hypothecation referred to in Note no. 26 for working capital facilities extends to letter of credit issued by the Company's bankers**			
	a	Aggregate amount of such letters of credit outstanding	9.15	22.92
	b	Aggregate amount of such letters of bank guarantees outstanding (relating to subsidiary)	12.34	16.09
	Capital & Other Commitments			
5.3	**Capital Commitment**			
	Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)		27.68	78.91
	Loans sanctioned not yet disbursed		69.98	-

5.4 Other Commitment

The Parent Company has given assurance to one of subsidiary's bankers of not diluting its stake less than 74%.

5.5 Payment to Auditors (Net of taxes) **₹ in Crores**

Sr No	Particulars	2020-21	2019-20
a	**Statutory Auditor**		
i	As Auditors	**0.83**	**0.76**
	Audit Fees	0.67	0.60
	Tax Audit Fees	0.08	0.08
	Limited Review	0.08	0.08
ii	Certification fees & Assurance Services	**0.05**	**0.06**
iii	Reimbursement of expenses	**0.01**	**0.02**
	TOTAL (a)	**0.89**	**0.84**
b	**Cost Auditor**		
i	As auditors	0.09	0.10
ii	In other capacity		
	Certification fees	0.00	0.00
	Reimbursement of expenses	-	0.00
	TOTAL (b)	**0.09**	**0.10**
	Grand Total (a+b)	**0.98**	**0.94**

5.6 The Sales for the current year includes an amount of Rs 0.34 Crores (PY : Rs 0.29 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 Mar 2021. The disclosure pursuant to the said Act is as under.

₹ in Crores

Particulars	2020-21	2019-20
Principal outstanding to MSME suppliers	131.04	53.91
Payment made to suppliers (other than interest) beyond the appointed day, during the year	129.17	5.15
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.40	0.03
Interest due on principle amount remaining unpaid as on year end date	0.01	0.01
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	2.46	2.05

The Information has been given in respect of such vendors on the basis of information available with the Group.

5.8 Revenue Recognition

a Disaggregation of Revenue

Set out below is the disaggregation of the Group's revenue from contracts with its customers:

For the year ended 31 March 2021 **₹ in Crores**

Business	Engines	Electric Pumps	Financial Services	Other Segments	Total
Power Generating Business	894.76	-	-	-	894.76
Agriculture & Allied Business	213.07	611.81	-	179.34	1,004.22
Industrial Engine Business	502.24	-	-	-	502.24
Customer Support	383.99	-	-	-	383.99
International Business	238.68	-	-	-	238.68
Large Engine Business	129.27	-	-	-	129.27
Financial Services Business	-	-	101.64	-	101.64
Total	**2,362.01**	**611.81**	**101.64**	**179.34**	**3,254.80**
Other Reconciling Amounts	-	-	-	-	1.08
Other Operating Income	28.93	10.48	-	0.81	40.22
Totals	**2,390.94**	**622.29**	**101.64**	**180.15**	**3,296.10**

For the year ended 31 March 2020 **₹ in Crores**

Business	Engines	Electric Pumps	Financial Services	Other Segments	Total
Power Generating Business	1,150.97	-	-	-	1,150.97
Agriculture & Allied Business	239.76	529.46	-	132.36	901.58
Industrial Engine Business	434.59	-	-	-	434.59
Customer Support	402.74	-	-	-	402.74
International Business	232.82	-	-	-	232.82
Large Engine Business	159.94	-	-	-	159.94
Financial Services Business	-	-	48.20	-	48.20
Total	**2,620.82**	**529.46**	**48.20**	**132.36**	**3,330.84**
Other Reconciling Amounts	-	-	-	-	1.80
Other Operating Income	34.61	11.70	-	0.50	46.81
Totals	**2,655.43**	**541.16**	**48.20**	**132.86**	**3,379.45**

b Revenue recognised in relation to contract liabilities

The Group has generated revenue of Rs 62.85 Crores (PY: Rs 36.06 Crores) during the year from its Contract Liabilities as on 1 April 2020.The Contract liabilities are presented in Note 25 & 30 as advance from customer and revenue received in advance.

c Information About Performance Obligation

i The Group is mainly in the business of manufacturing and trading of engines, gensets, electric pumps , related spares and providing financial services. The Group also provides after sales services such as annual maintenance contract, extended warranty etc.

ii The Group generally 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, either according to stage of completion or on straight line basis depending upon the type of services provided. The stage of completion is determined based on the contractual terms.

When the Group's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis.

The payment is due from the date of invoice and payment terms are in the range of 7 days to 90 days depending on product/market segment and market channel.

iii The Group provides to its customers warranties in the forms of Repairs or Replacement warranty under its standard terms and 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 2021, the Group has unsatisfied performance obligation of Rs 109.45 Crores (PY : Rs 73.46 Crores). The Group expects that Rs 75.03 Crores will be recognised as revenue in financial year 2021-22 and remaining in subsequent years based on contractual terms.

e Asset recognised for cost incurred to obtain a contract and cost incurred to fulfil Contract

The Group has recognised an asset as on 31 March, 21 of Rs 1.02 Crores (PY : Rs 1.36 Crores) from cost incurred to obtain a contract & fulfil a contract. Asset is included in Note 17 other current asset prepaid expenses.

f Reconciliation of the Group's revenue from contract price with revenue:

₹ in Crores

Particulars	2020-2021	2019-2020
Contract Price	3,309.37	3,396.26
Adjustment for :		
Contract Liabilities: Discounts, Incentives & Late delivery Charges	(54.57)	(65.42)
Revenue from contracts with customers	**3254.80**	**3330.84**

Note 5.9: Disclosure pursuant to Employee benefits

A. Defined contribution plans:

Amount of Rs. 12.93 Crores (31 March 2020: Rs. 14.41 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

31 March 2021 : Changes in defined benefit obligation and plan assets

₹ In Crores

Particulars	1 April 2020	Gratuity cost charged to Statement of Profit and Loss			Benefit paid	Remeasurement gains/(losses) in other comprehensive income					Contributions by employer	31 March 2021
		Service cost	Net interest expense	Sub-total included in Statement of Profit and Loss (Note 38)		Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI		
Gratuity												
Defined benefit obligation	(51.18)	(4.98)	(3.23)	(8.21)	8.09	-	(0.10)	2.08	3.99	5.97	-	(45.33)
Fair value of plan assets	50.37	-	3.29	3.29	(7.85)	(0.03)	-	(0.32)	0.53	0.18	3.69	49.68
Benefit (liability) / asset	(0.81)	(4.98)	0.06	(4.92)	0.24	(0.03)	(0.10)	1.76	4.52	6.15	3.69	4.35
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(3.19)	(0.05)	(0.22)	(0.27)	0.34	-	(0.06)	-	0.13	0.07	-	(3.05)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(3.19)	(0.05)	(0.22)	(0.27)	0.34	-	(0.06)	-	0.13	0.07	-	(3.05)
Total benefit (liability) / asset	**(4.00)**	**(5.03)**	**(0.16)**	**(5.19)**	**0.58**	**(0.03)**	**(0.16)**	**1.76**	**4.65**	**6.22**	**3.69**	**1.30**

31 March 2020 : Changes in defined benefit obligation and plan assets

₹ In Crores

Particulars	1 April 2019	Gratuity cost charged to Statement of Profit and Loss			Benefit paid	Remeasurement gains/(losses) in other comprehensive income					Contributions by employer	31 March 2020
		Service cost	Net interest expense	Sub-total included in Statement of Profit and Loss (Note 38)		Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI		
Gratuity												
Defined benefit obligation	(45.46)	(4.56)	(3.32)	(7.88)	2.50	-	0.03	0.31	(0.68)	(0.34)	-	(51.18)
Fair value of plan assets	45.57	-	3.57	3.57	(2.45)	(0.02)	-	(0.14)	(2.49)	(2.65)	6.33	50.37
Benefit (liability) / asset	0.11	(4.56)	0.25	(4.31)	0.05	(0.02)	0.03	0.17	(3.17)	(2.99)	6.33	(0.81)
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(3.30)	(0.05)	(0.24)	(0.29)	0.34	-	0.02	(0.12)	0.16	0.06	-	(3.19)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(3.30)	(0.05)	(0.24)	(0.29)	0.34	-	0.02	(0.12)	0.16	0.06	-	(3.19)
Total benefit liability	**(3.19)**	**(4.61)**	**0.01**	**(4.60)**	**0.39**	**(0.02)**	**0.05**	**0.05**	**(3.01)**	**(2.93)**	**6.33**	**(4.00)**

C. Other long-term employment benefits

The Company has Compensated Absences plan which is covered by other long-term employment benefits

31 March 2021 : Changes in defined benefit obligation and plan assets of Compensated absences ₹ In Crores

Particulars	Cost charged to Statement of Profit and Loss							
	1 April 2020	Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in Statement of Profit and Loss (Note 38)	Benefit paid	Contributions by employer	31 March 2021
Compensated absences								
Defined benefit obligation	(32.24)	(3.59)	(2.07)	7.62	1.96	3.74	-	(26.54)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit liability	**(32.24)**	**(3.59)**	**(2.07)**	**7.62**	**1.96**	**3.74**	**-**	**(26.54)**

31 March 2020 : Changes in defined benefit obligation and plan assets of Compensated absences ₹ In Crores

Particulars	Cost charged to Statement of Profit and Loss							
	1 April 2019	Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in Statement of Profit and Loss (Note 38)	Benefit paid	Contributions by employer	31 March 2020
Compensated absences								
Defined benefit obligation	(28.91)	(3.60)	(2.07)	(0.27)	(5.94)	2.61	-	(32.24)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit liability	**(28.91)**	**(3.60)**	**(2.07)**	**(0.27)**	**(5.94)**	**2.61**	**-**	**(32.24)**

The major categories of plan assets of the fair value of the total plan assets of Gratuity are as follows:

Particulars	Year ended 31 March 2021 ₹ In Crores	Year ended 31 March 2020 ₹ In Crores
Special Deposit Scheme	-	-
(%) of total plan assets	0%	0%
Insured managed funds	24.95	50.37
(%) of total plan assets	50%	100%
Others	24.74	-
(%) of total plan assets	50%	0%

The principal assumptions used in determining above defined benefit obligations for the Group's plans are shown below:

Particulars	Year ended 31 March 2020	Year ended 31 March 2020
Discount rate	6.30% - 6.80%	6.40% - 6.84%
Future salary increase	0.00% - 7.00%	7.00% - 8.00%
Expected rate of return on plan assets	6.80%	6.84% - 7.50%
Expected average remaining working lives (in years)		
Gratuity	5.91 - 13.40	5.59 - 14
Pension, Post retirement medical scheme and Long-term award scheme	9.16 - 11.37	9.73 - 11.78
Compensated Absences	13.4	11.35
Withdrawal rate (based on grade and age of employees)		
Gratuity	0%-15%	0%-15%
Pension, Post retirement medical scheme and Long-term award scheme	0%-11%	0%-13%
Compensated Absences	0%-11%	0%-13%

A quantitative sensitivity analysis for significant assumption is as shown below:

Gratuity

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact) Year ended 31 March 2021 (₹ In Crores)	Year ended 31 March 2020 (₹ In Crores)
Discount rate	1% increase	3.71	3.55
	1% decrease	(4.27)	(4.09)
Future salary increase	1% increase	(3.80)	(3.54)
	1% decrease	3.33	3.15
Withdrawal rate	1% increase	0.25	0.04
	1% decrease	(0.28)	(0.02)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Pension, Post retirement medical scheme and Long-term award scheme

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact) Year ended 31 March 2021 (₹ In Crores)	Year ended 31 March 2020 (₹ In Crores)
Discount rate	1% increase	0.17	0.16
	1% decrease	(0.17)	(0.18)
Withdrawal rate	1% increase	0.02	0.01
	1% decrease	0.16	0.14

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The followings are the expected future benefit payments for the defined benefit plan :

Particulars	Year ended 31 March 2021 (₹ In Crores)	Year ended 31 March 2020 (₹ In Crores)
Within the next 12 months (next annual reporting period)		
Gratuity	6.95	7.57
Pension, Post retirement medical scheme and Long-term award scheme	0.34	0.36
Compensated absences	0.00	-
Between 2 and 5 years	-	-
Gratuity	20.94	20.84
Pension, Post retirement medical scheme and Long-term award scheme	1.10	1.60
Compensated absences	-	-
Beyond 5 years	-	-
Gratuity	26.45	25.22
Pension, Post retirement medical scheme and Long-term award scheme	1.38	2.00
Compensated absences	-	-
Total expected payments	**57.16**	**57.59**

Weighted average duration of defined plan obligation (based on discounted cash flows)

Particulars	Year ended 31 March 2021 Years	Year ended 31 March 2020 Years
Gratuity	9.01 - 12.27	10.97 - 11.00
Pension, Post retirement medical scheme and Long-term award scheme	9.16 -10.99	8.99 -11.59

The followings are the expected contributions to planned assets for the next year:

Particulars	Year ended 31 March 2021 (₹ In Crores)	Year ended 31 March 2020 (₹ In Crores)
Gratuity	4.48	7.72

Risk Exposure

Through its defined benefit plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

a. **Discount rate risk:** Variations in the discount rate used to compute the present value of the liabilities may see small, but in practise can have a significant impact on the defined benefit liabilities.

b. **Future salary escalation and inflation risk:** Since price inflation and salary growth are linked economically, they are combined for disclosure purposes. Rising salaries will often result in higher future defined benefit payments resulting in a higher present value of liabilities especially unexpected salary increases provided at management's discretion may lead to uncertainities in estimating this increasing risk.

c. **Asset risks:** Plan assets are maintained in a self-managed trust fund equally managed by investments in leading Mutual Fund companies and a public sector insurer viz; LIC of India.

   LIC has a sovereign guarantee and has been providing consistent and competitive returns over the years. The Group has opted for a traditional fund wherein all assets are invested primarily in risk averse markets. The Group has no control over the management of funds but this option provides a high level of safety for the total corpus. Also interest rate and inflation risk are taken care of.

   The Group has opted for Mutual Funds which is market linked with options to invest in equity funds. The Group has the option to structure the portfolio based on its risk appetite providing an opportunity to earn market linked returns. But there is an investment risk here which is borne by the Group.

   A single account is maintained for both investment and claim settlement and hence 100% liquidity is ensured.

d. **Asset-Liability mismatch risk:** Risk which arises if there is a mismatch in the duration of the assets relative to the liabilities. By matching duration with the defined benefit liabilities, the Group is successfully able to neutralize valuation swings caused by interest rate movements.

e. **Unfunded Plan Risk:** This represents unmanaged risk and a growing liability. There is an inherent risk here that the company may default on paying the benefits in adverse circumstances. Funding the plan removes volatility from the balance sheet and better manages defined benefit risk through increased returns.

Funding policy:

There is no compulsion on the part of the Group to fully prefund the liability of the Gratuity Plan. The Group's philosophy is to fund these benefits based on its own liquidity and the level of underfunding of the plan.

5.10 The Group's operating business predominantly relates to manufacture of internal combustion engines, gensets, electric pumps, parts thereof and financial services . Hence the Group has considered "Engines", "Electric Pumps" and "Financial Services" as the three reportable segment.

A. Profit (before exceptional items and tax) of reportable segment **₹ in Crores**

Particulars	2020-21					
	Engines	Electric Pumps	Financial Services	Other Segments	Other Reconciling amounts	Consolidated Total
Segment Revenue	2,390.93	622.29	101.64	180.16	1.08	3,296.10
Total Revenue	**2,390.93**	**622.29**	**101.64**	**180.16**	**1.08**	**3,296.10**
Profit before exceptional items and tax	**230.92**	**18.99**	**23.28**	**1.21**	**3.65**	**278.05**
Depreciation and Amortisation	58.42	19.29	3.15	2.20	0.92	83.98
Interest Expenses	5.79	6.24	37.34	0.75	-	50.12

₹ in Crores

Particulars	2019-20					
	Engines	Electric Pumps	Financial Services	Other Segments	Other Reconciling amounts	Consolidated Total
Segment Revenue	2,655.43	541.16	48.20	132.86	1.80	3,379.45
Total Revenue	**2,655.43**	**541.16**	**48.20**	**132.86**	**1.80**	**3,379.45**
Profit before exceptional items and tax	**203.96**	**12.93**	**10.17**	**(14.96)**	**16.15**	**228.25**
Depreciation and Amortisation	62.36	18.48	2.46	2.35	1.69	87.34
Interest Expenses	2.12	7.76	2.66	0.08	1.59	14.21

B. Capital Employed of reportable segment **₹ in Crores**

Particulars	As at 31 March 2021					
	Engines	Electric Pumps	Financial Services	Other Segments	Other Reconciling amounts	Consolidated Total
Assets	1,144.45	525.48	1,365.90	77.04	687.87	3,800.74
Total Assets (I)	**1,144.45**	**525.48**	**1,365.90**	**77.04**	**687.87**	**3,800.74**
Liabilities	658.06	239.78	692.55	52.50	235.71	1,878.60
Total Liabilities (II)	**658.06**	**239.78**	**692.55**	**52.50**	**235.71**	**1,878.60**

₹ in Crores

Particulars	As at 31 March 2020					
	Engines	Electric Pumps	Financial Services	Other Segments	Other Reconciling amounts	Consolidated Total
Assets	1,175.74	486.46	617.47	66.69	415.53	2,761.89
Total Assets (I)	**1,175.74**	**486.46**	**617.47**	**66.69**	**415.53**	**2,761.89**
Liabilities	496.90	202.40	88.18	69.05	160.20	1,016.73
Total Liabilities (II)	**496.90**	**202.40**	**88.18**	**69.05**	**160.20**	**1,016.73**

C. Geographical based bifurcation of operating segments revenue ₹ in Crores

Particulars	2020-21	2019-20
Domestic	2,922.97	3,023.59
Export	372.04	354.06
Total	**3,295.01**	**3,377.65**

D. The Group do not have transactions with single customer amounting to 10 percent or more of Group's revenues.

E. Other Segments include revenue from sales/business operations of farm equipment and spares there of.

5.11 Related parties have been identified as defined under Clause 9 of Accounting Standard (Ind AS 24) "Related Party Disclosures"

a Description of Related Parties

i Name of the Related party and nature of relationship where control exists:

Sr. No.	Related Party Category	Company
1	Entity controlled by Key Management Personnel	Achyut & Neeta Holdings & Finance Private Limited (Upto 28 April 2020)
		Expert Quality Cloud Information Technology Private Limited (Upto 28 April 2020)
		Kirloskar Energen Private Limited
		Kirloskar Solar Technologies Private Limited
		Kloudq Technologies Limited
		Lakeland Universal Limited BVI
		Navsai Investments Private Limited
2	Entity controlled by Close Member of Key Management Personnel	Alpak Investments Private Limited Beluga Whale Capital Management Pte Limited Snow Leopard Technology Ventures LLP
3	Promoter/Promoter group which hold(s) 10% or more shareholding	Atul C. Kirloskar Rahul C. Kirloskar

Sr. No.	Related Party Category	Company
4	Post-Employment benefit plan of Parent Company	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund
		Kirloskar Oil Engines Limited Employees' Gratuity Trust
		Kirloskar Oil Engines Limited Officers' Superannuation Scheme
		Kirloskar Oil Engines Limited Officers' Superannuation Trust

ii Key Management Personnel and their relatives:

Sr. No.	Name	Name of Relatives	Relationship
1	Atul C. Kirloskar (Executive Chairman)	Arti A. Kirloskar	Wife
		Gauri A. Kirloskar (Kolenaty)	Daughter
		Aditi A. Kirloskar (Sahni)	Daughter
		Rahul C. Kirloskar	Brother
		Suman C. Kirloskar	Mother
2	Nihal G. Kulkarni (Managing Director) upto 28 April 2020	Shruti N. Kulkarni	Wife
		Ambar G. Kulkarni	Brother
		Jyotsna G. Kulkarni	Mother
3	Sanjeev Nimkar (Managing Director) w.e.f. 29 April 2020	Ashwini Nimkar	Wife
		Ishita Nimkar	Daughter
		Sakshi Nimkar	Daughter
4	Rajendra R. Deshpande (Managing Director & Chief Executive Officer) upto 28 April 2020	Veena R. Deshpande	Wife
		Kaustubh R. Deshpande	Son
		Saurabh R. Deshpande	Son

b Transactions with Related Parties

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2020-21		2019-20	
		Amount	Amount from major parties	Amount	Amount from major parties
1	**Purchases of Other Intangible Assets - Computer Software**				
	Entity controlled by Key Management Personnel	**-**		**0.96**	
	Kloudq Technologies Limited		-		0.96
	Total	**-**	**-**	**0.96**	**0.96**

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2020-21		2019-20	
		Amount	Amount from major parties	Amount	Amount from major parties
2	**Purchases of Capital Goods (CWIP)**				
	Entity controlled by Key Management Personnel	**11.53**		**-**	
	Kirloskar Solar Technologies Private Limited		11.53		-
	Total	**11.53**	**11.53**	**-**	**-**
3	**Sale of Capital Goods**				
	Key Management Personnel	**0.00**		**-**	
	Sanjeev Nimkar		0.00		-
	Rajendra R. Deshpande		0.00		-
	Total	**0.00**	**0.00**	**-**	**-**
4	**Purchases of goods**				
	Entity controlled by Key Management Personnel	**-**		**6.29**	
	Kloudq Technologies Limited		-		6.29
	Total	**-**	**-**	**6.29**	**6.29**
5	**Rendering of Services from**				
	Key Management Personnel	**10.34**		**11.83**	
	Atul C. Kirloskar		4.25		3.68
	Nihal G. Kulkarni		0.28		2.51
	Sanjeev Nimkar		5.49		-
	Rajendra R. Deshpande		0.32		5.64
	Close member of Key Management Personnel	**0.41**		**0.42**	
	Rahul C. Kirloskar		0.07		0.10
	Gauri A. Kirloskar (Kolenaty)		0.34		0.32
	Entity controlled by Key Management Personnel	**1.59**		**22.04**	
	Kloudq Technologies Limited		1.59		22.04
	Total	**12.34**	**12.34**	**34.29**	**34.29**
6	**Expenses paid to**				
	Entity controlled by Key Management Personnel	**0.36**		**0.48**	
	Kirloskar Solar Technologies Private Limited		0.36		0.40
	Kloudq Technologies Limited		-		0.08
	Total	**0.36**	**0.36**	**0.48**	**0.48**
7	**Reimbursement / (recovery) of Expenses**				
	Entity controlled by Key Management Personnel	**-**	**-**	**-**	**-**
	Kirloskar Solar Technologies Private Limited	-	-	-	-
	Total	**-**	**-**	**-**	**-**

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2020-21		2019-20	
		Amount	Amount from major parties	Amount	Amount from major parties
8	**Interim Dividend and Final Dividend Paid**				
	Key Management Personnel	**3.20**		**16.35**	
	Atul C. Kirloskar		2.20		12.02
	Nihal G. Kulkarni		1.00		4.32
	Rajendra R. Deshpande		-		0.01
	Close member of Key Management Personnel	**7.23**		**28.84**	
	Rahul C. Kirloskar		2.67		11.55
	Arti A.Kirloskar		0.48		4.59
	Gauri A. Kirloskar		0.86		-
	Aditi A. Kirloskar		0.29		-
	Jyotsna G. Kulkarni		1.95		8.44
	Suman C. Kirloskar		0.01		0.04
	Ambar Kulkarni		0.97		4.22
	Entity controlled by Key Management Personnel	**0.02**		**0.07**	
	Achyut & Neeta Holdings & Finance Pvt. Ltd.		0.02		0.07
	Navsai Investments Pvt. Ltd.		0.00		0.00
	Entity controlled by Close Member of Key Management Personnel	**0.00**		**0.00**	
	Alpak Investments Private Limited		0.00		0.00
	Total	**10.45**	**10.45**	**45.26**	**45.26**
9	**Contributions Paid**				
	Post-Employment Benefit Plan of Parent Company	**4.75**		**8.35**	
	Kirloskar Oil Engines Limited Employees' Group Gratuity Fund		3.00		6.00
	Kirloskar Oil Engines Limited Employees' Gratuity Trust		0.15		0.11
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		1.52		2.14
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.08		0.10
	Total	**4.75**	**4.75**	**8.35**	**8.35**

₹ in Crores

Sr. No.	Nature of the transaction / relationship / major parties	2020-21 Amount	2020-21 Amount from major parties	2019-20 Amount	2019-20 Amount from major parties
	Outstanding				
	Accounts Payable				
	Key Management Personnel				
	Commission	**8.40**		**5.50**	
	Atul C. Kirloskar		4.00		1.00
	Nihal G. Kulkarni		0.25		0.50
	Sanjeev Nimkar		4.05		-
	Rajendra R. Deshpande		0.10		4.00
	Close member of Key Management Personnel	**0.37**		**0.35**	
	Rahul C. Kirloskar		0.05		0.06
	Gauri A. Kirloskar (Kolenaty)		0.32		0.29
	Entity controlled by Key Management Personnel	**3.98**		**1.39**	
	Kloudq Technologies Limited		-		1.33
	Kirloskar Solar Technologies Private Limited		3.98		0.06
	Post-Employment Benefit Plan of Parent Company	**0.44**		**0.61**	
	Kirloskar Oil Engines Limited Officers' Superannuation Scheme		0.37		0.53
	Kirloskar Oil Engines Limited Officers' Superannuation Trust		0.07		0.08
	Total	**13.19**	**13.19**	**7.85**	**7.85**

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 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2020: Rs.Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Commitments with related parties

The Group has not provided any commitment to the related party as at 31 March 2021 (PY : Rs. Nil)

Transactions with key management personnel

Compensation of key management personnel of the Group **₹ in Crores**

Particulars	2020-21	2019-20
Short-term employee benefits	10.22	11.26
Post employment benefits	0.12	0.57
Other long-term employment benefits	-	-
Termination benefits	-	-
Total compensation paid to key management personnel	**10.34**	**11.83**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

The above figures do not include provision for leave encashment and gratuity, as actuarial valuation of such provision for the Key Management Personnel is included in the total provision for Leave encashment & gratuity.

5.12 Earnings Per Share (Basic and Diluted)

₹ in Crores

Particulars	2020-21	2019-20
Profit for the year after taxation (Rs. in Crores)	194.96	185.18
Total number of equity shares at the end of the year (One Equity share of face value of ₹ 2/- each)	14,46,14,326	14,46,14,326
Weighted average number of equity shares for the purpose of computing Basic Earning Per Share	14,46,14,326	14,46,14,326
Basic Earnings Per Share (in Rs.)	**13.48**	**12.81**
Weighted average number of equity shares for the purpose of computing Diluted Earning Per Share	14,46,14,326	14,46,14,326
Diluted Earnings Per Share (in Rs.)	**13.48**	**12.81**

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 Group has not performed a fair valuation of some of its investment in unquoted ordinary shares other than subsidiary, which are classified as FVOCI (refer Note 3), as the Group believes that impact of change on account of fair value is insignificant.

Fair value of unquoted investment in Mutual fund is determined by reference to Net Asset Value ('NAV') available from respective Assets Management Companies ('AMC').

5.14 Fair value Measurement hierarchy

The following table provides the fair value measurement hierarchy of assets & liabilities

₹ In Crores

Particulars	Note	Carrying Amount	Level of Input Used in		
			Level 1	Level 2	Level 3
As at 31 March 2021					
Financial Assets					
Investment at FVTPL					
Mutual Funds	9	618.24	-	618.24	-
Investments at FVOCI					
Unquoted Equity Shares	3	0.54	-	-	0.54
Other Financial assets at FVTPL					
Assets held for sale	15	-	-	-	-
As at 31 March 2020					
Investment at FVTPL					
Mutual Funds	9	338.11	-	338.11	-
Investments at FVOCI					
Unquoted Equity Shares	3	0.50	-	-	0.50
Other Financial assets at FVTPL					
Assets held for sale	15	0.12	-	-	0.12

Movement in fair value measurement of unquoted equity share and for asset held for sale is not material.

Significant unobservable inputs used in level 3 fair value measurements and sensitivity of the fair value measurement to changes in unobservable input.

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.

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 Rs. 0.03 Crores or decrease by Rs. 0.01 Crores and a 50 bps increase/decrease in discounting factor used while keeping all other variables constant, the carrying value of the shares would decrease by Rs. 0.02 Crores or increase by Rs. 0.03 Crores.

5.15 Financial instruments risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations and support its operations. The Group's principal financial assets include Investments, loans, trade and other receivables, cash and short-term deposits and other financial assets that have been derived directly from its operations. The Group also enters into derivative transactions.

The Group's senior management oversees the management of the risks. The Audit Committee and Board review financial risks and the appropriate risk governance framework for the Group's financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of the risks, which are summarised below

a. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, deposits, Investments, trade and other receivables, trade and other payables and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 March 2021 and 31 March 2020.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions.

The following assumption has been made in calculating the sensitivity analyses:

The sensitivity of the relevant Statement of Profit and Loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2021 and 31 March 2020 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 2021	31 March 2020
Long Term Fixed Interest Loans	8.59	0.23
Short Term Fixed Interest Loans	0.00	0.01
Long Term Floating Interest Loans	9.81	18.52
Short Term Floating Interest Loans	78.67	69.66

b. Interest Rate Sensitivity **₹ in Crores**

Financial Year	Change in Interest rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2021	Increase 50 bps	(0.44)	(0.44)
	Decrease 50 bps	0.44	0.44
31 March 2020	Increase 50 bps	(0.41)	(0.41)
	Decrease 50 bps	0.41	0.41

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 2021	31 March 2020
Receivable	USD	12,658	9,130
Payable	USD	4,642	4,857
	EUR	380	398
	GBP	56	1
	SEK	-	250
	JPY	400	176

The Group manages its foreign currency risk by hedging transactions related to sales & purchases. This foreign currency risk is hedged by using foreign currency forward contracts. At 31 March 2021 and 31 March 2020, the Group has hedged Nil of its total foreign currency exposure.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD & EUR exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's pre-tax equity is due to changes in the Group's profit before tax. The Group's exposure to foreign currency changes for all other currencies is not material.

₹ in Crores

As at	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2021	+5%	2.90	2.90
	-5%	(2.90)	(2.90)
31 March 2020	+5%	1.59	1.59
	-5%	(1.59)	(1.59)

As at	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2021	+5%	(0.16)	(0.16)
	-5%	0.16	0.16
31 March 2020	+5%	(0.16)	(0.16)
	-5%	0.16	0.16

Commodity price risk

The Parent Company and one of its subsidiary is affected by the price volatility of certain commodities. Its operating activities require the on-going purchase and manufacture of engines, pumps & motors and therefore require a continuous supply of iron, copper and steel. However, the Parent Company and one of its subsidiary being the indirect user of these commodities, volatility in price of such commodity does not have direct or immediate impact on the profitability of the Company. Hence, the Group does not foresee any direct or immediate risk with respect to such commodity price fluctuation.

Other Price Risk

The Group's portfolio of investments mainly consists of debt mutual fund with short term maturity. Hence management believes that this portfolio is not significantly susceptible to market risk.

b Regulatory risk

Subsidiary Company Arka Fincap Limited being a NBFC shall have exposure to risk related to non-compliance of regulatory guidelines such as RBI guidelines, as applicable. Such non-compliance may result in levy of heavy penalties and fines by the regulator, as well as, reputational loss to the company. The risk can arise due to non-compliance to applicable guidelines and/or lack of monitoring and follow-up on the implementation of applicable laws.

Mitigation:

- The compliance and legal / secretarial department shall submit a compliance certificate post ensuring adherence to applicable laws on quarterly basis to the Risk Committee.

- The Board of NBFC shall take note of the compliance certificate and Compliance officer shall report to Board of NBFC in case of any material non-compliance.

- The Board of NBFC shall do a regular review of risk and identify gaps if any and take corrective actions.

c Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Subsidiary company Arka Fincap Limited being a NBFC is subject to credit risk in terms of non-recovery of interest as well as principal amount of the money lent by the company to its customers. Such risk can arise due to inadequate documentation or evaluation of the borrower, default by the existing borrowers, external factors such as political volatility in the region of exposure concentration, amongst many other factors leading to loss of revenue. The NBFC has set up a Credit Committee for approval of the lending in both Retail Operations and Wholesale lending, the decision by the Credit Committee shall be binding on the Business Department. The Credit Committee is empowered to deploy, monitor, manage the funds of the NBFC in terms of its charter as approved by the Board of NBFC.

Mitigation:

- The company has formed a Credit procedures and policy to address the risk.

- Continuous monitoring mechanism is developed by adopting various checks and controls in the process.

- The Board of the NBFC is responsible for the approval of deployment of all the capital, divestments of loans/assets and shall take decisions on portfolio concentration.

- The Board of the NBFC shall also take note of any deviations and monitor the operational risk

Trade receivables

Receivables are reviewed, managed and controlled for each class of customers separately. Credit exposure risk is mainly influenced by class /type of customers, depending upon their characteristics. Credit risk is managed through credit approval process by establishing credit limits along with continuous monitoring of credit worthiness of customers to whom credit terms are granted. Wherever required, credit risk of receivables is further covered through letter of credit, bank guarantee, business deposits and such other forms of credit assurance schemes.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are combined into homogenous category and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are spread over vast spectrum.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made as per the approved investment policy. Investment limits are set to minimise the concentration of risks and therefore mitigate financial loss if any.

Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The risk arises due to asset liability mismatch. The inadequacy of the subsidiary company Arka Fincap Limited (NBFC) in increasing its asset base, managing any unplanned changes in funding sources and meeting the financial commitments when required may result in non-liquidity.

Mitigation:

- NBFC has Asset Liability Management Policy in line with the RBI guidelines.
- The Asset Liability Management Committee (ALCO) is responsible for managing the risk arising out of exposures to interest rate changes and mismatches between assets and liabilities.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

₹ in Crores

Particulars	On demand	Upto 3 months	> 3 months to 1 year	1 year to 5 years	More than 5 years	Total
Year ended 31 March 2021						
Interest bearing borrowings	78.67	70.06	266.55	416.99	-	**832.27**
Other financial liabilities	24.40	30.10	49.50	116.20	16.84	**237.04**
Lease liabilities	-	0.20	3.66	6.89	-	**10.75**
Trade payables	5.94	586.33	1.93	-	-	**594.20**
Total	**109.01**	**686.69**	**321.64**	**540.08**	**16.84**	**1,674.26**
Year ended 31 March 2020						
Interest bearing borrowings	69.66	10.13	34.44	64.44	-	**178.67**
Other financial liabilities	17.14	21.09	23.05	110.16	19.15	**190.59**
Lease liabilities	-	0.40	1.97	7.51	-	**9.88**
Trade payables	9.08	401.57	2.92	-	-	**413.57**
Total	**95.88**	**433.19**	**62.38**	**182.11**	**19.15**	**792.71**

5.16 Capital management

For the purpose of the Group's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 31 March 2020.

5.17 Leases

a. Lessee Accounting

Effective 1 April 2019, the Group adopted Ind AS 116 "Leases" using the modified retrospective transition method, applied to lease contracts that are ongoing as at 1 April 2019. In accordance with such transition method, the Group has recognised right-of-use asset at the date of initial application, for leases previously classified as operating leases, at an amount equal to lease liability, adjusted for prepaid or accrued lease payments , if any. The following practical expedients have been used by the Group :

- The lease liability is measured at the present value of the outstanding lease payments only for leases previously classified as operating leases according to Ind AS 17 which are discounted using incremental borrowing rate at 1 April 2019. The respective right-of-use asset is generally recognised at an amount equal to the lease liability.

- An impairment review is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous leases recognised in the balance sheet as at 31 March 2019.

- Regardless of their original lease term, leases for which the lease term ends at the latest on 31 March 2021 are recognised as short-term leases.

- At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs.

- Information in hindsight is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

- The difference between the lease commitment disclosed under Ind AS 17 as at 31 March 2019 and the lease liability recognised in the balance sheet as at 1 April 2019 are in respect of,

    1. Discounting of such lease payments

    2. Option to extend the lease term for a period of 6 months which has been considered in the calculation of the lease liability in accordance with the extant guidance provided in Ind AS 116 (In case of one of the subsidiary)

The following table shows impact of Ind AS 116 on Balance sheet and Statement of Profit and Loss :

₹ in Crores

Particulars	2020-21	2019-20
Initial Measurement of Right-of-use assets including reclassification under Ind AS 116 amounting to Rs 11.24 Cr (refer to Note 1b)	-	23.01
Initial Measurement of Lease liabilities	-	8.22
Depreciation charged on right-of-use asset	5.41	3.83
Interest expense on lease liability	1.18	0.74
Expense for short term leases/Low value leases	0.38	2.51
Cash outflow for leases	5.43	3.10
Carrying amount of right-of-use asset	23.72	24.94
Carrying amount of Lease liabilities	10.76	9.88

The Parent Company has enforceable lease agreements for Plant Building up to 31 March 2024. The said agreement has an extension option for further 1 term of 3 years at the sole option of the lessee. Lessee has not considered this extension period for the purpose of recognising lease liability keeping in view the uncertainty involved in opting the extension. The lease payments for the said extension, if opted, would be as follows :

₹ in Crores

Period of Balance Term	Annual Lease Payment
From 1 April 2024 to 31 March 2027	0.78

b. Lessor Accounting

The Parent Company is a lessor in the operating lease . The subject of these transactions is primarily aircraft leasing and, to a small extent plant and machinery. There is definitive binding agreement between lessor and lessee defining rights and obligation with respect to underlying assets which in substance mitigates the Company's risk.

Tangible assets provided on operating lease as at 31 March 2021 are as follows:

₹ in Crores

Particulars	Gross block	Accumulated Depreciation	Net block
Aircraft	25.88	23.30	2.58
Plant & Equipments	8.59	8.57	0.02

Tangible assets provided on operating lease as at 31 March 2020 are as follows:

₹ in Crores

Particulars	Gross block	Accumulated Depreciation	Net block
Aircraft	25.88	22.38	3.50
Plant & Equipments	8.59	8.55	0.04

Lease Income generated during the year is Rs. 1.11 Crores (PY : Rs. 1.05 Crores) (Note 34)

Maturity analysis of lease payments

The following is maturity analysis of lease payments showing non-discounted operating lease payments which are expected over the coming years:

₹ in Crores

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Lease Payments	1.15	1.15	0.91	0.84	0.28	4.32

5.18 Expenditure on CSR Activities **₹ in Crores**

a

Sr No	Particulars	2020-21	2019-20
1	Gross amount required to be spent by the Group during the year	5.34	5.42
2	Amount approved by the Board to be spent during the year	5.34	5.47
3	Amount spent during the year on :		
	(i) Construction/Acquisition of any asset	-	-
	(ii) On purpose other than (i) above	5.34	5.55

b No transaction have taken place during the year related to CSR expenditure with the trust/society/ section 8 company which is controlled by related party of the company as defined in Ind AS 24 "Related party Disclosures".

5.19 Employee Stock Option Plans (ESOP)

5.19.1 ESOP issued by Parent Company

The Parent Company 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 2021, 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 the shareholders of Kirloskar Oil Engines Limited in AGM conducted on 9 August 2019 for issue of maximum 14,00,000 options representing 14,00,000 Equity shares of Rs. 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 has approved the grant of 9,40,000 employee stock options ("Options") to eligible employees of the Company, details of the same are produced in the below table.

a. Details of the ESOP

Particulars	ESOP Grant
ESOP Plan/Scheme	KOEL ESOP-2019
Date of Grants	5 March 2021
Vesting Requirements	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 three year from the date of vesting
Method of Settlement	Equity
Method used for accounting of Options	Fair Value Method

b. Employee Stock Option Plan

Grant date	Exercise Price	Options granted	Options Vested and Exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
5 March 2021	103.14	9,40,000	-	9,40,000	-	-	9,40,000
Total		**9,40,000**	**-**	**9,40,000**	**-**	**-**	**9,40,000**

c. **Option Movement during the year ended March 2021**

Particulars	No. of Options	Range of exercise prices Rs.	Weighted average exercise price Rs.	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	-	103.14	103.14	NA
Granted during the year	9,40,000			103.14
Forfeited/Lapsed during the year	-			NA
Exercised during the year	-			NA
Outstanding at the end of the year	9,40,000			103.14
Exercisable at the end of the year	-			NA

d. **Significant assumptions used to estimate the fair value of options:**

Variables	Weighted Average
1. Risk Free Interest Rate	5%
2. Expected Life	3.44
3. Expected Volatility	38%
4. Dividend Yield	2%
5. Price of the underlying share in market at the time of the option grant (Rs.)	171.90
6. Number of options granted	9,40,000

e. **Weighted average remaining contractual life of outstanding options (in years)**

Particulars	Life (In Years)
The weighted average Contractual life of Options Outstanding as on 31 March 2021	4.37
The weighted average Contractual life of Options Exercisable as on 31 March 2021	NA

f. **Effect of share-based payment transactions on the entity's Statement of Profit and Loss for the period:**

₹ in Crores

Particulars	31 March 2021	31 March 2020
Employee share based expenses	0.29	-
Total ESOP reserve outstanding at the end of the period	0.29	-

5.19.2 ESOP issued by Subsidiaries

The Subsidiary Company Arka Fincap Limited (formerly known as Kirloskar Capital Limited) provides share-based employee benefits to the employees of the Company. The relevant details of the schemes and the grant are as below.

Description of share-based payment arrangements

As at 31 March 2021, 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 Rs. 10 each. Pursuant to the said approvals and authority delegated by the Board and Shareholders of the Subsidiary Company, the Nomination and Remuneration Committee had made grants, the details of the same are produced in the below table.

a. Details of the ESOP

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
ESOP Plan/Scheme	ESOP-2019	ESOP-2019	ESOP-2019
Date of Grants	6 May 2019	1 November 2019	2 November 2020
Vesting Requirements	Vesting Criteria is specified for each Option Holder by the Nomination and Remuneration Committee at the time of grant of Options.		
Maximum term of Options granted (years)	Vesting period of option vary from employee to employee or class of employees. the maximum vesting period of option is five years from the date of grant of option. Options shall be capable of being exercised within a period of 6 years from the Date of Vesting.		
Method of Settlement	Equity		
Method used for accounting of Options	Fair Value Method		

b. Option Movement during the year ended March 2021

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
No. of Options outstanding at the beginning of the year	2,06,50,000	13,00,000	-
Options granted during the year	-	-	10,75,000
Options forfeited/lapsed during the year	-	-	-
Options exercised during the year	-	-	-
No. of Options outstanding at the end of the year	2,06,50,000	13,00,000	10,75,000
No. of Options exercisable at the end of the year	1,35,35,000	1,30,000	-
The weighted average share price of shares exercised during the year ended 31 March 2021	NA	NA	NA

c. Option Movement during the year ended March 2020

Particulars	ESOP Grant 1	ESOP Grant 2
No. of Options outstanding at the beginning of the year	-	-
Options granted during the year	2,06,50,000	13,00,000
Options forfeited/lapsed during the year	-	-
Options exercised during the year	-	-
No. of Options outstanding at the end of the year	2,06,50,000	13,00,000
No. of Options exercisable at the end of the year	-	-
The weighted average share price of shares exercised during the year ended 31 March 2021	NA	NA

d. Weighted average remaining contractual life of outstanding options (in years)

As at 31 March 2021

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
No. of Options outstanding at the end of the year	2,06,50,000	13,00,000	10,75,000
Contractual Life: Granted but not vested (in years)	0.9	1.51	2.28

As at 31 March 2020

Particulars	ESOP Grant 1	ESOP Grant 2
No. of Options outstanding at the end of the year	2,06,50,000	13,00,000
Contractual Life: Granted but not vested (in years)	0.85	2.32
Contractual Life: Vested but not exercised (in years)	NA	NA

e. Method and Assumptions used to estimate the fair value of options granted:

The fair value has been calculated using the Black Scholes Option Pricing model.

The Assumptions used in the model are as follows:

Particulars	ESOP Grant 1	ESOP Grant 2	ESOP Grant 3
Risk Free Interest Rate	7.40%	6.60%	5.80%
Weighted average expected life (in years)	6.00	7.00	7.00
Expected Volatility	1.00%	1.00%	1.00%
Weighted average exercise price (Rs.per share)	10.00	10.00	11.00

f. Effect of share-based payment transactions on the entity's Profit or Loss for the period:

₹ in Crores

Particulars	31 March 2021	31 March 2020
Employee share based expenses	2.27	4.72
Total ESOP reserve outstanding at the end of the period	6.99	4.72

5.20 Acquisitions (Business Combination)

La Gajjar Machineries Private Ltd

The Parent Company, on 21 June 2017 executed definitive share purchase agreement for acquisition of 100 % equity shares in La-Gajjar Machineries Private Limited (LGM). LGM is engaged in the business of manufacturing and sales of Submersible Pumps, Electric Motors, Electrical Switches and spares thereof. The acquisition has provided the Parent Company with the access to electric pump set market

On 1 August 2017 the Parent company acquired 76% of equity shares of LGM as per the terms of share purchase agreement for consideration of Rs. 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 Combinations', this contingent consideration is to be fair valued. Accordingly, the fair value was estimated at Rs. 0.85 Crores by applying the discounted cash flow approach to the expected EBITDA. The contingent consideration, was capitalized as investment by creating corresponding financial liability in the consolidated financials. The contingent consideration has been discharged in previous year.

The Parent Company had completed purchase price allocation within the measurement period and finalized value of Assets acquired, Liabilities assumed and the resulting Goodwill during the reporting period ended 31 March 2019.

Further, the Parent Company had entered into a shareholders agreement on 21 June 2017 to purchase remaining 24% equity shares. The Parent Company has a call option to acquire and simultaneously, shareholders of LGM have put option to sell the remaining equity shares to be exercised after holding period at a price based on mutually agreed upon formula. However, if the options are not exercised in the given option period, the Parent Company has to purchase remaining equity shares at the end of the option period by applying same formula agreed at the time of exercising options.

The Parent Company has made an initial assessment of impact due to Covid 19 pandemic while evaluating the purchase price of 24 % shares based on agreed upon formula and reasonably believes that it does not carry any intrinsic value.

Based on above and as per the terms of shareholders agreement, the Parent Company does not have present access to the returns associated with the ownership for such remaining 24% of shares. Hence, non-controlling interest (NCI) is continued to be recognised at the acquisition date as well as at each reporting date in the consolidated financials in accordance with provisions of IND AS 110 Consolidated Financial Statements. Accordingly, NCI has been measured at proportionate share in the LGM's identifiable net assets in accordance with provisions of IND AS 103 Business Combinations.

Further, since the Parent Company is obliged to purchase remaining 24% equity shares, the same is recognised as a non-current financial liability for future purchase consideration payable. The, fair value of the future purchase consideration payable is Rs. 116.19 (PY : Rs. 110.17) crores. It is measured in accordance with IND AS 109 Financial Instruments which is estimated by applying the discounted cash flow approach to probable adjusted revenue and earnings estimates and shown under the head Other Financial Liabilities (Non-Current) in Balance Sheet.

Subsequently non-controlling interest is derecognised and the difference between the NCI and fair value of future purchase consideration payable is adjusted to equity in accordance with IND AS 110 Consolidated Financial Statements.

5.21 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. 2020-21								
1. Parent:								
Kirloskar Oil Engines Ltd.	103.17%	1,983.15	87.06%	169.74	96.80%	4.57	87.29%	174.31
2. Subsidiary (Foreign):								
KOEL Americas Corp.	0.26%	5.09	0.28%	0.54	0.85%	0.04	0.29%	0.58
3. Subsidiary (Domestic):								
Arka Fincap Limited	35.03%	673.33	8.66%	16.88	1.91%	0.09	8.50%	16.97
La-Gajjar Machineries Pvt. Ltd.	4.16%	80.01	10.00%	19.50	0.59%	0.03	9.78%	19.53
Add/(Less): Minority interests in all subsidiaries	0.00%	-	-1.25%	(2.44)	-0.14%	(0.01)	-1.23%	(2.45)
Add/(Less): Inter-company eliminations	-42.63%	(819.44)	-4.75%	(9.26)	0.00%	-	-4.64%	(9.26)
Total	**100.00%**	**1,922.14**	**100.00%**	**194.96**	**100.00%**	**4.72**	**100.00%**	**199.68**
F.Y. 2019-20								
1. Parent:								
Kirloskar Oil Engines Ltd.	104.88%	1830.24	92.00%	170.38	92.83%	-1.94	91.99%	168.44
2. Subsidiary (Foreign):								
KOEL Americas Corp.	0.26%	4.52	0.56%	1.04	-2.39%	0.05	0.60%	1.09
3. Subsidiary (Domestic):								
Arka Fincap Limited	30.33%	529.29	3.29%	6.09	0.95%	(0.02)	3.31%	6.07
La-Gajjar Machineries Pvt. Ltd.	5.23%	91.33	6.22%	11.52	11.00%	(0.23)	6.17%	11.29
Add/(Less): Minority interests in all subsidiaries	0.00%	0.00	-1.46%	(2.71)	-2.39%	0.05	-1.45%	(2.66)
Add/(Less): Inter-company eliminations	-40.70%	(710.22)	-0.61%	(1.14)	0.00%	0.00	-0.62%	(1.14)
Total	**100.00%**	**1745.16**	**100.00%**	**185.18**	**100.00%**	**(2.09)**	**100.00%**	**183.09**

5.22 Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015 as applicable to the Company are disclosed under standalone financial statements.

5.23 Disclosure of interest in Subsidiaries and interest of Non Controlling Interest:

a. Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of Subsidiary	Place of Incorporation and Place of Operation	Proportion of ownership interest and voting power	
		2020-21	2019-20
KOEL Americas Corp.	U.S.A.	100%	100%
La-Gajjar Machineries Pvt. Ltd.	India	76%	76%
Arka Fincap Limited (formerly known as Kirloskar Capital Limited)	India	100%	100%

b. Details of Non-Wholly Owned subsidiaries that have material Non-controlling interest:

Name of Subsidiary	Place of Incorporation and Place of Operation	Proportion of ownership interest and voting rights held by Non-controlling interests		Profit / (Loss) allocated to Non-controlling interest (₹ in Crores)		Accumlated Non-controlling interest (₹ in Crores)	
		2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
La-Gajjar Machineries Pvt. Ltd	India	24%	24%	4.68	5.58	19.20	14.51

* Excluding Effects of Consolidation Adjustment

Refer Acquisition Note - 44.5.20

La-Gajjar Machineries Private Limited's principal activity - Manufacturing and selling of Submersibles, monoblock pumps, Stainless steel pumps and pump sets in the domestic and export markets.

c. Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations and are based on their standalone financial statements.

La-Gajjar Machineries Pvt. Ltd. **₹ in Crores**

Particulars	2020-21	2019-20
Current Assets	251.51	199.32
Non Current Assets	45.50	43.94
Current Liabilities	199.73	166.09
Non Current Liabilities	17.28	16.69
Equity Interest attributable to the owners	60.81	45.97
Non-controlling interest	19.20	14.51
Total Income	521.50	470.69
Expenses	494.80	447.43
Profit / (Loss) for the year	19.50	23.26
Profit / (Loss) attributable to the owners of the company	14.82	17.68
Profit / (Loss) attributable to the Non-controlling interest	4.68	5.58
Dividends paid to Non-controlling interest	-	-
Opening Cash & Cash Equivalents	0.22	1.17
Closing Cash & Cash Equivalents	0.17	0.22
Net Cash inflow/(outflow)	(0.05)	(0.95)

5.24 Research and Development Expenditure eligible for deduction under section 35(2AB) of Income Tax Act, 1961:

The approval for weighted deduction received from DSIR for the period 1 April 2019 to 31 March 2020 vide order no. TU/IV-15(476)/35(2AB)/3CM/333/2019 dated 20 January 2020. However, during the year, new section 115BAA is introduced by the CBDT. As per this section, option is given to all existing companies to either pay Income tax as per existing rates (i.e. 25% or 30% plus applicable surcharge and cess) or as per new concessional rate of 22% plus applicable surcharge and cess. This new rate is available only if company forgoes certain deductions including weighted deduction u/s 35(2AB). The Parent Company decided to adopt new rate u/s 115BAA. Since provisions of section 115BAA of the Income tax act, 1961 are applicable , company is not entitled to avail weighted deduction u/s 35(2AB) of the income tax act, 1961, for FY 2019-20. Thus the parent company will not avail weighted deduction benefit on in-house R&D expenditure for FY 2019-20 and subsequent financial years. However, Parent Company will continue to maintain separate set of books for in-house R &D activities

5.25 Disclosures pursuant to RBI Notification No. RBI/2019-20/170 DOR(NBFC) CC.PD.No.109/22.10106/2019-20 dated 13 March 2020 related to subsidiary company of Arka Fincap Limited (NBFC) are presented in standalone financials of Arka Fincap Limited.

5.26 Goodwill

Following is the summary of changes in carrying amount of goodwill: **₹ in Crores**

Particulars	**31 March 2021**	**31 March 2020**
Balance at the beginning of the year	184.50	184.50
Balance at the end of the year	184.50	184.50

Allocation of goodwill by segments is as follows: **₹ in Crores**

Particulars	**31 March 2021**	**31 March 2020**
Electric Pumps	184.50	184.50

Allocation of goodwill to cash-generating units:-

Goodwill has been allocated for impairment testing purposes to the underlying cash generating unit (‘CGU’) identified based on business segments. The goodwill impairment test is performed at the level of the CGU which are benefiting from the synergies of the acquisition and which represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount of CGUs is determined based on higher of value-in-use and fair value less cost to sell. Value-in-use is the present value of future cash flow projections based on financial budgets approved by management covering a five year period.

Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates and weighted average cost of capital. The long term growth rates is determined considering the average growth rate of the industry and that of the country (India) in which the CGU generates its revenue from. The weighted average cost of capital has been determined considering a long term target debt equity ratio of the CGU.

Cash flow projections take into account past experience and represent management's best estimate about future developments. The key assumptions used for the calculations are as follows:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Terminal growth rate	3%**	3%**
Pre-tax discount rate	21.78%	21.50%

** growth rate does not exceed long term average growth rate for the market in which CGU operates

The management believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the respective cash generating unit.

45 (Net Debt)/Surplus Reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2021

₹ in Crores

Particulars	31 March 2021	31 March 2020
Cash and Cash Equivalents	246.05	128.34
Current Borrowings	(269.85)	(84.92)
Non-Current Borrowings	(416.99)	(64.44)
(Net Debt)/Surplus	(440.79)	(21.02)

₹ in Crores

Particulars	Other Assets	Liabilities from financing activity	Total
	Cash and Cash Equivalents	Current Borrowings	
(Net Debt)/Surplus as on 31 March 2020	128.34	(149.36)	(21.02)
Cash Flows	117.71	(537.48)	(419.77)
(Net Debt)/Surplus as on 31 March 2021	246.05	(686.84)	(440.79)

46 Standard issued but not effective

On 24 March 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III (Division I, II and III) of the Companies Act, 2013. The amendment is applicable from 1 April 2021 and it specifies additional disclosures in the financial statements.

Key amendments in Division II applicable to the Company include:

- Disclosures for prior period errors in the statement of changes in equity
- Disclosure of shareholdings of promoters
- Disclosure for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development
- Disclosure of deviation from stated purpose in use of borrowings from banks and financial institutions

- Disclosures under 'additional regulatory requirements' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable properties not held in the name of the company, loans and advances to promoters, directors, key management personnel and related parties, details of benami property held etc.

- Disclosures relating to amount of expenditure on CSR, crypto or virtual currency, undisclosed income etc.

The amendments are extensive and the Company is in the process of evaluating the same to give effect to the same as required by law.

Exposure Drafts:

Following exposure drafts have been issued by the Institute of Chartered Accountants of India:

1. **Amendment to Ind AS 116, "Leases" - COVID-19-Related Rent Concessions beyond 30 June 2021**

   On 24 July 2020, the MCA issued the Companies (Indian Accounting Standard) Amendment Rules, 2020 which amended Ind AS 116 to provide relief for lessees in accounting for eligible rent concessions upto 31 July 2021 that are a direct consequence of COVID-19. The exposure draft on amendments to Ind AS 116 issued by the Institute of Chartered Accountants of India proposes amendments to extend the relief for lessees in accounting for eligible rent concessions upto 31 July 2022.

2. **Amendment to Ind AS 116, "Leases" - Interest Rate Benchmark Reform: Phase 2**

   The exposure draft on amendments to Ind AS 116 issued by the Institute of Chartered Accountants of India proposes amendments to include a practical expedient in respect of all lease modifications that change the basis for determining future lease payments as a result of interest rate benchmark reform.

3. **Amendments to Ind AS 37, "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts**

   The exposure draft on amendments to Ind AS 37 issued by the Institute of Chartered Accountants of India proposes amendments regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

4. **Amendments to Ind AS 16, "Property, Plant and Equipment" – Proceeds before Intended Use**

   The exposure draft on amendments to Ind AS 16 issued by the Institute of Chartered Accountants of India proposes amendments regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

5. **Amendments to Ind AS 103, "Business Combinations" – Reference to the Conceptual Framework**

   The exposure draft on amendments to Ind AS 103 issued by the Institute of Chartered Accountants of India proposes amendments to change out updated reference to "Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards" and update it with reference to "Conceptual Framework for Financial Reporting under Indian Accounting Standards". It also proposes certain consequential amendments.

6. **Amendments to Ind AS 101, "First-time Adoption of Indian Accounting Standards" – Subsidiary as a First-time Adopter**

   The exposure draft on amendments to Ind AS 101 issued by the Institute of Chartered Accountants of India proposes amendments to simplify the application of Ind AS 101 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

7. **Amendments to Ind AS 41, "Agriculture" – Taxation in Fair Value Measurements**

   The exposure draft on amendments to Ind AS 41 issued by the Institute of Chartered Accountants of India proposes amendments to remove a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in Ind AS 41 with those in other Ind AS's.

8. **Amendments to Ind AS 109, "Financial Instruments" and Ind AS 107, "Financial Instruments: Disclosures" - Interest Rate Benchmark Reform: Phase 2**

   The exposure draft on amendments to Ind AS 109 and Ind AS 107 issued by the Institute of Chartered Accountants of India proposes amendments to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of Ind AS's when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate.

9. **New Indian Accounting Standard (Ind AS) 117, Insurance Contracts**

   The exposure draft of Ind AS 117 is issued by the Institute of Chartered Accountants of India as replacement for Ind AS 104 Insurance Contracts.

   The above exposure drafts have not been notified by the Ministry of Corporate Affairs ('MCA') to be applicable from 1 April 2021 as at the date of approval of these financial statements. On issue of the amendment by MCA, the Company would evaluate the impact of the change in the financial statements.

47 Previous year's figures have been re-grouped wherever considered necessary to make them comparable with those of the current year.

Signatures to Note 1 to 47, forming part of the Consolidated Financial Statements.

As per our attached report of even date	For and on behalf of the board of directors	
FOR P G BHAGWAT LLP Chartered Accountants Firm Registration Number: 101118W / W100682	ATUL C. KIRLOSKAR Executive Chairman DIN: 00007387	SANJEEV NIMKAR Managing Director DIN: 07869394
SANJAY ATHAVALE Partner Membership Number : 83374 Pune : 13 May 2021	PAWAN KUMAR AGARWAL Chief Financial Officer FCA: 056975	SMITA RAICHURKAR Company Secretary ACS: A21265 Pune : 13 May 2021

Notes

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KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

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