KIRLOSKAR PNEUMATIC COMPANY LIMITED
A Kirloskar Group Company

Enriching Lives

SEC & LEG/ 32

July 29, 2020
Through online portal

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai 400 001
Scrip Code – 505283

Kind Atten.: Ms. Bharti Bhambwani, Corporate Relationship Manager

Sub.: Annual Report and Notice of the Annual General Meeting

Pursuant to Regulation 34 and any other applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the Annual report including Notice of the 45th Annual General Meeting of the Company for the financial year 2019-20.

In compliance with provisions of the Companies Act, 2013 ('the Act') and rules thereof, as amended, read with the General Circular No(s). 14/2020 dated 8th April, 2020, 17/2020 dated 13th April, 2020 and 20/2020 dated 5th May, 2020 issued by the Ministry of Corporate Affairs ('MCA Circulars') and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, read with the SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020, the Annual report including Notice of the Annual General Meeting are being sent only by email to all those Members, whose email addresses are registered with the Company / Registrar and Share Transfer Agent (RTA) / their respective Depository Participant(s).

The Annual Report containing the Notice of the Annual General Meeting has been uploaded on the website of the Company viz., www.kirloskarpneumatic.com.

Request you to take this on record.

Yours faithfully,
For Kirloskar Pneumatic Co.Ltd.

KIRLOSKAR PNEUMATIC CO. LTD. PUNE

Jitendra R Shah
Company Secretary
Membership No:17243
Encl.: As above

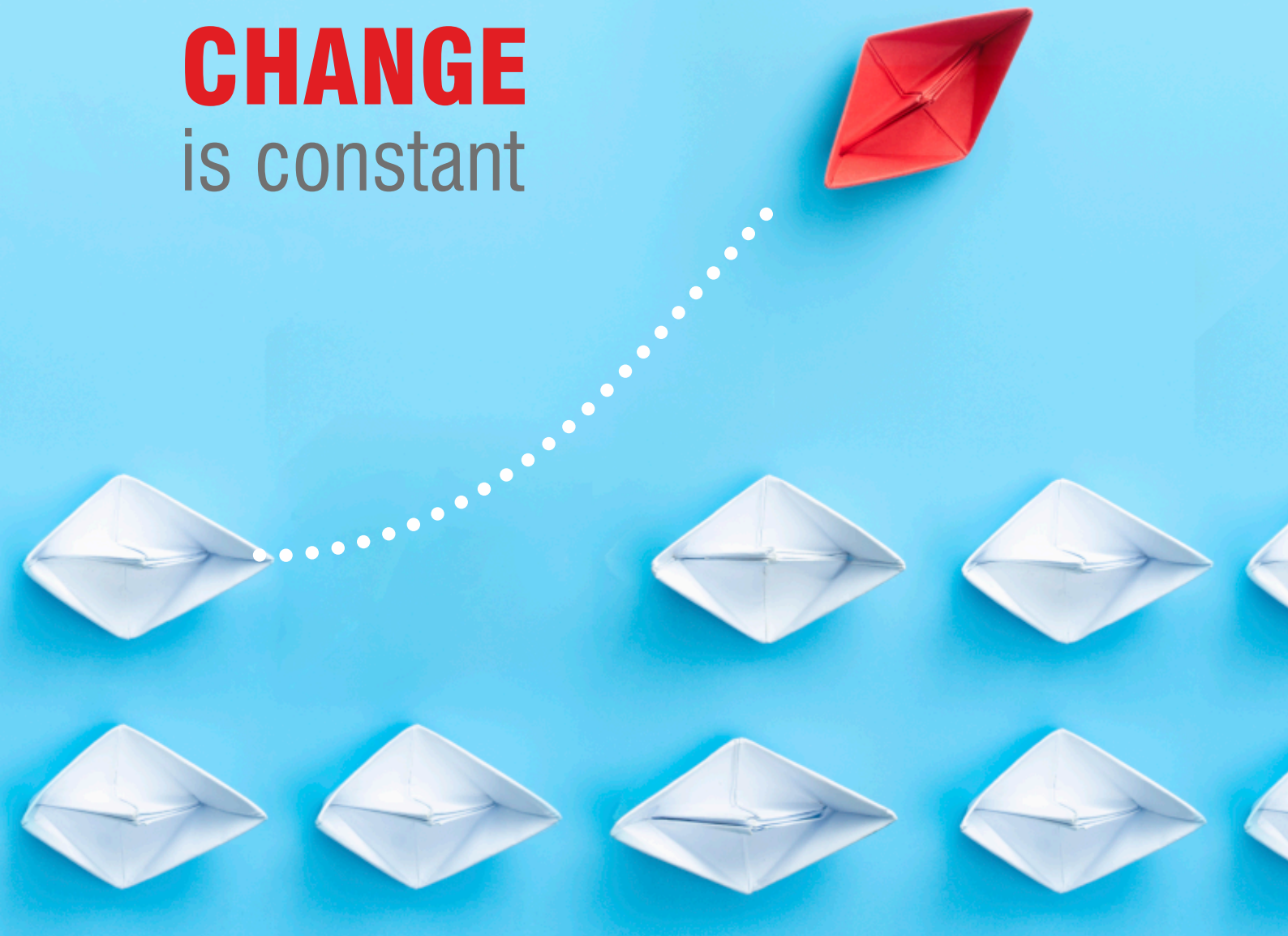
KIRLOSKAR PNEUMATIC COMPANY LIMITED

A Kirloskar Group Company

ANNUAL REPORT 2019 - 2020

Enriching Lives

CHANGE
is constant



Witness it or be it.

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

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

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

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

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

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

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

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

BOARD OF DIRECTORS

Mr. Rahul C. Kirloskar	Executive Chairman
Mr. Aditya Kowshik	Managing Director
Mr. Atul C. Kirloskar	
Mr. Vikram S. Kirloskar	
Mr. G. Krishna Rao	
Mr. D. R. Swar	
Mr. Sunil Shah Singh	
Dr. Ajay Kumar Dua	
Mr. K. Venkataramanan	
Mrs. Nalini Venkatesh	
Mr. K. Srinivasan	w.e.f. June 25, 2020

CHIEF FINANCIAL OFFICER
Mr. Suhas S. Kolhatkar

COMPANY SECRETARY
Mr. Jitendra R. Shah

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

SECRETARIAL AUDITORS
M/s. SVD & Associates, Company Secretaries

BANKERS
Bank of India
Bank of Maharashtra
ICICI Bank Ltd.
HDFC Bank Ltd.

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
Hadapsar Industrial Estate, Pune 411 013
Ph. No. 020 – 26727000
Email : sec@kpcl.net
www.kirloskarpneumatic.com
CIN : L29120PN1974PLC110307

Information for shareholders

Annual General Meeting

Friday, 21st August, 2020 at 11.30 a.m. (IST) through Video Conferencing or Other Audio Visual Means

Date of Book Closure :
Friday, 14th August, 2020 to Friday, 21st August, 2020 (both days inclusive)

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FINANCIALS AT A GLANCE

Rs in Million

Particulars	Ind AS					Indian GAAP				
	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Sales	**8,211.28**	7,102.44	6064.40*	5533.05*	5,088.78	4,409.59	5,099.27	5,488.09	6,666.14	4,917.32
Profit Before Tax	**719.15**	802.29	726.81	714.40	516.45	284.19	614.65	707.76	884.72	654.23
Profit After Tax	**534.92**	552.62	499.43	537.80	363.79	225.75	388.30	470.98	619.15	439.13
Dividend (%)	**135.00**	125.00	120.00	100.00	70.00	50.00	100.00	120.00	120.00	120.00
Dividend per share (Rs)	**2.70**	2.50	12.00	10.00	7.00	5.00	10.00	12.00	12.00	12.00
Dividend Amount	**173.40**	160.55	154.13	128.44	89.91	64.22	128.44	154.13	154.13	154.13
Earning per share (Rs)#	**8.33**	8.60	38.88	41.87	28.32	17.58	30.23	36.67	48.20	34.19
Book Value Per Share (R4)#	**77.02**	76.90	359.38	331.48	250.34	230.43	220.03	201.50	178.87	145.40
Share Capital	**128.44**	128.44	128.44	128.44	128.44	128.44	128.44	128.44	128.44	128.44
Reserves and Surplus	**4817.77**	4809.86	4,487.48	4,129.07	3,086.89	2,831.24	2,697.66	2,459.63	2,168.98	1,739.12
Shareholders' Funds	**4946.21**	4,938.30	4,615.92	4,257.51	3,215.33	2,959.68	2,826.10	2,588.07	2,297.42	1,867.56
Loan Funds	**277.78**	5.31	6.88	-	-	-	-	-	62.55	123.25
Total Capital Employed	**5,223.99**	4,943.61	4,622.80	4,257.51	3,215.33	2,959.68	2,826.10	2,588.07	2,359.97	1,990.81
Net Block	**2066.53**	1,217.81	748.09	793.65	817.42	970.59	1,139.07	1,020.38	905.86	847.82

***Note:**

1. The Company transitioned into Ind AS from 1st April, 2016.
2. Sales include excise duty of Rs. 59 Million collected from Customers upto 30th June, 2017 i.e. till the date of implementation of GST. (Previous year Rs. 388 Million for full year.)

   Sales net of excise duty is Rs. 6005.40 Million. (Previous year Rs. 5145.05 Million.)
3. #The equity shares of the Company were sub-divided from Rs. 10/- per share to Rs. 2/- per share w.e.f. September 27, 2018.

Green Initiative - Go Paperless!!!

Dear Shareholder(s),

In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (MCA) has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 ("MCA Circulars") permitted the holding of the AGM through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the MCA Circulars and the relevant provisions of the Companies Act, 2013 ("the Act") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") the AGM of the Company will be held through VC / OAVM. Further the Ministry of Corporate Affairs and Securities and Exchange Board of India (SEBI) has permitted the Companies to serve the documents viz. Annual Reports, Notice of general meetings / postal ballot, any other shareholders' communication etc. to the members through the electronic mode. Your Company, is also dedicated in preserving and protecting the environment and has been continuously seeking opportunities to reduce and conserve resources and minimize waste. To participate in this green initiative, you are requested to :

a) Register your email addresses to attend the Annual General Meeting and ensure prompt receipt of communication and avoid any loss during postal transit.

b) Convert your shares held in physical mode into dematerialized mode as the transfer of shares in physical mode is not allowed w.e.f. 1st April, 2019.to ensure safe and speedy transaction in securities.

c) Register your NECS facility (National Electronic Clearing System) for crediting your Dividend directly to your Bank Account.

Note :

- In case of Members holding shares in physical mode and who have not registered / updated their email addresses with the Company are requested to update their email addresses by writing to the Company at sec@kpcl.net or just follow the procedure at https://www.linkintime.co.in/EmailReg/Email_Register.html

NOTICE OF 45TH ANNUAL GENERAL MEETING

Notice is hereby given that the 45th Annual General Meeting ("AGM'") of the Members of Kirloskar Pneumatic Company Limited ('the Company') will be held on Friday, the 21st day of August, 2020 at 11.30 a.m. (IST) through video conferencing ('VC') or Other Audio Visual Means ('OAVM') facility, in compliance of provisions of the Companies Act, 2013 ('the Act') and rules thereof read with the General Circular No. 14/2020 dated 8th April, 2020; the General Circular No. 17/2020 dated 13th April, 2020 and the General Circular No. 20/2020 dated 5th May, 2020 issued by the Ministry of Corporate Affairs (hereinafter referred as "MCA Circulars") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020, to transact the businesses as mentioned below:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statement of the Company for the financial year ended 31st March, 2020 together with the Report of the Auditors' and Board of Directors thereon.

2. To confirm the payment of two Interim Dividends aggregating to Rs. 2.70 per equity share of Rs 2/- each already paid during the year as the Final Dividend for the financial year ended on 31st March, 2020.

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

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:

   "RESOLVED that pursuant to the provisions of Section 148 and any other applicable provisions of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) consent of the Company be and is hereby accorded for the payment of remuneration of Rs 6 Lakhs (Rupees Six Lakhs only) to Company's Cost Auditor, M/s. Sudhir Govind Jog, a proprietary firm of Cost Accountant, for auditing the cost records maintained by the Company for the financial year ending on 31st March, 2021."

NOTES :

1. Pursuant to "MCA Circulars", the Notice of the 45th AGM along with the Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to Special Business and instructions for e-voting are being sent only through electronic mode to those members whose email addresses are registered with the Company / RTA / Depository Participants. In view of the above, Members are requested to register at the earliest their email addresses or changes therein, if any, to receive the Annual Report including the AGM Notice electronically and to receive login ID and password for e-voting as per details given below:

   a) **Registration of Email Id for shareholders holding physical shares:**

      The Members of the Company holding Equity Shares in physical form and who have not registered their e-mail addresses may get their e-mail address registered with the Company's RTA, Link Intime India Pvt Ltd, by clicking the link: https://linkintime.co.in/emailreg/email_register.html or through their web site www.linkintime.co.in > Investor Services > E mail / Bank Registration > select 'KIRLOSKAR PNEUMATIC COMPANY LIMITED' and follow the registration

process as guided therein. The members are requested to provide details such as Name, Folio Number, Certificate number, PAN, Mobile number and Email ID and also upload the image of share certificate in PDF or JPEG format (up to 1 MB) and other supportings.

On submission of the shareholder's details, an OTP will be received by the shareholder, which needs to be entered in the link for verification.

Post successful registration of email, the shareholder would be provided soft copy of the notice, Annual Report and the procedure for e-voting along with the User ID and the Password to enable e-voting for this AGM. In case of any query, shareholder may write to pune@linkintime.co.in

b) **Registration for Demat shareholders:** Members are requested to register their e-mail address, in respect of demat holdings with their respective Depository Participant (DP) by following the procedure prescribed by them.

2. Pursuant to the MCA Circulars and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 issued by the Securities and Exchange Board of India (SEBI), the Companies are allowed to hold AGM through VC, without the physical presence of members at a common venue. Hence, in compliance with the Circulars, the AGM of the Company is being held through VC / OAVM.

3. Since the AGM is being held through VC / OAVM, in accordance with the above Circulars, the facility for appointment of proxies by the Members will not be available.

4. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 14th August, 2020 to Friday, 21st August, 2020 (both days inclusive) for the purpose of annual closing.

5. In order to get their future dividend, if any, through Electronic Clearing Service (ECS) Members who are holding shares in physical form are requested to inform their Bank Account Details i.e. Name of the Bank, Branch, its address, Account Number and Type of Account to M/s. Link Intime India Pvt Ltd (LIIPL) or to the Company. Shareholders holding shares in electronic form are requested to inform their Bank Account details to their respective Depository Participant.

6. All documents referred to in the notice and the explanatory statement requiring the approval of the Members at the Meeting will be made available for inspection through email. A member is requested to send an email to sec@kpcl.net for the same.

   Electronic copies of necessary statutory registers, certificate(s) and other documents, if any, will be available for inspection by the Members during the AGM.

7. Members' Queries :

   A Member, who wish to receive information regarding financial statements or matters to be placed at the AGM, shall send a request by providing full name, DP ID and Client ID / Folio Number and contact number from the registered e-mail ID to sec@kpcl.net at least 7 days in advance so as to enable the management to keep the information ready.

8. Speaker Registration for the AGM :

   A Member, who wish to ask questions or express views at the AGM, shall register with the Company as a 'Speaker' by sending a request by providing full name, DP ID and Client ID / Folio Number and contact number from the registered e-mail ID to sec@kpcl.net at least 4 days in advance before the meeting.

   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.

9. In terms of the provisions of Section 124 of the Companies Act, 2013, the amount of dividend not encashed or claimed within seven (7) years from the date of its transfer to the unpaid dividend account, will be transferred to the Investor Education and Protection Fund (IEPF) established by the Government. Accordingly, the unclaimed dividend in respect of financial year 2012-13 is due for transfer to the said Fund on 27th August, 2020.

10. Members who have neither received nor encashed their dividend warrant(s) for the financial years 2012-13 to 2019-20, are requested to write to the Company / Registrar & Transfer Agent, M/s. Link Intime India Pvt. Ltd., mentioning the relevant Folio number or DP ID and Client ID and submit bank account details and original cancelled cheque for getting the credit of unpaid dividend amount, before the amount becomes due for transfer by following below mentioned procedure :

Registration of Bank Details for Physical Shareholders

The Members of the Company holding Equity Shares of the Company in physical Form and who have not registered their bank details can get the same registered with M/s. Link Intime India Pvt. Ltd., by clicking the link: https://linkintime.co.in/emailreg/email_register.html or through their web site www.linkintime.co.in > Investor Services > E mail / Bank Registration > select 'KIRLOSKAR PNEUMATIC COMPANY LIMITED' and follow the registration process as guided therein. The members are requested to provide details such as Name, Folio Number, Certificate number, PAN, Email ID alongwith the copy of the cheque leaf with the first named shareholder's name imprinted in the face of the cheque leaf containing bank name and branch, type of account, bank account number, MICR details and IFSC code in PDF or JPEG format. It is very important that the shareholder shall submit the request letter duly signed.

LIIPL will verify the documents uploaded and will only take on record valid cases.

On submission of the shareholder's details, an OTP will be received by the shareholder which needs to be entered in the link for verification.

Registration of Bank Details for Shareholders holding shares in Electronic Form

Members holding shares in electronic form are requested to submit the Bank Details directly to their Depository Participants (DP).

11. Equity shares of the Company are under compulsory demat trading by all investors. Considering the advantage of scripless trading, Members are encouraged to consider dematerialization of their shareholding so as to avoid inconvenience in future.

12. Instructions for E-Voting and procedure for attending the AGM through VC / OAVM facility

Pursuant to provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended); the Company is pleased to provide the Members the facility to exercise the right to vote on resolutions proposed to be considered at AGM by electronic means through National Securities Depository Limited ('NSDL') and the business may be transacted through e-voting services.

The Remote e-voting period commences on Tuesday, 18th August, 2020 at 9.00 a.m. (IST) and ends on Thursday, 20th August, 2020 at 5.00 p.m. (IST). During this period, Members of the Company holding shares either in physical form or in dematerialized form as on the Cut-off date i.e. Thursday, 13th August, 2020 may cast the vote electronically through remote e-voting. The remote e-voting facility shall be disabled by NSDL for voting after 5.00 p.m. on Thursday, 20th August, 2020.

Voting rights shall be reckoned on the number of shares registered in the name of the Member as on the Cut-off date, i.e. Thursday, 13th August, 2020.

A Member attending the AGM, who has not casted the vote by means of remote e-voting, shall be able to cast the vote at the AGM through e-voting.

Members are requested to follow the instructions given below for casting the votes through e-voting and for attending the meeting through VC / OAVM facility :

Step 1 : How to Login to NSDL Website

1. Visit the e-Voting website of NSDL viz. https://www.evoting.nsdl.com/
2. Once the home page is launched, click on the icon 'Login' available under 'Shareholders / Members' section.
3. 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. User ID details shall be entered in following manner :

Members holding shares in	Your User ID is :
a) 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) Demat account with CDSL	16 Digit Beneficiary ID For example if your Beneficiary ID is 12**********, then your User ID is 12**********
c) 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. Then enter your password as under :
   (a) If you are already registered for e-voting, then you can use your existing password to login and cast your vote.
   (b) If you are using NSDL e-voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
   (c) How to retrieve your 'initial password' :
      a) 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. 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'.
      b) If your email ID is not registered, then kindly follow procedure for procuring User ID and password for e-voting and accessing the VC / OAVM facility at the AGM.
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) Click on "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 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. After you click on the "Login" button, Home page of e-voting will open.

Step 2 : How to cast your vote electronically on NSDL e-Voting system ?

1. After you have successfully logged into NSDL e-voting system, you will see the home page of e-voting. Click on e-voting and then on Active Voting Cycles.
2. After you click on Active Voting Cycles, you will be able to see "EVEN" of all the companies in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of Kirloskar Pneumatic Company Limited to cast your vote.
4. Now you are ready for e-voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify / modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

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

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

1. Log in on the NSDL website at https://www.evoting.nsdl.com using your remote e-voting credentials.
2. After you have successfully logged into NSDL e-voting system, you will see the home page of e-voting. Click on "EVEN" of Kirloskar Pneumatic Company Limited and then on 'Video streaming facility'. The link for VC / OAVM facility will be available in Shareholders / Members login, where EVEN of the Company will be displayed.
3. Kindly note that a Member, who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password, may retrieve the same by following instructions provided in Step 1 above to avoid last minute rush. Further, a Member can also use the OTP based login for logging into the e-voting system of NSDL.
4. In case of any query relating to attending the AGM through VC / OAVM, kindly contact Ms. Pallavi Mhatre, Manager, National Securities Depository Limited, 4th Floor, 'A' wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400013. Email : evoting@nsdl.co.in / pallavid@nsdl.co.in Telephone Nos. +91 (22) 2499 4545 or 1800-222-990

Procedure for procuring User ID and password for Members, who have not registered their email ID :

1. In case shares are held in physical form, kindly provide your name, Folio Number, scanned copy of the share certificate (front and back), Income Tax PAN (self-attested scanned copy) and AADHAR (self-attested scanned copy) by email to pune@linkintime.co.in

2. In case shares are held in demat form, kindly provide your name, DP ID and Client ID (16 digit DPID plus Client ID or 16 digit Beneficiary ID), client master or copy of Consolidated Account statement, Income Tax PAN (self-attested scanned copy) and AADHAR (self-attested scanned copy) by email to pune@linkintime.co.in

13. General Guidelines for shareholders

1. 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 to deulkarcs@gmail.com with a copy marked to evoting@nsdl.co.in

2. 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.

3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in

4. 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).

5. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of Thursday, 13th August, 2020.

6. Members are requested to follow detailed instructions provided at Step 3 above in the section 'Instructions for e-voting and procedure for attending the AGM through VC / OAVM facility'.

7. VC / OAVM facility for the AGM will be made available on the date of AGM from 15 minutes before the scheduled time till end of 15 minutes after the scheduled time for 1,000 Members on first-come-first-served basis.

   This restriction will not apply to a Member holding more than 2 percent 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.

8. Members are encouraged to join the AGM through Laptop / desktop for better experience and use internet with a good speed to avoid any disturbance. 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 glitches.

9. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 13th August, 2020, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or pune@linkintime.co.in

   However, if you are already registered with NSDL for 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?"

option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990

10. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.

11. 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 only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through e-voting.

12. Mr Sridhar Mudaliar of SVD & Associates, Company Secretaries (Membership No. FCS: 6156) has been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the e-voting process in a fair and transparent manner.

13. 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 to all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.

14. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company www.kirloskarpneumatic.com and on the website of NSDL www.nsdl.co.in 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 BSE Limited, Mumbai.

14. Re-appointment of Director at the Annual General Meeting :

Mr. Rahul C Kirloskar (DIN 00007319) aged 56 years, is liable to retire by rotation and being eligible, offers himself for re-appointment. Pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, particulars of the aforesaid Director are mentioned below:

Mr. Rahul C Kirloskar has been associated with the Kirloskar Group of Companies for more than twenty five years at senior levels in different capacities. He started his career in the then Kirloskar Cummins Ltd. and later joined a family owned small-scale unit where he worked for a period of 3 years. In 1989, he joined erstwhile Kirloskar Pneumatic Company Ltd. (KPCL) as Sr. Manager Operations for the Air Compressors Division.

He was promoted as Joint Managing Director of KPCL in July 1991. He was also appointed as a Director on K.G. Khosla Compressors Limited in September 1993 with which KPCL was amalgamated in 2002. He continued to be a Director of the amalgamated Company which was renamed as Kirloskar Pneumatic Company Limited (the Company). In December, 1993 he was appointed as the Managing Director of KPCL and thereafter in September 1998, he took over as the Chairman of the Company. In June 2001 (till January 2012), he was appointed as the Director Exports of Kirloskar Oil Engines Limited (KOEL), wherein the major thrust areas were expanding export operations for KOEL and the entire KIRLOSKAR GROUP.

After gaining expertise by participating in an intensive course for top management professionals on Total Quality Management (TQM) in Japan, he played a pivotal role in reinforcing KPCL's focus on reducing overheads in the Company.

Mr. Rahul C Kirloskar took over as Executive Chairman of the Company from 2012. Mr Rahul C Kirloskar has also been Chairman of Confederation of Indian Industry (CII) Pune Council as well as Maharashtra State CII Council.

Mr. Rahul C Kirloskar is a Chairman of the Corporate Social Responsibility Committee & Share Transfer Committee and Member of Stakeholders Relationship Committee of the Company.

The Directorships / Committee Membership in other companies:

Name of the Companies	Board position held	Committee position held
Kirloskar Oil Engines Limited	Director	Corporate Social Responsibility Committee – Chairman Nomination and Remuneration Committee – Member
Kirloskar Ferrous Industries Limited	Director & Vice Chairman	Corporate Social Responsibility Committee – Chairman
Kirloskar Proprietary Limited	Director	–
J.K. Fenner (India) Limited	Independent Director	Audit Committee – Member Nomination and Remuneration Committee – Member
Alpak Investments Private Limited	Director & Chairman	-
Asara Sales and Investment Private Limited	Director	-
Greentek Systems (India) Private Limited	Director & Chairman	-
Kirloskar Energen Private Limited	Director	-
Kirloskar Solar Technologies Private Limited	Director	-

The last drawn remuneration of Mr. Rahul C Kirloskar, Director is given in the Report on Corporate Governance.

Mr. Rahul C Kirloskar holds 74,93,650 shares in the Company, the said shareholding is considered in the name of the first holder (PAN based) only.

Mr. Rahul C Kirloskar, Director of the Company being the brother of Mr. Atul C Kirloskar, Director is related to each other.

Registered Office :
Hadapsar Industrial Estate,
Pune 411 013
Date : 25th June, 2020

By Order of the Board of Directors
sd/-
Jitendra R Shah
Company Secretary

ANNEXURE TO THE NOTICE

The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013

ITEM NO. 4 OF THE NOTICE

The Board of Directors at their meeting held on 25th June, 2020, based on the recommendation of the Audit Committee, had appointed M/s Sudhir Govind Jog, a proprietary firm of Cost Accountants as Cost Auditors of the Company for auditing the cost records maintained by the Company for the financial year ending on 31st March, 2021 and also fixed their remuneration for the said purpose.

Pursuant to the provisions of Section 148 and any other applicable provisions of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) remuneration payable to the Cost Auditors is required to be ratified by the Members of the Company.

None of the Directors and Key Managerial Personnel or their relatives are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 4.

The Board recommends the proposed resolution as set out at Item No. 4 of the Notice for approval of the Members.

Registered Office :
Hadapsar Industrial Estate,
Pune 411 013
Date : 25th June, 2020

By Order of the Board of Directors
sd/-
Jitendra R Shah
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting this Report with Audited Annual Accounts of the Company for the year ended 31st March, 2020.

1. COMPANY SPECIFIC INFORMATION

1.1. Financial Summary & Highlights

The financial results for the year ended 31st March, 2020 are summarized below:

Amount in Million

	2019-20	2018-19
Total Income	**8,395.96**	7,247.50
Profit before tax	**719.15**	802.29
Tax Expense (Current & Deferred tax)	**184.23**	249.67
Profit after tax	**534.92**	552.62
Other Comprehensive Income / (Loss)	**(213.41)**	33.00
Total Comprehensive Income for the year, net of tax	**321.51**	585.62
Transferred to General Reserve	**300.00**	300.00

Your Company achieved total income of Rs 8,395.96 Million for the financial year 2019-20, against last year's Rs 7,247.50 Million an increase of 15.84%. Your Company earned a net profit of Rs 534.92 Million, against last year's Rs 552.62 Million.

1.2. Reserves

During the reporting year, Rs 300 Million has been transferred to the General Reserves of the Company.

1.3. Dividend

During the reporting year, the Board of Directors declared first interim dividend of Re 1 (50%) per equity share of Rs 2/- each and second interim dividend of Rs 1.70 (85%) per equity share of Rs 2/- each aggregating to Rs 2.70 (135%) per equity share of Rs 2/- each for the year 2019-20. The Board of Directors therefore do not recommend any further dividend, treating two interim dividends paid as final dividend for the year 2019-20.

The aggregate payout in respect of dividend for the year 2019-20 has been Rs 173.40 Million and the Company has paid Rs 35.64 Million towards dividend distribution tax thereon.

This is in addition to Rs 96.33 Million paid as final dividend for the year 2018-19 and payment of Rs 19.80 towards dividend distribution tax thereon.

1.4. Major events that occurred during the year

Segment-wise position of business and its operations

Due to nationwide lockdown imposed by the Central Government in order to contain the spread of COVID-19 Pandemic, Company's operations were suspended in all its plants with effect from 23rd March, 2020, which consequently significantly affected the business of the Company during the remaining period of the financial year.

Despite the disruption in business activities due to COVID-19 Pandemic, your Company achieved revenue for the Compression Segment of Rs 7,678.33 Million for the financial year 2019-20, against last year's Rs 6,614.43 Million an increase of over 16%. Revenue for the Transmission Segment remained stagnant around Rs 470 Million for the financial year 2019-20.

On the brighter side the Government's focus on Natural Gas did not waver in allocations for GAs (Geographical Areas). Your Company received a major part of the CNG orders that were

finalized during the lock-down period. Many Rate Contracts were finalized with various Gas Distribution Companies and there was a steady inflow of orders against these Rate Contracts for various locations in India.

The drop in oil prices was expected to hurt investments in Refineries and Petro-chemicals but all tenders that were floated before the lock-down are progressing smoothly and your Company has received a few significant orders during the lock-down period.

We are also pleased to report that the RoadRailer Operations grew in the last quarter of the year and revenue from the operations was Rs 50 Million.

2. CAPITAL STRUCTURE

Employee Stock Option Scheme

Your Company, during the year, introduced a stock option scheme in order to motivate, incentivize and reward employees. This scheme is called 'KPCL Employee Stock Option Scheme 2019' (hereinafter referred as 'KPCL ESOS 2019' or 'Scheme'). Your Company views employee stock options as an instrument that would enable the employees to share the value they create for the Company and align individual objectives of the employees with the objectives of the Company. The Board of Directors and the Nomination and Remuneration Committee of the Company are authorised to administer the said scheme pursuant to the approval of the shareholders in the Annual General Meeting held on 20th July, 2019. The Nomination and Remuneration Committee at its meeting held on 22nd October, 2019 approved the grant of 6,84,000 stock options exercisable into 6,84,000 Equity Shares of Rs 2/- each of the Company to its specified employees. KPCL ESOS 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 is as under:

Options granted during the year 2019-20		6,84,000
Options vested during the year 2019-20		Nil
Options exercised during the year 2019-20*		NA
The total number of shares arising as a result of exercise of option during the year 2019-20*		NA
Options lapsed during the year 2019-20		Nil
The exercise price		Rs 120
Variation of terms of options during the year 2019-20		No variation
Money realized by exercise of options during the year 2019-20		Nil
Total number of options in force during the year 2019-20		6,84,000
Employee wise details of options granted to :		
1.	Key Managerial Personnel:	
	Mr Aditya Kowshik, Managing Director	40,000
	Mr Suhas S Kolhatkar, Vice President and Chief Financial Officer	40,000
	Mr Jitendra R Shah, Company Secretary	8,000
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 2019-20.	Nil
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 2019-20.	Nil

*Not yet vested

The certificate from M/s P G Bhagwat, Chartered Accountants, 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 Company at its Annual General Meeting held on 20th July, 2019, would be placed before the shareholders at the ensuing Annual General Meeting. A copy of the same will be available for inspection at the Company's website and can be accessed on the following weblink https://www.kirloskarpneumatic.com/site/assets/files/5175/certificate_of_statutory_auditors.pdf

The disclosures on the scheme, details of options granted, changes to the scheme, if any, etc. are placed on the website of the company as required under 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 following weblink https://www.kirloskarpneumatic.com/site/assets/files/5174/employee_stock_option_plan.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.

3. AWARDS

During the reporting year, your Company has received

HR Association of India conferred three National Level Awards to KPCL:

- Best Diversity & Inclusion – Diamond Award
- Most Innovative L & D Program – Gold Award
- Business HR Award

Your Company was also recognised as Best Employer Brand 2019 by World HRD Congress.

During the reporting year, your Company has received:

Awards in the 33rd National Convention on Quality Concepts NCQC – 2019 organized by QCFI:

- 1 "Par Excellence Award Trophy"
- 1 "Excellence Award Trophy"

Awards in the 34th Annual Chapter Convention on Quality Concepts CCQC – 2019 organized by QCFI:

- 2 "Gold Trophy"
- 2 "Silver Trophy"
- 1 "Bronze Trophy"

Award in the Safety Week Competition 2020 organized by QCFI:

- 1 "Silver Trophy"

4. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

No Loans, Guarantees covered under the provisions of Section 186 of the Companies Act, 2013 are given / provided / made during the reporting year.

During the reporting year, the Company subscribed to 4,87,500 Equity Shares of Rs 10/- each of Kirloskar Management Services Private Limited. Company has also made investments in Mutual Funds.

5. INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Details of the transfer/s to the IEPF made during the year as mentioned below:

During the reporting year, your Company transferred following amount and shares to the Investor Education and Protection Fund.

Final Dividend for the year 2011-12	2,548,692
No. of shares of Rs 2/- each	79,605

Year wise amount of unpaid / unclaimed dividend lying in the unpaid account up to the Year and the corresponding shares, which are liable to be transferred to the IEPF and the due dates for such transfer:

Sr. No.	Year	Amount to be Transferred as on 31-03-2020	Corresponding Number of Equity Shares of the Company	Date of Transfer
1	Final Dividend 2012-13	2,543,136	211,928	27-Aug-20
2	Final Dividend 2013-14	2,154,580	215,458	27-Aug-21
3	Final Dividend 2014-15	1,230,910	246,182	03-Sep-22
4	Dividend 2015-16 (Interim)	1,646,365	235,195	19-Apr-23
5	Dividend 2015-16 (Interim - PHL)	1,430,118	158,902	06-May-23
6	Dividend 2016-17 (Interim - PHL)	1,232,182.5	164,291	03-May-24
7	Final Dividend 2016-17	4,318,480	431,848	01-Sep-24
8	Final Dividend 2017-18	3,871,164	322,597	29-Aug-25
9	Dividend 2018-19 (Interim)	1,627,651	1,627,651	28-Feb-26
10	Final Dividend 2018-19	2,399,631	1,599,754	25-Aug-26
11	Dividend 2019-20 (Interim)	1,677,501	1,677,501	28-Feb-27
12	Dividend 2019-20 (Second Interim)	3,999,557.7	2,352,681	09-Feb-27

Note : The Sr No. 5 & 6 states the amount of dividend declared and paid by erstwhile Pneumatic Holdings Limited, which was merged into the Company w.e.f. 28th April, 2017 by virtue of the order of the Hon'ble Bombay High Court.

6. DIRECTORS

i. Changes in Composition of the Board of Directors

All Independent Directors of the Company are registered with the Indian Institute of Corporate Affairs (IICA) pursuant to the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended.

In terms of Section 150 of the Act read with Rule 6(4) of the Companies (Appointment & Qualification of Directors) Rules, 2014, the Independent Directors are required to undertake online proficiency self-assessment test conducted by the IICA within a period of one (1) year from the date of inclusion of their names in the data bank, if required.

Pursuant to special resolutions passed in the Annual General Meeting held on 20th July, 2019, Mr Sunil Shah Singh and Mr G Krishna Rao were re-appointed as Independent Director(s) of the Company. The Board of Directors is of the opinion that both the Directors hold the highest standards of integrity and possess necessary expertise and experience in the field in which your Company operates.

Both the Directors hold requisite qualification of proficiency as they have served as a Director of listed Companies for more than 10 years as on the date of inclusion of their names in the databank in terms of Section 150 of the Act read with Rule 6(4) and Explanation thereto of the Companies (Appointment & Qualification of Directors) Rules, 2014 and they are not required to undertake any online proficiency self-assessment test conducted by IICA.

During the reporting year, your Company re-appointed Mr Aditya Kowshik as Managing Director upto 1st January, 2021 by way of Ordinary Resolution passed in the Annual General Meeting held on 20th July, 2019.

Mr Rahul C Kirloskar, Director (designated as 'Executive Chairman') retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

The necessary resolution for appointment of Mr Rahul C Kirloskar is being placed before you.

ii. Changes in KMP

During the year under review, there was no change in the Key Managerial Personnel.

iii. Declaration from Independent Directors and Statement on Compliance of Code of Conduct

Your Company has received necessary declarations from all its Independent Directors stating that they meet the criteria of independence as provided in Sub-section (6) of Section 149 of the Companies Act, 2013 and Regulation 16 (1) (b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Independent Directors have complied with the code for Independent Directors prescribed in Schedule IV to the Companies Act, 2013.

The Directors and Senior Management Personnel have complied with the Code of Conduct for Directors and Senior Management.

iv. Directors Appointment and Remuneration Policy

The Board has on the recommendation of the Nomination and Remuneration Committee adopted a policy for selection and appointment of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel and their remuneration. Policy also consists of the guidelines for determining the remuneration of Executive Directors, Non-Executive Directors, KMP and Senior Management and Directors & Officer's Liability Insurance.

The Remuneration Policy is available on the website of the Company, viz. www.kirloskarpneumatic.com

v. Board Evaluation

The annual evaluation framework for assessing the performance of Directors comprises the following key areas:

a) Attendance in the meetings, participation and independence during the meetings;

b) Interaction with Management;

c) Role and accountability of the Board;

d) Knowledge and proficiency;

e) Strategic perspectives or inputs.

The evaluation involves assessment by the Nomination and Remuneration Committee and Board of Directors. A member of the Nomination and Remuneration Committee and Board does not participate in the discussion of his / her evaluation.

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 (10) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out performance evaluation of its own performance and that of its committees and individual Directors.

vi. Number of Meetings of the Board

A calendar of meetings is prepared and circulated in advance to the Directors. During the year, five Board Meetings were convened and held, the details of which are given in the Report on Corporate Governance. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

vii. Composition of Committee Meetings

The composition of the Audit Committee, Nomination and Remuneration Committee & Stakeholders' Relationship Committee constituted by the Board under the Companies Act and Listing Regulations as well as changes in the composition, if any and no. of meetings held during the year forms part of the Report on Corporate Governance.

viii. Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanation obtained by them, the Directors in terms of clause (c) of Sub-section (3) of Section 134 state that:

a) In the preparation of the annual accounts, the applicable Indian Accounting Standards (IND AS) have been followed and there have been no material departures;

b) Accounting policies as mentioned in the financial statements have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2020 and of the profit of the company for the year ended on that date;

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for prevention and detection of fraud and other irregularities;

d) The annual accounts have been prepared on a going concern basis;

e) Proper internal financial controls have been laid down for the company and that such internal financial controls are adequate and are operating effectively; and

f) Proper systems to ensure compliance with the provisions of all applicable laws are in place and that such systems are adequate and operating effectively.

7. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions which were entered into during the financial year were on an arm's length basis and in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

The statement that the transactions are at arm's length and in the ordinary course of business is supported by a certificate from the Managing Director. The Company has also obtained the certificate from a Chartered Accountant on periodical basis.

All Related Party Transactions have been placed before the Audit Committee for their approval and to the Board, as and when required.

In certain cases, prior omnibus approval of the Audit Committee is obtained on a yearly basis. The transactions entered into pursuant to the omnibus approval so granted are reviewed by the Audit Committee on a quarterly basis.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website.

The disclosures as per Indian Accounting Standards (IND AS) for transactions with related parties are provided in the Financial Statement of the Company.

8. RISK MANAGEMENT

The provisions related to the Risk Management Committee of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are not applicable to the Company.

The Company has a Risk Management Committee of Board, Corporate Risk Management Committee and Segment Level Risk Committees.

The Company has a Risk Management framework to identify, evaluate business risks and opportunities. To strengthen the risk management framework, Company has Segment Level Risk Committees, Corporate Risk Management Committee and Board level Risk Management Committee. This framework seeks to minimize adverse impact on the business objectives and enhance the Company's competitive advantage.

9. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an Internal Control System commensurate with the size, scale and complexity of its operations. The scope of the Internal Audit is decided by the Audit Committee and the Board. To maintain its objectivity and independence, the Board has appointed an external Auditor, which reports to the Audit Committee of the Board on a periodic basis.

The Internal Auditor monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies for various functions of the Company. Based on the report of Internal Auditor, process owners undertake corrective action wherever required in their respective areas and thereby strengthen the controls further. Audit observations and actions taken thereof are presented to the Audit Committee of the Board on periodic basis.

During the reporting year, Internal Financial Controls laid down by the Board were tested for adequacy & effectiveness and no reportable material weakness in the design or operations were observed. The Company has policies and procedures in place for ensuring proper and efficient conduct of its business, safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records and timely preparation of reliable financial information. Statutory Auditors have also certified adequacy of internal financial controls system over financial reporting.

10. AUDITORS

a) Statutory Auditors

The Auditors of the Company, M/s P G Bhagwat, Firm Registration No. 101118W, Chartered Accountants, Pune, were appointed for a period of five years in 41st Annual General Meeting. They continue to be the Auditors of the Company for the financial year 2020-21 also.

There are no qualifications, reservations or adverse remarks or disclaimer made by the Statutory Auditors in their Audit Report for the year ended 31st March, 2020.

b) Cost Auditors

The Board of Directors had, on the recommendation of the Audit Committee, appointed M/s Sudhir Govind Jog, a proprietary firm of Cost Accountant to audit the cost accounts of the Company for the financial year 2020-21 on a remuneration of Rs 0.6 Million.

As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification. Accordingly, a resolution seeking Members' ratification for the remuneration payable to M/s Sudhir Govind Jog, a proprietary firm of Cost Accountant for the year ended on 31st March, 2021 is included at Item No. 4 of the Notice convening the 45th Annual General Meeting.

c) **Secretarial Audit**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s SVD & Associates, a partnership firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit is annexed herewith as Annexure "1", containing few observations made by the Secretarial Auditors in their Secretarial Audit Report for the year ended 31st March, 2020, which are self-explanatory.

M/s SVD & Associates, a partnership firm of Company Secretaries has submitted Annual Secretarial Compliance Report as laid down in SEBI Circular CIR/CFD/CMD1/27/2019 dated 8th February, 2019. There are few observations made by the Secretarial Auditors in their Annual Secretarial Compliance Report for the year ended 31st March, 2020, which are self-explanatory.

11. SECRETARIAL STANDARDS

The Institute of Company Secretaries of India had revised the Secretarial Standards on Meetings of the Board of Directors (SS-1) and Secretarial Standards on General Meetings (SS-2) with effect from 1st October, 2017. The Company is in compliance with the revised Secretarial Standards.

12. REPORTING OF FRAUDS BY AUDITORS

During the reporting year, neither the statutory auditors nor the secretarial auditor has reported to the Audit Committee, under Section 143 (12) of the Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Board's report.

13. CORPORATE GOVERNANCE

The Company endeavors to maximize the wealth of the shareholders by managing the affairs of the Company with pre-eminent level of accountability, transparency and integrity. A report on Corporate Governance including the relevant Auditors' Certificate regarding compliance with the conditions of Corporate Governance as stipulated in Regulation 34 (3) read with Part E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 along with Management Discussion and Analysis are annexed and forms part of the Annual Report. Discussion on state of Company's affairs has been covered in the Management Discussion and Analysis Report.

14. EXTRACT OF ANNUAL RETURN

The extract of Annual Return as provided under Sub-section (3) of Section 92 of the Companies Act, 2013 is available on the website of the Company namely www.kirloskarpneumatic.com

15. CORPORATE SOCIAL INITIATIVES

As part of its initiatives under Corporate Social Responsibility (CSR), the Company has undertaken projects in the areas of Promoting Education, Education of Girls, Environment, Health and Sanitation. These projects are largely in accordance with Schedule VII of the Companies Act, 2013.

Your Company has contributed an amount of Rs 6.5 Million by way of donation to Kirloskar Institute of Advanced Management and Studies for promoting education.

Sanitation, which is a national agenda, your Company has taken the initiative to create awareness about WaSH (water, sanitation and hygiene) among 32,000+ students from 41 schools in the vicinity of Hadapsar, Saswad and Nasik Plant by deploying 130+ employee volunteers (3,200+ manhours contribution) and training these volunteers to implement various WaSH modules throughout the academic year.

Kirloskar Vasundhara Film Festival on the theme of "NO to Plastic, YES to Earth" was organized by your Company through 'Kirloskar Vasundhara Club' of employee volunteers in 14 schools and 1 college in the vicinity of Hadapsar and Saswad Plant during this year, creating awareness about plastic pollution for 14,000+ students.

To create awareness about HIV AIDS amongst different sections of the society your Company's DISHA project reached out to 63,000+ members of the general community including secondary school and junior college students.

Your Company has carried out preventive health eye checkup of 16,000+ students (1,600+ students vision improved by providing free spectacles) from 12 schools and colleges in the vicinity of Hadapsar and Saswad Plant. Additionally, 788 teachers from 19 schools and colleges underwent preventive health checks.

200 socio-economically challenged students, majority being girls from schools in the vicinity of Hadapsar and Saswad Plant are supported and developed from 5th to 10th Std. through Bharari initiative. After 10th Std. these students are supported for continued education by way of Swabhiman Scholarship.

Your Company is supporting Education of 30 girls, by supporting daughters of workmen of Cold Storage Units from UP, Gujarat, Rajasthan and MP. This unique CSR Initiative, named KaShi, is implemented by employee Volunteers from its North and West Regional Offices in collaboration with respective State Cold Storage Associations.

CSR Policy in brief:

The focus of CSR activities will be on Education, Environment and Health.

While devising projects, care should be taken to promote education, health and sanitation, protect the environment and minimize adverse impact, if any, on the society at large.

The Company is committed to uphold the interests of all the stakeholders by implementing the various guidelines like business excellence models.

The Company shall spend at least 2% (two percent) of the average net profits, calculated in accordance with the provisions of the Companies Act, 2013 and Rules thereunder, made by it in three immediately preceding financial years, in every financial year.

Any income or surplus arising out of CSR activities undertaken by the Company will form part of the corpus earmarked for CSR activities.

Any surplus arising out of any of the CSR activities carried out by the Company will not be treated as part of the business profits of the Company.

The Annual Report on CSR Activities is annexed herewith as Annexure "2".

16. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as Annexure "3".

17. BUSINESS RESPONSIBILITY REPORT

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

18. MATERIAL CHANGES AND COMMITMENTS, BETWEEN THE DATE OF BALANCE SHEET AND THE DATE OF REPORT

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. MAINTENANCE OF COST RECORDS

Your Company confirms that the maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained.

20. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

21. VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has established a vigil mechanism for Directors and Employees to report their genuine concerns, details of which have been given in the Report on Corporate Governance.

22. FIXED DEPOSIT

Your Company has discontinued accepting fixed deposits since 2001-02. As such, as of 31st March, 2020 there are no fixed deposits outstanding.

23. PARTICULARS OF EMPLOYEES

Disclosures with respect to the remuneration of Directors and Employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 have been annexed as Annexure “4” to this Report.

In accordance with the provisions of Section 197(12) of the Companies Act, 2013 and Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and other particulars of Employees are available at the Registered Office of the Company during working hours for a period of 21 days before the Annual General Meeting and shall be made available to any shareholder on request.

24. DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Company has formulated 'Prevention of Sexual Harassment of Women at Workplace Policy' and the highlights are communicated to all Employees and also displayed across all its locations as well as on its intranet and the website.

Your Company has complied with provisions relating to constitution of Internal Committee (IC) under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. IC meets every quarter and submits the minutes of meeting to the employer i.e. Managing Director. During the reporting year, four such meetings were conducted and no complaint has been received.

During the reporting year, to create ongoing awareness, your Company has :

- Continued with a PoSH Awareness Module in its employee induction program.
- Nineteen workshops (including awareness module in induction programs) conducted in 2019-20 for 169 participants.
- E-learning module completed by 202 participants.

25. EMPLOYEES

Your Company has taken several initiatives for Human Resource Development and manpower retention. Manpower is classified under Frontend, Internal and Support functions for better Customer Reach and Support. Assessment of Values & Leadership Competencies, identifying training needs through the 70-20-10 format, Career Counseling and Management Development Programs are some of the initiatives adopted by your Company. Training programs are designed to enhance skills, knowledge and behavior. Employees are motivated through empowerment and rewards for good performance. Adoption of 5S across the Company has led to a clean and healthy environment. The Company has achieved an **India benchmark employee engagement score of 85** in the engagement survey 2019 conducted by an external Independent Agency. CII in its 10th HR Excellence Award 2019 has conferred your Company with the "Prize for Leadership in HR Excellence" crossing the 600+ score band.

Your Company has 711 permanent employees on its rolls as on 31st March, 2020.

26. CAUTIONARY STATEMENT

Statements in this Report, particularly those which relate to Management Discussion and 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.

27. ACKNOWLEDGEMENT

The Directors wish to convey their appreciation to all your Company's Employees for their enormous personal efforts as well as their collective contribution to your Company's performance. The Directors would also like to thank the shareholders, customers, dealers, suppliers, bankers and all other stakeholders for their continued support and their confidence in its management.

For and on behalf of the
Board of Directors
sd/-
Rahul C Kirloskar
Executive Chairman
DIN 00007319

Place : Pune
Date : 25th June, 2020

ANNEXURE "1" TO THE BOARD'S REPORT

Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED **31st March, 2020**

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule no. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014
and
Pursuant to Regulation 24A of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015]

To,
The Members,
Kirloskar Pneumatic Company Limited,
Hadapsar Industrial Estate,
Pune – 411013

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Kirloskar Pneumatic Company Limited** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2020** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2020 according to the provisions of:

i. The Companies Act, 2013, as amended from time to time (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 and Overseas Direct Investment, wherever 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) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 **(not applicable to the Company during the audit Period)**;

   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 **(not applicable to the Company during the audit Period)**;

   f) The Securities and Exchange Board of India (Registrars to an 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 **(not applicable to the Company during the audit Period)**; and

h) The Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 **(not applicable to the Company during the audit Period).**

vi. We further report that having regards to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, no other law was applicable specifically to the Company.

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

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

ii. The Listing Agreement entered into by the Company with Stock Exchange pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendments thereto.

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

1. Pursuant to sub-section 6 of Section 124 of the Act read with sub-rule (3) of Rule 6 of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the filing of Corporate Actions with Depositories for transfer of shares to IEPF have been made beyond the time prescribed therefor.

2. Pursuant to Regulation 30 read with Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure requirements) Regulations 2015, the submission of copy of newspaper publication regarding shares to be transferred to IEPF to Stock exchange has been made beyond the time prescribed therefor.

3. Pursuant to Regulation 34(1)(a) of Securities and Exchange Board of India (Listing Obligations and Disclosure requirements) Regulations, 2015, the submission of copy of annual report along with the notice of the annual general meeting for the financial year ended 31st March, 2019 to Stock exchange has been done subsequent to the date of commencement of dispatch of the annual report to its shareholders, however, the copies have been sent 21 days prior to the date of annual general meeting.

We 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 generally sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

We further report that during the audit period, there were no specific events / actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. except following:

1. The members of the Company has approved the introduction and implementation of KPCL Employee Stock Option Scheme 2019 (known as "KPCL ESOS 2019") by passing special resolution in its annual general meeting held on 20th July, 2019.

Place: Pune
Date: 25th June, 2020

For **SVD & Associates**
Company Secretaries
sd/-
S. V. Deulkar
Partner
FCS No: 1321 C P No: 965
UDIN: F001321B000366939

Note: This report is to be read with letter of even date by the Secretarial Auditors, which is annexed as Annexure A and forms an integral part of this report.

'ANNEXURE A'

To,
Members,
Kirloskar Pneumatic Company Limited,
Hadapsar Industrial Estate,
Pune-411013

Our Secretarial Audit Report of even date is to be read along with this letter.

Management's Responsibility

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Auditor's Responsibility

2 Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.

3. We have also relied on the documents and evidences provided on email to us, in view of the prevailing Pandemic situation of COVID -19.

4. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.

5. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events, etc.

Disclaimer

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: 25th June, 2020

For **SVD & Associates**
Company Secretaries
sd/-
S. V. Deulkar
Partner
FCS No: 1321 C P No: 965
UDIN: F001321B000366939

ANNEXURE "2" TO THE BOARD'S REPORT

TOTAL CORPORATE SOCIAL RESPONSIBILITY (CSR) EXPENDITURE INCURRED DURING THE FINANCIAL YEAR 2019-20.

1. A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and Projects or Programs - The CSR Policy is stated herein below: Weblink https://www.kirloskarpneumatic.com/site/assets/files/2181/corporate_social_responsibility_csr_policy.pdf
2. The Composition of the CSR Committee -

   The CSR Committee consists of :

   1. Mr Rahul C Kirloskar (Chairman)
   2. Mr Aditya Kowshik
   3. Mr Sunil Shah Singh
   4. Mrs Nalini Venkatesh
3. Average net profit of the Company for last three financial years: Rs 685.20 Million.
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): The Company is required to spend Rs 13.70 Million towards CSR.
5. Details of CSR spent during the financial year
   a. Total amount spent for the financial year: Rs 14.10 Million
   b. Amount unspent, if any: NIL
   c. Manner in which the amount spent during the financial year is detailed below:

1	2	3	4	5	6	7	8
S. No.	**CSR Project or activity identified**	**Sector in which the Project is covered**	**Projects or Programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken**	**Amount outlay (budget) project or programs wise**	**Amount spent on the projects or programs**	**Cumulative expenditure upto the reporting period**	**Amount spent: Direct or through implementing agency**
1	Contribution by way of donation towards expenses related to activities for promoting education	Promoting Education	Pune (Maharashtra)	6.5	6.5	6.5	6.5
2	CSR activities under Education & Environment • KaShi (Kanya Shiksha) • Bharari • Kirloskar Vasundhara	Promoting Education and creating Environment awareness	Pune (Maharashtra), Uttar Pradesh, Gujarat, Rajasthan and Madhya Pradesh	3.3	3.3	3.3	3.3
3	CSR activities under Health & Hygine • School Health Initiative • HIV AIDS Community Awareness • Kirloskar WaSH Initiative	Health Care	Pune (Maharashtra)	4.2	4.3	4.3	4.3
	TOTAL			**14.00**	**14.10**	**14.10**	**14.10**

Details of implementing agency: Kirloskar Institute of Advanced Management & Studies (KIAMS) and Deep Griha Society.

CSR Committee states that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

For Kirloskar Pneumatic Company Limited

sd/-
Aditya Kowshik
Managing Director
DIN 00228983

sd/-
Rahul C Kirloskar
Executive Chairman &
Chairman of CSR Committee
DIN 00007319

Place : Pune
Date : 25th June, 2020

ANNEXURE "3" TO THE BOARD'S REPORT

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

[Section 134 of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014] Conservation of natural resources and environment protection is of utmost importance to all of us. Your Company's commitment to energy conservation is evident from consistent implementation and recognition of our ENCON projects.

A. CONSERVATION OF ENERGY

i. The steps taken or impact on conservation of Energy:

Total 36 Nos. ENCON projects implemented by using new technology, by waste elimination, by reuse and recycling in different areas like power, process, lighting, natural resources. Some of the projects are as under:

a. Continuous projects

- Proper utilization of stress relieving & carburizing furnace with net weight loading capacity to get energy efficiency.
- Timer controlled switching ON/OFF of street light.
- Isolation of 1500 kVA transformer from HT and LT side.
- Maintain Unity Power Factor and avail 3.5% incentive MSEDCL on Electricity Consumption.
- Use of dry type paint booth to eliminate water consumption for paining operation.
- Use of energy efficient LED lights, energy efficient motors at shop floor and office area, street light in all divisions.
- Timer based operation of domestic water circulation pump at Hadapsar Plant.
- Saving in water consumption by maintaining water filtration plant at Saswad Plant.
- TOD Tariff benefit by scheduling activities at Heat Treatment Shop.
- Switch 'OFF' Power Transformer at no load condition and save no load losses.
- Maximum demand control through remote control operation.
- Transformer of 1 MW gear testing to be put off during no load and on holidays to avoid no load power consumption.
- Rigorous Planned Maintenance of Compressed Air Grid with intent to eliminate Air Leakage.

b. Process improvement projects

- Reduction in air grid pressure by 0.5 bar of compressed air at foundry compressor to achieve energy saving.
- Improvement in heat transfer efficiency of phosphating plant at Saswad.
- Hass multi gauging unit implemented to achieve energy saving at Saswad.
- DG changeover switch for Makino machine supply at Saswad.
- Reduction in surface temperature loss while pouring of molten metal in foundry.

- Proper utilization of stress relieving furnaces by improving net weight loading percentage and TOD tariff.
- Process improvement in cycle time reduction by 1.5 hrs at heat treatment carburizing furnaces.
- Reduction in energy consumption by modification in drive set of reciprocating compressor for central air conditioning plant for precision Gear grinding at TRM.
- Use of face driver attachment for all type of between center shaft for turning operation.
- Reduction in energy consumption by elimination of 1500 kVA (3.3 kV / 415 V) transformer switching ON continuously for BOP testing.
- Improvement in net weight loading percentage of heat treatment furnace by fixture modification.
- Process modification for HP cylinder and gear housing machining operation at Air compressor division.
- Elimination of job reject problem by modifying the pouring process in foundry operation.

c. New Technology

- Replaced old conventional transformer by 1600 kVA energy efficient, hermetically sealed transformer, losses per IS 1180 energy efficiency level 2 during TRM shop expansion.
- VFD based control panel with pressure transducer for controlling pressure of water circulation of induction furnace.
- Installation of Energy Monitoring System (EMS) system for Hadapsar Plant.
- Use of energy efficient split (3 star labeled and inverter based) air conditioners at out IT office, ACD spares and offices at Saswad.
- Use of Human Sensor for office lightening & of AC saver.
- Replacement of less efficient High Bay conventional T5 light fixtures (254 Watt) by energy efficient High Bay LED light fixtures (120 Watt) at TRM gear shop and Heavy line shop.
- Replaced old conventional electrical panel by thyrister controlled PID base control panel for heat treatment furnace.
- Introduction of “Nail less” packing at our Saswad and Hadapsar Plant. This eliminates the hazards of nailing.

d. Waste elimination

- Saving in cutting oil consumption by recovering oil from hobbing burr and grinding dust, 18 KL of oil recovered in FY 20.
- Loading of non VFD compressor and switching off VFD compressor during irregular demand as motor is switch off after unloading to achieve energy efficiency at Saswad.
- Use of bend pipe & cylinder block at ancillary to reduce fuel consumption in transportation.
- Use of Compressor testing air for utility purpose in Hadapsar Plant.
- Use of scrap casting burr for making new casting at foundry.

- Conversion of Aluminum turning burr for production of Pistons in Non-Ferrous Foundry.
- Coolant emulsion system implemented to save cutting oil at Saswad.
- Provision of Electrical actuator to shut off compressed air line to non-working machines.
- Change in pump operating system to avoid unnecessary pump operation at central pump house.
- Reduction of fresh oil consumption at Transmission and Air Compressor & Refrigeration Division with help of oil filtration plant.

As a result of steps taken, your Company avoided 938.10 Tons of CO_2 emissions & reduced natural resources consumption like water, oil, aluminum and casting significantly. Use of inverter based / 3 star rated air conditioners, High Bay LED based lighting systems at Hadapsar Plant and LED lighting systems at office area and street lights created positive impact on employees and elicited a good response.

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

During the year under review, your Company used 2kWp capacity off-grid solar power plant at Hadapsar Plant. This has fulfilled 67% energy requirement of lighting load installed at OHC, E&E office and employees credit society.

iii. The capital investment on energy conservation equipments:

Company has made capital investment of Rs 4.94 Million on energy conservation equipments and technology adoption for the energy efficiency improvement projects.

B. TECHNOLOGY ABSORPTION

i. Efforts made towards technology absorption:

- Product development for new efficient oil injected electric screw compressors completed in collaboration. These new compressors are better in terms of specific power consumption than our previous generation compressors.
- Product upgrade for oil injected diesel compressors for export market.
- New series of standardized reciprocating water cooled compressor launched.
- New series of standardized efficient air cooled reciprocating compressors with canopy launched.
- Developed zero couple version for RM series & 2HA2QT-ZC reciprocating compressor.
- Developed air cooled reciprocating compressor package with acoustic canopy.
- Developed Air Cooled PCX2 compressor for Milk chilling and Ice plant application.
- Enhanced capability to design, manufacture and test High speed gearboxes up to 50 MW power.
- Started design and analysis of fixed profile sliding bearings for high speed gearboxes.

ii. Benefits derived like product improvement, cost reduction, product development or import substitution:

- New screw air end development enabled us to manufacture our own compressors with reduced cost compared to imported compressors. This resulted in import substitution as well as indigenisation.

- Design upgraded in Electric screw compressor for cost and design optimization. This will enhance product performance and market share.
- Standardization with design optimization of water cooled recip. compressors for cost reduction.
- Standardization with design optimization of air cooled reciprocating compressors for cost reduction will enhance market share.
- Air Cooled PCX2 compressor is having 10% improved efficiency than water cooled PC2 compressor.
- Having in house ability to offer Indigenous gearboxes for powers up to 50 MW power will make KPCL a recognized player in niche High speed, High power transmission segment. This will result in more contribution levels.
- Having in house design and analysis ability of sliding bearings will facilitate fast deliveries of gearboxes and flexibility to select the vendors of bearings. More optimization for reduced power losses can be done so that the gearboxes become more efficient.

iii. Imported technology (imported during the last three years reckoned from the beginning of the financial year) : NIL.

iv. Expenditure incurred on Research and development : Rs 91.82 Million.

C. Foreign Exchange Earnings and Outgo

Foreign Exchange Earning earned during the year : Rs 199.89 Million.

Foreign Exchange Outgo during the year : Rs 1,595.17 Million.

ANNEXURE "4" TO THE BOARD'S REPORT

DISCLOSURE PURSUANT TO SECTION 197 (12) OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER

A. **Information as per Section 197 (12) and Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:**

i) & ii) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year and the percentage increase in remuneration of each Director & KMP in the financial year :

Sr. No.	Name of the Director / KMP and Designation	% Increase in Remuneration in the FY 2019-20	Ratio of remuneration of each Director / to median remuneration of employees
1	Mr Rahul C Kirloskar Executive Chairman	Nil	37.84
2	Mr Aditya Kowshik Managing Director	Nil	37.19
3	Mr Atul C Kirloskar Non-Executive Director	Nil	1.08
4	Mr Vikram S Kirloskar Non-Executive Director	Nil	0.21
5	Mr G Krishna Rao Independent Director	1%	2.67
6	Mr D R Swar Non-Executive Director	4%	2.61
7	Mr Sunil Shah Singh Independent Director	Nil	2.22
8	Dr Ajay Dua Independent Director	1%	2.57
9	Mr Krishnamurti C Venkataramanan Independent Director	13%	2.47
10	Mrs Nalini Venkatesh* Independent Director	NA*	1.08
11	Mr Suhas S Kolhatkar Vice President and Chief Financial Officer	11%	NA
12	Mr Jitendra Shah Company Secretary & Head Legal	22.1%	NA

Notes :

1. Liability for gratuity and leave encashment is provided on actuarial basis for the company as a whole hence the amount pertaining to Key Managerial Personnel can be ascertained separately and hence is not included above.

2.* Details not given as Mrs Nalini Venkatesh is Director only for part of the financial year 2018-19 i.e. w.e.f. 25th July, 2018.

iii) In the financial year, there was an increase of 18.38% in the median remuneration of employees.

iv) There were 711 permanent employees on the rolls of Company as on 31st March, 2020.

v) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2019-20 was 6.36% whereas average percentage increase in the managerial remuneration is Nil.

vi) The Board affirms that the remuneration is as per the remuneration policy of the Company.

REPORT ON CORPORATE GOVERNANCE

The Company has been practicing the principles of good corporate governance over the years. The Directors present below the Company's report on Corporate Governance for the financial year 2019-20.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company as a part of Kirloskar Group, is committed to maintain high standards of Corporate Governance. To us, Corporate Governance means conduct of business with transparency, accountability and business prosperity with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of all other stakeholders as well.

2. BOARD OF DIRECTORS

i. Composition and Category of Directors:

The Board of Directors of the Company represents an optimum mix of professionalism, gender, knowledge and experience, comprising of Executive, Non-Executive and Independent Directors. The Chairman is an Executive Director. Overall, there are Ten Directors as on 31st March, 2020 consisting of Five (50%) Non-Executive & Independent Directors including a Woman Director in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'LODR Regulations, 2015'), Three (30%) Non-Executive Directors and Two (20%) Executive Directors. As on 31st March, 2020, the composition of the Board of Directors of the Company meets the stipulated requirements of Regulation 17 of the LODR Regulations, 2015.

In compliance with the Companies Act, 2013 and LODR Regulations, 2015, Mr Sunil Shah Singh and Mr G Krishna Rao have been re-appointed as Independent Directors by way of Special Resolution, for a period of 5 consecutive years from 23rd July, 2019 to 22nd July, 2024.

The Members of the Company have also accorded their approval, by way of Special Resolution passed on 20th July, 2019 at the Annual General Meeting of the Company, to Mr Sunil Shah Singh, who will attain the age of 75 years on 10th December, 2021, to continue to hold the directorship as Non–Executive Independent Director of the Company even after he attains the age of 75 years, for his current term.

Mr Krishnamurti Venkataramanan, who has attained the age of 75 years on 11th December, 2019, continues to hold the directorship as Non–Executive Independent Director of the Company for his current term, in accordance with the approval of the Members of the Company by way of Special Resolution passed on 20th July, 2019 at the Annual General Meeting of the Company.

The Company has issued letter of appointment to all the Independent Directors as per Schedule IV to the Companies Act, 2013 and the terms and conditions of their appointment have been disclosed on the website of the Company namely www.kirloskarpneumatic.com

None of the Independent Directors of the Company serve as an Independent Director in more than seven listed companies.

Mr Aditya Kowshik, Executive Director has been re-appointed as the Managing Director of the Company to hold office for a period from 24th October, 2019 up to 1st January, 2021, in accordance with the approval of the Members by way of an Ordinary Resolution passed on 20th July, 2019 at the Annual General Meeting of the Company.

ii. Board Training and Induction:

The Company had arranged familiarization programs for all the Directors during the year. The programs were aimed at acclimatizing the Directors with the processes, business and actual functioning of the Company so as to enable them to carry out their role effectively. The details of familiarization and training programs have been posted on Company's website at following weblink: https://www.kirloskarpneumatic.com/site/assets/files/2183/training_program_-_2020.pdf

iii. Number of Meetings:

The Board meets at least once in every quarter to review Company's operations and the maximum time gap between any two meetings is not more than 120 days.

During the year ended on 31st March, 2020, five Board Meetings were held on:

- 4th May, 2019
- 20th July, 2019
- 23rd October, 2019
- 23rd January, 2020
- 4th March, 2020.

The Annual General Meeting of the Company was held on 20th July, 2019.

iv. Director's attendance record and directorships held:

The details of attendance of the Directors at the various Board Meetings, Annual General Meeting held during the financial year and also the numbers of other Directorships and Committee Memberships / Chairmanships are as follows:

Name of the Director & Position	No. of Board Meetings attended	Directorship held in Indian Public Limited Companies (Including KPCL)*	Name of Other Directorships in Listed Companies as on 31st March, 2020		Committee Position # (including KPCL) as on 31st March, 2020	
			Name of the Company	Category of Directorship	Member	Chairman
Non - Executive Directors						
$ @Mr Atul C Kirloskar (DIN 00007387)	5	5	Kirloskar Oil Engines Ltd	Executive Director	1	1
			Kirloskar Ferrous Industries Ltd Kirloskar Industries Ltd	Non-Executive Non Independent Director		
$ Mr Vikram S Kirloskar (DIN 00007907)	1	4	-	-	1	-
Mr D R Swar (DIN 00007495)	5	1	-	-	1	-
Non - Executive - Independent Directors						
Mr G Krishna Rao (DIN 00058985)	5	1	-	-	2	1
Mr Sunil Shah Singh (DIN 00233918)	4	4	ITD Cementation India Ltd	Non-Executive Independent Director	5	3
			Kirloskar Industries Ltd			
			Kirloskar Oil Engines Ltd			
Dr Ajay Dua (DIN 02318948)	5	3	Dabur India Ltd	Non-Executive Independent Director	3	_
Mr Krishnamurti Venkataramanan (DIN 00001647)	5	4	Nilkamal Ltd Vedanta Ltd	Non-Executive Independent Director	3	_
Mrs Nalini Venkatesh (DIN 06891397)	5	2	Kirloskar Ferrous Industries Ltd	Non-Executive Independent Director	1	-
Executive Directors						
$ @Mr Rahul C Kirloskar Chairman (DIN 00007319)	5	5	Kirloskar Oil Engines Ltd Kirloskar Ferrous Industries Ltd	Non-Executive Non Independent Director	2	-
Mr Aditya Kowshik Managing Director (DIN 00228983)	5	1	-	-	-	-

Notes: KPCL means Kirloskar Pneumatic Company Ltd.

* Excluding Private, Foreign and Section 8 Companies.

\# For this purpose, only Membership / Chairmanship of Audit Committee and Stakeholders' Relationship Committee of Public Limited Companies are considered.

$ Promoter Directors.

@ Mr Rahul C Kirloskar, Executive Chairman and Mr Atul C Kirloskar, Director are brothers and related to each other.

All Directors except Mr Vikram S Kirloskar and Dr Ajay Dua attended the Annual General Meeting held on 20th July, 2019.

v. **Meeting of Independent Directors:**

Separate meeting of Independent Directors in compliance with Schedule IV of the Companies Act, 2013 was held during the year.

vi. **Core skills / expertise / competencies:**

The Company has modified the skill matrix for evaluation of Directors. The table below summarizes core skills / expertise / competencies identified by the Board of Directors as required and available with the Board in the context of business of the Company for its effective functioning and the name of the Directors who have such skills / expertise / competencies are as follows:

Name of Director	SKILLS							
	Strategy & Strategic planning	Corporate Governance	Business Acumen	Leadership	Industry knowledge	Financial Skills	Technology	Legal & Regulatory knowledge
Mr Atul C Kirloskar	✓	✓	✓	✓	✓	✓	✓	✓
Mr Rahul C Kirloskar	✓	✓	✓	✓	✓	✓	✓	✓
Mr Vikarm S Kirloskar	✓	✓	✓	✓	✓	✓	✓	✓
Mr Sunil Shah Singh	✓	✓	✓	✓	✓	✓	✓	✓
Mr G K Rao	✓	✓	✓	✓	✓	✓		✓
Dr Ajay Dua	✓	✓	✓	✓	✓	✓	✓	✓
Mr K Venkataramanan	✓	✓	✓	✓	✓	✓	✓	✓
Mr D R Swar	✓	✓	✓	✓	✓	✓	✓	✓
Mrs Nalini Venkatesh	✓	✓	✓			✓		✓
Mr Aditya Kowshik	✓	✓	✓	✓	✓	✓	✓	✓

vii. **Confirmation on declarations given by Independent Directors:**

The Board of Directors confirm that, in the opinion of the Board, Independent Directors fulfill the conditions specified in the LODR Regulations, 2015 and they are independent of the management.

viii. **Code of Conduct:**

The Board has prescribed the Code of Conduct for all its Board Members and Senior Management.

The Code of Conduct has been posted on Company's Website at www.kirloskarpneumatic.com

The Managing Director has confirmed to the Board that the Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year ended on 31st March, 2020. A declaration to this effect signed by the Managing Director has been incorporated in the Annual Report.

3. **AUDIT COMMITTEE**

i. **Composition:**

The Audit Committee comprises of 4 Independent Directors namely Mr Sunil Shah Singh, Mr G Krishna Rao, Dr Ajay Dua and Mr K Venkataramanan and a Non – Executive Director namely Mr D R Swar.

Mr Sunil Shah Singh is the Chairman of the Audit Committee. The Chairman and Members of the Audit Committee are well-versed with the financial matters and are finance literate.

Executive Chairman, Managing Director, Vice President & Chief Financial Officer attend the Audit Committee Meetings. The representatives of the Statutory Auditors, Internal Auditors are also invited to the Meetings. The Internal Auditors submit their report to the Audit Committee. Company Secretary acts as Secretary to the Audit Committee.

ii. **Terms of Reference:**

The role and terms of reference of the Audit Committee cover the areas as contemplated under Regulation 18 read with Part C of Schedule II of the LODR Regulations, 2015 and Section 177 of the Companies Act, 2013 read with relevant rules issued thereunder besides other terms as may be referred by the Board of Directors.

Role of Audit Committee

The brief role of the audit committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration, terms of appointment of auditors of the Company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing with management the quarterly / half yearly / annual financial statements and auditor's report thereon before submission to the Board for approval;
5. Review and monitor the auditor's independence and performance and effectiveness of audit process;
6. Approval or any subsequent modification of transactions of the Company with related parties;
7. Scrutiny of inter-corporate loans and investments;
8. Valuation of undertakings or assets of the Company, wherever it is necessary;
9. Evaluation of internal financial controls and risk management systems;
10. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
11. Discussion with internal auditors of any significant findings and follow up thereon;
12. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
13. Discussion with statutory auditors before the audit commences, about nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
14. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
15. To review the functioning of the Whistle Blower mechanism;
16. Reviewing the utilization of loans and / or advances from / investment by the holding company in the subsidiary exceeding Rs 100 Crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments; and
17. Carrying out any other function as mentioned in the terms of reference of the Audit Committee.

iii. **Meetings & attendance of the Audit Committee:**

The Audit Committee met five times during the year i.e. 4th May, 2019, 20th July, 2019, 22nd October, 2019, 22nd January, 2020 and 4th March, 2020. These were attended by the members as per the following details:

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr Sunil Shah Singh	5	4
Mr G Krishna Rao	5	5
Dr Ajay Dua	5	5
Mr D R Swar	5	5
Mr K Venkataramanan	5	5

Note : The Chairman of the Committee was present in the Annual General Meeting to answer the shareholder queries.

4. NOMINATION AND REMUNERATION COMMITTEE

i. **Composition:**

The Nomination & Remuneration Committee comprises of 3 Independent Directors namely Dr Ajay Dua, Mr G Krishna Rao and Mr Sunil Shah Singh. Dr Ajay Dua is the Chairman of the Committee. Company Secretary acts as Secretary to the Committee.

ii. **Terms of Reference:**

The broad terms of reference of the Nomination and Remuneration Committee are as under:

1. Formulation of the criteria for determining the qualifications, positive attributes and independence of Director;
2. Devising a policy on Board diversity;
3. Formulation of Remuneration policy;
4. Review the structure, size and composition of the Board;
5. Identifying and selection of candidates for appointment as Directors;
6. Identifying potential individuals for appointment as Key Managerial Personnel and Senior Management;
7. Formulation of criteria for evaluation of Independent Directors and the Board;
8. Recommend to the Board all remuneration, in whatever form, payable to senior management;
9. Formulation, Administration and Superintendence of KPCL Employee Stock Option Scheme 2019; and
10. Review of succession planning mechanism and recommend changes / modifications thereto, if required.

iii. **Meetings & attendance of the Nomination & Remuneration Committee:**

During the year, three Meetings were held on 4th May, 2019, 20th July, 2019 and 22nd October, 2019 which were attended by the members as per the following details:

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Dr Ajay Dua	3	3
Mr G Krishna Rao	3	3
Mr Sunil Shah Singh	3	3

Notes: Mr G Krishna Rao, the member of the Committee was present in the Annual General Meeting to answer the shareholder queries, being so authorized by Dr Ajay Dua, the Chairman of the Committee on his behalf.

iv. Criteria for performance evaluation:

The annual evaluation of Directors is made on the following criteria:

a) attendance for the meetings, participation and independence during the meetings;

b) interaction with Management;

c) role and accountability of the Board;

d) knowledge and proficiency; and

e) Strategic perspectives or inputs.

5. REMUNERATION POLICY:

The Board determines the remuneration payable to the Executive Directors taking into account their qualification, expertise & contribution and based on recommendations of the Nomination and Remuneration Committee.

Non-Executive Directors are paid sitting fees for attending Board / Committee Meetings as decided by the Board within the limits prescribed under the Companies Act, 2013.

Commission payable to Non-Executive Directors is limited to a fixed amount per year as determined and approved by the Board on their attendance and contribution at the Board and Committee Meetings based on recommendations of the Nomination and Remuneration Committee. The total amount of commission to Non-Executive Directors is within the limit of 1% of the net profits of the Company for the year, calculated as per the provisions of the Companies Act, 2013 subject to necessary approvals, as applicable, if any.

Details of remuneration paid / payable to Directors during the year 2019-20:

A. Non- Executive Directors

Name of Director	Sitting Fees	Commission on Net Profit *	Salary & Perquisites	Total	No. of shares held **
				(Amount in Million)	
Mr Atul C Kirloskar	0.275	0.500	-	0.775	7,484,200
Mr Vikram S Kirloskar	0.050	0.100	-	0.150	31,010
Mr G Krishna Rao	0.675	1.250	-	1.925	-
Mr D R Swar	0.625	1.250	-	1.875	-
Mr Sunil Shah Singh	0.600	1.000	-	1.600	5,000
Dr Ajay Dua	0.600	1.250	-	1.850	-
Mr K Venkataramanan	0.525	1.250	-	1.775	-
Mrs Nalini Venkatesh	0.275	0.500	-	0.775	95

Notes:

1.* Payable only on adoption of accounts in the ensuing Annual General Meeting.

2. ** The above shareholding is considered in the name of first holder (PAN based) only.

3. There are no other pecuniary relationships or transactions of Non-Executive Directors vis-a-vis the Company.

4. Pursuant to limits approved by the Board, all Non-Executive Directors are paid sitting fees of Rs 0.050 Million for attending each meeting of the Board and Audit Committee and Rs 0.025 Million for attending each meeting of the other Committees of the Board.

B. Remuneration paid / payable to Mr Rahul C Kirloskar, Executive Chairman & Mr Aditya Kowshik, Managing Director:

(Amount in Million)

Particulars	Mr Rahul C Kirloskar From 1st April, 2019 to 31st March, 2020	Mr Aditya Kowshik From 1st April, 2019 to 31st March, 2020
Salary	15.89	9.06
House Rent Allowance	-	0.91
Contribution to Funds	5.79	3.35
Other perquisites	4.65	1.23
* Commission	5.00	14.50
TOTAL	31.33	29.05
**No. of shares held	74,93,650	NIL

Notes:

1.* Payable only on adoption of accounts in the ensuing Annual General Meeting.

2.** The above shareholding is considered in the name of first holder (PAN based) only.

3. 40,000 Stock Options have been granted to Mr Aditya Kowshik, Managing Director which shall vest on 22nd October, 2020 and can be exercised thereafter. As the options cannot be exercised during the FY 2019-20, benefit arising out of such exercise, if any, does not form a part of remuneration for the year ended 31st March, 2020.

6. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Committee functions under the Chairmanship of Mr G Krishna Rao, an Independent Director. Mr Sunil Shah Singh, an Independent Director and Mr Rahul C Kirloskar, Executive Director act as its members. Mr Jitendra Shah, Company Secretary is the Compliance Officer.

During the year, four Stakeholders' Relationship Committee meetings were held on 3rd May, 2019, 20th July, 2019, 22nd October, 2019 and 22nd January, 2020 and the same were attended by members as per the following details:

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr G Krishna Rao	4	4
Mr Rahul C Kirloskar	4	4
Mr Sunil Shah Singh	4	4

The Company has received 2 complaints during the year and the same were resolved. There was no complaint pending as on 31st March, 2020.

7. GENERAL BODY MEETINGS

i. The details of the last three Annual General Meetings are as follows:

Date	Time	Location
20th July, 2019	11.30 am	S.M. Joshi Socialist Foundation (S.M. Joshi Hall) S. No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune- 411 030
24th July, 2018	3.00 pm	
27th July, 2017	3.00 pm	

ii. Special Resolutions passed in last 3 AGM's:

The members of the Company have passed following Special Resolution(s) in the Annual General Meeting held on 20th July, 2019:

Sr. No.	Resolution
1.	Re-appointment of Mr Sunil Shah Singh (DIN 00233918) as Independent Director of the Company.
2.	Re-appointment of Mr G Krishna Rao (DIN 00058985) as Independent Director of the Company.
3.	Continuation of appointment of Mr Krishnamurthi Venkataramanan (DIN 00001647) as Non-Executive and Independent Director of the Company.
4.	Approval of KPCL Employee Stock Option Scheme 2019 ("KPCL ESOS 2019").

No special resolution was passed in the Annual General Meeting held on 24th July, 2018 & 27th July, 2017.

iii. Postal Ballot:

No Special Resolution was passed through Postal Ballot last year.

8. MEANS OF COMMUNICATION:

The unaudited quarterly / half yearly results are announced within forty-five days of the close of the quarter. The audited annual results are announced within sixty days from the close of the financial year as per the requirements of the LODR Regulations, 2015.

The aforesaid financial results are sent to BSE Limited where the Company's securities are listed, immediately after these are approved by the Board. The results are thereafter published in the leading English newspaper namely Business Standard / Financial Express and Marathi newspaper namely Loksatta.

The audited financial statements form part of the Annual Report which is sent to the Members well in advance of the Annual General Meeting.

The Company also informs by way of intimation to BSE Limited and placing on its website all price sensitive matters or such other matters, which in its opinion are material and of relevance to the members.

The Annual Report of the Company, the quarterly / half yearly and the annual results of the Company, statement of unclaimed dividend, shareholding pattern, corporate governance report etc. are also placed on the Company's website: www.kirloskarpneumatic.com

9. GENERAL SHAREHOLDER INFORMATION:

i. Annual General Meeting:

Day & Date	:	Friday, 21st August, 2020
Time	:	11:30 am (IST)
Venue	:	Annual General Meeting will be held through Video Conferencing (VC) / Other Audio Visual Means (OAVM)

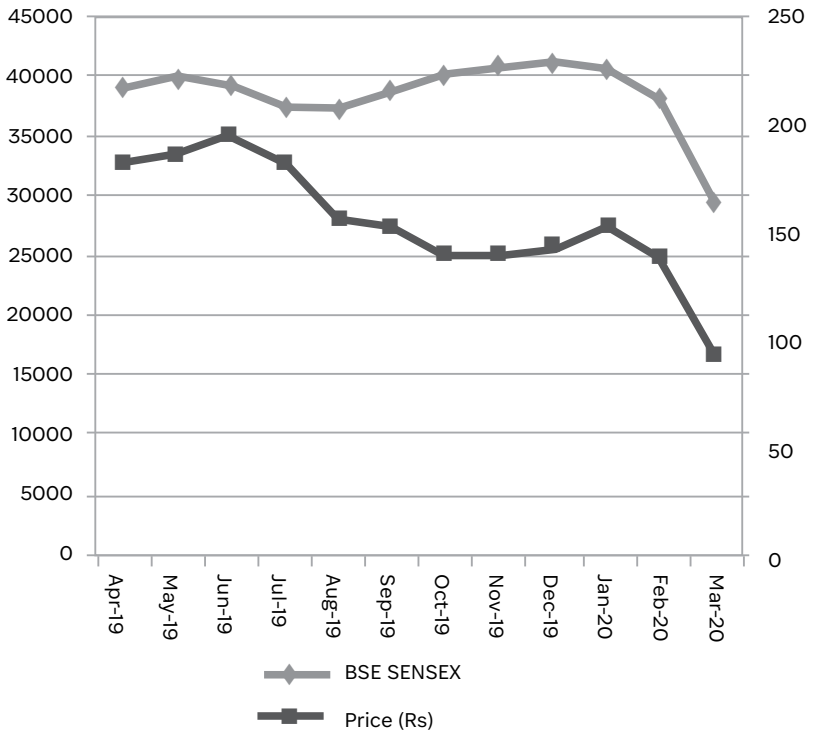
ii.	**Financial Year**	:	1st April to 31st March
iii.	**Book Closure**	:	14th August, 2020 to 21st August, 2020 (both days inclusive)
iv.	**Listing on**	:	BSE Ltd Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 Annual Listing Fees for the year 2020-21 has been paid to BSE Ltd
v.	**Stock Code**	:	505283
vi.	**Depositories**	:	National Securities Depository Ltd (NSDL) Central Depository Services (I) Ltd (CDSL)
vii.	**ISIN No.**	:	INE811A01020

viii. Market Price Data:

Market Price Data as per BSE Limited, i.e. High-Low and Close for each month during this financial year:

Year	High (Rs)	Low (Rs)	Close (Rs)
April 2019	204.50	176.10	183.35
May 2019	199.95	175.10	186.00
June 2019	209.90	177.35	196.00
July 2019	200.00	172.05	183.45
August 2019	180.00	144.00	155.95
September 2019	162.10	145.00	152.95
October 2019	161.45	131.60	140.60
November 2019	147.95	125.25	140.80
December 2019	147.80	115.30	142.35
January 2020	177.40	127.00	153.65
February 2020	160.00	128.00	138.15
March 2020	147.00	80.00	94.45

ix. Stock Performance in comparison to BSE Sensex:



x. Registrar & Transfer Agent:

M/s Link Intime India Private Limited is the Registrar & Transfer Agent for shares in physical form as well as electronic mode.

xi. Share Transfer System:

Share Transfers are registered and returned within a period of 10 days from the date of receipt provided the documents are correct and valid in all respects as per SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 issued vide Notification No. SEBI/LAD-NRO/GN/2018/24 dated 8th June, 2018 read with SEBI Circular No. SEBI/LAD-NRO/GN/2018/49 dated 30th November, 2018 and SEBI Press Release No. 12/2019 dated 27th March, 2019.

xii. Distribution of Shareholding as on 31st March, 2020:

Holding		No. of Members	%	No. of Shares of Rs. 2/- each	% to Capital
UPTO	500	20,624	85.55	2,067,989	3.22
501	1,000	1,753	7.27	1,266,056	1.97
1,001	2,000	876	3.63	1,254,745	1.95
2,001	3,000	312	1.30	786,609	1.23
3,001	4,000	134	0.56	467,984	0.73
4,001	5,000	116	0.48	546,277	0.85
5,001	10,000	144	0.60	1,023,686	1.59
10,001	AND ABOVE	148	0.61	56,808,344	88.46
Total		**24,107**	**100.00**	**64,221,690**	**100.00**

xiii. Dematerialisation of Shares & Liquidity:

The name of the Company appears in the Compulsory Trading List and 96.15% of Share Capital is in Electronic Form as on 31st March, 2020.

xiv. Company has not issued GDRs / ADRs / Warrants or any convertible instruments. However during the reporting year, the Company had granted 6,84,000 employee stock options to its employees under the KPCL ESOS 2019, to be exercised at a later date. The disclosure on the KPCL ESOS 2019 as required under Employee Benefit Regulations, 2014 is available on the website of the company namely www.kirloskarpneumatic.com

xv. Details of foreign exchange risk and hedging activities are provided in the notes annexed to and forming part of the financial statements.

xvi. CRISIL has reaffirmed AA-/Stable and A1+ rating for Company's long term bank facility and short term bank facility, respectively.

xvii. Plant Locations:

Pune	Saswad	Nasik
Hadapsar Industrial Estate, Pune 411 013	Saswad, Tal.: Purandar, Dist. Pune	Thermal Power Station Road, Nasik Road, Nasik

xviii. Address for Correspondence:

Registered Office of the Company:
Kirloskar Pneumatic Co. Ltd.
Hadapsar Industrial Estate,
Pune 411 013
Phone No. 020-26727000
Fax No. 020-26870297
Email : sec@kpcl.net
Website : www.kirloskarpneumatic.com

Registrar & Transfer Agent:
Link Intime India Private Limited
Pune Office:
Akshay Complex, No. 202,
2nd Floor, Near Ganesh Temple,
Off Dhole Patil Road, Pune 411 001
Phone Nos.: 020-26160084 / 1629
Fax No. 020-26163503
Email : pune@linkintime.co.in

Mumbai Office:
C 101, 247 Park,
L. B. S. Marg, Vikhroli (West),
Mumbai – 400083
Phone No.: 022-4918 6000
Fax No. 022-4918 6060
Email : mumbai@linkintime.co.in

10. OTHER DISCLOSURES:

i. Related Party Transactions:

There are no materially significant related party transactions during the year 2019-20 that have potential conflict with the interest of Company at large.

As required under LODR Regulations, 2015, the Company has formulated a policy on materiality of Related Party Transactions and dealing with Related Party Transactions and the same was amended during the year and placed on website at : https://www.kirloskarpneumatic.com/site/assets/files/2180/policy_on_materiality_of_related_party_transactions_and_dealing_with_related_party_transactions-1.pdf

ii. Strictures or Penalties:

There were no penalties or strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to Capital Markets, during the last three years.

iii. Vigil Mechanism / Whistle-Blower Policy:

The Company has a Whistle-Blower Policy for establishing a vigil mechanism for Directors and employees to report genuine concerns regarding unethical behavior, actual or suspected fraud or violation of the Company's code of conduct and ethics Policy. The said mechanism also provides for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases.

During the year, no employee of the Company was denied access to the Audit Committee. The said policy was amended during the year and has been uploaded on the website of the Company at : https://www.kirloskarpneumatic.com/site/assets/files/2178/whistle_blower_policy_-_vigil_mechanism.pdf

iv. The Company has complied with all mandatory requirements as specified in LODR Regulations, 2015.

v. The Company has also complied with the following non-mandatory requirements:

a. Audit qualification: Company's financial statements are unqualified.

b. The Internal Auditor reports to the Audit Committee.

vi. Subsidiary Company:

A policy on material subsidiaries has been formulated by the Company and placed on the website of the Company at : https://www.kirloskarpneumatic.com/site/assets/files/2179/policy_on_material_subsidiaries.pdf

Company does not have any Subsidiary Company.

vii. Commodity price risk or foreign exchange risk and hedging activities:

Commodity price risk hedging is not applicable to the company. The Company has adopted a policy for hedging of Foreign Exchange Risk and accordingly company hedges its foreign exchange risk from time to time.

viii. Company has received a certificate from M/s SVD & Associates, Practicing Company Secretaries that none of the Directors of the Company have been debarred or disqualified from being appointed or continuing as directors of the company by SEBI / Ministry of Corporate Affairs or any such statutory authority.

ix. Company has complied with corporate governance requirements as specified in Regulation 17 to 27 and clause (b) to (i) of Regulation 46(2) of LODR Regulations, 2015.

x. Total fees for all services paid to the Statutory Auditor:

During the year, total fees for all services paid to the Statutory Auditor is Rs 3.38 Million.

xi. Prohibition of Insider Trading:

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The code provides for periodical disclosures from Directors and designated employees as well as pre-clearances of transactions by such persons.

xii. Disclosure in relation to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

During the financial year, no complaint has been received / filed, disposed off and pending as at the end of the year.

xiii. Details of utilization of funds raised through Preferential Allotment or Qualified Institutions Placement : Not Applicable

11. RISK MANAGEMENT:

The provisions of Regulation 21 of LODR Regulations, 2015 are not applicable to the Company, however the detailed framework relating to the Risk Management has been provided under the Section of Directors' Report in the Annual Report.

12. CEO / CFO CERTIFICATION:

The CEO / CFO Certificate signed by Mr Aditya Kowshik, Managing Director and Mr Suhas S Kolhatkar, Vice President & Chief Financial Officer was placed before the meeting of Board of Directors held on 25th June, 2020.

For Kirloskar Pneumatic Company Limited

sd/-
Aditya Kowshik
Managing Director
DIN 00228983

Date : 25th June, 2020
Place : Pune

DECLARATION FOR COMPLIANCE WITH THE CODE OF CONDUCT

I, hereby declare that all the Directors & Senior Management Personnel have confirmed compliance with the Code of Conduct as adopted by the Company.

sd/-
Aditya Kowshik
Managing Director
DIN 00228983

Date : 25th June, 2020
Place : Pune

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Kirloskar Pneumatic Company Limited

We have examined the compliance of conditions of Corporate Governance by Kirloskar Pneumatic Company Limited, for the year ended 31st March, 2020, as stipulated in Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, pursuant to the Listing Agreement with the Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

For M/S P G BHAGWAT
Chartered Accountants
Firm's Registration Number 101118W

sd/-
Sanjay Athavale
Partner
Membership Number 83374
Pune: Date: 25/06/2020
UDIN : 20083374AAAACI3160

BUSINESS RESPONSIBILITY REPORT

OVERVIEW

Kirloskar Pneumatic Company Limited ('KPCL' or 'the Company') is a multi-product diversified engineering Company with a product range that includes Air, Refrigeration and Gas Compressors & Systems, Vapour Absorption Chillers, Gears and Gear Boxes. KPCL undertakes O&M services for Compression Packages and has also entered logistic services by operating RoadRailer trains for end to end transportation of goods. KPCL serves a variety of sectors like Oil & Gas, Steel, Cement, Food & Beverages, Railways, Marine and other industries.

In keeping with the Company's commitment to create a sustainable organization, KPCL is pleased to present this Business Responsibility Report in line with Regulation 34 (2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) (fifth amendment) Regulations, 2019. This report delineates the Company's approach to conduct business with responsibility in accordance with nine principles of the Government of India's 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'.

GENERAL INFORMATION

1	Corporate Identity Number (CIN) of the Company	L29120PN1974PLC110307	
2	Name of the Company	Kirloskar Pneumatic Company Limited (KPCL)	
3	Registered Address	Hadapsar Industrial Estate, Pune 411013	
4	Website	www.kirloskarpneumatic.com	
5	Email	sec@kpcl.net	
6	Financial Year Reported	2019- 20	
7	Sectors that the company is engaged in (Industrial Activity Code wise)	Manufacturing and Service of Engineering goods	
		NIC* Code	Product Description
		28132	Compressors
		28140	Transmission Gears & Gear boxes
		*National Industrial Classification for India	
8	List three key products that company manufactures / provides (as in Balance Sheet)	Air, Refrigeration & Gas Compressors and Systems. Operation & Maintenance of compressor systems. Leasing of Assets and Products. Traction Gears & Gearboxes.	
9	Total number of locations where business activity is undertaken by the Company	i) 6 National Locations	Hadapsar (Pune), Saswad (Pune), Nasik, Palwal, Melpakkam and Kunchanapalli.
		ii) International Locations	Through Dealers and Representatives.
10	Markets served by the company	India and countries in South East Asia, Middle East and Africa.	

FINANCIAL DETAILS

Sr. No.	Particulars	Amount (Rs. in Million)
1	Paid up capital	128.44
2	Total Income	8,395.96
3	Total profit after taxes	534.92
4	Total spending on corporate social responsibility (CSR) as % of average profit for last 3 financial years	2.07%

5 Activities under which expenditure on 4 above has been incurred include:

a) Health & Hygiene:

WaSH: Awareness about water, sanitation and hygiene is created amongst students, teachers, non-teaching staff and administrators of schools. In 2019-20 the focus was on educating children about hand wash, personal hygiene, health & illness, school hygiene, domestic waste and adolescence & hygiene. This initiative was implemented by 131 employee volunteers that benefitted over 32,000 students from 41 schools.

School Health Initiative: Every year students and teachers / staff from schools adopted by KPCL undergo health check which covers basic physical, dental, ENT and eye check up with distribution of spectacles, wherever required. During the year 2019-20, over 16,000 students and 750 plus teachers from 19 schools were covered under this initiative.

DISHA: KPCL supports the DISHA Program of Deep Griha Society which conducts HIV AIDS Awareness workshops every month for general community members and school / college students. During the year 2019-20, this initiative reached out to 63,000 plus members of community and students. Additionally, People Living with HIV are supported through initiatives like Matrimonial Melava.

b) Education & Environment:

Bharari: 200 socio-economically challenged students of 3 schools from Hadapsar and 2 schools from Saswad are supported and developed from 5th to 10th Std. through Madhavi Kapur Foundation. These students are then supported by Swabhiman Scholarship.

KaShi (Kanya Shiksha): This unique CSR Initiative by KPCL represents Girl Education Initiative, supporting daughters of workmen of Cold Storage Units from UP, Gujarat, Rajasthan and MP. It is implemented by employee Volunteers from KPCL's North and West Regional Offices in collaboration with respective State Cold Storage Associations. During the year 2019-20, the initiative supported 30 girl students.

Kirloskar Vasundhara Initiative: As part of KVIFF (Kirloskar Vasundhara International Film Festival), KPCL organized 'Hasat Khelat Paryavaran' program in 14 Schools where 14,000 plus Student participated through 75 workshops. KPCL also conducted Interschool 'Kirloskar Vasundhara Competition 2020' in which 7 schools participated.

OTHER DETAILS

1	Does the Company have any Subsidiary Company / Companies	No
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)	Not Applicable
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%).	Yes, less than 30%.

Business Responsibility Framework

BUSINESS RESPONSIBILITY (BR) INFORMATION

Responsibility for BR

Director / Directors responsible for implementation of BR Policy / Policies

Name	Designation	DIN	Telephone No.	Email Id
Rahul C. Kirloskar	Non-Independent Executive Chairman	00007319	020–26727000	rahul.kirloskar@kirloskar.com
Aditya Kowshik	Managing Director	00228983	020–26727000	aditya.kowshik@kirloskar.com

BR Head

Name	Designation	Telephone No.	Email Id
Jitendra R. Shah	Company Secretary	020–26727000	jitendra.shah@kirloskar.com

BR Policies

At KPCL, 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 KPCL 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	Y	Y	Y	Y	Y
2	Policy formulated in consultation with relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Conformity of policy to any national / international standards?	Y	Y	Y	Y	Y	Y	Y	Y	Y

Sr. No.	Particulars	P1	P2	P3	P4	P5	P6	P7	P8	P9
4	Policy approved by the Board #	Y	Y	Y	Y	Y	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	Y	Y	Y	Y	Y
8	Existence of an in-house structure within the Company to implement the policy / policies	Y	Y	Y	Y	Y	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	Y	Y	Y	Y	Y	Y	Y	Y
10	Assessment by an internal / external agency of the working of this policy	Y	Y	Y	Y	Y	Y	Y	Y	Y

Notes :

Y Yes

Few Policies are adopted under the authority given by the Board

* Certain Policies are available on internal portal, which are accessible only to employees. All other statutory policies are available on Company's website – www.kirloskarpneumatic.com

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

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

Governance of BR

The Managing Director & CEO and Senior Leadership Team review the BR Performance of the Company periodically as a part of overall Management Review Process. For the first time, the company is publishing this Business Responsibility Report pursuant to Regulation 34 (2) (f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

KPCL has prepared its Sustainability Report in the past for internal circulation, in accordance with Comprehensive option of Global Reporting Initiative (GRI-G4) guidelines with assurance from external agency.

NVG PRINCIPLE-WISE PERFORMANCE

ETHICS, TRANSPARENCY AND ACCOUNTABILITY

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

Ethical business practice is one of the core Values of the Company which governs the organizational culture. KPCL believes in conducting its business in a fair and transparent manner.

Having adopted ethics and integrity as core business practice, every employee of the Company pledges to uphold the highest standards of ethics and integrity by signing the code of conduct at the time of joining KPCL.

Additionally, the Board of Directors and senior management of the Company are required to abide by the Code of Conduct adopted as per the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Their affirmation to the Code of Conduct is communicated to all stakeholders by the Managing Director & CEO through a declaration in the Annual Report.

KPCL has communicated 'Ethical Business Practices' to all its vendors, dealers and other business partners / stakeholders and the process of communication is on-going nature.

As a vigil mechanism, the Company has also adopted a formal Whistle Blower Policy which allows all employees to voice their concern against any unethical and unlawful behavior that may compromise organizational integrity. No complaints were received in the year 2019-20.

The Company also has an Internal Committee to redress complaints received with respect to sexual harassment. No complaints were received in the year 2019-20.

PRODUCT STEWARDSHIP

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

KPCL is an EMS (ISO14001:2015) certified company and through this system all its operations undergo environmental aspect impact assessments to ensure that our processes and products are environment friendly.

KPCL serves its customers with products and services as per the procedures established in accordance with ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 standards. Further, all our products are designed and manufactured considering environment, health and safety concerns according to other applicable product standards / certification as follows:

Sr. No.	Business Segment	Product Model	Standard Certification
Compression Segment			
1	Refrigeration Compressors	Reciprocating (KC / KCX / PC2 series)	CE
2	Refrigeration Systems	Customer Specific Systems with Reciprocating / Screw / Centrifugal Compressors	API / ASME / TEMA / NAVAL
3	Vapour Absorption Chillers	1. Steam Driven / Direct Fired 2. Maintenance Services	JIS B8622

Sr. No.	Business Segment	Product Model	Standard Certification
4	Gas Compression System	1. Customer Specific Systems with Reciprocating / Screw Compressors / CNG Packages 2. Operation and Maintenance Services	API / ASME / TEMA
5	Air Compressors and Systems	1. Reciprocating / Screw / Centrifugal Compressors 2. Service Air Trolley / Nitrogen and Oxygen Trolley / Integrated Air Compression & Storage Facility 3. Maintenance Services	ASME / TEMA
Transmission Segment			
1	Gears and Gear Boxes	Railway / Windmill / Industrial / High Speed Gear Box / Hydro Turbine Gear Box / Planetary Gear Box of Mill Drive	RDSO / GL / DIN / AGMA

Starting from product design, it is ensured through process control that, the health and safety features are implemented in areas of manufacturing, testing, commissioning and use of the product in field.

The safety features are effectively elaborated and communicated through marketing literature as well as O & M manuals.

KPCL has following key products whose design incorporates social or environmental concerns, risk or opportunities

a. CNG Compression System / CNG Compressor

Use of CNG helps in cleaner environment and KPCL through its CNG compressors manufactured in-house is committed to provide the same. The Government's plan to add about 136 GAs in 9th and 10th round of bidding for gas distribution network is expected to provide greater business opportunities in this segment. KPCL today is a leader in CNG compressor market and is confident of retaining this leadership position in future.

KPCL has taken initiatives to develop CNG packages with acoustic enclosure in order to reduce the noise level emitted to surroundings thereby meeting customer expectations.

b. Refrigeration Compressor - Air Cooled

Through a countrywide network of dealers, KPCL supplies ammonia based environment friendly refrigeration compressors and packages to cold storage units, food processing and pharmaceutical units. Additionally towards its commitment for the protection of the environment, KPCL insists that only air cooled compressors are used instead of water cooled ones. This has led to reduction in water consumption at customer's end of over 3.42 Lakhs M^3 / Yr from the compressors sold during the year. With the population of the Air Cooled Compressors running in the market, the resultant saving is multifold.

c. Centrifugal Compressor

KPCL has been a dominant player in supplying of reciprocating compressors. Considering changing preferences of industrial customers for energy efficiency, performance efficiency and lower lifecycle cost particularly in Cement, Steel and Power Sector, KPCL has started manufacturing and selling its own centrifugal compressors which has resulted in power saving to the customer reducing its payback period on the investment.

These product improvements benefit economically not only to KPCL but also to its customers while conserving scarce resources of water and energy. Thus, it provides a huge opportunity for KPCL to better

its economic results and to the country, environmentally.

While KPCL's products aim at better efficiency and conservation of natural resources, measures taken in-house by practicing 3 R (Reduce, Reuse and Recycle) – Reduce energy (ENCON Initiative), Reuse water (gardening and plantation) and Recycle materials like steel, aluminium, oil and sand helps Company to reduce its consumption levels.

The resource consumption towards Energy and Water is as under:

Specific Energy Consumption

Plant	Energy Type	UOM	FY 2019-20
Hadapsar	Electricity – Compression	kWh/MT	1004 (PY 1067)
	Electricity – Air End Machine Shop	kWh/SMH	237 (PY 236)
	Electricity – Transmission	kWh/MT	1216 (PY 1338)
Saswad	Electricity	kWh/Cyl	179* (PY 143)
	CNG	KG/Pkge	83.7 (PY 103)

*During the year the Company introduced changes in phosphating and cleaning processes to improve the quality of products, with required higher electricity usage.

Water Consumption

Plant	Total Water Input	Water Recycled	
UOM	kL	kL	%
Hadapsar	17,076 (PY 20,507)	5,883 (PY 7,158)	36.46* (PY 37.92)
Saswad	12,053 (PY 35,324)	2,103 (PY 2,923)	16.10 (PY 8.3)

*Change in painting process at Hadapsar plant requires lower consumption of water and consequently lower recycling.

KPCL has a captive foundry where pig iron and aluminium are used as basic inputs for producing ferrous and nonferrous castings. Installation of oil recovery and sand reclamation unit in its Hadapsar Plant and oil filtration unit at its Saswad plant has helped organization in saving sand and oil procurement. Recycled material, cast iron, aluminium and steel machining scrap, sand and recovered oil is shown in the following table.

Material	FY 2019-20
Recycled Cast Iron / Steel	195 Ton (PY 78.6 Ton)
Recycled Aluminium	4.8 Ton (PY 5.51 Ton)
Recycled Oil	33.82 KL (PY 41.24 kL)
Recycled Sand	3,000 Ton (PY 2,940 Ton)

At present, KPCL does not reclaim the sold products and packaging materials. However, to minimize the environmental impact of the packaging in which products are delivered to customers, reusable packaging is used wherever possible.

Wood	FY 2019-20
Total Wood Consumption	56,184 CFT
Reuse of wood	4,074 CFT
% Reuse	7.25%

The Company's suppliers are assessed periodically based on quality, environment and occupational, health and safety management systems. Company motivates its suppliers to follow Integrated Management

Systems (IMS) standards and educate them about the quality standards during regular visits of our employees. The Company has taken strategic steps to ensure business with local and small producers. During the year 2019-20, about 14% of goods and services were procured from MSME suppliers. Local Purchases during the year represent 64% of the total purchases.

EMPLOYEE WELL-BEING

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

KPCL treats its employees as their most valuable resource. The Company's HR processes address the well-being of its employees at all levels. KPCL offers equal opportunity to all without any discrimination on caste, religion, region, gender or physical disability. These processes are guided by the inherent values of the company and are always in conformity with labour laws, human rights and other legislations promulgated from time to time.

To achieve KPCL's Mission of becoming an employer of choice, HR leads, facilitates and is a catalyst for talent management initiatives. KPCL focuses on attracting, developing and retaining talent through various employee engagement initiatives. KPCL conducts EES (Employee Engagement Survey) through an Independent Agency every alternate year. Survey conducted during 2019, shows that overall engagement score of KPCL increased to 85%, which became a Benchmark score for India.

Employee Category	Number of Employees	% Trained on Safety	% Trained for skill up-gradation
Permanent	711	65%	98%
Permanent Female	42	65%	100%
Temporary / Contractual	350	60%	15%
Total	1,103		

The Company has a well-equipped Occupational Health Centre that delivers qualitative preventive health services not only to its employees but also to their families and to the society at large. First-Aid Preparedness and an equipped ambulance are available at all times in the factory premises. Employee health is critical for the Company's sustainable growth and in keeping with this; medical surveillance that includes pre-employment, periodic medical examinations and occupational rehabilitation is ensured so that employee health and well-being are maintained. Annual wellness Planners ensures that all employees are covered under preventive health checks and health promotion programs. The Company constantly strives to address the issue of work life balance and encourages its employees to maintain the same.

Environmental & Occupational Safety & Health Management System (EHS) requirements are communicated to contractors annually. KPCL ensures that OH&S Management requirements are met by contractors & their workers through work permit system.

KPCL does not and has not employed child labour at any of its locations. None of KPCL's locations / offices has been identified as at a significant risk of incidences of child labour. KPCL abides by all legal and statutory requirements regarding child labour.

KPCL's contract with the labour contractors has a clause ensuring that no child is engaged for any kind of work directly or indirectly by them. Similarly KPCL through a process of selection and re-evaluation of suppliers verifies the compliance / existence of this practice of non-deployment of child labour at suppliers end using a suitable evaluation / assessment questionnaire.

There were no complaints relating to child labour, forced labour, involuntary labour or sexual harassment in the year 2019-20.

KPCL believes in the right of workers to establish and join organisations of their own choosing without the need for prior authorization. KPCL's workman workforce is represented by an internal union and KPCL enters into an Agreement with it periodically. The last Agreement was signed on 24th December, 2018 for a

period of 3 years with effect from 1st January, 2019 and the whole exercise of negotiations was completed before due date, showing mutual trust and understanding between the KPCL management and its workmen union leading to harmonious industrial relations at all times. The 7.5% of the permanent employees are the members of the internal union.

KPCL provides various mechanisms and platforms to employees (employee grievance handling procedure, open house, suggestion scheme, employee engagement survey etc.) for filing / pointing out all kinds of grievances including human rights (discrimination, association and collective bargaining, child labour, forced or compulsory labour and security practices, etc.) related grievances.

STAKEHOLDER ENGAGEMENT

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

In addition to shareholders, KPCL recognises customers, dealers, suppliers / vendors, government, financial institutions, society and employees as its stakeholders.

KPCL has developed a process of engagement with its various stakeholders. Stakeholder engagement is a continuously evolving, dynamic process.

The Company recognises that its stakeholders are integral to its journey towards sustainability. The Company considers stakeholders as partners in business and engages with internal and external stakeholder groups, beyond normal transactional engagement.

KPCL identifies vulnerable and disadvantaged sections amongst the stakeholders and takes special efforts to address their concerns. Through various CSR initiatives, as explained in Clause 5 of the Financial Details, KPCL demonstrates its commitment towards the upliftment of local communities. Needs and expectations as well as satisfaction levels are captured through society perception survey conducted every alternate year through an External Agency. Amongst employees we address specific concerns of women. Amongst suppliers, KPCL handholds small and medium sized enterprises.

RESPECT FOR HUMAN RIGHTS

PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS.

Becoming an 'employer of choice' is a part of KPCL's Mission Statement. To achieve this, it provides a decent work environment and follows fair labour practices upholding the human rights.

KPCL has a formal policy on Human Rights. This policy is based on UN declaration of human rights and ILO declaration on fundamental principles and rights at work.

In addition, Company has internal policies on Code of Conduct, Ethics, Whistle Blower, HIV AIDS Policy, PoSH and CSR recognises all the key aspects of human rights which lays down acceptable behavior of the employees and provides for stringent disciplinary actions in case of violations of policies.

All new recruits are made aware about Values, Code of Conduct, HIV AIDS Policy, and PoSH Policy during the induction program. They also give an undertaking pertaining to adherence to the Code of Conduct and policy of Prevention of Sexual Harassment of women at workplace.

We comply with all applicable local laws and human rights standards. To prevent and address cases of sexual harassment at the workplace, if any, we have implemented a policy and constituted Internal Committee. Our Safety Committee meetings regularly review issues related to safety of workmen at manufacturing plants.

During the year under review, the company has not received any complaints from any stakeholders.

PROTECTION AND RESTORATION OF ENVIRONMENT

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

Amongst other certifications, KPCL is an ISO14001:2015 certified company and through this system all its operations undergo environmental aspect impact assessments to ensure that our processes and products are environment friendly. The company encourages its suppliers and dealers to implement various Quality Management Systems with a focus on meeting environmental and social norms.

KPCL has deployed a comprehensive QEOHS Policy (Quality, Environment, Occupational Health and Safety).

Changing climatic conditions and related government regulations do not require KPCL to incur any additional expenditure for product modifications. In fact, KPCL foresees increasing opportunities for its environment friendly products.

Increase in ambient temperature due to Global warming has posed a challenge for storage of perishable goods. This will increase requirements of cold storages providing an opportunity for supply of KPCL ammonia refrigeration compressors in domestic as well as global markets.

The government has banned use of CFC refrigerants due to their Ozone Depletion Potential (ODP) and Global Warming Potential (GWP). This will increase use of Ammonia as refrigerant for industrial refrigeration. Ammonia is an eco-friendly refrigerant and has Zero ODP & Zero GWP. KPCL is a pioneer in India for introducing Ammonia as refrigerant in compressors and systems. Therefore, KPCL considers this as an opportunity for increasing its business.

To reduce the carbon footprint, a number of measures have been put in place by the Government of India. Use of alternate fuel such as natural gas is being promoted as it leads to lower GHG emission. To minimise the impact on climate change, Oil and Gas sector requires compression packages for waste heat and flare gas recovery systems. With several exploration projects in the pipeline and promotion of natural gas, KPCL considers this as an opportunity to enhance its operations by supply of necessary gas compression packages.

Vehicles that use petrol & diesel as fuel cause high level emissions that is harmful to the environment and living beings. CNG being a cleaner fuel than other fossil fuels, the combustion of natural gas produces negligible amount of sulphur, mercury and particulate matter. Burning natural gas does produce nitrogen oxides (NOx) which are precursors to smog, but at lower levels than gasoline and diesel used for motor vehicles. The Government therefore is expanding CNG stations in the country and encouraging use of CNG in Vehicles. Company is the market leader in supply of CNG Compressors and operation & management of CNG stations and expects to continue good business of CNG systems for many years.

Scarcity of stored water due to unpredictable rains is a common feature in many states of India. This will result in requirement of bore-well as a source for water. This is an opportunity for our water-well Rig Compressors. KPCL has developed and is promoting air cooled refrigeration compressors and air compressors. This shift from use of water to air for refrigeration process will decrease the dependency on use of water and also results in saving in substantial usage of water by eliminating evaporation losses. KPCL, thus addresses environmental issues beyond its organisational boundaries, particularly at customer's end by taking suitable approaches in its product offerings.

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 KPCL operations.

PUBLIC POLICY ADVOCACY

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

KPCL is a member of various industry associations, national and international advocacy organisations where it actively participates and views such memberships as strategic in nature. Our senior executives participate through active dialogues. They provide their expertise and business acumen during public policy consultations.

List of such memberships is given below:

a) Confederation of Indian Industry (CII) - Western Region

b) Engineering Export Promotion Council

c) Maharashtra Chamber of Commerce and Industry

d) Maharashtra Economic Development Council

e) Maratha Chamber of Commerce, Industries & Agriculture (MCCIA)

f) All India Gas Manufacturer's Association (AIGMMA)

g) International Association of Ammonia Refrigeration (IAAR)

h) American Gear Manufacturer's Association (AGMA)

i) Cold Storage Owners Association(s)

j) CII Technical Committee on Cold Chain of National Horticulture Board

k) Hadapsar Industries Association

l) Indian Institute of Material Management

m) Quality Circle Forum of India

n) ASM International

o) Indian Society of Heating, Refrigerating and Air Conditioning Engineers (ISHRAE)

KPCL also does CSR for the members of Cold Storage Association(s).

INCLUSIVE GROWTH

PRINCIPLE 8: BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT.

KPCL gives utmost priority to the engagement and upliftment of local community through various CSR initiatives with a focus on education, environment and health. KPCL's CSR Framework and Policy are deployed in a structured manner by implementing development programs based on the needs and expectations of the local community. In order to ensure inclusive growth, KPCL drives its CSR initiatives by collaborating with employee volunteers and NGO partners with intent of Enriching Lives and providing an 'EDGE' to enhance stakeholder engagement and company image.

Through various CSR initiatives KPCL demonstrates its commitment towards the upliftment of local communities. Needs and expectations as well as satisfaction levels are captured through society perception survey conducted every alternate year.

CSR Representatives and Employee Volunteer Teams are regularly interacting with various community members while implementing CSR initiatives and collect feedbacks, grievances and improvement opportunities.

The CSR initiatives of the Company have a focus on education, health and hygiene. More than 1,25,000 society members including students from schools in the vicinity of Hadapsar, Saswad and Nasik Plants have been benefited by these initiatives during the year 2019-20. The Company had spent Rs. 14.10 Million on CSR initiatives during the year 2019-20.

KPCL has a formal grievance process implemented through 'External Complaints Register' that is available on factory main gates for the use of visitors, local community members etc.

DELIVERING VALUE TO CUSTOMERS

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

KPCL is committed to providing its customers with the best experience in all areas of interface and interaction. Our activities and actions are always aimed at enhancing customer satisfaction. One of the values as adopted by KPCL is "CUSTOMER FOCUS".

KPCL serves its customers with products and services as per the procedures established in accordance with IMS standards. Further, all our products are designed and manufactured considering environment, health and safety concerns as well as according to other applicable product standards / certifications.

KPCL conducts Customer Satisfaction Survey through independent third party agency every alternate year to evaluate levels of satisfaction and improve its processes wherever applicable. The latest Customer Survey indicates excellent scores.

As a part of KPCL's operational procedures, information regarding environmental and social impact about the products and services (as applicable) is gathered from the vendors. All the relevant information is further communicated to the customers or end users through O & M manuals, training programmes etc.

As part of customer privacy, KPCL respects and adheres to the confidentiality of the contracts with the customers. KPCL ensures that the information received from a customer is neither used nor shared with any third party without the knowledge or permission of the customer.

KPCL has IT enabled Customer complaint registration system for post sales.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview:

Kirloskar Pneumatic Company Limited ("KPCL") is a diversified product company serving key sectors viz. Industrial, Oil & Gas, Infrastructure & Food Processing markets. The Company's broad in-house resources provide the capability to engineer, design, manufacture, construct, commission and service products and systems.

Your Company's manufacturing facilities at Hadapsar, Saswad and Nasik are modern and investments have been planned to ensure that State of Art manufacturing technologies will always be in place. Your Company has highly qualified and trained Service Personnel across India with Sales & Service networks in place at strategic locations in India.

Your Company is a dominant market leader in some of the areas of its business and is now looking at exports to the Middle East, South East Asia, Indo China, South and West Africa. Your Company has also decided to strengthen the Sales & Service network in countries targeted for exports. This growth in export revenue will be achieved with a combination of Products & Projects.

Your Company has two business segments – Compression Products / Systems and Transmission Products, having a wide range of products and solutions.

Indian Economy:

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF), and it is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships.

As per the IMF in July, 2019, India's economy is set to grow at 7% in 2019 as compared to 7.2% in 2018. However in January, 2020 the IMF revised the estimate of India's growth at 4.8% in 2019. India had entered into 2020 with lower growth projections on the economic front led by global economic slowdown. At the end of the financial year 2019-20, COVID-19 pandemic has further turned the matters gloomy.

In view of the preventive measures and announcement of nation-wide lockdown by the Government to contain spread of COVID-19 pandemic, most of the industrial sector establishments were not operating from the end of March, 2020 onwards.

Economic Prospects:

The global slowdown of the Calendar Year ('CY') 2019, caused by the US-China trade war, Brexit concerns and region-specific crises in Asia and Africa, has been aggravated by the novel COVID-19 outbreak at the end of the FY 2020.

The global macro economic outlook is overcast with the COVID-19 pandemic, with massive dislocations in global production, supply chains, trade and tourism. Financial markets across the world are experiencing extreme volatility; global commodity prices, especially of crude oil, have declined sharply.

The IMF expects that the contraction in global output in 2020 could be as bad as or worse than in 2009. The depth of the recession and the pace of recovery in 2021 would depend on the speed of containment of the COVID-19 pandemic and the efficacy of monetary and fiscal policy actions by various countries. The slowdown could be more protracted in dire scenarios in which the duration of COVID-19 extends longer.

India has not been spared from the exponential spread of COVID-19. While efforts are being mounted on a war footing to arrest its spread, COVID-19 would impact economic activity in India directly through domestic lockdown.

Over the last few weeks, a lot has changed. India was in a lockdown mode for two months. The economy had come to almost a complete standstill, making it a very challenging environment for all businesses. Now, we stand on the verge of a new phase, as the lockdown is being gradually lifted across many safe zones and districts across the country. This in itself is a huge change with far-reaching consequences. It's a colossal responsibility on each one of us to build our economy from near-zero activity to normal levels while also maintaining community health.

The COVID-19 pandemic is here to stay for longer than we imagined. Needless to say, the rules of the old world will not apply any more. We will have a new normal, with new ways of approaching our lives – how we do our work, where we go, who we interact with, how we conduct our business and what measures we take to combat the disease - will all play a crucial role over the next few months.

Segment Analysis:

1. **Compression Products:**

   Your Company's product portfolio includes Air, Gas and Refrigeration Compressors, Packages and Systems. These products primarily serve Oil and Gas, Cold Chain, Industrial markets and Defence needs of compression systems. The Company's in-house resources provide the capability to engineer, design, manufacture, construct, commission and service systems.

   a. **Oil & Gas Business:** Your Company offers refrigeration and gas compression systems for refineries and petrochemical plants. Your Company also offers CNG systems to City Gas Distribution (CGD) Companies. Your Company has proven to key customers, in Oil & Gas business and CGD companies, its capabilities of designing, procuring, building & testing high end systems. Customers have time and again reposed confidence in this capability and have helped us retain market leadership in the segment. Your Company also undertakes O&M contracts all over India to ensure 98% availability of these systems.

      Government has put a thrust on promoting usage of environment friendly clean fuel i.e. natural gas as a fuel / feedstock across the country. Thus, the Government is moving towards gas-based economy. Presently, the share of gas in the country's energy mix is just over 6% and the aim is to reach 15%, while the world average is 24%. Natural Gas (as CNG) is cheaper by 54% and 41% as compared to petrol and diesel respectively. Piped Natural Gas (PNG) is safer than LPG. PNG being lighter than air, dissipates immediately in the air in case of leak. The flow of PNG can be easily controlled by various safety checks / valves installed in the system. The Government of India has accorded top priority to PNG for domestic gas distribution in CGD segment which has led to an investment in CNG systems for promoting CNG vehicles.

      India is the world's 3rd largest energy consumer. Oil consumption is expected to grow 129% during 2016-2040. The country is the 4th largest importer of LNG. In the next 5 to 7 years, Indian Oil & Gas Companies plan to make an investment in excess of $ 7 billion for expanding its existing brownfield refineries. Plans are in place to lay the nation's longest LPG pipeline of over 2,000 km, from Gujarat to Uttar Pradesh, to cater to growing demand for cooking gas in the country. Government plans to make an investment of about Rs 1.2 lakh crore in the roll out of city gas network in almost 300 districts by 2030 as a massive expansion is planned for CNG dispensing stations and pipelines supplying cooking gas to household kitchens. With a licence to retail CNG and piped gas to household kitchens given out for 136 Geographical Areas (GAs) in last one year, the coverage of city gas network would be 70% of country's population. Under the 9th and 10th rounds of bidding for CGD networks, the number of CNG stations and domestic PNG connections are expected to increase by 8,181 and 4.2 crore, respectively, in the next 8-10 years.

      The Petroleum and Natural Gas Regulatory Board (PNGRB) has proposed 44 new GAs for the upcoming 11th round of bidding for CGD. According to the new tentative list, the highest number

of CGD areas will fall in Tamil Nadu followed by Maharashtra and Madhya Pradesh. Five years ago, CGD network spanned 34 GAs and now, the CGD network covers 228 geographical areas spread over 402 districts in 27 states.

Your Company is constantly in touch with Refineries and Consultants for these investment programs and expects this business to grow significantly in the next few years. Your Company is also working on export opportunities in specific countries and this is going to add to our current business in Oil & Gas business.

b. **Cold Chain Business :** Your Company supplies industrial refrigeration compressors and packages for cold store units, dairy units and pharmaceutical & process plants. Your Company has a wide network of dealers and service dealers. Your Company is closely associated with various state level Cold Store Associations, Government nodal agencies and technical committees. KPCL has a dominant market share in this segment.

India, with a large and diverse agriculture sector, is among the world's leading producers of cereals, milk, sugar, fruits and vegetables, spices, eggs and seafood products. Indian agriculture continues to be the backbone of our society and it provides livelihood to nearly 50% of our population. India is supporting 17.84% of world's population, 15% of livestock population with merely 2.4% of the world's land and 4% of its water resources.

With about 140 million tons, India is the second largest producer of fruits and vegetable in the world. India is the largest producer of milk in the world with 100 million ton production. However, an estimated 40% of vegetable produce and 15% of milk is wasted due to improper storage and transportation. Presence of robust infrastructure is a critical component of a strong agricultural value chain.

Indian cold chain sector is poised for growth. Although there is large production of perishables, investment in this sector is relatively low due to multiple reasons like high share of single commodity cold storage; high initial investment (for refrigerator units and land); lack of basic enabling infrastructure like roads, water supply, power supply, drainage, etc.; lack of awareness for handling perishable produce and lapse of service either by the storage provider or the transporter leading to poor quality produce.

Integrated Cold Chains are the fundamentals on which India can increase its agricultural exports. The Government of India, therefore, is aggressively pushing for the infrastructure development for cold chain distribution. India is one of the fastest-growing countries, in terms of the cold chain industry, in the world. This is primarily because of the changing consumption or eating patterns, an overall improvement of the quality standards and exporting the produce to developed countries.

Market acceptance for air cooled compressor has been very good and demand for this is growing steadily. This has also resulted in your Company increasing its market share in India. In the export market too, this air cooled compressor has been appreciated in many countries and we are glad to inform you that all compressors exported are the air cooled version.

It is a matter of great pride that your Company is arguably the world's largest manufacturer of Open Type Ammonia Refrigeration Compressors.

c. **Industrial Business:** Your Company offers air compressors and packages to industrial markets like cement, steel, power and general engineering. Your Company has in-house capability of designing, manufacturing and servicing air compressors.

With the Government push for the road construction projects, demand for diesel portable compressors has increased.

Your Company has focused its efforts in developing international business in South East Asia, Middle East and North and South Africa region. KPCL products have been accepted well in this market and KPCL has started supplying into these markets.

Your Company has developed its own Centrifugal Compressor range. Your Company also developed new models of water well compressors to cater to high pressure water well drilling operations. These technological innovations will take your Company to the next level of growth in the coming years.

d. **Ground Support Business:** KPCL is in the business of products like HVAC systems for the Indian Navy and Ground Support Units for defense installations. Your Company has developed capability of conceptualizing, designing, manufacturing, testing and commissioning of products to meet the customer expectations.

The Government of India's thrust on “Make in India” in the defense sector is an opportunity for your Company in the coming years. Your Company also takes up Annual Maintenance Contract of the equipment in remote areas to assist our Armed Forces.

The defense business has grown due to orders from Ordnance Factories and HAL.

Performance: During the year, revenue for the Compression Product segment was Rs 7,678 Million (Previous year Rs 6,614 Million).

Opportunities, Threats and Concerns: Rolling lockdowns and social distancing restrictions on account of the pandemic are expected to significantly impact economic activity in all major markets and cause demand compression. In the immediate aftermath, enterprises are expected to downscale current investments, defer planned initiatives, cut costs and conserve cash.

Your Company believes that investment push into Oil & Gas sector will accelerate demand for its products. Your Company has considerable order board which is a historical high and is actively working on more opportunities. As such your Company will continue to closely monitor developments in the sector. To de-risk dependence on domestic market, your Company is working on opportunities in the export market.

Over the last few years, your Company has been aggressively working on achieving “Approved Vendor” status in many Oil & Gas Companies in the Middle East, Africa and South East Asia. Your Company is now an “Approved Vendor” in almost all Oil & Gas Companies in the Middle East. Your Company has also been approved by major EPC Contractors and Project Management Consultants. We have considerable order board for exports. After achieving Approved Vendor status, we’ve been regularly receiving enquiries from these targeted countries and this will pave the way for bagging orders in the near future.

With food security gaining more importance in today’s world, investment in cold chain sector is expected to grow.

Your Company has a very dominant market share for supply of Open Type Ammonia Refrigeration Capital for the Cold Store Market in India and is recognised as a world class compressor by all Cold Store Associations across India.

With the Government's renewed thrust for "Make in India", we expect Industrial markets to see upturn in next two to three years.

Your Company is working in a few recognised Research Organisations in Europe to develop cutting edge technology in Compression System and this project is progressing at an accelerated pace. The IP rights will remain with your Company and this will bolster our competitiveness in the market.

2. **Transmission Products:**

Your Company offers a wide range of products that includes – Traction Gears, Customised Gearboxes and Specialized Products. These products primarily serve Indian Railways and other industrial markets sub-divided into segments – Steel, Cement, Power, Sugar and Wind Power, etc.

a. **Railway Business:** Your Company is a strong player in this market. Over the years, your Company has developed the capability of manufacturing the entire range of Gear Pinion requirement of Indian Railways. It has been approved as a supplier for the new generation High Speed Locomotives.

Demand for Railway Gears and Pinions remained stagnant during the year 2019-20 and is not expected to grow much in the coming years.

Your Company has started supplying gears and pinions to the Metro Rail.

b. **Industrial Gearbox Business:** With a fluctuating demand in Wind Turbine Gear box market, your Company strategically decided to offer customized Gearboxes in the Industrial markets. Your Company has developed competency and capability in designing, manufacturing, testing and servicing of Gearbox.

Your Company has secured requisite registrations with consultants. Your Company has successfully executed some of the complex Gearbox orders for various applications in steel, sugar, power and cement plants.

Your Company has developed and installed High Speed Gearboxes for Steam Turbine driven Power Plants. The present manufacturing capability caters up to 50 MW Steam Turbines and larger Gear Boxes are manufactured with some strategic component sub-contracting. Your Company has also developed a range of speed increasing Gearboxes for various types of Hydro Turbines upto 5 MW. The first order for indigenous supply of 50 MW Gear Box for Steam Turbine Application has been received.

To gain market acceptability on the Industrial Gearbox Business your Company strategically ventured into 'refurbishment' of old gearboxes. Refurbishment is considered a bigger challenge than supply of new gearboxes and we are happy to inform you that we have successfully 'refurbished' many old gearboxes to the complete satisfaction of our customers.

Consequent to the demonstrated success in refurbishing Gearboxes, your Company has now been accepted by many customers for supply of new Gearboxes.

Performance: With muted demand in railway business and sub-megawatt wind turbine business, during the year, revenue for the Transmission Product segment was Rs 472 Million (Previous year Rs 473 Million).

Opportunities, Threats and Concerns: Demand for Traction Gears may see marginal growth over the next three years. However, international majors are entering locomotive manufacturing in India and we are actively pursuing business opportunities, this could offer growth opportunities for your Company.

With the wind turbine market shifting to megawatt class gearbox, your Company has indentified one major customer for this new opportunity.

With successful entry into Industrial Gearbox market, your Company expects to open opportunities for growth. Your Company has augmented infrastructure and enhancing engineering capabilities.

3. **Other:**

Your Company has developed innovative RoadRailer for the logistics sector. This technology has been developed with the support of Wabash Inc, USA. It offers quicker, safer and economical transportation of cargo.

RoadRailer service attracted a new stream of traffic to Railways comprising of auto components, FMCG goods and electronic items, etc. Various industries have shown interest in availing RoadRailer services. Response from the Customers is encouraging. During the reporting year, your Company has started earning revenue.

Internal Control Systems and their Adequacy:

Your Company has covered this in the Directors' Report.

Your Company is very conscious of the risks involved in supply of products and execution of projects and a very elaborate Risk Management Process is in place for the Company and the Company wide Risk Management Matrix is derived from Divisional Risk Management Process. There is a continuous monitoring on receivables and generations of free cash.

Operating Performance:

During the year under review, revenue from operations registered a growth of around 15%, particularly due to increased business in Oil & Gas sector. Operating profits however reduced due to product mix and higher depreciation compared to the previous year. With a strong order board at the start of the year, your Company is poised to achieve better results in the coming year. However, disruption in operations during FY 2021 due to COVID - 19, closure for a longer period can impact operating results.

During the year, there were no significant variations in the key financial ratios such as Debtors Turnover, Inventory Turnover, Current Ratio, Operating Profit Margin and Net Profit Margin as compared to previous financial year except in Debt Equity Ratio and Interest Coverage Ratio wherein variation beyond 25% occurred as Company resorted to short term borrowings for partially funding its addition to fixed assets and net current assets.

As on 31st March, 2020 your Company's return on net worth is 10.8% as compared to 11.2% in the previous financial year. Marginal reduction in return is mainly attributable to net profits impacted by higher depreciation.

Safety, Health and Environment:

Your Company is one of the few IMS (Integrated Management System - ISO 9001, ISO 14001 and OHSAS 18001) Certified Companies. During the year, at the time of recertification, your Company received a certificate certifying that the Company has established and applies an Integrated Management System - ISO 9001, ISO 14001 and OHSAS 18001, which is valid upto 27th August, 2021. Your Company is committed to comply with all statutory and regulatory requirements. Your Company has been making efforts in building awareness among employees, suppliers and service providers. Your Company has given a lot of attention to improving greenery all around its manufacturing plants. Energy conservation initiatives, safety initiatives and quality initiatives are being taken on a regular basis to ensure sustainability.

The Company has a well-equipped Occupational Health Centre that delivers qualitative preventive health services not only to its employees but also to their families and to the society at large. First-Aid preparedness and an equipped ambulance are available at all times in the factory premises. Medical surveillance that includes pre-employment, periodic medical examinations and occupational rehabilitation is ensured so that employee health and well-being are maintained. Hospitalized employees are given meaningful help and reassurance. Annual Wellness Planner ensures that all employees are covered under preventive health checks and health promotion programmes.

Corporate Social Responsibility (CSR):

Inspired by our founder Late Shri S L Kirloskar all our CSR initiatives are focused in the areas of Education, Environment and Health. CSR initiatives in your Company are planned, budgeted, implemented and reviewed regularly. CSR provides a volunteering platform to the employees and about 20% of employees volunteer to actively contribute for a social cause every year.

During this year, your Company has reached out to about 125,000 + community members, the majority of them being school children, with the help of employee iVolunteers, social field workers, school teachers and health care personnel. Cumulatively, we have touched 300,000 + community members during the last three years. Significant CSR initiatives include Kirloskar WaSH (Water, Sanitation and Hygiene), Kirloskar Vasundhara, DISHA (HIV AIDS Awareness), School Health Check, Bharari and KaShi (Kanya Shiksha).

The Board has established a CSR Committee to monitor its CSR activities. On the recommendation of the CSR Committee, the Board of Directors has adopted a CSR Policy in line with the Companies Act, 2013.

Human Resources and Industrial Relations:

The Human Resources (HR) department at KPCL is driven by the mission 'To be an employer of choice'. We look at the employee's entire work life cycle, to ensure timely interventions that help build a long-lasting and fruitful career.

Recruitment & Staffing: With the growth of business, we continued to focus on having the most befitting managers with the most relevant job-experience to fill in the vacancies. As such, we do have a robust recruitment and Human Resources Management Process. Changes are made in the process based on employee feedback. Selection of new employees is done through a rigorous process to ensure the right candidate is selected. The nature of your Company has resulted in white collar employees constituting 93% of the workforce. This also is an indication of modern manufacturing technologies poised to move ahead with smarter manufacturing. With the projected growth of the business, more number of engineers are getting trained to manage higher level of manufacturing efficiencies.

The annualized attrition rate for fiscal 2020 stands at 6.4%, as compared to Industrial Average of around 9.0%. We continue to work on simplifying internal processes. HR process owners collaborate with various teams in the Organization to ensure that employees are able to work at their productive best.

Career Planning: Aspiring managers do need a career path to contribute better. Accordingly, the Critical Role Holders are identified as part of the succession process. As in past years, this year too, we partnered with some of the renowned L&D firms to impart in-house training programs; as well as KIAMS for Leadership Induction program. These programs covered important topics like Creativity and Innovation, Value Based Selling, Conflict Management, Personal Effectiveness, Effective Negotiations, Managerial Effectiveness, Finance for Non-Finance etc.

Learning & Development: L&D are at the foundation of KPCL. Competency development continues to be a key area of strategic focus for us. During fiscal 2020, the total training provided for employees was over 4.3 days per employee. Some of our employees are internal trainers and shared their domain knowledge in the Company. Such an intervention not only fosters a climate of mutual learning, but also encourages others to be a part of the larger community of internal-trainers at KPCL. We recognize their contribution through rewards.

Rewards & Recognition: It is understood that employee-motivation is key to many success stories. Acknowledging one's value-addition and recognising them play a very key role. Recognition schemes are monetary as well as non-monetary. Achievers are recognized every quarter for outstanding

achievements with team awards by senior management. As always, we have continued to focus on the much needed performance differentiation to ensure that our high-potential (HiPo), high-performing employees are driven towards higher purpose and goals. They are being groomed as our Talent-Pipeline to succeed to key roles in future.

Apart from the above, we do measure our performance, with an intent to raise the bar of better performance; also to scale up the deliverables from HR team.

In addition to the above, we have mechanisms in place to foster a positive workplace environment, free from harassment of any nature. We have institutionalized the Prevention of Sexual Harassment Initiative (PoSH) framework, through which we address complaints of sexual harassment at the workplace. Our policy assures discretion and guarantees non-retaliation to complainants.

Communication: An attempt to encourage company-wide employee-communication is one of our pursuits. Dialogue is maintained with employees throughout the year through quarterly performance sessions, in-house magazine (Susamwad) and intranet (Shashwat). The employees are aware of various developments in the Company.

Your Company has been selected by CII time and again to showcase Business Excellence, HR, Safety & EHS Policies and their implementation. Many companies regularly visit your Company to get a first-hand impression of these processes.

The relations with the employees at all levels continue to be cordial.

For and on behalf of the
Board of Directors
sd/-
Aditya Kowshik
Managing Director
DIN 00228983

Place : Pune
Date : 25th June, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Kirloskar Pneumatic Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kirloskar Pneumatic Company Limited ("the Company"), which comprise the balance sheet as at 31st March, 2020, and the statement of Profit and Loss (including Other Comprehensive Income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, hereinafter referred to as 'the financial statements'.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2020, and its profit (including Other Comprehensive Income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the 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 financial statements under the provisions of the Companies Act, 2013 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter : Expected credit Loss on Trade receivables:

The company has trade receivables as at 31st March, 2020 amounting to Rs 1891 million (Refer note 4 in financial statements). The mix of trade receivable is such that it majorly includes receivables from government sector as compared to other sectors of industry. Ind AS 109 requires the company to recognize the impairment loss allowance on financial assets based on expected credit loss approach. Note 53(4.7)(a)(v) second para describes the company's Accounting Policy on impairment of trade receivables.

We have considered Expected Credit loss on trade receivables as key audit matter since the assessment of expected credit loss is highly judgemental considering the mix of trade receivables and of low visibility of reasonable and supportable information to establish any trend.

Audit methodology:

- We have analyzed and tested the appropriateness of relevant internal financial controls for extraction of data and its completeness.
- We have analysed nature and recoverability of significant trade receivables based on past trend available and obtained explanations.

- We have sent request letters to material debtors seeking balance confirmation on reporting date.

  Where balance confirmations are not received, alternate audit procedures as per relevant Auditing Standard were performed.

- We have reviewed company's policy on impairment of trade receivables and evaluated the reasonableness of Management estimate by understanding the process of expected credit loss estimation.

- We have checked the accounting treatment and necessary disclosures as per Ind AS 109 given in financial statements.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors Report to the members & Annexures thereto, Report on Corporate Governance, Management Discussion & Analysis, but does not include the financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent, and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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. The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system with reference to 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 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 financial statements, including the disclosures, and whether the 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 significant deficiencies, if any, 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 financial statements of the current period 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 Companies Act, 2013, 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 Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid 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 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(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 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, 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 financial statements – Refer Note 42 to the financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For M/S P.G. BHAGWAT
Chartered Accountants
Firm's registration No. 101118W
sd/-
Sanjay Athavale
Partner
Membership No. 83374
Pune : 25th June, 2020
UDIN : 20083374AAAABT1113

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in our above Independent Auditor's Report of even date to the members of Kirloskar Pneumatic Company Limited on the financial statements for the year ended March 31, 2020

(i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. However, no physical verification was carried out by the Management during the year. Accordingly, the discrepancies, if any, could not be ascertained and therefore, we are unable to comment on whether the discrepancies, if any, have been properly dealt with in the books of account;

(c) The title deeds of immovable properties, as disclosed in Note 1 to the financial statements, are held in the name of the company.

(ii) The physical verification of inventory, excluding stocks with third parties, 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. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

(iii) 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 Companies Act, 2013. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

(iv) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of the loans and investments made, and guarantees and security provided by it.

(v) In our opinion and according to the information & explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

(vi) The Company has made & is maintaining cost records as prescribed under Section 148 (1) of the Companies Act, 2013. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(vii) (a) According to the information & explanations given to us & according to the records of the company, the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, GST, cess and any other statutory dues to the appropriate authorities and there were no arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable ;

(b) According to the information & explanations given to us & according to the records of the company, there are no dues of income tax, sales tax, service tax, duty of customs, excise duty, value added tax or GST which have not been deposited on account of any dispute except :

Name of the Statute	Nature of dues	Amount (Rs. millions)	Period to which amount relates	Forum
Excise Duty	Demand of penalty on reversal of Cenvat Credit not made	0.2	FY 1997-98 to 2001-02 upto Feb-2002	CESTAT, Delhi
Excise Duty	Wrong availment of CENVAT credit	0.01	FY 2013-14 to 2015-16 up to Aug-2016	Asst. Commissioner CGST, Division -VI (Koregaon Park) Pune-I Commissionerate
Excise Duty	Wrong availment of exemption for lower Central excise duty	25.10	FY 2016-17 to 2017-18 up to Jun-2017	DGGI, Zonal Unit, Pune
Customs Duty	Non compliance of conditions for availing concessional rate of customs duty	1.45	FY 1997-98	Asst. Commissioner (Customs) Mumbai
Customs Duty	Non compliance of conditions for availing concessional rate of customs duty	15.79 15.52	FY 2011-12 FY 2012-13	Supreme Court DGFT, Pune & Delhi
Customs Duty	Wrong payment of lower Import duty (IGST)	0.52	FY 2017-18	Commissioner of Customs, Audit Commissionerate, JNCH, Raigad
Sales Tax	Non-production of C Forms	0.10 0.92 0.24 7.12	FY 1992-93 FY 2012-13 FY 2013-14 FY 2015-16	Asst. Commissioner Appeals, Jt. Commissioner Appeals
Sales Tax	Demand under Work Contract Tax	0.48	FY 1985-86 to 1987-88	Asst. Commissioner Appeals
Income Tax	Provision for Pension Scheme Assessment effects Assessment effects	6.97 6.13 2.60	FY 1996-97 FY 2015-16 FY 2016-17	High Court CIT Appeals 7, Pune CIT Appeals 7, Pune

(viii) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of loans or borrowing to any financial institutions, banks, Government or dues to debenture holders as at the balance sheet date.

(ix) The company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) or any term loan during the year.

(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) Managerial remuneration for the year has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.

(xii) The company is not a Nidhi Company.

(xiii) Based upon the audit procedures performed and information and explanations given by the management, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the financial Statements etc., as required by the applicable accounting standards.

(xiv) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.

(xv) Based upon the audit procedures performed and information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him within the meaning of the provisions of section 192 of Companies Act, 2013.

(xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For M/S P.G. BHAGWAT
Chartered Accountants
Firm's registration No. 101118W
sd/-
Sanjay Athavale
Partner
Membership No. 83374
Pune : 25th June, 2020
UDIN : 20083374AAAABT1113

Annexure B to the Independent Auditors' Report

Referred to in paragraph 2 (f) under the heading, "Report on Other legal and Regulatory Requirements" of our report on even date:

Report on the Internal Financial Controls 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 financial statements of Kirloskar Pneumatic Company Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the 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 controls with reference to financial statements 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 Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls 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 financial statements was 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 the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the 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 Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to 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 financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to 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, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2020, based on the internal controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For M/S P.G. BHAGWAT
Chartered Accountants
Firm's registration No. 101118W
sd/-
Sanjay Athavale
Partner
Membership No. 83374
Pune : 25th June, 2020
UDIN : 20083374AAAABT1113

BALANCE SHEET AS AT 31ST MARCH, 2020

₹ in Million

		Note No.	As at 31st March, 2020	As at 31st March, 2019
	ASSETS			
(1)	**NON-CURRENT ASSETS**			
	(a) Property, Plant and Equipment	1	**2,031.34**	1,196.25
	(b) Capital work-in-progress	1	**71.81**	594.28
	(c) Other Intangible Assets	2	**35.20**	21.56
	(d) Intangible Assets Under Development	2	**20.34**	46.90
	(e) Financial Assets			
	(i) Investments	3	**313.37**	497.45
	(ii) Loans	5	**28.63**	27.32
	(f) Deferred Tax Assets (Net)	7	**-**	16.03
	(g) Other Non-Current Assets	8	**15.23**	89.37
	TOTAL NON-CURRENT ASSETS		**2,515.92**	2,489.16
(2)	**CURRENT ASSETS**			
	(a) Inventories	9	**1,592.02**	963.37
	(b) Financial Assets			
	(i) Investments	3	**1,063.87**	1,461.55
	(ii) Trade Receivables	4	**1,891.00**	1,835.24
	(iii) Cash and Cash Equivalents	10	**269.50**	293.73
	(iv) Bank Balance other than (iii) above	10	**30.47**	25.45
	(v) Loans	5	**13.38**	6.57
	(vi) Others	6	**8.86**	-
	(c) Current Tax Assets (Net)	11	**66.09**	16.94
	(d) Other Current Assets	8	**300.70**	389.26
	TOTAL CURRENT ASSETS		**5,235.89**	4,992.11
	TOTAL ASSETS		**7,751.81**	7,481.27
	EQUITY AND LIABILITIES			
(1)	**EQUITY**			
	(a) Equity Share Capital	12	**128.44**	128.44
	(b) Other Equity	13	**4,817.77**	4,809.86
	TOTAL EQUITY		**4,946.21**	4,938.30
(2)	**LIABILITIES**			
	NON-CURRENT LIABILITIES			
	(a) Financial Liabilities			
	(i) Borrowings	14	**-**	5.31
	(ii) Other Financial Liabilities	16	**0.87**	0.87
	(b) Provisions	17	**51.71**	46.38
	(c) Deferred Tax Liabilities (Net)	7	**6.12**	-
	(d) Other Non-Current Liabilities	18	**1.10**	1.59
	TOTAL NON-CURRENT LIABILITIES		**59.80**	54.15
	CURRENT LIABILITIES			
	(a) Financial Liabilities			
	(i) Borrowings	14	**277.78**	-
	(i) Trade Payables	15		
	Due to Micro, Small and Medium Enterprises		**178.15**	68.45
	Other Trade Payables		**1,194.14**	1,262.84
	(ii) Other Financial Liabilities	16	**534.88**	528.70
	(b) Other Current Liabilities	18	**492.53**	583.67
	(c) Provisions	17	**68.32**	45.16
	TOTAL CURRENT LIABILITIES		**2,745.80**	2,488.82
	TOTAL LIABILITIES		**2,805.60**	2,542.97
	TOTAL EQUITY AND LIABILITIES		**7,751.81**	7,481.27
	Notes forming part of the Financial Statements	1 - 53		

As per our attached report of even date.

For M/s P.G. Bhagwat
Firm Registration No. 101118W
Chartered Accountants

Sanjay Athavale
Partner
Membership No. 83374
Pune, June 25, 2020

For and on behalf of the Board of Directors

Aditya Kowshik
Managing Director
DIN - 00228983

Jitendra Shah
Company Secretary

Rahul C. Kirloskar
Executive Chairman
DIN - 00007319

Suhas S. Kolhatkar
Vice President & Chief Financial Officer

Pune, June 25, 2020

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2020

₹ in Million

		Note No.	2019-20	2018-19
	INCOME :			
I	Revenue from Operations	19	**8,211.28**	7,102.44
II	Other Income	20	**184.68**	145.06
III	**TOTAL INCOME (I + II)**		**8,395.96**	7,247.50
IV	**EXPENSES :**			
	Cost of Materials Consumed	21	**4,740.93**	3,799.84
	Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-Progress	22	**(296.74)**	(62.52)
	Employee Benefits Expenses	23	**1,114.94**	1,011.60
	Finance Costs	24	**12.09**	1.47
	Depreciation and Amortization Expense	25	**325.61**	218.52
	Other Expenses	26	**1,779.98**	1,476.30
	TOTAL EXPENSES		**7,676.81**	6,445.21
V	Profit before Exceptional Items and Tax (III - IV)		**719.15**	802.29
VI	Exceptional Items		**-**	-
VII	Profit Before Tax (V-VI)		**719.15**	802.29
VIII	Tax Expense :	47		
	Current Tax (Net of Rs 6.68 Million in respect of earlier years Previous Year - Rs 17.24 Million)		**162.08**	211.00
	Deferred Tax		**22.15**	38.67
			184.23	249.67
IX	**Profit for the Year (VII-VIII)**		**534.92**	552.62
X	**Other Comprehensive Income (OCI)**			
	a) Items that will not be reclassified to profit or loss			
	i) Re-measurement of net Defined Benefit Obligation		**(32.77)**	(11.09)
	ii) Equity Instruments through Other Comprehensive Income		**(188.89)**	40.21
			(221.66)	29.12
	b) Income tax relating to items that will not be reclassified to profit or loss			
	i) Taxes on Re-measurement of net Defined Benefit Obligation		**8.25**	3.88
	ii) Taxes on Equity Instruments through Other Comprehensive Income		**-**	-
			8.25	3.88
	Total Other Comprehensive Income		**(213.41)**	33.00
	Total Comprehensive Income for the period (IX + X) (Comprising Profit and Other Comprehensive Income for the period)		**321.51**	585.62
	Earning per Share : (nominal value per share Rs.2/-)			
	(1) Basic Rs		**8.33**	8.60
	(2) Diluted Rs		**8.33**	8.60
	Notes forming part of the Financial Statements	1-53		

As per our attached report of even date.

For M/s P.G. Bhagwat
Firm Registration No. 101118W
Chartered Accountants

Sanjay Athavale
Partner
Membership No. 83374
Pune, June 25, 2020

For and on behalf of the Board of Directors

Aditya Kowshik
Managing Director
DIN - 00228983

Jitendra Shah
Company Secretary

Rahul C. Kirloskar
Executive Chairman
DIN - 00007319

Suhas S. Kolhatkar
Vice President & Chief Financial Officer

Pune, June 25, 2020

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2020

₹ in Million

	2019-2020	2018-2019
A) Cash Flow From Operating Activities		
Profit Before Tax	**719.15**	802.29
Adjustments for :		
Depreciation and amortisation expense	**325.61**	218.52
Interest income	**(1.88)**	(3.59)
Unwinding of Interest on Security Deposits	**(1.19)**	(1.10)
Amortisation of prepaid rent	**-**	1.18
Share Based Payment	**11.57**	-
Dividend income	**(37.82)**	(49.83)
MTM Gain on hedge transactions	**(8.86)**	-
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit or Loss	**(52.23)**	(38.04)
Loss/(gain) on Sale of Investments	**7.14**	1.43
Loss/(gain) on disposal of property, plant and equipment	**(3.92)**	(4.49)
Finance costs	**12.09**	1.47
Bad Debts	**76.81**	17.97
Operating profit before working capital adjustments	**1,046.47**	945.81
Working capital adjustments		
(Increase)/decrease in trade receivables	**(132.57)**	239.77
(Increase)/decrease in inventories	**(628.65)**	(69.18)
(Increase)/decrease in other financial assets	**(11.95)**	6.54
(Increase)/decrease in other non-financial assets	**109.32**	(162.59)
Increase/(decrease) in trade payables	**41.00**	(296.92)
Increase/(decrease) in financial liabilities	**(12.18)**	(5.17)
Increase/(decrease) in non-financial liabilities	**(94.58)**	100.19
Increase/(decrease) in provisions	**(4.28)**	(1.22)
Cash generated from operations	**312.58**	757.23
Income taxes paid	**(221.89)**	(231.82)
Net cash inflow from operating activities	**90.69**	525.41

₹ in Million

	2019-2020	2018-2019
B) Cash flow from investing activities		
Payments for property, plant and equipment, intangible assets	**(544.89)**	(725.77)
Proceeds from sale of property, plant and equipment, intangible assets	**4.74**	6.67
Sale / Redemption of Investments	**875.49**	644.39
Purchase of Investments	**(437.53)**	(539.16)
Interest income	**1.88**	3.59
Dividend income	**37.82**	49.83
Net cash outflow from investing activities	**(62.49)**	(560.45)
C) Cash flow from financing activities		
Repayment of borrowings	**(1.57)**	(1.43)
Proceeds from borrowings	**277.78**	-
Finance costs	**(6.09)**	(0.99)
Lease Payments	**(2.40)**	-
Payment of fractional entitlement to eligible shareholders	**-**	(0.26)
Dividends paid (including dividend distribution tax)	**(320.15)**	(259.51)
Net cash outflow from financing activities	**(52.43)**	(262.19)
Net increase/(decrease) in cash and cash equivalents	**(24.23)**	(297.23)
Cash and cash equivalents at beginning of the financial year	**293.73**	590.96
Cash and cash equivalents at end of the financial year	**269.50**	293.73

The above cash flow statement has been prepar@ed under the indirect method as set out in Ind AS 7 - Statement of Cash Flows

As per our attached report of even date.

For M/s P.G. Bhagwat
Firm Registration No. 101118W
Chartered Accountants

Sanjay Athavale
Partner
Membership No. 83374
Pune, June 25, 2020

For and on behalf of the Board of Directors

Aditya Kowshik
Managing Director
DIN - 00228983

Jitendra Shah
Company Secretary

Rahul C. Kirloskar
Executive Chairman
DIN - 00007319

Suhas S. Kolhatkar
Vice President & Chief Financial Officer

Pune, June 25, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2020

A : EQUITY SHARE CAPITAL

₹ in Million

Balance As at 1st April, 2019	Changes in Equity Share Capital during the year (Net)	Balance As at 31st March, 2020
128.44	-	128.44

B : OTHER EQUITY

₹ in Million

	Reserves and Surplus				Equity Instruments through Other Comprehensive Income	Total
	Securities Premium	General Reserve	Retained Earnings	Share Based Payment		
Balance as on 1 April 2018	**51.82**	**3,200.00**	**811.27**	**-**	**424.38**	**4,487.48**
Profit for the year	-	-	552.62	-	-	552.62
Other Comprehensive Income for the year - Fair Valuation	-	-	-	-	40.21	40.21
Other Comprehensive Income for the year - Acturial Gain/(Loss) - Net of Tax	-	-	(7.21)	-	-	(7.21)
Dividend Paid	-	-	(154.13)	-	-	(154.13)
Tax on Dividend	-	-	(31.68)	-	-	(31.68)
Interim Dividend	-	-	(64.22)	-	-	(64.22)
Tax on Interim Dividend	-	-	(13.20)	-	-	(13.20)
Transfer from retained earnings	-	300.00	(300.00)	-	-	-
Balance as on 31 March 2019	**51.82**	**3,500.00**	**793.45**	**-**	**464.59**	**4,809.86**
Balance as on 1 April 2019	**51.82**	**3,500.00**	**793.45**	**-**	**464.59**	**4,809.86**
Profit for the year	-	-	534.92	-	-	534.92
Other Comprehensive Income for the year - Fair Valuation	-	-	-	-	(188.89)	(188.89)
Other Comprehensive Income for the year - Acturial Gain/(Loss) - Net of Tax	-	-	(24.52)	-	-	(24.52)
Dividend Paid	-	-	(96.33)	-	-	(96.33)
Tax on Dividend	-	-	(19.80)	-	-	(19.80)
Interim Dividend	-	-	(173.40)	-	-	(173.40)
Tax on Interim Dividend	-	-	(35.64)	-	-	(35.64)
For the Year	-	-	-	11.57	-	11.57
Transfer from retained earnings	-	300.00	(300.00)	-	-	-
Balance as on 31 March 2020	**51.82**	**3,800.00**	**678.68**	**11.57**	**275.70**	**4,817.77**

As per our attached report of even date.

For M/s P.G. Bhagwat
Firm Registration No. 101118W
Chartered Accountants

Sanjay Athavale
Partner
Membership No. 83374
Pune, June 25, 2020

For and on behalf of the Board of Directors

Aditya Kowshik
Managing Director
DIN - 00228983

Jitendra Shah
Company Secretary

Rahul C. Kirloskar
Executive Chairman
DIN - 00007319

Suhas S. Kolhatkar
Vice President & Chief Financial Officer

Pune, June 25, 2020

NOTE 1 : PROPERTY, PLANT AND EQUIPMENT

₹ in Million

PARTICULARS	PROPERTY, PLANT AND EQUIPMENT											
	FREE HOLD LAND	BUILDINGS	PLANT & MACHINERY	ELECTRICAL INSTA-LLATION	OFFICE EQUIP-MENTS	FURNITURE & FIXTURE	VEHICLE	ASSETS UNDER OPERATING LEASE		RIGHT OF USE ASSET	TOTAL	CAPITAL WORK IN PROGRESS
								VEHICLES	COMPRESSION FACILITY			
Gross Carrying Amount As at 01/04/2018	2.16	282.42	499.53	26.73	14.45	19.57	104.25	73.76	-	-	**1,022.87**	**647.20**
Additions	-	12.27	64.01	12.71	4.34	4.00	592.00	-	-	-	**689.33**	636.41
Deductions and adjustments	-	-	0.83	-	0.15	0.16	10.54	-	-	-	**11.68**	689.33
Gross Carrying Amount As at 31/03/2019	2.16	294.69	562.71	39.44	18.64	23.41	685.71	73.76	-	-	**1,700.52**	**594.28**
Accumulated Depreciation As at 01/04/2018	-	32.69	169.93	7.91	7.87	6.39	43.35	54.70	-	-	**322.84**	-
Depreciation for the year	-	18.43	85.04	4.30	3.04	4.63	68.74	5.95	-	-	**190.13**	-
Impairment during the year	-	-	0.80	-	-	-	-	-	-	-	**0.80**	-
Deductions and Adjustments	-	-	0.59	-	0.14	0.16	8.61	-	-	-	**9.50**	-
Accumulated Depreciation up to 31/03/2019	-	51.12	255.18	12.21	10.77	10.86	103.48	60.65	-	-	**504.27**	-
Net Carrying Amount as at 31/03/2019	2.16	243.57	307.53	27.23	7.87	12.55	582.23	13.11	-	-	**1,196.25**	**594.28**
Gross Carrying Amount As at 01/04/2019	2.16	294.69	562.71	39.44	18.64	23.41	685.71	73.76	-	-	**1,700.52**	**594.28**
Additions	-	206.94	389.49	12.72	3.83	9.24	37.77	-	463.09	9.31	**1,132.39**	609.92
Deductions and adjustments	-	-	1.31	-	-	-	6.39	-	-	-	**7.70**	1,132.39
Gross Carrying Amount As at 31/03/2020	2.16	501.63	950.89	52.16	22.47	32.65	717.09	73.76	463.09	9.31	**2,825.21**	**71.81**
Accumulated Depreciation As at 01/04/2019	-	51.12	255.18	12.21	10.77	10.86	103.48	60.65	-	-	**504.27**	-
For the year	-	22.26	85.32	5.59	3.07	2.76	102.83	4.09	67.27	3.29	**296.48**	-
Impairment during the year	-	-	-	-	-	-	-	-	-	-	**-**	-
Deductions and Adjustments	-	-	1.29	-	-	-	5.59	-	-	-	**6.88**	-
Accumulated Depreciation up to 31/03/2020	-	73.38	339.21	17.80	13.84	13.62	200.72	64.74	67.27	3.29	**793.87**	-
Net Carrying Amount As at 31/03/2020	**2.16**	**428.25**	**611.68**	**34.36**	**8.63**	**19.03**	**516.37**	**9.02**	**395.82**	**6.02**	**2,031.34**	**71.81**
Net Carrying Amount As at 31/03/2019	2.16	243.57	307.53	27.23	7.87	12.55	582.23	13.11	-	-	1,196.25	594.28

Property, Plant and Equipment is provided as security by way of a mortgage for availing credit facilities from the consortium banks.

NOTE 2 : OTHER INTANGIBLE ASSETS

₹ in Million

PARTICULARS	OTHER INTANGIBLE ASSETS			
	SOFTWARES	TECHNICAL KNOW HOW	TOTAL	INTANGIBLE ASSETS UNDER DEVELOPMENT
Gross Carrying Amount As at 01/04/2018	14.84	96.58	**111.42**	**28.21**
Additions	1.09	-	**1.09**	18.69
Deductions and Adjustments	-	-	**-**	-
Gross Carrying Amount As at 31/03/2019	15.93	96.58	**112.51**	**46.90**
Accumulated Depreciation As at 01/04/2018	9.26	54.10	**63.36**	-
For the year	6.35	21.24	**27.59**	-
Deductions and Adjustments	-	-	**-**	-
Accumulated Depreciation up to 31/03/2019	15.61	75.34	**90.95**	-
Net Carrying Amount as at 31/03/2019	0.32	21.24	**21.56**	**46.90**
Gross Carrying Amount As at 01/04/2019	15.93	96.58	**112.51**	46.90
Additions	2.92	39.85	**42.77**	16.21
Deductions and Adjustments	-	-	**-**	42.77
Gross Carrying Amount As at 31/03/2020	18.85	136.43	**155.28**	20.34
Accumulated Depreciation As at 01/04/2019	15.61	75.34	**90.95**	-
For the year	1.25	27.88	**29.13**	-
Deductions and Adjustments	-	-	**-**	-
Accumulated Depreciation up to 31/03/2020	16.86	103.22	**120.08**	**-**
Net Carrying Amount As at 31/03/2020	**1.99**	**33.21**	**35.20**	**20.34**
Net Carrying Amount As at 31/03/2019	0.32	21.24	**21.56**	46.90

The remaining amortisation period for Technical Know How of Compressor Technology is 50 months.

NOTE 3 : INVESTMENTS (NON CURRENT) :

	Face Value Rs.	As at 31st March, 2020		As at 31st March, 2019	
		Qty Nos.	**₹ in Million**	Qty Nos.	₹ in Million
At Fair Value through Profit or Loss (FVTPL)					
Government and Trust Securities					
Quoted :					
Unit Trust of India :					
UTI Hybrid Equity Fund Regular Growth Plan	10	**201.988**	**0.03**	201.988	0.03
UTI Hybrid Equity Fund Regular Dividend Plan Reinvestment	10	**8,954.480**	**0.17**	8,327.670	0.23
UTI Mastershare Unit Scheme- Regular Dividend Payout	10	**3,300**	**0.08**	3,300	0.10
			0.28		0.36
In Debentures and Bonds :					
Quoted :					
12.5% Secured Redeemable Partly Convertible Debentures of Rs.100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs.44/- per Debenture - matured on 01.06.1998 awaiting realisation	100	**25,000**	**0.00***	25,000	0.00*
Total Fair Value through Profit or Loss (FVTPL)			**0.28**		0.36
At Fair Value through Other Comprehensive Income (FVTOCI)					
Equity Shares :					
Unquoted :					
Fully Paid Shares					
Kirloskar Proprietory Ltd.	100	**1**	**0.08**	1	0.08
S L Kirloskar CSR Foundation	10	**9,800**	**0.10**	9,800	0.10
Kirloskar Management Services Pvt. Ltd.	10	**487,500**	**4.88**	-	-
Singapore $ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.	-	**56,250**	**1.12**	56,250	1.12
The Nasik Merchants' Co-operative Bank Ltd.	100	**1**	**0.00***	1	0.00*
The Cosmos Co-operative Bank Ltd.	20	**62,500**	**1.25**	62,500	1.25
Kirloskar Chillers Pvt.Ltd.	10	**225,000**	**120.38**	225,000	177.97
			127.81		180.52
* Value less than Rs.Ten Thousand					
Carried Over Rs			**128.09**		180.88

NOTE 3 : INVESTMENTS (NON CURRENT) : (contd.)

	Face Value Rs.	As at 31st March, 2020 Qty Nos.	As at 31st March, 2020 ₹ in Million	As at 31st March, 2019 Qty Nos.	As at 31st March, 2019 ₹ in Million
Brought Over Rs.			**128.09**		180.88
Other, Quoted :					
The Mysore Kirloskar Ltd.	10	**100,000**	**0.00***	100,000	0.00*
Kirloskar Industries Ltd.	10	**200**	**0.09**	200	0.15
Housing Development Finance Corporation Ltd.	2	**46,990**	**76.74**	46,990	92.49
Kirloskar Investment and Finance Ltd.	10	**375,000**	**0.00***	375,000	0.00*
ICICI Bank Limited	2	**55,324**	**17.91**	55,324	22.16
Kirloskar Ferrous Industries Ltd.	5	**2,000,000**	**86.00**	2,000,000	195.30
HDFC Bank Ltd.	2	**2,500**	**4.31**	2,500	5.80
Punjab National Bank	2	**7,000**	**0.23**	7,000	0.67
			185.28		316.57
Total Fair Value through Other Comprehensive Income (FVTOCI)			**313.08**		497.10
	Total		**313.37**		497.45

* Value less than Rs. Ten Thousand

Aggregate Cost of acquisition of Quoted Investments	**27.98**	27.97
Aggregate Market Value of Quoted Investments	**185.56**	316.93
Aggregate Cost of acquisition of Un-Quoted Investments	**9.59**	4.72
Aggregate Fair Value of Un-Quoted Investments	**127.81**	180.52
Aggregate Amount of Impairment in the Value of Investments	**7.40**	7.40

NOTE 3 : INVESTMENTS (CURRENT) :

	As at 31st March, 2020		As at 31st March, 2019	
	Qty Nos.	**₹ in Million**	Qty Nos.	₹ in Million
At Fair Value through Profit or Loss (FVTPL)				
Quoted :				
SBI Magnum Low Duration Fund Direct Daily Dividend	-	-	74,861.676	75.65
ICICI Prudential Savings Fund Direct Plan Daily Dividend	-	-	704,536.029	74.53
IDFC Low Duration Fund Daily Dividend Direct Plan	-	-	5,518,662.827	55.82
Reliance Fixed Horizon Fund XXXVI Series 2 Direct Growth Plan	-	-	20,000,000.000	215.11
ICICI Prudential Liquid Fund Daily Dividend	-	-	210,114.076	21.05
Axis Liquid Fund Daily Dividend Reinvestment (CF-DD)	-	-	94,493.941	94.63
IDFC Cash Fund Daily Dividend Regular Plan	-	-	11,743.600	11.75
HDFC Liquid Fund Regular Plan Dividend Daily	-	-	100,056.284	102.04
UTI Liquid Cash Plan Regular Daily Dividend Plan Reinvestment	-	-	50,060.396	51.03
HSBC Cash Fund Daily Dividend Direct Plan	-	-	60,925.627	60.98
DSP Low Duration Fund - Regular Plan- Daily Dividend	-	-	11,903,597.965	120.03
UTI Ultra Short Term Fund - Direct Daily Div. Plan Reinvestment	**69,464.042**	**74.85**	68,099.487	73.33
Invesco India Corporate Bond Fund Direct Plan Growth (AI-D1)	**26,078.873**	**62.79**	26,078.873	57.09
ICICI Prudential Fixed Maturity Plan Series 82- Plan F Direct Cumulative	**25,000,000.000**	**297.20**	25,000,000.000	268.86
HDFC FMP Direct Growth Series 42	**10,000,000.000**	**114.75**	10,000,000.000	104.90
Axis Banking & PSU Debt Fund Growth	**18,185.959**	**34.76**	18,185.959	31.78
SBI Magnum Low Duration Fund Regular Growth	**17,771.905**	**46.26**	17,771.905	42.97
		630.61		1,461.55
Carried Over Rs.		**630.61**		1,461.55

NOTE 3 : INVESTMENTS (CURRENT) : (contd.)

	As at 31st March, 2020		As at 31st March, 2019	
	Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
Brought Over Rs.		630.61		1,461.55
Quoted :				
HDFC Ultra Short Fund - Direct Daily Dividend	5,082,775.2930	51.13	-	-
Franklin India Ultra Short Bond Fund Super Inst. Plan - Direct Growth	1,816,860.465	50.24	-	-
Axis Treasury Advantage Fund Direct Growth	25,979.555	60.41	-	-
HDFC Low Duration Fund Direct Plan Growth	1,139,512.835	50.38	-	-
Kotak Savings Fund Direct Plan Growth	1,839,165.019	60.42	-	-
ICICI Prudential Savings Fund Direct Plan Growth	205,492.084	80.22	-	-
IDFC Banking & PSU Debt Fund Direct Plan Growth	4,479,057.606	80.46	-	-
Total		1,063.87		1,461.55
Aggregate Cost of acquisition of Quoted Investments		1,011.53		1,415.20
Aggregate Market Value of Quoted Investments		1,063.87		1,461.55
Aggregate Cost of acquisition of Un-Quoted Investments		-		-
Aggregate Amount of Impairment in the Value of Investments		-		-

₹ in Million

		As at 31st March, 2020	As at 31st March, 2019
NOTE 4 : TRADE RECEIVABLES :			
Unsecured Considered Good		**1,891.00**	1,835.24
Having significant increase in Credit Risk		**-**	-
	Total	**1,891.00**	1,835.24
Non Current		**-**	-
Current		**1,891.00**	1,835.24
Debts due from Private Companies in which Director is a Director or a Member		**0.33**	-
NOTE 5 : LOANS :			
Unsecured Considered Good			
Security Deposits (Non Current)		**28.50**	27.22
Loan To Employees (Non Current)		**0.13**	0.10
Security Deposits (Current)		**13.38**	6.57
Having significant increase in Credit Risk		**-**	-
	Total	**42.01**	33.89
Non Current		**28.63**	27.32
Current		**13.38**	6.57
Includes amount due from Related party		**17.60**	16.41
NOTE 6 : OTHER FINANCIAL ASSETS :			
Unsecured Considered Good			
Other Assets		**8.86**	-
	Total	**8.86**	-
Current		**8.86**	-
NOTE 7 : DEFERRED TAX ASSETS :			
Deferred Tax Assets		**37.87**	46.70
Deferred Tax Liabilities (Refer Note no. 47)		**43.99**	30.67
	Total	**(6.12)**	16.03

₹ in Million

	As at 31st March, 2020	As at 31st March, 2019
NOTE 8 : OTHER ASSETS :		
Unsecured Considered Good		
Advances to Supplier of Capital Goods (Non Current)	**13.48**	85.41
Other Assets (Non Current)	**1.75**	3.96
Contract Assets (Current)	**1.21**	-
GST Balances (Current)	**152.11**	145.52
Other Assets (Current)	**147.38**	243.74
Total	**315.93**	478.63
Non Current	**15.23**	89.37
Current	**300.70**	389.26
Other Non Current Assets includes amount due from Related party	-	2.15
Other Current Assets includes amount due from Related party	-	1.18
NOTE 9 : INVENTORIES :		
Raw Materials	**972.24**	649.03
[Includes Rs. 6.22 Million (31st March 2019 - Nil) in transit]		
Work-in-progress	**510.62**	255.73
Finished Goods, at cost or net realisable value whichever is lower	**75.75**	33.90
Stores & Spares	**33.41**	24.71
Total	**1,592.02**	963.37
NOTE 10 : CASH AND CASH EQUIVALENTS :		
a) CASH AND CASH EQUIVALENTS :		
Cash on hand	**0.08**	0.13
Balances with Banks :		
In Current Accounts	**269.31**	293.50
In Fixed Deposits	**0.11**	0.10
	269.50	293.73
b) OTHER BANK BALANCES :		
Earmarked Balances with Banks		
For Unclaimed Dividend	**28.13**	23.11
For Fractional Entitlement	**2.34**	2.34
	30.47	25.45
Total	**299.97**	319.18
NOTE 11 : CURRENT TAX ASSET / (LIABILITY) - NET :		
Advance Tax Paid	**213.24**	241.31
Less : Provision for Tax	**147.15**	224.37
Total	**66.09**	16.94

₹ in Million

	As at 31st March, 2020	As at 31st March, 2019
NOTE 12 : EQUITY SHARE CAPITAL :		
AUTHORISED :		
Opening Balance :		
187.50 Million Equity Shares of Rs. 2/- each	**375.00**	375.00
Changes during the Year	**-**	-
Closing Balance :	**375.00**	375.00
ISSUED AND SUBSCRIBED :		
Opening Balance :		
64.22 Million Equity Shares of Rs. 2/- each	**128.44**	128.44
Changes during the Year	**-**	-
Closing Balance :	**128.44**	128.44
PAID UP :		
Opening Balance :		
64.22 Million Equity Shares of Rs. 2/- each	**128.44**	128.44
Changes during the Year	**-**	-
Total	**128.44**	128.44

Rights attached to Equity Shares :

The Company has one class of equity shares having a par value of Rs. 2/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

In Million

Shareholder holding more than 5%		**Nos.**	Nos.
		Face Value of Rs. 2/-	Face Value of Rs. 2/-
a)	Mr Rahul C. Kirloskar	**7.49**	7.47
		11.67%	11.63%
b)	Mr Atul C. Kirloskar	**7.48**	7.46
		11.65%	11.61%
c)	Kirloskar Industries Ltd.	**6.42**	6.42
		10.00%	10.00%
d)	HDFC Trustee Co. Ltd.	**5.78**	5.78
		9.00%	9.00%
e)	Reliance Capital Trustee Co. Ltd.	**5.72**	5.74
		8.91%	8.94%
f)	Ms. Jyotsna Gautam Kulkarni	**4.66**	4.66
		7.26%	7.26%

₹ in Million

	As at 31st March, 2020	As at 31st March, 2019
NOTE 13 : OTHER EQUITY :		
Securities Premium (Share Premium) Account:		
As per last Account	**51.82**	51.82
General Reserve :		
Opening Balance / As per last Account	**3,500.00**	3,200.00
Add: Set aside this year	**300.00**	300.00
Closing Balance	**3,800.00**	3,500.00
Share Based Payment Reserve :		
Opening Balance / As per last Account	**-**	-
Add : During the year	**11.57**	-
Closing Balance	**11.57**	-
Retained Earnings :		
Opening Balance / As per last Account	**793.45**	811.27
Add : Transferred from Statement of Profit and Loss	**534.92**	552.62
Add : Transferred from Other Comprehensive Income - Net of Tax	**(24.52)**	(7.21)
	1,303.85	1,356.68
Less :		
Transfer to General Reserve	**300.00**	300.00
Dividend Paid	**96.33**	154.13
Tax on Dividend	**19.80**	31.68
Interim Dividend	**173.40**	64.22
Tax on Interim Dividend	**35.64**	13.20
	625.17	563.23
Closing Balance	**678.68**	793.45
Equity Instruments Through Other Comprehensive Income		
Opening Balance / As per last Account	**464.59**	424.38
Add / (Less) FVTOCI Equity Investments - Change in Fair Value	**(188.89)**	40.21
Closing Balance	**275.70**	464.59
Total	**4,817.77**	4,809.86

1. Securities Premium is a premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.
2. General Reserve is created by setting aside amount from the Retained Earnings and is freely available for distribution.
3. FVTOCI Equity Investments - The Company has elected to recognise changes in the fair value of certain investments in equity in Other Comprehensive Income. These changes are accumulated in Equity Instruments Through Other Comprehensive Income Reserve within equity. The Company transfers amounts from this reserve to Retained Earnings when the relevant equity investments are derecognised.
4. Share Based Payment Reserve is a result of recogination of cost included in Employee Related Expenses relating to Employee Stock Option Scheme 2019 introduced by the Company during the year. Refer Note No. 28.

₹ in Million

		As at 31st March, 2020	As at 31st March, 2019
NOTE 14 : BORROWINGS :			
Borrowings - Other Secured		**277.78**	5.31
(Refer Note No. 37 for Net Debt position)			
	Total	**277.78**	5.31
Non Current		**-**	5.31
Current		**277.78**	-

Previous Year - Borrowing of Rs 5.31 Million against Vehicle matures on 16th June 2020, Interest Rate - 9.25%
Current Borrowings represents Buyers Credit availed at LIBOR + 0.65% and matures during the year 2020-21
(For security Refer Note No.50)

NOTE 15 : TRADE PAYABLES			
Due to Micro, Small and Medium Enterprises		**178.15**	68.45
Other Trade Payables		**1,194.14**	1,262.84
	Total	**1,372.29**	1,331.29

NOTE 16 : OTHER FINANCIAL LIABILITIES :			
Deposit Received (Non Current)		**0.87**	0.87
Unpaid Dividends (Current)		**28.13**	23.11
Fractional Entitlement (Current)		**2.34**	2.34
Current Maturities of Long-Term Debt		**5.31**	1.57
Interest Accrued (Current)		**6.48**	0.48
Other Liabilities (Current)		**488.94**	501.20
Lease Liabilitiy (Current)		**3.68**	-
	Total	**535.75**	529.57
Non Current		**0.87**	0.87
Current		**534.88**	528.70

NOTE 17 : PROVISIONS :			
Provision for Employee Benefits			
Provision for Leave Encashment (Non Current)		**51.71**	46.38
Provision for Leave Encashment (Current)		**36.54**	29.95
Provision for Gratuity (Current)		**31.78**	15.21
	Total	**120.03**	91.54
Non Current		**51.71**	46.38
Current		**68.32**	45.16

NOTE 18 : OTHER LIABILITIES :			
Other Liabilities (Non Current)		**1.10**	1.59
Contract Liabilities (Current)		**8.32**	-
Advance from Customer (Current)		**456.65**	455.91
Other Liabilities (Current)		**27.56**	127.76
	Total	**493.63**	585.26
Non Current		**1.10**	1.59
Current		**492.53**	583.67

		₹ in Million
	2019-20	2018-19
NOTE 19 : REVENUE FROM OPERATIONS :		
Sale of Products	**6,451.16**	6,281.12
Works Contract Sale	**1,440.75**	653.59
Sale of Services	**187.52**	156.09
Lease Income	**131.85**	11.64
Total	**8,211.28**	7,102.44

NOTE 20 : OTHER INCOME :		
Dividend Income from Equity Investments designated at Fair Value through Other Comprehensive Income	**10.53**	13.47
Dividend Income from Mutual Fund Investments designated at Fair Value through Profit and Loss	**27.29**	36.36
Interest Received	**1.88**	3.59
Unwinding of Interest on Security Deposits	**1.19**	1.10
Insurance Claim Received	**0.48**	3.17
Miscellaneous Receipts	**29.59**	43.64
MTM Gain on Hedge Transactions	**8.86**	-
Surplus on Sale of Assets	**3.92**	4.65
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit and Loss	**52.23**	38.04
Gain on Sale of Investments	**0.12**	0.71
Bad Debts / Liquidated Damages Recovered	**48.59**	0.33
Total	**184.68**	145.06

₹ in Million

		2019-20	2018-19
NOTE 21 : COST OF MATERIALS CONSUMED :			
Raw Materials (including components) consumed :			
Stocks at commencement		**649.03**	642.31
Add : Purchases		**5,064.14**	3,806.56
		5,713.17	4,448.87
Less : Stocks at close		**972.24**	649.03
	Total	**4,740.93**	3,799.84
NOTE 22 : CHANGES IN INVENTORIES :			
(Increase) / Decrease in Stocks :			
Finished Goods			
Stocks at close		**75.75**	33.90
Stocks at commencement		**33.90**	25.35
		(41.85)	(8.55)
Work-in-Progress			
Stocks at close		**510.62**	255.73
Stocks at commencement		**255.73**	201.76
		(254.89)	(53.97)
	Total	**(296.74)**	(62.52)
NOTE 23 : EMPLOYEE BENEFITS EXPENSES :			
Salaries, Wages, Bonus, etc.		**919.57**	836.19
Incentive		**15.67**	20.33
Share Based Payment		**11.57**	-
Contribution to Provident and Other Funds etc.		**71.32**	61.59
Welfare Expenses		**96.81**	93.49
	Total	**1,114.94**	1,011.60
NOTE 24 : FINANCE COSTS :			
Interest :			
On Borrowings		**7.49**	0.70
Other than on Borrowings		**4.50**	0.77
On Lease		**0.10**	-
	Total	**12.09**	1.47

		₹ in Million	
		2019-20	2018-19
NOTE 25 : DEPRECIATION AND AMORTISATION EXPENSE :			
Depreciation		**296.48**	190.93
Amortisation of intangible assets		**29.13**	27.59
	Total	**325.61**	218.52
NOTE 26 : OTHER EXPENSES :			
Stores and Spares Consumed		**117.25**	114.63
Manufacturing Expenses		**674.70**	460.71
Power, Fuel and Water		**108.97**	100.18
Building Repairs		**34.43**	29.90
Machinery Repairs		**45.24**	56.89
Sundry Repairs		**21.84**	38.75
Rent		**10.90**	14.15
Rates and Taxes		**14.22**	15.43
Insurance		**15.81**	12.90
Commission and Discount		**38.32**	22.46
Royalty		**20.89**	18.72
Travelling Expenses		**111.42**	115.39
Postage, Telephones, Telex Expenses		**21.87**	23.65
Bank Charges		**16.94**	17.24
Freight Outward		**84.31**	88.07
Vehicle Expenses		**22.44**	23.46
Printing and Stationery		**6.81**	5.09
Legal and Professional Charges		**74.25**	87.88
Advertisement and Publicity Expenses		**22.09**	20.51
Donations		**2.50**	2.75
Auditors' Remuneration		**3.38**	3.05
Directors' Fees and Travelling Expenses		**11.07**	11.19
Director's Remuneration :			
Salary		**45.35**	59.58
Loss on Assets Sold		**-**	0.16
Bad Debts		**76.81**	17.97
Loss on Sale of Investments		**7.26**	2.14
CSR Expenditure		**14.16**	12.02
Miscellaneous Expenses		**156.75**	101.43
	Total	**1,779.98**	1,476.30

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

27 : Employee benefits:

i Defined Contribution Plans :

Amount of Rs. 53.09 Million (Previous Year Rs. 47.48 Million) is recognised as an expense and included in "Employees benefits expense" in Note 23 in the statement of Profit and Loss.

ii Defined Benefit Plans - Gratuity :

The Company operates gratuity plan wherein every employee is entitled to the benefit as per the scheme of the Company, for each completed year of service. The gratuity is payable on termination of service or retirement, whichever is earlier at the rate of 15 days salary for every completed year of service where service is less than 15 years and at one month salary for every completed year of service when the service of an employee exceeds 15 years subject to maximum of 24 to 28 months salary depending upon category of the employee ensuring in any case that the benefit provided is not less than stipulated by The Payment of Gratuity Act, 1972. The benefit vests only after five years of continuous service.

a) The amounts recognised in balance sheet are as follows:

			₹ in Million
		31st March, 2020	31st March, 2019
		Gratuity Plan (Funded)	Gratuity Plan (Funded)
A.	Amount to be recognised in balance sheet		
	Present value of defined benefit obligation	**232.54**	186.52
	Less: Fair value of plan assets	**200.76**	171.31
	Amount to be recognised as liability or (asset)	**31.78**	15.21
B.	Amounts reflected in the balance sheet		
	Liabilities	**31.78**	15.21
	Assets	**-**	-
	Net liability/(assets)	**31.78**	15.21

b) The amounts recognised in the statement of profit and loss are as follows:

	31st March, 2020	31st March, 2019
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
Employee benefit expenses		
Current service cost	**18.38**	13.15
Past service cost	**-**	1.18
Finance cost		
Net interest (income)/expenses	**(0.15)**	(0.22)
Net periodic benefit cost recognised in the statement of profit and loss	**18.23**	14.11

c) The amounts recognised in the statement of other comprehensive income (OCI)

₹ in Million

		31st March, 2020	31st March, 2019
		Gratuity Plan (Funded)	Gratuity Plan (Funded)
1	Opening amount recognised in OCI outside profit and loss account	**8.82**	(2.27)
2	Remeasurements for the year - obligation (gain) / loss	**32.51**	8.91
3	Remeasurements for the year - plan assets (gain) / loss	**0.26**	2.18
4	Total remeasurements cost / (credit) for the year recognised in OCI	**32.77**	11.09
5	Less: Accumulated balances transferred to retained earnings	**32.77**	11.09
	Closing balances (remeasurements (gain) / loss recognised in OCI)	**41.59**	8.82

d) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

₹ in Million

		31st March, 2020	31st March, 2019
		Gratuity Plan (Funded)	Gratuity Plan (Funded)
1	Present value of obligation as at the beginning of the period	**186.52**	173.11
2	Acquisition adjustment	**-**	-
3	Transfer in / (out)	**-**	-
4	Interest expenses	**13.48**	12.94
5	Past service cost	**-**	1.18
6	Current service cost	**18.38**	13.15
7	Curtailment cost / (credit)	**-**	-
8	Settlement cost / (credit)	**-**	-
9	Benefits paid	**(18.35)**	(22.77)
10	Remeasurements on obligation - (gain) / loss	**32.51**	8.91
	Present value of obligation as at the end of the period	**232.54**	186.52

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

e) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

₹ in Million

		31st March, 2020	31st March, 2019
		Gratuity Plan (Funded)	Gratuity Plan (Funded)
1	Fair value of the plan assets as at beginning of the period	**171.31**	168.45
2	Acquisition adjustment	**-**	-
3	Transfer in / (out)	**-**	-
4	Interest income	**13.63**	13.16
5	Contributions	**34.43**	14.83
6	Mortality Charges and Taxes	**-**	(0.17)
7	Benefits paid	**(18.35)**	(22.77)
8	Amount paid on settlement	**-**	-
9	Return on plan assets, excluding amount recognized in Interest Income - gain / (loss)	**(0.26)**	(2.18)
10	Fair value of plan assets as at the end of the period	**200.76**	171.31
11	Actual return on plan assets	**13.37**	10.98

100% of total plan assets are managed by the insurer - Life Insurance Corporation of India.

f) Net interest (income) / expenses

		31st March, 2020	31st March, 2019
		Gratuity Plan (Funded)	Gratuity Plan (Funded)
1	Interest (income) / expense – obligation	**13.48**	12.94
2	Interest (income) / expense – plan assets	**(13.63)**	(13.16)
3	Net interest (income) / expense for the year	**(0.15)**	(0.22)

Basis used to determine the overall expected return:

The net interest approach effectively assumes an expected rate of return on plan assets equal to the beginning of the year discount rate. As such expected return of 7.60% has been used for the valuation purpose.

g) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

Gratuity:	**31st March, 2020**	31st March, 2019
Discount rate	**6.10%**	7.60%
Expected return on plan assets	**7.60%**	8.00%
Salary growth rate*	**6.00%**	5.00%
Attrition rate	**7.50%**	7.50%

*The estimates of future salary increase considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors.

h) General descriptions of defined benefit plans:

The Company expects to fund approximately Rs.55 Million towards its gratuity plan in the year 2020-21.

i) **Sensitivity analysis**

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligation (PVO). Sensitivity analysis is done by varying (increasing / decreasing) one parameter by 100 basis points (1%)

	Change in assumptions	₹ in Million 31st March, 2020	 31st March, 2019
		PVO of Gratuity	
1	**Discount rate**		
	Increase by 1%	**223.12**	178.68
	Decrease by 1%	**242.96**	193.40
2	**Salary increase rate**		
	Increase by 1%	**240.94**	192.00
	Decrease by 1%	**224.81**	179.85
3	**Withdrawal rate**		
	Increase by 1%	**231.36**	185.65
	Decrease by 1%	**233.78**	185.71

j) Expected Future Benefit Payments:

Within the next 12 months	**81.88**	53.61
Between 2 & 5 years	**94.65**	97.99
Above 5 years	**88.27**	79.01

k) Average Duration:

Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal rate and interest rate) is 12.4 years (PY 12.62 years).

l) Risk Exposure And Asset Liability Matching:

Provision of a defined benefit scheme poses certain risks, some of which are detailed hereunder, as companies take on uncertain long term obligations to make future benefit payments.

1) Liability Risk

a) 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. Hence companies are encouraged to adopt asset-liability management.

b) Discount Rate Risk-

Variations in the discount rate used to compute the present value of the liabilities may seem small, but in practise can have a significant impact on the defined benefit liabilities.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

c) 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 uncertainties in estimating this increasing risk.

2) Asset Risk

All plan assets are maintained in a trust fund managed by a public sector insurer viz; LIC of India.

LIC has a sovereign guarantee and has been providing consistent and competitive returns over the years.

The company has opted for a traditional fund wherein all assets are invested primarily in risk averse markets.

The company has no control over the management of funds but this option provides a high level of safety for the total corpus. A single account is maintained for both the investment and claim settlement and hence 100% liquidity is ensured and inflation risk are taken care of.

iii Defined Benefit Plan - Compensated Absences:

The company has valued the compensated absences, as specified in Ind AS 19 on actuarial basis. Under the scheme an employee is entitled to maximum of 30 days leave in a year depending upon number of days he works during that year. An employee can accumulate not exceeding 10 days of leave in a year subject to a maximum of 120 days during his tenure. The benefit is payable on termination of service, retirement or death whichever is earlier. The benefit equates to the salary in respect of balance of leave. There is no requirement for funding this liability and as such entire liability continues to remain unfunded.

a) The amounts recognised in balance sheet are as follows: **₹ in Million**

		31st March, 2020	31st March, 2019
A.	Amount to be recognised in balance sheet		
	Present value of defined benefit obligation	**88.25**	76.33
	Less: Fair value of plan assets	-	-
	Amount to be recognised as liability or (asset)	**88.25**	76.33
B.	Amounts reflected in the balance sheet		
	Current Liabilities	**36.54**	29.95
	Non Current Liabilities	**51.71**	46.38
	Total Liability	**88.25**	76.33

b) **The amounts recognised in the statement of profit and loss are as follows:** **₹ in Million**

	31st March, 2020	31st March, 2019
Employee benefit expenses		
Current service cost	**10.01**	10.03
Finance cost		
Net interest (income)/expenses	**5.56**	5.82
Remeasurements for the year - obligation (gain)/loss	**2.60**	(8.09)
Net cost recognised in the statement of profit and loss	**18.17**	7.76

c) **The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:**

₹ in Million

		31st March, 2020	31st March, 2019
1	Present value of obligation as at the beginning of the period	**76.33**	76.98
2	Acquisition adjustment	**-**	-
3	Transfer in / (out)	**-**	-
4	Interest expenses	**5.56**	5.82
5	Past service cost	**-**	-
6	Current service cost	**10.01**	10.03
7	Curtailment cost / (credit)	**-**	-
8	Settlement cost/ (credit)	**-**	-
9	Benefits paid	**(6.25)**	(8.42)
10	Remeasurements on obligation - (gain) / loss	**2.60**	(8.09)
	Present value of obligation as at the end of the period	**88.25**	76.33

d) **Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):**

Defined Benefit Plan - Compensated Absences:	**31st March, 2020**	31st March, 2019
Discount rate	**6.10%**	7.60%
Expected average remaining working lives	**8.64%**	8.31%
Salary growth rate*	**6.00%**	5.00%
Attrition rate	**7.50%**	7.50%

* The estimates of future salary increase considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

e) **Sensitivity analysis :**

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligation(PVO). Sensitivity analysis is done by varying (increasing/ decreasing) one parameter by 100 basis points (1%).

			₹ in Million
	Change in assumptions	**31st March, 2020**	31st March, 2019
		PVO of Compensated Absences	
1	**Discount rate**		
	Increase by 1%	**85.75**	74.26
	Decrease by 1%	**90.91**	78.52
2	**Salary increase rate**		
	Increase by 1%	**90.13**	77.89
	Decrease by 1%	**86.45**	74.83
3	**Withdrawal rate**		
	Increase by 1%	**89.38**	77.54
	Decrease by 1%	**87.04**	75.04

f) **Expected Future Benefit Payments**

Within the next 12 months	**18.97**	12.89
Between 2 & 5 years	**21.12**	22.68
Above 5 years	**15.26**	14.16

g) **Average Duration:**

Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal rate and availment rate) is 4.6 years (PY 4.13 years).

h) **Risk Exposure And Asset Liability Matching:**

Provision of a defined benefit scheme poses certain risks, some of which are detailed hereunder, as companies take on uncertain long term obligations to make future benefit payments.

1) **Liability Risk:**

a) 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. Hence companies are encouraged to adopt asset-liability management.

b) Discount Rate Risk-

Variations in the discount rate used to compute the present value of the liabilities may seem small, but in practise can have a significant impact on the defined benefit liabilities.

c) 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 uncertainties in estimating this increasing risk.

2) 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.

28 : Employee Stock Options Scheme - Ind AS 102 :

The Company, during the year, has granted Employee Stock Options (ESOS) to its employees. This Scheme shall be called the "KPCL Employee Stock Option Scheme" ("KPCL ESOS - 2019" or "Scheme").

The objective of the KPCL ESOS - 2019 is to reward the Employees of the Company for their performance and to motivate them to contribute to the growth and profitability of the Company. The Company also intends to use this Scheme to retain talent in the organisation. The Company views Employee Stock Options as instruments that would enable the Employees to share the value they create for the Company and align individual objectives of employees with objectives of the Company in the years to come.

The Shareholders by way of special resolution dated July 20, 2019 have authorized the Nomination and Remuneration Committee of the Board of Directors (NRC) to grant ESOS to the employees of the Company. NRC in its meeting held on October 22, 2019 granted 6,84,000 (Six lacs eighty four thousand only) Options to the Employees under the KPCL ESOS - 2019 exercisable in one or more tranches, with each such Option conferring a right upon the employee to apply for one equity share of the Company of face value of Rs. 2 (Indian Rupees two) each fully paid-up, in accordance with the terms and conditions of the Scheme.

Options granted under the Scheme would vest after 1 (one) year but not later than 4 (four) years from the date of grant of such options.

Number and weighted average exercise prices of options granted, exercised and cancelled/expired during the financial year:

Particulars	FY - 2019 - 20	
	No. of Shares	Weighted average exercise price
Options outstanding at the beginning of the year	-	-
Granted during the year	684,000	120.00
Forfeited / surrendered during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Options outstanding at the end of year	684,000	120.00
Options exercisable at the end of the year	-	-
Weighted average remaining contractual life	4.86 Years	

* Weighted average share price disclosure is not applicable since share options are not exercised as they have not vested during the year.

Fair value of the options granted:

The company has recorded employee stock-based compensation expense relating to the options granted to the employees based on fair value of options.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

The fair value of the options is determined using Black-Scholes-Merton model which takes into account the exercise price, the term of the option (time to maturity), the share price as at the grant date and expected price volatility (standard deviation) of the underlying share, the expected dividend yield and risk-free interest rate for the term of the option.

Fair value and assumptions for the Options granted on October 22, 2019:

Particulars	FY - 2019 - 20
Exercise Price (Rs.)	120.00
Share price on the date of grant (Rs.)	158.65
Weighted average fair value of options granted (Rs.)	70.42
Expected life of the option (years)	3.80
Risk free interest rate (%)	6.16%
Expected volatility (%)	38.74%
Dividend yield (%)	1.19%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Employee-benefit expenses to be recognised in the financial statements:

The Company has recognised an amount of Rs 11.57 Million as employee compensation cost relating to share-based payment (Previous year Rs Nil) in the Statement of Profit and Loss.

29: Revenue from Operations :

The disaggregation of revenue such as sales of products, sale of services, revenue from works contracts & leasing is given in Note No.19 - Revenue from Operations. Further disaggregation of revenue is given in operating segment in Note No. 30. The amount stated therein are net off discount, rebates, price concessions and incentives aggregating to Rs.213.21 Million (Previous Year Rs 156.07 Million). Most of the contracts are fixed price contracts and revenue is recognised at point in time. The terms of payment varies in relation to class of customer with advance payments, milestone payments, customary credit terms with retention payment getting released as agreed in the contract.

30 : Details of Operating Segment - Ind AS 108 :

₹ in Million

		2019-20			2018-19		
A.	Information about Operating Segment (See Note below)	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL
	Sr. No. Particulars						
	1 **Segment Revenue**						
	Sales	7,678.33	472.13	8,150.46	6,614.43	473.35	7,087.78
	Other	-	-	60.82	-	-	14.66
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	7,678.33	472.13	8,211.28	6,614.43	473.35	7,102.44
	2 **Result**						
	Segment Result	1,301.16	(102.58)	1,198.58	1,340.75	(99.39)	1,241.36
	Less: Unallocable Corporate Expenses (Net of Income)			467.34			437.60
	Operating Profit before Interest			731.24			803.76
	Less: Finance Cost			12.09			1.47
	Profit before Tax			719.15			802.29
	3 **Other Information**						
	Segment Assets	4,813.85	386.22	5,200.07	3,960.87	364.61	4,325.48
	Add: Unallocable common assets			2,551.74			3,155.79
	Total Assets			7,751.81			7,481.27
	Segment Liabilities	2,519.58	215.09	2,734.67	2,249.40	209.36	2,458.76
	Add: Unallocable common liabilities			70.93			84.22
	Total Liabilities			2,805.60			2,542.97
	4 **Capital Expenditure During the year**	953.48	99.18	1,052.66	85.11	0.81	85.92
	5 **Depreciation and Impairment**	180.13	23.55	203.68	93.16	37.15	130.31
	Add: Unallocable Depreciation			121.93			88.21
				325.61			218.52
B	**Revenue by location**						
	1 In India			8,013.16			6,849.80
	2 Outside India			198.13			252.64
	Total			8,211.28			7,102.44
	All Assets of the Company are located within India						

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

C Other Disclosures

1 Operating segments are reported in a manner consistent with the internal reporting to Chief Operating Decision Maker (CODM).

The Board of Directors of the Company assess the financial performance and position of the Company and make strategic decisions. The Board of Directors, has identified Executive Committee comprising of Executive Chairman and Managing Director as CODM.

2 Composition of Operating Segment

Name of the Segment :	Comprises of :
a) Compression Systems	Air & Gas Compressors, Airconditioning & Refrigeration Compressors and Systems etc.
b) Transmission Equipments	Power Transmission Equipments (Torque Convertor), Reverse Reduction Gears for Marine Gear Engines, Industrial & Mobile application etc.

3 The Segment Revenue, Results , Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.

4 During the year there is no single customer (PY Rs NIL) who has contributed more than 10% of Revenue of the Company in any of the Segments whether in India or outside.

31 : Disclosure of Transactions with Related Parties as required by the Ind AS -24 :

(A) Names of the related parties

1) Joint Venture Company	None (P.Y. - Sox Control Solutions Pvt. Ltd. upto 22nd January 2019)	
2) Key Management Personnel	Mr Rahul C Kirloskar	Executive Chairman
	Mr Aditya Kowshik	Managing Director
3) Relatives of Key Management Personnel	Mrs Alpana Rahul Kirloskar	Wife
	Ms Suman C Kirloskar	Mother
	Mr Atul C Kirloskar	Brother
	Ms Alika Rahul Kirloskar	Daughter
	Mr Aman Rahul Kirloskar	Son
	Mrs Kavita A Kowshik	Wife
	Mr Karn A Kowshik	Son
	Mrs Meera Jamnagarwala	Daughter
	Ms Laxmi Chalapati	Mother
4) Entity controlled by a person or his close relatives where that person is either i) key management personnel of the Company or ii) has a control or joint control over the Company or iii) has significant influence over the Company	Alpak Investment Pvt. Ltd. Kirloskar Energen Pvt. Ltd. Kirloskar Solar Technologies Pvt. Ltd. Navsai Investments Pvt. Ltd. Lakeland Universal Ltd. BVI Kiara Lifespaces Pvt. Ltd.	

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

(B) Related Party Transactions

₹ in Million

Nature of Transaction	Year	Joint Venture Company	Key Management Personnel		Relatives of Key Management Personnel		Total
			Promoter Holding more than 10%	Other	Promoter/ Entity Holding more than 10%	Other	
Services Given	**2019-20**	**-**	**-**	**-**	**-**	**-**	**-**
	2018-19	2.92	-	-	-	-	2.92
Services Received	**2019-20**	**-**	**31.33**	**29.05**	**0.78**	**1.45**	**62.60**
	2018-19	-	40.44	31.08	0.78	-	72.30
Short Term Employee Benefits	Refer Note No 33						
Post Employment Benefits	Refer Note No 33						
Rent Paid	**2019-20**	**-**	**-**	**-**	**-**	**2.40**	**2.40**
	2018-19	-	-	-	-	2.40	2.40
Dividend Paid	**2019-20**	**-**	**31.44**	**-**	**31.40**	**8.61**	**71.45**
	2018-19	-	25.39	-	25.36	6.97	57.72
Balance Outstanding							
Receivable	**2019-20**	**-**	**-**	**-**	**-**	**-**	**-**
	2018-19	-	-	-	-	-	-
Payable	**2019-20**	**-**	**5.00**	**14.50**	**0.50**	**-**	**20.00**
	2018-19	-	20.00	19.00	0.50	-	39.50
Deposit receivable	**2019-20**	**-**	**-**	**-**	**-**	**20.00**	**20.00**
	2018-19	-	-	-	-	20.00	20.00

Receiving of services includes Remuneration paid / payable to Key Managerial Personnel as per note no 33 and to Relatives of Key Managerial Personnel.

There are no loans and advances given in the nature of loans to above mentioned Related Parties.

There are no loans and advances given in the nature of loans to firms/companies in which directors are interested.

Transactions entered into with Related Patry's are made on terms equivalent to those that prevail in arms length transactions.

Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash.

32 : Disclosure of Transactions with Promoters and Promoter group holding 10% or more in shareholding:

₹ in Million

		Promotors			Promotor Group
Nature of Transaction	Year	Mr Rahul C Kirloskar	Mr Atul C Kirloskar	Mrs Jyotsna G Kulkarni (holding upto 20th February 2019)	Kirloskar Industries Limited
Dividend Paid	**2019-20**	**31.44**	**31.40**	**-**	**26.98**
	2018-19	25.39	25.36	31.71	21.84

33 : Managerial Remuneration :

a) Profit and Loss Account includes payments and provisions on account of Remuneration to the Executive Directors as under :

₹ in Million

	2019-20			2018-19		
	Executive Chairman	**Managing Director**	**Total**	Executive Chairman	Managing Director	Total
Salary *	**15.89**	**9.06**	**24.95**	12.00	7.80	19.80
House Rent Allowance *	**-**	**0.91**	**0.91**	-	0.78	0.78
Commission *	**5.00**	**14.50**	**19.50**	20.00	19.00	39.00
Contribution to Provident Fund, Superannuation and Gratuity : #	**5.79**	**3.35**	**9.14**	4.24	2.76	7.00
Other perquisites *	**4.65**	**1.23**	**5.88**	4.20	0.74	4.94
Gross Remuneration	**31.33**	**29.05**	**60.38**	40.44	31.08	71.52

*** Represents Short Term Employee Benefits**
 # Represents Post Employment Benefits

Note :
1. As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included on the basis of entitlement in gross remuneration.
2. As the employee wise breakup of liability of leave entitlement, based on actuarial valuation, is not ascertainable, the same has not been included in gross remuneration.

b) Computation of net profit under Section 197 read with Section 198 of the Companies Act, 2013 :

₹ in Million

		2019-20	2018-19
1	Net Profit as per Profit & Loss Account	**719.15**	802.29
2	**ADD**		
	Directors Remuneration	**67.48**	78.62
	Loss on sale of Investments	**7.26**	2.14
	Loss on sale of Assets	**-**	0.16
		793.89	883.21
3	**LESS**		
	Profit on sale of Investments	**0.12**	0.71
	Net Gain on Financial Instruments Measured at FVTPL	**52.23**	38.04
	Unrealised and Notional Gains on foreign exchange	**9.85**	2.70
		62.20	41.45
	Net Profit U/S 197	**731.69**	841.75
	Maximum permissible Remuneration payable to Executive Chairman & Managing Director	**73.17**	84.18
	Restricted to		
	Executive Chairman	**31.33**	40.44
	Managing Director	**29.05**	31.08
	Maximum permissible Commission payable to Non Executive Directors	**7.32**	8.42
	Restricted to	**7.10**	7.10

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

34: Financial instruments - fair values:

(a) Accounting classifications and fair values

The following table shows the carrying amounts of financial assets and financial liabilities which are stated at fair value/ amortised cost as applicable

₹ in Million

	Carrying value (stated at Fair value / Amortised cost)	
	31st March, 2020	31st March, 2019
A Financial assets		
a) Fair value through other comprehensive income (FVTOCI)		
Equity investments	**313.08**	497.10
b) Fair value through profit and loss (FVTPL)		
Mutual Fund investments	**1,064.15**	1,461.91
c) Amortised cost		
Trade receivables	**1,891.00**	1,835.24
Loans- security deposits	**41.88**	33.79
Loans- employees	**0.13**	0.10
Other financial assets	**8.86**	-
Cash and cash equivalents	**269.50**	293.73
Other bank balances	**30.47**	25.45
	3,619.07	4,147.32
B Financial liabilities		
Amortised cost		
Borrowings	**277.78**	5.31
Trade payables	**1,372.29**	1,331.29
Other financial liabilities	**535.75**	529.57
	2,185.82	1,866.17

The following methods and assumptions were used to estimate the fair values / amortised cost as applicable:

The fair values of the investments in unquoted equity shares have been estimated using valuation technique unless they approximate to carrying value. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, discount rate, credit risk and volatility. The fair values of the remaining FVTOCI & FVTPL financial assets are derived from quoted market prices in active markets.

Carrying values of trade payables, trade receivables, employee loans, cash and cash equivalents, other bank balances, other financial assets & other financial liabilities which are stated at Amortised Cost reasonably approximate their fair value due to the short-term maturities of these instruments.

Loans in the nature of security deposits wherever significant have been stated at amortised cost using market rate of interest.

Long-term fixed-rate and variable-rate receivables are evaluated by the company based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected credit losses of these receivables wherever applicable. As of reporting date, the fair value of such receivables, net of allowances, if any, are not materially different from their carrying values.

Borrowings are obtained at market rates of interest available for debt on similar terms, credit risk and remaining maturities. As of reporting date the fair value of borrowings measured at amortised cost does not vary significantly from its carrying value.

34 : Financial instruments - fair values :

(b) Fair value hierarchy and valuation techniques used

The following table provides the fair value measurement hierarchy of company's assets and liabilities grouped into Level 1 to Level 3 as described in notes to accounts. Further table describes the valuation techniques used, key inputs to valuations and quantitative information about significant unobservable inputs for fair value measurements.

As at 31st March 2020

a) Financial assets measured at fair value

₹ in Million

	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
Financial assets					
FVTOCI investments - quoted	185.28	-	-	Quoted market price	
FVTOCI investments - unquoted	-	-	127.81	Discounted cash flow / carrying value	EBIDTA,Free cash flow for 4 Years, growth rate, risk adjusted discount rate
FVTPL investments - Mutual Funds	1,064.15	-	-	Quoted market price	
	1,249.43	**-**	**127.81**		

Loss in fair value compared to previous year of the level 3 item amouting to Rs 57.60 Million has been recognised in FVTOCI.

b) Financial assets measured at amortised cost for which fair value is disclosed

Loans- security deposits	-	41.88	-	Net Present Value	Maturity and prevailing interest rate
Loans- employees	-	0.13	-	Net Present Value	-
Other financial assets	-	8.86	-	Net Present Value	-
	-	**50.87**	**-**		

c) Financial liabilities measured at amortised cost

Borrowings	-	277.78	-	Net Present Value	Prevailing market rate of interest, future pay-outs
Other financial liabilities	-	535.75	-	Net Present Value	Maturity period
	-	**813.53**	**-**		

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

As at 31st March 2019

₹ in Million

a) Financial assets measured at fair value

	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
Financial assets					
FVTOCI Investments - Quoted	316.57	-	-	Quoted market price	
FVTOCI Investments - Unquoted	-	-	180.52	Discounted cash flow / carrying value	EBIDTA,Free cash flow for 4 Years, growth rate, risk adjusted discount rate
FVTPL investments - Mutual Funds	1,461.91	-	-	Quoted market price	
	1,778.48	-	180.52		

b) Financial assets measured at amortised cost for which fair value is disclosed

	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
Loans- security deposits	-	33.79	-	Net Present Value	Maturity and prevailing interest rate
Loans- employees	-	0.10		Net Present Value	-
Other financial assets	-	-	-	Net Present Value	-
	-	33.89	-		

c) Financial liabilities measured at amortised cost

Borrowings	-	5.31	-	Net Present Value	Prevailing market rate of interest, future pay-outs
Other financial liabilities	-	529.57	-	Net Present Value	Maturity period
	-	534.88	-		

During the year ended 31st March, 2020, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurement.

35 : Financial risk management :

Financial risk management policy and objectives

The Company's principal financial liabilities comprise of borrowings and trade & other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, Cash and Cash equivalents which are derived directly from its operations.

Company is exposed to market risk and credit risk.

1) 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 namely foreign currency risk, interest rate risk, and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTOCI investments.

a) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. Company transacts business in local currency INR and in different foreign currencies. Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated. Company's forex exposure is partly covered by natural hedge and partly by forward contracts. For unhedged exposure refer note 36 - foreign currency sensitivity analysis.

b) 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. While Company has insignificant exposure to the borrowing as on 31st March, 2020 impacting its interest cost, the yield on its current investments is exposed to the fluctuations in the market rate.

To minimise this exposure Company spreads its investment portfolio into short term and medium term maturities.

c) Price risk

Equity price risk

The Company's investment in quoted and unquoted equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to quoted equity securities at fair value is Rs.185.28 Million. A decrease/ increase of 5% in the active market could have an impact of approximately Rs.9.26 Million on the OCI or equity attributable to the Company. These changes would not have an effect on profit and loss.

2) 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 investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

a) Trade receivables

The management has established a credit policy under which each new customer is analysed individually for creditworthiness, before offering the payment and delivery terms and conditions.

- Company has different types of credit terms depending upon the type and credit worthiness of the customer. They are either on open terms or backed by Letter of Credit / Bank Guarantees.
- Based on analysis of individual cases, the management considers the impairment of receivables, if any.

The table summarises aging for trade receivable:

₹ in Million

	Non Current Receivables	Current Receivables				Total Receivables
		Less than 90 days	90 to 180 days	above 180 days	Total	
31 March 2020	**-**	**1,288.86**	**334.69**	**267.45**	**1,891.00**	**1,891.00**
31 March 2019	-	1,493.17	132.74	209.33	1,835.24	1,835.24

b) Cash and cash equivalents and bank and other deposits

The cash and cash equivalents are held with Banks with an external short term rating of "A1+". Thus, the Company considers that its cash and cash equivalents have low credit risks.

c) Liquidity risk

The table summarises the maturity profile of company's financial liabilities based on contractual undiscounted payments.

₹ in Million

	31st March, 2020					
	Carrying amount	**On demand**	**Less than 6 months**	**6-12 Months**	**>1 year**	**Total**
Interest bearing borrowings	277.78	-	174.80	102.98	-	**277.78**
Lease Liabilities	3.68	-	1.08	1.03	1.57	**3.68**
Other financial liabilities	532.07	30.47	497.49	3.24	0.87	**532.07**
Trade payables	1,372.29	-	1,372.29	-	-	**1,372.29**

	31st March, 2019					
	Carrying amount	**On demand**	**Less than 6 months**	**6-12 Months**	**>1 year**	**Total**
Interest bearing borrowings	5.31	-	-	-	5.31	5.31
Other financial liabilities	529.57	25.45	503.02	0.24	0.87	529.57
Trade payables	1,331.29	-	1,331.29	-	-	1,331.29

36 : Foreign currency sensitivity analysis :

(A) Exposure Hedged - Foreign Exchange Derivatives

In Million

Nature of Instrument	Currency	Sale / Purchase	31st March, 2020	31st March, 2019
Forward Contracts	USD	Purchase	**2.58**	0.03

(B) Exposure Unhedged - Net

Currency	Net exposure in foreign currency in Million		Net exposure in Rs Million	
	31st March, 2020	31st March, 2019	**31st March, 2020**	31st March, 2019
USD	**1.12**	(0.13)	**85.58**	(8.76)
EUR	**0.36**	0.11	**30.74**	8.53
GBP	**0.19**	0.21	**17.56**	19.55
KRW	**156.52**	-	**10.02**	-
JPY	**-**	9.25	**-**	5.84
AED	**-**	0.09	**-**	1.71

₹ in Million

Currency	Sensitivity %	Impact on profit (strengthen)*		Impact on profit (weakening)*	
		31st March, 2020	31st March, 2019	**31st March, 2020**	31st March, 2019
USD	5.44%	**(4.65)**	0.13	**4.65**	(0.13)
EUR	6.53%	**(2.01)**	(0.09)	**2.01**	0.09
GBP	5.06%	**(0.89)**	0.34	**0.89**	(0.34)
KRW	2.17%	**(0.22)**	-	**0.22**	-
JPY	6.05%	**-**	(0.09)	**-**	0.09
AED	5.18%	**-**	(0.03)	**-**	0.03
Total INR		**(7.77)**	0.27	**7.77**	(0.27)

(* Strengthening / weakening of foreign currency)

37 : Capital management :

The Company's capital includes issued equity capital, share premium and free reserves.

The Company's policy is to meet the financial covenants attached to the interest-bearing borrowings by maintaining a strong capital base. The company aims to sustain investor, creditor and market confidence so as to be able to leverage such confidence for future capital/debt requirements.

Management monitors the return on capital, the capital/debt requirements for various business plans under consideration and determines the level of dividends to equity shareholders.

No changes were made in the objectives, policies or processes for managing capital during the financial years ended on 31st March, 2020 and 31st March, 2019.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

Net debt position		₹ in Million
	31st March, 2020	31st March, 2019
Borrowings (including current maturities)	**283.09**	6.88
Less: Cash and cash equivalents & current investments	**1,333.37**	1,755.28
Net debt	**(1,050.28)**	(1,748.40)
Total Equity	**4,946.21**	4,938.30

Net debt to equity ratio — Not applicable as the net debt position is negative

₹ in Million

Particulars	Cash and Cash Equivalents	Current Borrowings	TOTAL
(Net Debt) / Surplus as on 1st April, 2019	1,755.28	6.88	1,748.40
Cash Flows	(474.14)	276.21	(750.35)
Other non-cash movement	-	-	-
Fair Value Adjustment	52.23	-	52.23
(Net Debt) / Surplus as on 31st March, 2020	**1,333.37**	**283.09**	**1,050.28**

38 : Leases - Ind AS 116 :

A The Company as a Lessee :

has entered into agreements in the nature of Lease / Leave and License agreement with different Lessors / Licensors for the purpose of establishment of office premises / residential accommodations and assets. These are generally in nature of operating Lease / Leave and License and disclosure required as per Ind AS 116 with regard to the above is as under :

i) Where the Lease arrangements are not recognised as ' Right-of-Use Asset ' and covered under paragraph 6 of Ind AS 116

a. Payment under Lease / Leave and License for period :

1) Not later than 1 year Rs. 9.71 Million (Rs. 10.42 Million)

2) Later than 1 year but not later than 5 years Rs. 15.83 Million (Rs. 10.37 Million)

b. There are no transaction in the nature of Sub Lease.

c. Payments recognised as Rent in the Statement of Profit and Loss for the year ended 31st March, 2020 amounts to Rs. 10.90 Million (Rs. 12.97 Million).

d. Period of Agreement is generally for Eleven Months, in some cases extending up to five years and renewable at the option of Lessee. The lease agreements do not have any variable lease payments nor there is any residual value guarantee. There are no leases to which the company has committed and are yet to commence.

ii) Where the Lease arrangements are recognised as ' Right-of-Use Asset ' under Ind AS 116

a. Depreciation charge for right-of-use assets amounts to Rs. 3.29 Million. Refer Note No.1 - Property, Plant & Equipment.

b. Interest Expenses on Lease Liability Rs. 0.10 Million. Refer Note No.24 - Finance Cost

c. The expense relating to leases accounted by applying paragraph 6 are given in Note 38 A above.

d. The Company has not entered into any transaction in the nature of Sub Lease or sale & lease back.

e. The aggregate amount of cash outflow on account of leases covered including that of Note 38 A is Rs. 13.30 Million (Rs. 12.97 Million).

f. The carrying amount of right-of-use assets at the end of the reporting period amount to Rs. 6.02 Million. Refer Note No. 1 - Property, Plant & Equipment.

g. For maturity profile of lease liability Refer Note No. 35 (2) (C).

B The Company as a Lessor :

has entered into agreements with various customers for providing Vehicles and Compression Facility on Operating Lease basis. It recognises its income generally on a straight line basis unless differential payment terms are applicable. The Company has disclosed these details in Note No. 1 - Property, Plant & Equipment. The corresponding lease income has been disclosed in Note No. 19 - Revenue From Operations. The Company has not entered into any agreements on variable lease payments.

a. The Company has not given any assets on Financial Lease basis.

b. The Company has examined its expected future revenue from existing leasing contracts and does not foresee any requirement for impairment as per Ind AS 36 for the underlying leased assets.

c. Maturity Analysis based on current firm contract period

₹ in Million

Asset under Lease	Undiscounted Lease Payments to be received in each of next 5 Years				
	Year 1	Year 2	Year 3	Year 4	Year 5
Vehicles	3.67	0.29	-	-	-
Compression Facility	300.00	179.00	-	-	-
Total	303.67	179.29	-	-	-

d. The Company has not entered into any transaction in the nature of sale & lease back.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

39 : Capital and other commitments :

₹ in Million

	2019-20	2018-19
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	**128.70**	218.15
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills & Second Charge on Fixed Assets. Amount outstanding as on 31st March, 2020.	**1,895.64**	1,650.42

40 : Payment to Auditors :

(a) As Auditors	**2.60**	2.60
(b) In Other Capacity		
For Tax Audit	**0.40**	0.40
For GST Audit	**0.30**	-
	3.30	3.00
(c) For Expenses	**0.08**	0.05
	3.38	3.05

41 : Dividend :

Interim Dividend paid per share - Rs.	**2.70**	1.00
Dividend %	**135**	50
Proposed Dividend per share - Rs.	**-**	1.50
Dividend %	**-**	75
Amount of Proposed Dividend	**-**	96.33
Tax on Proposed Dividend	**-**	19.80

42 : A. Contingent Liabilities not provided for in respect of :

₹ in Million

	2019-20	2018-19
Claims against the Company not acknowledged as Debts, estimated at	**392.94**	208.30
Income Tax Matters	**6.97**	6.97
Disputed Central Excise Matters	**25.32**	1.49
Disputed Customs Matters	**33.28**	32.76
Disputed Sales Tax Demands	**26.42**	128.49
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	**-**	6.53

B. Claim for US $ 10 Million has been filed against the Company in the International Court of Arbitration. The Arbitration proceedings have been stayed by the Honourable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honourable Supreme Court. Further the Honourable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable and therefore management does not anticipate any financial impact on this account.

		₹ in Million
	2019-20	2018-19
43 : Expenditure in Foreign Currencies (accrual basis) :		
CIF Value of Imports		
Raw Materials & Components	**1,292.11**	795.36
Capital Goods	**282.73**	18.69
Other Expenses	**20.33**	33.56
Total	**1,595.17**	847.61
44 : Earnings in Foreign Currencies (accrual basis) :		
F.O.B. Value of Exports	**198.13**	252.64
Other Income	**1.76**	2.57
Total	**199.89**	255.21

45 : Earnings per share :

The calculations of profit attributable to equity shareholders and weighted average number of equity shares outstanding for purpose of basic and diluted earnings per share calculation are as follows:

Profit attributable to equity shareholders (Rs. in Million)	**534.92**	552.62
Weighted average number of equity shares used as denominator	**64,221,690**	64,221,690
Basic and diluted earnings per share of nominal value of Rs 2/- each	**8.33**	8.60

46 : The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act,2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Based on disclosure, total outstanding of Micro, Small and Medium Enterprises to whom the company owes money is as under :

		₹ in Million
Particulars	**31st March, 2020**	31st March, 2019
Total outstanding to MSME suppliers	**178.48**	68.49
Principal Amount	**178.15**	68.45
Interest Amount on above	**0.33**	0.04
Payment made to suppliers along with interest beyond the appointed day, during the year	**434.33**	10.46
Interest due and payable to suppliers under MSMED Act, for the payments already made	**2.46**	0.22
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	**2.79**	0.26
Interest remaining due & payable to suppliers under MSMED Act	**3.05**	0.26

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

47 : Taxation :

Company has provided Income Tax for the year ended on 31st March, 2020 and remeasured its Deferred Tax Asset / Liability on the basis of rates prescribed under section 115BAA of the Income Tax Act, 1961 exercising the option permitted under that section.

₹ in Million

Deferred Tax relates to following DTA / (DTL)	**As At 31st March 2020**	As At 31st March 2019
Property, Plant & Equipments and Intangible Assets	**(23.12)**	(14.47)
Disallowance U/S 43B	**33.92**	36.62
Fair Value of Current Investment	**(20.87)**	(16.20)
Expenses of Business Combination	**3.95**	10.08
Deferred Tax Asset / (Liability)	**(6.12)**	16.03

₹ in Million

Movement in Temporary Differences	**1st April 2019**	**Recognised in Profit & Loss in 2019-20**	**31st March 2020**
Property, Plant & Equipments and Intangible Assets	**(14.47)**	**(8.65)**	**(23.12)**
Disallowance U/S 43 B	**36.62**	**(2.70)**	**33.92**
Expenses of Business Combination recognised in General Reserve			
Expenses of Business Combination during 2018-19	**10.08**	**(6.13)**	**3.95**
Total Expenses of Business Combination	**10.08**	**(6.13)**	**3.95**
Fair Value of Current Investment	**(16.20)**	**(4.67)**	**(20.87)**
Net Deferred Tax Asset / (Liability)	**16.03**	**(22.15)**	**(6.12)**

There are no items in OCI, movement of which will require recognition of Deferred Tax Asset/Liability on account of temporary differences.

Reconciliation of tax expense and tax calculated at prevailing income tax rate on the accounting profit for the year ending March 2020 & March 2019 is as under

₹ in Million

Particulars	As at 31st March 2020	As at 31st March 2019
Accounting Profit Before Tax	**719.15**	802.29
Tax on above at current rate of Income Tax	**181.00**	280.35
Tax Expense		
Current	**162.08**	211.00
Deferred	**22.15**	38.67
Total Tax Expense	**184.23**	249.67
Difference	**3.24**	(30.68)
Tax Reconciliation :		
Amounts not deductible		
Donations & CSR expenses	**2.78**	3.30
Sale of Investments	**3.87**	-
Others	**1.45**	0.67
Amounts not Taxable		
Dividend	**(9.52)**	(17.41)
Others	**(2.02)**	-
Taxation in respect of earlier years	**6.68**	(17.24)
Total	**3.24**	(30.68)

48 : Gross amount required to be spent by the Company on Corporate Social Responsibility during the year was Rs. 14.16 Million (PY Rs. 11.85 Million).

Amount spent during the year **₹ in Million**

	In Cash	Yet to be paid in cash	Total
Construction / acquisition of any asset	Nil	Nil	Nil
On purpose other than (1) above			
Direct Expenditure	**7.66**	**0.00**	**7.66**
(Previous Year)	(6.02)	0.00	(6.02)
Contribution by way of Donation	**6.50**	**0.00**	**6.50**
(Previous Year)	(6.00)	0.00	(6.00)
Total	**14.16**	**0.00**	**14.16**
(Previous Year)	(12.02)	0.00	(12.02)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

49 : Impact of COVID-19 on Financial Reporting :

The Accounting Standards Board (ASB) of The Institute of Chartered Accountants of India has issued advisory on reporting impact of COVID-19 on financial results of the Companies to whom Ind AS is applicable. The adverse impact of this global pandemic can vary from nation to nation, industry to industry and above all Company to Company. The effect depends upon the nature and extent of business connectivity of the individual Companies with the nations more seriously affected by this pandemic. In response to the Nation wide lockdown imposed by the Central Government in order to contain spread of COVID-19, Company's operations were suspended w.e.f. 23rd March, 2020 which consequently affected the activities of the Company during the last week of March 2020.

The Company is confident of realising the lost revenue upon resumption of operations post lifting up of lockdown using its inventory. As such no inventory obsolescence is anticipated requiring any write down of inventory in line with realisable value. The Company has ensured that the allocation of fixed overheads to the products is not increased as a consequence of suspension of plant operations.

Considering the nature of business, the industrial sectors served by the Company, continued enquiry trends for the Company's products & services, present order board and expected future cash flows, the Company is confident of optimum utilisation of its non financial assets and therefore does not anticipate any impairment loss.

The Company has subjected its financial assets such as trade receivables including lease receivables, investments in debt mutual funds & other receivables to impairment testing and does not anticipate any realisation loss.

The Company has also reviewed its lease arrangements, both in the capacity of a lessee & a lessor. It does not expect any significant impact due to outbreak of COVID-19.

The Company does not expect any significant contingent liability on account of delay in unexecuted contracts due to COVID-19 and therefore no provision is considered necessary.

While COVID-19 disruption had a limited impact as stated above on the financial parameters of the Company for the year ended 31st March, 2020, the Company is continuously evaluating the current situation of COVID-19 pandemic and its potential effects on the business, performance and financials and is taking appropriate measures to the extent possible to mitigate the impact of disruption. The operations of the Company have also remained suspended in April 2020 and some part of May 2020, the impact of which is being ascertained.

50 : Property, Plant and Equipment, other tangible assets and book debts have been charged to consortium of banks for availing fund based & non fund based credit facilities. A vehicle is hypothecated as a security for outstanding borrowings.

51 : Previous Years figures have been regrouped, rearranged or reclassified wherever necessary to correspond to Current Year's figures.

52 : These financial statements were authorised for issue by the Board of Directors on 25th June, 2020.

Note 53 : NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2020.

1. Corporate Information

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 1, Hadapsar Industrial Estate, Pune 411 013. The equity shares of the Company are listed on Bombay Stock Exchange Limited (BSE Limited).

The Company is engaged in the business of Compression & Transmission segments, primarily serving sectors of oil & gas, engineering, steel, cement, food & beverage by offering engineered products and solutions. The Compression segment is engaged in design, manufacture, supply, and erection / commissioning of wide range of air, gas and refrigeration compressors, packages & systems. The Transmission segment is engaged in design, manufacture and supply of railway traction gears and customized gearboxes for windmill, industrial and marine applications. The Company has also started RoadRailer operations providing logistic services using rail network of Indian Railways with first and last mile operations carried on road.

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") notified 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 of the Companies Act, 2013. In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied except where compliance with other statutory promulgations require a different treatment.

The financial statements have been prepared on a historical cost basis, except for the financial instruments wherever significant which are stated at amortised cost and investments which have been measured at fair value and stated as fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVTOCI).

Also, plan assets in a defined benefit plans are measured at fair value.

3. Significant account judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

3.1. Judgement

In the process of applying the Company's accounting policies, the management has made the following judgements, which have the most significant effects on the amounts recognised in the financial statements:

Operating lease where company is a lessor

The Company, for its leases, has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the asset under a lease and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

Lease Term where company is a lessee

The company has applied provisions of Ind AS 116 effective 1st April, 2019. The said standard provides for certain recognition exemptions for short term leases as well as provides for certain criteria when the lease contracts are non-enforceable. The determination of lease term for the purpose of availing such exemptions and evaluation of such criteria for non-enforceability of a contract involves significant judgment.

Revenue Recognition

The company recognises revenue for each performance obligation either at a point in time or over a time. In case performance obligation is satisfied over a time, the input method is used to determine the revenue since it is faithfully depicting the company's performance towards complete satisfaction of performance obligation.

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 date of bill of lading in case of export. In case of services, the revenue is recognized based on completion of distinct performance obligation.

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 based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumption about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Defined benefit plans

The cost of the defined benefit plans and other post employment benefits and the present value of the obligations 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 expected rate of return on plan assets.

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 parameter most subject to change is the discount rate. In determining the appropriate discount rate, actuary considers the interest rates of government bonds and extrapolates 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 based as per the policy of the Company.

Further details about defined benefit obligations are provided in Note 27.

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.

3.3 Functional and presentation currency

These financial statements are presented in Indian Rupees, which is the company's functional and presentation currency. All amounts disclosed in the financial statements and notes have been rounded off to nearest millions as per the requirements of Schedule III, unless otherwise stated.

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 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 equivalent 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

All other liabilities are treated as non – current.

Deferred tax assets and liabilities are classified as non - current assets and liabilities.

4.2 Fair value measurement

The Company measures financial instruments such as Investments etc. at fair value at each Balance Sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

  Or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

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 assets 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 is available to measure fair value, maximising the use of relevant observable inputs and minimising 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.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The Company's management determines the policies and procedure 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 unquoted financial assets and liabilities.

4.3 Property, Plant and Equipment

a. The Company has elected to continue with the carrying value of all of its Property, plant and equipment measured as per the Indian GAAP as at 31st March, 2016 and use those values as deemed cost as at the date of transition to Ind AS being 1st April, 2016.

Property, plant and equipment; and capital work in progress are stated at cost of acquisition or construction net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment, borrowing costs for long term construction projects if the recognition criteria are met and net initial cost estimate of requirement of restoration of site where the asset is located. 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 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 of 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 directly allocable expenses.

Depreciation

- With the commencement of the Companies Act, 2013, depreciation is being provided on straight line method according to the useful life prescribed on single shift working basis in Sch II of the Act on the carrying amount of the asset over the remaining useful life of the asset as per the said schedule, except as stated below. Where the asset is used any time during the year in double or triple shift, depreciation is being calculated on the basis of Note 6 of the said schedule.
- Depreciation on Vehicle other than leased vehicles is being provided over a period of five years, being the estimated useful life of the asset to the company.
- Depreciation on Additions to Property, plant and equipment is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as per Note 2 of Sch II to Companies Act, 2013 in a manner stated above.
- Depreciation on Leased Vehicles is being provided over their useful lives as prescribed by Sch II to Companies Act, 2013 on written down value method.
- Depreciation on Compression Facilities given on lease is being provided on the basis of estimated useful live of each of the components of the facility.
- Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the preceding month in which such Assets are sold, discarded or demolished.
- Technical assessment of assets is carried out annually to identify cost of part of asset which is significant to total cost of asset and where useful life of that part of asset is significantly different than useful life of remaining part of asset. Parts are depreciated as per useful life so determined.
- Foreign exchange fluctuation gain/loss on imported plant and equipment was capitalized in the cost of the respective plant & equipment up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

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 de-recognition 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

4.4 Intangible Assets

The Company has elected to continue with the carrying value of all of its Intangible Assets measured as per the Indian GAAP as at 31st March, 2016 and use those values as deemed cost as at the date of transition to Ind AS being 1st April, 2016.

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.

Expenditure on acquiring Technical Know-how (intangible asset) is amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. Depreciation on additions to Software is provided on pro-rata basis from the month of installation, over a period of one year.

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "Intangible assets under development."

Gains or losses arising from de-recognition 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.

4.5 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 the asset. Other borrowing costs are recognized as expenses in the period in which these are incurred.

4.6 Impairment of 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 (economic value in use) 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 Profit and Loss account. If at any subsequent Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the Profit and Loss account.

4.7 Financial Instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(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 (FVTOCI)
- Financial assets at Fair value through profit and loss (FVTPL)

- Financial assets at amortised cost :

  A financial asset is measured at amortised cost if:

  - The financial assets 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.

  After initial measurement, such financial assets are subsequently measured by applying the effective interest rate (EIR) to the gross carrying amount of a financial asset if applicable. The EIR amortisation is included in finance 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 for 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 and loss unless it is measured at amortised cost or at fair value through other comprehensive income.

  In addition, the Company may elect to classify a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit and loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

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) De-recognition 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.

(iv) Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made from financial assets which are equity instruments and financial liabilities. For financial assets 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.

(v) Impairment of financial assets

The company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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 and loss
- Amortised Cost -
- Loans and Borrowings at amortised Cost

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the Effective Interest Rate (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) De-recognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognised from 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 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

4.8 Derivatives

Company uses derivative contracts to hedge its exposure against movements in foreign exchange rates. The use of derivative contracts is intended to reduce the risk to the Company. Derivative contracts are not used for trading or speculation purposes.

All derivatives are measured at fair value through the Profit and Loss . Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. Hedging activities are explicitly identified and documented by the Company.

4.9 Foreign Currency Transactions

a. Initial Recognition

Foreign currency transactions are recorded in Indian currency, by applying the exchange rate between the Indian currency and the foreign currency at the date of the transaction.

b. Conversion

Current assets and current liabilities, secured loans, being monetary items, designated in foreign currencies are revalorized at the rate prevailing on the date of Balance Sheet.

c. Exchange Differences

Exchange difference 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 corresponding asset up to the date of transition to

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

Ind AS. Further, exchange difference on foreign currency loans utilized for acquisition of assets, is adjusted in the cost of the asset up to transition date of Ind AS only.

4.10 Leases

The determination of whether a contract is (or contains) a lease is based on the substance of the contract at the inception of the lease. The contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Company as a Lessee

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability. A lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The Company uses the practical expedient to apply the requirements of Ind AS 116 to a portfolio of leases with similar characteristics if the effects on the financial statements of applying to the portfolio does not differ materially from applying the requirement to the individual leases within that portfolio.

However, when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty the Company considers that lease to be no longer enforceable. Also according to Ind AS 116, for leases with a lease term of12 months or less (short-term leases) and for leases for which the underlying asset is of low value, the lessee is not required to recognize right-of-use asset and a lease liability. The Company applies both recognition exemptions.

Right of use asset

Right-of-use assets, which are included under property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. The cost of a right-of-use asset comprises the present value of the outstanding lease payments plus any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, the Company also applies the practical expedient that the payments for non-lease components are generally recognized as lease payments.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Lease liability

Lease liabilities, which are assigned to financing liabilities, are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

Lease modification

For a lease modification that is not accounted for as a separate lease, the company accounts for the re-measurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

- **Company as Lessor**

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Amounts due from lessees under finance leases are recorded as receivables at the company's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

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. However, if there is no reasonable certainty that the company will obtain possession of the asset upon end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases or another systematic basis is available. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Effective 1st April, 2019, the company adopted Ind AS 116 "Leases" for the first time, using the modified retrospective transition method, applied to lease contracts that are ongoing as at 1st 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 accrued lease payments.

The following practical expedients have been used by the Company –

Only for leases previously classified as operating leases according to Ind AS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at 1st April, 2019. The weighted average incremental borrowing rate was 8.95%. The respective right-of-use asset is recognized at the said discounted value of outstanding lease payments.

Regardless of their original lease term, leases for which the lease term ends at the latest on 31st March, 2020 are recognized as short-term leases.

At the date of initial application, the measurement of a right-of-use asset excludes the initial direct costs.

Information in hindsight is given due consideration when determining the lease term if the contract contains options to extend or terminate the lease.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

In the context of the transition to Ind AS 116, right-of-use assets and lease liabilities were recognized at Rs 5.99 Million each as at 1st April, 2019.

The difference between the opening lease commitments disclosed under Ind AS 17 as at 31st March, 2019 and the lease liability recognized in the balance sheet as at 1st April, 2019 is on account of discounting of the lease payments.

4.11 Inventories

Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.

I. The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.

II. The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.

III. Goods in Transit are stated at actual cost to the date of Balance Sheet.

IV. Jigs & Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.

V. Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.

VI. Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.

4.12 Cash and cash equivalents

Cash comprises of 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.

4.13 Taxes

Current income tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or in equity, respectively, and not in the statement of profit and loss.

Deferred tax

Deferred tax is provided using the Balance Sheet method on temporary difference 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:

- 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:

- 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 profit 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 statement of profit and 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.

4.14 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) Employee Stock Options Scheme

The fair value of options granted on the date of grant to employees is recognised as employee benefit expense with corresponding increase in equity being the share based payment. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are required to be satisfied. At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the service and non-vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit and loss, with a corresponding adjustment to equity.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

c) 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 is Company's defined benefit plan. The present value of the obligation under such defined benefit plan 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 plan, to recognise the obligation on the 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 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.

d) Other long term employment benefits:

The employee's long term compensated absences are Company's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet.

In regard to other long term employment benefits, the Company recognises the net total of service cost; net interest on the net defined benefit liability (asset); and re-measurements of the net defined benefit liability (asset) in the statement of profit and loss.

Termination Benefits :

Termination Benefits 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.

4.15 Provisions and Contingencies

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.

4.16 Revenue Recognition

a) Revenue from contracts with customers for sale of goods or services is recognised when a performance obligation is satisfied either over a time or at a point in time by transferring a promised good or service under the contract to a customer and the customer obtains control of the same, creating a right to payment for the performance completed, the associated costs can be estimated reliably and the amount of revenue can be measured reliably. Revenue are stated net of discounts, rebates and returns.

b) Contract is recognised when parties to the contract approve the contract committing respective performance obligations, identify each parties rights to goods and services to be transferred under the contract, payment terms, thus has a commercial substance and where the Company shall be entitled to collect the consideration in exchange of goods or services to the Customer.

c) In contracts under which performance obligation is satisfied at a point in time, revenue is recognised at 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.

d) In contracts under which performance obligation is satisfied over a period of time, covering multiple reporting dates, an input method is used to recognise the revenue as it corresponds to entity's efforts to the satisfaction of the performance obligation relative to total expected efforts.

e) Such measurement may result in the Company recognising either contract asset or contract liability. The contract assets represents amount due from customer, primarily relate to the Company's rights to consideration for work executed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional, that is when invoice is raised on achievement of contractual milestone. This usually occurs when the Company issues an invoice to the customer. The contract liabilities represents amount due to customer, primarily relate invoice raised on customer on achievement of milestone for which revenue is recognised over the period of time and after the reporting date.

f) 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 standalone 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.

g) Disaggregation of Revenue is depicted in Operating Segment.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (Contd.)

h) Government grant in the nature of export incentives under various schemes notified by government are accounted for in the year of exports as grant related to income and is recognized as other operating income in the statement of profit and loss if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

i) Income from dividend on investments is accrued in the year in which it is authorized, whereby right to receive is established.

j) Profit / Loss on sale of investments is recognized on the contract date.

k) Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

4.17 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 except in case of interim dividend which is approved by the Board. A corresponding amount is recognised directly in equity.

4.18 Earnings Per Share

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.

4.19 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 and increase & decrease in current assets and current liabilities. The cash flows from regular operating, investing and financing activities of the Company are segregated.

5 Standards issued but not yet effective

Exposure draft on amendments to following standards have been issued by the Institute of Chartered Accountants of India:

1. Ind AS 1 “Presentation of Financial Statements” and Ind AS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”
2. Ind AS 40, “Investment Property”
3. Ind AS 103, “Business Combinations”
4. Ind AS 109, “Financial Instruments” and Ind AS 107, “Financial Instruments: Disclosure”

However, such exposure drafts have not been notified by the Ministry of Corporate Affairs (‘MCA’) to be applicable from 1st April, 2020 as at the date of approval of these financial statements.

As per our attached report of even date.

For M/s P.G. Bhagwat
Firm Registration No. 101118W
Chartered Accountants

Sanjay Athavale
Partner
Membership No. 83374
Pune, June 25, 2020

For and on behalf of the Board of Directors

Aditya Kowshik
Managing Director
DIN - 00228983

Jitendra Shah
Company Secretary

Rahul C. Kirloskar
Executive Chairman
DIN - 00007319

Suhas S. Kolhatkar
Vice President & Chief Financial Officer

Pune, June 25, 2020

NOTES

Enriching Lives

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