

REPORT OF THE DIRECTORS

TO THE MEMBERS
OF KIRLOSKAR OIL ENGINES LIMITED

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

FINANCIAL RESULTS (STANDALONE)

(₹ in Crores)

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

COMPANY’S FINANCIAL PERFORMANCE

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

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

DIVIDEND

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

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

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

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



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

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

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

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

SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

DETAILS OF SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS

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

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

Sr. No.	Particulars	Ratio as on 31st March 2020	Ratio as on 31st March 2019
i.	Debtors' Turnover	7.9	9.1
ii.	Inventory Turnover	10.5	12.3
iii.	Interest Coverage Ratio	77.4	97.4
iv.	Current Ratio	2.1	2.8
v.	Debt Equity Ratio	0.01	0.01
vi.	Operating Profit Margin (%)	6.0%	8.7%
vii.	Net Profit Margin (%)	5.9%	7.0%

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

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

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

b) Return on Net Worth:

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

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

DIRECTORS

a) Changes in Composition of the Board of Directors

During the year under review,

- i. The term of appointment of Mr. Pratap G. Pawar (DIN 00018985), as Independent Director of the Company, was valid till 11th August 2019. Consequent to this, he ceased to be a Director of the Company with effect from 12th August 2019.
- ii. In compliance with Section 149 of the Companies Act, 2013 & Rules thereof including amendments thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder, the Board of Directors of the Company appointed Mr. Kandathil Mathew Abraham (DIN 05178826) as an Additional Director of the Company in the capacity of "Non-Executive Independent Director" with effect from 10th August 2019. In accordance with Section 161 of the Companies Act, 2013 & Rules thereof including amendments thereunder, he will hold office of Director up to date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing his candidature for the office of Director. The resolution seeking approval of the Members for the appointment of Mr. Kandathil Mathew Abraham for a term of 5 years, has been incorporated in the Notice of the forthcoming Annual General Meeting of the Company.
- iii. Mr. R. Srinivasan (DIN 00043658) tendered his resignation as Independent Director of the Company due to his pre-occupation with effect from 25th October 2019. Further, the Company has received confirmation from Mr. R. Srinivasan that there is no other material reason for his resignation other than those mentioned in his resignation letter dated 24th October 2019. The said confirmation was filed with BSE Limited and National Stock Exchange of India Limited on 24th October 2019.
- iv. In compliance with Section 149 of the Companies Act, 2013 & Rules thereof including amendments thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder, the Board of Directors of the Company appointed Dr. Shalini Sarin (DIN 06604529), as Additional Director of the Company in the capacity of "Non-Executive Independent Director" with effect from 25th October 2019. In accordance with Section 161 of the Companies Act, 2013 & Rules thereof including amendments thereunder, she will hold office of Director up to date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing her candidature for office of Director. The resolution seeking approval of the Members for the appointment of Dr. Shalini Sarin for a term of 5 years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.
- v. The term of re-appointment of Mr. Rajendra R. Deshpande (DIN 00007439) as Managing Director & Chief Executive Officer of the Company expired on 28th April 2020. Consequent to this he ceased to be the Director and Key Managerial Personnel of the Company with



effect from the close of working hours of 28th April 2020.

- vi. Mr. Nihal G. Kulkarni (DIN 01139147) resigned as the Managing Director of the Company, which was effective from close of working hours of 28th April 2020. Consequent to this he ceased to be a Key Managerial Personnel of the Company with effect from close of working hours of 28th April 2020. He continues to hold the office of a Non-Executive Non-Independent Director of the Company with effect from 29th April 2020.
- vii. The Board of Directors in its meeting held on 6th March 2020, subject to approval of members of the Company, appointed Mr. Sanjeev Nimkar (DIN 07869394), as an Additional Director and also as the Managing Director of the Company, with effect from 29th April 2020. He was also appointed as a Key Managerial Personnel of the Company with effect from 29th April 2020. In accordance with Section 161 of the Companies Act, 2013 & Rules thereof including amendments thereunder, he will hold office of Director up to date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing his candidature for office of Director. The resolution seeking approval of the Members for the appointment of Mr. Sanjeev Nimkar for a term of 5 years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.
- viii. In compliance with Section 149 of the Companies Act, 2013 & Rules thereof including amendments thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder, the Board of Directors of the Company re-appointed Mr. Pradeep R. Rathi (DIN 00018577) as “Non-Executive Independent Director” with effect from 7th August 2020. The Company has received requisite notice in writing from a member proposing his candidature for office of Director. The resolution seeking approval of the Members by special resolution for the re-appointment of Mr. Pradeep R. Rathi for a second term of 5 consecutive years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.
- ix. Mr. Rahul C. Kirloskar (DIN 00007319) retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
- x. Mr. Nihal G. Kulkarni (DIN 01139147) retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

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

b) Changes in Key Managerial Personnel

During the year under review,

- i. Mr. T. Vinodkumar, Chief Financial Officer and Key Managerial Personnel of the Company superannuated from the services of the Company with effect from the close of working hours on 6th March 2020. Consequent to this, he ceased to be the Chief Financial Officer and Key Managerial Personnel of the Company.
- ii. The Board of Directors, on the recommendation of Nomination & Remuneration Committee of the Company, in its meeting held on 6th March 2020, appointed Mr. Pawan Kumar Agarwal as the Chief Financial Officer and Key Managerial Personnel with effect from 7th March 2020.

- iii. The term of re-appointment of Mr. Rajendra R. Deshpande (DIN 00007439) as the Managing Director & Chief Executive Officer of the Company expired on 28th April 2020. Consequent to this, he ceased to be the Director and Key Managerial Personnel of the Company with effect from close of working hours of 28th April 2020.
- iv. Mr. Nihal G. Kulkarni (DIN 01139147) resigned as the Managing Director of the Company, and his resignation was effective from the close of working hours of 28th April 2020. He, however, continues to hold the office of a Non-Executive Non-Independent Director of the Company with effect from 29th April 2020. Consequent to this, he ceased as a Key Managerial Personnel of the Company with effect from close of working hours of 28th April 2020.
- v. The Board of Directors, on the recommendation of Nomination & Remuneration Committee of the Company, in its meeting held on 6th March 2020 appointed Mr. Sanjeev Nimkar (DIN 07869394), as the Managing Director and Key Managerial Personnel of the Company with effect from 29th April 2020.

c) Declarations from the Independent Directors

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

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

All the Independent Directors of the Company have enrolled themselves in the data bank with the 'Indian Institute of Corporate Affairs', New Delhi, India.

d) A statement regarding opinion of the board with regard to integrity, expertise and experience (including the proficiency) of the independent directors appointed during the year

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

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

e) Board Evaluation

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

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



evaluation, Enterprise Risk Management etc.

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

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

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

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

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

f) Nomination and Remuneration Policy

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

g) Number of meetings of the Board

During the period under review, six (6) Board Meetings were held, the details of which forms part of the Report on Corporate Governance.

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

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

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered into during the Financial Year 2019-20 were on an arm's length basis and in the ordinary course of business. Hence, there are no transactions to be reported in Form AOC-2. None of the related party transactions entered into by the Company, were materially significant,

warranting members' approval under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder. All Related Party Transactions are routinely placed before the Audit Committee for approval after being duly certified by the Statutory Auditors/Independent Chartered Accountant.

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

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

EMPLOYEES STOCK OPTION PLAN

During the Annual General Meeting of Kirloskar Oil Engines Limited held on 9th August 2019, members of the Company passed a resolution for introducing Employees Stock Option Plan 2019 – (KOEL ESOP 2019), for the benefit of employees of the Company.

The resolution also accorded approval to the Board of Directors, to formulate the plan as per broad parameters outlined in the resolution, either directly or through a Nomination and Remuneration Committee. No further action in terms of implementation of KOEL ESOP 2019 has been taken since its approval at the last AGM held on 9th August 2019. Hence the Company is not required to obtain certificate of auditors of the Company pursuant to Regulation 13 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

RISK MANAGEMENT FRAMEWORK

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

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

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

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

INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

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

CORPORATE SOCIAL RESPONSIBILITY

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

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



Annexure B.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has a Vigil Mechanism / Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement, instances of leakage of Unpublished Price Sensitive Information etc. The Policy provides a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee any instance of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. No person has been denied access to the Audit Committee in this regard. The Policy is uploaded on the Company's website. There were no complaints filed / pending with the Company during the year.

EXTRACT OF ANNUAL RETURN

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE AND OUTGO

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

PARTICULARS OF EMPLOYEES

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

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

POLICY ON PREVENTION OF SEXUAL HARRASSMENT

The Company has put in place a Policy for prevention of Sexual Harassment at workplace. This inter alia provides a mechanism for the resolution, settlement or prosecution of acts or instances of Sexual Harassment at work and ensures that all employees are treated with respect and dignity. There were no complaints filed / pending with the Company during the year. The Company has complied with the provisions relating to the constitution of internal complaints committee under the Sexual Harassment of Women at work place (Prevention, Prohibition and Redressal) Act, 2013.

GENERAL

During Financial Year 2019-20:

- a. There were no public deposits accepted by the Company pursuant to provisions of the Companies Act, 2013 & Rules thereof including amendments thereunder.
- b. There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.
- c. Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from the subsidiary Companies.
- d. There was no instance of fraud during the year under review, which required the Statutory

Auditors to report to the Audit Committee and / or Board under Section 143(12) of Act & Rules thereof including amendments thereunder.

- e. The Company has maintained cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 & Rules thereof including amendments thereunder.
- f. The Company has complied with all applicable mandatory Secretarial Standards issued by the Institute of Company Secretaries of India, New Delhi.

AUDITORS

a) Statutory Auditors

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

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

The Report given by the Auditors on the financial statements of the Company for the Financial Year 2019-20 forms part of this report. There are no qualifications, reservations, adverse remarks or disclaimer given by the Auditors in their report.

b) Cost Auditors

M/s. Parkhi Limaye & Co, Cost Accountants (Firm Registration No. 191) carried out the cost audit during the year. The Board of Directors has appointed M/s. Parkhi Limaye & Co. as Cost Auditors of the Company for the Financial Year 2020-21 as required under section 148 of the Companies Act, 2013 & Rules thereof including amendments thereunder.

c) Secretarial Audit Report

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

The Secretarial Audit Report is annexed herewith as **Annexure F**.

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

Mr. Mahesh J. Risbud, Practising Company Secretary, Pune, has submitted Secretarial Compliance Report as laid down in SEBI Circular CIR/CFD/CMD1/27/2019 dated 8th February 2019, and has also confirmed that the Company has complied with of all applicable SEBI Regulations and circulars / guidelines issued thereunder, for the Financial Year 2019-20.

d) Secretarial Audit of Material Subsidiary

La-Gajjar Machineries Private Limited (LGM), is a material subsidiary of the Company. The Secretarial Audit of LGM for the Financial Year 2019-20 was carried out pursuant to Section 204 of the Companies Act, 2013 & Rules thereof including amendments thereunder read with Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder. The Secretarial Audit Report of LGM has been submitted by Mr. Mahesh J. Risbud, Practicing Company Secretary for the Financial Year 2019-20.



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

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

MANAGEMENT DISCUSSION & ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

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

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

BUSINESS RESPONSIBILITY REPORT

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) They have selected such accounting policies, and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2020 and of the profit of the Company for the year ended on that date;
- c) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities;
- d) They have prepared the annual accounts on a going concern basis;
- e) They have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively; and
- f) They have devised proper systems to ensure compliance with provisions of all applicable laws and such systems are adequate and operating effectively.

CAUTIONARY STATEMENT

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Sd/-

ATUL C. KIRLOSKAR
EXECUTIVE CHAIRMAN

Date: 19th June 2020

Place: Pune