



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

SIGNIFICANT ACCOUNTING POLICIES

(All amounts are in Indian rupees rounded in millions, unless otherwise stated)

1. CORPORATE INFORMATION

Kirloskar Brothers Limited ("KBL" or "the Company") is a public limited company domiciled in India and incorporated under the provisions of the Indian Companies Act. KBL is engaged in providing fluid management solutions globally. The core products of the company are Engineered Pumps, Industrial Pumps, Agriculture and Domestic Pumps, Valves, and Hydro turbines.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with the provisions of Indian Accounting Standards (Ind-AS) notified under the Companies Act, 2013 ("the Act") (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS have been prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015.

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.

Company maintains its accounts on accrual basis following historical cost convention except for certain financial instruments which are measured at fair values. The financial statements have been prepared on accrual and going concern basis.

The financial statements have been approved for issue by the Board of Directors at its meeting held on 11 May 2023.

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items, which are measured on an alternative basis in accordance with Ind AS on each reporting date.

| Items | Measurement basis |
|------------------------------------|-------------------|
| Share based payment transactions | Fair value |
| Defined benefit plan – plan assets | Fair value |

2.3 Current or non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating

cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013.

Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities for product business. In case of project business, operating cycle is dependent on life of specific project/ contract/ service, hence current non-current bifurcation relating to project is based on expected completion date of project which generally exceeds 12 months.

2.4 Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is the Company's functional currency. All financial information is presented in INR MN rounded off to three decimal places, except share and per share data, unless otherwise stated.

2.5 Use of judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, current assets, non-current assets, current liabilities, non-current liabilities and disclosure of the contingent liabilities at the end of each reporting period. The estimates are based on management's best knowledge of current events and actions, however, due to uncertainty about these assumptions and estimates, actual results may differ from these estimates.

This note provides an overview of the areas that involved a higher degree of judgement or complexity and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Critical estimates and judgements

The areas involving critical estimates or judgements are:

- Estimation of defined benefit obligation – The cost of the defined benefit gratuity and pension plan, and the present value of the gratuity/pension obligation are determined using actuarial valuations. An actuarial valuation involves making



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various assumptions that may differ from actual developments in the future. (Refer note – 34)

- Estimation of leave encashment provision - The cost of the leave encashment and the present value of the leave encashment obligation are determined using actuarial valuations. (Refer note 38)
- Impairment of receivables - The impairment provisions for financial receivables disclosed are based on assumptions about risk of default and expected credit loss. (Refer note 40)
- Decommissioning liability – Initial estimate of dismantling and restoration liability requires significant judgement about cost inflation index and other factors. (Refer note 38)
- Provision for warranty claims – Provision is recognised based on the key assumptions about likelihood and magnitude of an outflow of resources. (Refer note 38)
- Estimation of provision for loss on long term contract – The provision is recognised when the estimated cost exceeds the estimated revenue for constructions contracts as per Ind AS 115. (Refer note 38)

2.6 Inventories

Inventories are valued at the lower of cost and net realizable value. The cost is calculated on moving weighted average method. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- **Raw materials:** cost includes cost of purchase excluding taxes subsequently recoverable from tax authorities and other costs incurred in bringing the inventories to their present location and condition. However, these items are considered to be realizable at cost if the finished products in which they will be used, are expected to be sold at or above cost.
- **Finished goods and work in progress:** cost includes cost of direct materials, labour and a systematic allocation of fixed and variable production overhead that are incurred in converting raw material into work in progress / finished goods based on the normal operating capacity and actual capacity respectively.
- **Traded goods:** Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Based on ageing of inventory and it's future potential to generate economic benefit, company provides for slow and non-moving inventory using provision matrix. This provision is reversed once such inventory is consumed or expected to be consumed.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Assessment of net-realizable value is made at regular intervals (each reporting period) and at change of events.

2.7 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks, cash on hand and highly liquid short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

The deposits maintained by the Company with banks and financial institutions comprise time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

While other bank balances include, margin money, deposits, earmarked balances with bank, and other bank balances with bank which have restrictions on repatriation.

2.8 Statement of Cash Flows

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method, adjusting the profit before tax for the effects of:

- changes during the period in inventories and operating receivables and payables transactions of a non-cash nature;
- non-cash items such as depreciation, provisions, unrealized foreign currency gains and losses; and
- all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as at the date of Balance Sheet.



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2.9 Property, plant and equipment (PPE)

Measurement

Freehold land is carried at historical cost. All other items of PPE are measured at cost of acquisition or construction less accumulated depreciation and accumulated impairment loss, if any.

The cost of an item of PPE comprises its purchase price, including import duties net of credits and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any discounts and rebates are deducted in arriving at the purchase price.

Own manufactured PPE is capitalized at cost including an appropriate share of overheads. Administrative and other general overhead expenses that are specifically attributable to construction or acquisition of PPE or bringing the PPE to working condition are allocated and capitalized as a part of the cost of the PPE.

Borrowing costs directly attributable to the construction or acquisition of a qualifying asset upto completion or acquisition are capitalised as part of the cost. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met.

When parts of an item of PPE have different useful lives, they are accounted for as separate items (major components) of PPE.

PPE under construction are disclosed as capital work-in-progress.

Advances paid towards the acquisition of PPE outstanding at each reporting date are disclosed under "Other non-current assets".

Subsequent costs

The cost of replacing a part of an item of PPE is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of PPE are recognised in the statement of profit and loss as incurred.

Disposal

An item of PPE is derecognized upon disposal or when no future benefits are expected from its use or disposal. Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of PPE, and are recognised within other income/expenses in the statement of profit and loss.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

The residual values, useful lives and method of depreciation of PPE is reviewed at each financial year end and adjusted prospectively, if appropriate. Depreciation on additions to/deductions from owned assets is calculated pro rata to the period of use. Further, extra shift depreciation is provided wherever applicable. Depreciation charge for impaired assets if any is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

Depreciation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of PPE as prescribed in Schedule II of the Companies Act 2013 except in the case of patterns as mentioned below where the management based on the technical evaluation have estimated the life to be lower than the life prescribed in schedule II.

Patterns – Useful life 1-7 Years

Life of assets considered as per schedule II -

| Particulars | Life |
|------------------------|------------|
| Building | 60 Years |
| Factory Building | 30 Years |
| Plant and Equipment | 3-22 Years |
| Furniture and Fixtures | 10 Years |
| Vehicles | 8 Years |
| Office equipment | 5 Years |
| Railway Siding | 15 Years |

2.10 Investment property

Investment property is a property, being land or building or part of it, (including those under construction) that is held to earn rental income or for capital appreciation



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or both but not held for sale in ordinary course of business, use in manufacturing or rendering services or for administrative purposes.

Upon initial recognition, investment property is measured and reported at cost, including transaction costs. The cost of investment property includes its purchase price and directly attributable expenditure, if any. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with expenditure will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment loss, if any. The estimated useful life and residual values are reviewed at each financial year end and the effect of any change in the estimates of useful life/ residual value is accounted on prospective basis. Investment property in the form of land is not depreciated.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit and loss in the period of derecognition.

2.11 Intangible assets

Recognition and measurement

Intangible assets are recognised when the asset is identifiable, is within the control of the Company and it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be reliably measured.

Intangible assets acquired by the Company that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with indefinite useful lives (Goodwill) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

Subsequent measurement

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The method of amortisation and useful life is reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis.

The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

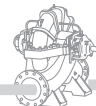
Computer software is amortised over the period of three years.

Amortization on impaired assets is provided by adjusting the amortization charge in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

Research and development costs –

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development



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Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss.

During the period of development, the asset is tested for impairment annually.

2.12 Interest in joint operations

The company as joint operator recognizes in relation to its interest in a joint operation, its share in the assets/liabilities held / incurred jointly with the other parties of the joint arrangements. Revenue is recognised for its share of revenue from the sale of output by the joint operator. Expenses are recognised for its share of expenses incurred jointly with the other parties of the joint arrangements.

2.13 Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences in relation to the foreign currency borrowings to the extent those are regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised in the cost of that asset. Qualifying assets are those assets which necessarily takes a substantial period of time to get ready for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

2.14 Revenue recognition

Company recognizes revenue from contracts with customers when it satisfies a performance obligation.

Revenue is measured at transaction price i.e. Consideration to which Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf

of third parties and after considering effect of variable consideration, significant financing component, if any.

For contracts with multiple performance obligations, transaction price is allocated to different performance obligations based on their standalone selling price. In such case, revenue recognition criteria is applied separately to different performance obligations, in order to reflect the substance of the transaction and revenue is recognised separately for each obligation as and when the recognition criteria for the component is fulfilled.

Sale of goods

Revenue from the sale of goods is recognized when control of the goods is transferred to the buyer. For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Amounts included in revenue are net of returns, trade allowances, rebates, goods and service tax, value added taxes.

Customer loyalty programs

The Company allocates a portion of the consideration received to loyalty points. This allocation is based on the relative stand-alone selling prices. The amount allocated to the loyalty programs is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. The deferred revenue is included in contract liabilities.

Rendering of services

Revenue is recognized over the time as and when customer receives the benefit of company's performance and the company has an enforceable right to payment for services transferred.

Construction Contracts

Contract revenue includes initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

Contract revenue and contract cost arising from fixed price contract are recognized in accordance with the percentage completion method (POC).



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The stage of completion is measured with reference to cost incurred to date as a percentage of total estimated cost of each contract. Until such time (50% of project cost in case of civil projects outside India and 25% of project cost in case of other projects) where the outcome of the contract cannot be ascertained reliably, the Company recognizes revenue equal to actual cost.

Full provision is made for any loss estimated on a contract in the year in which it is first foreseen.

Where the Company is involved in providing operation and maintenance services under a single construction contract, then the consideration is allocated on a relative stand-alone price basis between various obligations of a contract.

For contracts where progress billing exceeds the aggregate of contract costs incurred to-date and recognized profits (or recognized losses, as the case may be), the surplus is shown as the amount due to customers.

For contracts where the aggregate of contract costs incurred to-date and recognized profits (or recognized losses, as the case may be) exceed progress billing, the deficit is shown as the amount due from customers. Amount due from customers is shown as part of other non-financial assets as the contractual right for consideration is dependant on completion of contractual milestones.

Amounts received before the related work is performed are disclosed in the Balance Sheet as a liability towards advance received. Amounts billed for work performed but yet to be paid by the customer are disclosed in the Balance Sheet as trade receivables.

The amount of retention money held by the customers is disclosed as part of other current assets

2.15 Other income

Interest is recognized on a time proportion basis determined by the amount outstanding and the rate applicable using the effective interest rate (EIR) method. Dividend income and export benefits are recognised in the statement of profit and loss on the date that the Company's right to receive payment is established.

Interest receivable on customer dues is recognised as income in the Statement of Profit and Loss on accrual basis provided there is no uncertainty towards its realization

Other items of income are accounted as and when the right to receive such income arises and it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

2.16 Foreign currencies transactions

Transactions and balances

Transactions in foreign currency are recorded at exchange rates prevailing at the date of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the statement of profit and loss of the year.

Monetary assets and liabilities denominated in foreign currencies which are outstanding, as at the reporting period are translated at the closing exchange rates and the resultant exchange differences are recognised in the statement of profit and loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

2.17 Employee benefits

Short-term employee benefits

All employee benefits payable wholly within twelve months of rendering the services are classified as short-term employee benefits. Benefits such as salaries, wages, expected cost of bonus and short term compensated absences, leave travel allowance etc. are recognized in the period in which the employee renders the related service.

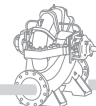
Post-employment benefits

Defined contribution plans

The company's superannuation scheme, state governed provident fund scheme related to Dewas, Kainiyur, Sanand factories and employee state insurance scheme are defined contribution plans. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Defined Benefit Plans

The employees' gratuity fund schemes and provident fund scheme managed by a trust and pension scheme are the Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes



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each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on government securities of a maturity period equivalent to the weighted average maturity profile of the defined benefit obligations as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

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 other comprehensive income (OCI) in the period in which they occur. Remeasurements are not reclassified to the statement of profit and loss in subsequent periods.

In case of funded plans, the fair value of the plan's assets is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on net basis.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of profit and loss. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The company recognises gains/ losses on settlement of a defined plan when the settlement occurs.

The Company pays contribution to a recognized provident fund trust in respect of above-mentioned PF schemes.

Other long-term employee benefit

Compensated absences liabilities mean, the liabilities for earned leave that are not expected to be settled wholly within twelve months after the end of the reporting period in which the employee render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit

credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating the terms of the related obligation. Re-measurements as a result of experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss.

2.18 Income taxes

Income tax expense comprises current and deferred tax. It is recognised in the statement of profit and loss except to the extent that it relates to a business combination or items recognised directly in equity or in OCI.

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that were enacted at the reporting date in the country where the company operates and generates taxable income. Current tax assets and liabilities are offset only if certain criteria are met and such offsetting is legally enforceable.

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year. The tax effect is calculated on the accumulated timing differences at the end of the accounting period based on prevailing enacted or subsequently enacted regulations.

Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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 utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable



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that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.19 Share-based payments

Share based compensation benefits are provided to the employees (including senior executives) of the company under the Company's Employee Stock Option Scheme, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The fair value of the options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.20 Provisions

A Provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the statement of profit and loss.

Warranty provisions

A provision for warranty is recognised when the underlying products and services are sold to the customer based on historical warranty data and at its best estimate using expected value method. The initial estimate of warranty-related costs is revised annually.

Provision for decommissioning and site restoration

The Company has a legal obligation for decommissioning of windmills and restoring the site back to its original condition. Decommissioning and restoration costs are measured initially at its best estimate using expected value method. The present value of initial estimates is provided as a liability and corresponding amount is capitalised as a part of the windmill. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Contingent liabilities

Contingent liability is disclosed when,

- company has a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; or
- present obligation arising from past events, when no reliable estimate is possible; or
- A possible obligation arising from past events where the probability of outflow of resources is not remote.

Provisions and contingent liabilities are reviewed at each Balance Sheet date.



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2.21 Leases

Company has adopted Ind AS 116 'Leases' from 1 April 2019. On transition, company has recognized right-to-use asset equal to lease liability which is the present value of the remaining lease payments, discounted using incremental borrowing rate at the date of initial application i.e. 1 April 2019.

Lease is a contract that provides to the customer (lessee) the right to use an asset for a period of time in exchange for consideration.

• Company as a Lessee

A lessee is required to recognise assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognise depreciation of leased assets separately from interest on lease liabilities in the statement of Profit and Loss.

Initial Measurement

Right to use asset

At the commencement date, the Company measures the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit

in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

Subsequent measurement

Right to use assets

Subsequently the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. ROU assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. ROU assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Lease Liability

Subsequently the Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability at the interest rate implicit in the lease, if that rate can be readily determined or the Company's incremental borrowing rate.
- reducing the carrying amount to reflect the lease payments made; and
- re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments.

• Company as a Lessor

Leases in which the company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income



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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.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the company to the lessee. 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.

2.22 Impairment of non-financial assets

The company assesses at each balance sheet date whether there is any indication that an asset or cash generating unit (CGU) may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal or its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the statement of profit and loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.23 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

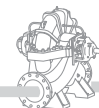
A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

- 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 categorization (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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

or liability and the level of the fair value hierarchy as explained above.

2.24 Financial instruments

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.

Financial assets

Initial recognition and measurement

All financial assets except trade receivables are recognized initially at fair value plus or minus the transaction cost. Trade receivables that do not contain financial component are measured at transaction price in accordance with Ind AS 115. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Financial assets are subsequently measured at amortised cost if,

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which

substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Impairment of financial asset

Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- Financial assets that are debt instruments and are measured as at FVTOCI
- Lease receivables
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115.
- Loan commitments which are not measured as at FVTPL
- Financial guarantee contracts which are not measured as at FVTPL

The company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 116

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

Financial liabilities

Initial recognition and measurement

The company initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the company becomes a party to the contractual provisions of the instrument.

A financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Financial guarantee contracts

Financial guarantee contracts issued by the company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2.25 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the company by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

Diluted EPS adjust the figures used in the determination of basic EPS to consider

- The after-income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares (if any).

2.26 Segment reporting

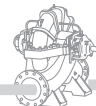
Operating segments are reporting in a manner consistent with the internal reporting to the chief operating decision maker (CODM).

The board of directors of the company assesses the financial performance and position of the company and makes strategic decisions. The Board of Directors, which are identified as a CODM, consists of chief executive officer, chief financial officer and all other executive directors.

Company operates in single reporting segment of 'Fluid Machinery and Systems'

2.27 Recent accounting pronouncement

The Ministry of Corporate Affairs (MCA) on 31 March 2023, has issued Companies (Indian Accounting



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

Standard) Amendment Rules, 2023 in consultation with the National Financial Reporting Authority (NFRA).

The notification states that these rules shall be applicable from 1 April 2023 and would thus be applicable for the financial year ending 31 March 2024.

The amendments to Ind AS are intended to keep the Ind AS aligned with the amendments made in IFRS.

- **Amendments to Ind AS 1, “Presentation of Financial Statements”**

Companies should now disclose material accounting policy information rather than their significant accounting policies, together with other information, which is relevant to an understanding of financial statements.

- **Amendments to Ind AS 8, “Accounting policies, Change in Accounting Estimates and Errors”**

1. Definition of ‘change in account estimate’ has been replaced by revised definition of ‘accounting estimate’
2. As per revised definition, accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty

3. A company develops an accounting estimate to achieve the objective set out by an accounting policy.

4. Accounting estimates include: a) Selection of a measurement technique (estimation or valuation technique) b) Selecting the inputs to be used when applying the chosen measurement technique.

- **Amendments to Ind AS 12, “Income Taxes”**

1. Narrowed the scope of the Initial Recognition Exemption (IRE) (with regard to leases and decommissioning obligations)
2. Now IRE does not apply to transactions that give rise to equal and offsetting temporary differences
3. Accordingly, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on transactions such as initial recognition of a lease and a decommissioning provision.

Based on preliminary assessment, the Company does not expect these amendments to have any significant impact on financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

NOTE 3A: PROPERTY, PLANT AND EQUIPMENT

| | (Amounts in Million ₹) | | | | | | | | | |
|-----------------------------------|-------------------------------|-----------------|------------------|-------------------|----------------------|------------------|-------------------|----------------|------------------|----------------|
| | Property, plant and equipment | | | | | | Intangible Assets | | | |
| | Land free hold | Land lease hold | Buildings | Plant & equipment | Furniture & fixtures | Office equipment | Vehicles | Railway siding | Total | Total |
| Gross Block | | | | | | | | | | |
| As at 1 April 2021 | 425.049 | 75.157 | 1,709.623 | 5,147.855 | 146.867 | 46.944 | 91.808 | 1.528 | 7,644.831 | 322.851 |
| Additions | - | - | 225.934 | 614.563 | 0.650 | 12.928 | 16.363 | - | 870.438 | 4.648 |
| Disposals | - | - | - | (48.910) | (0.764) | (0.004) | (3.688) | - | (53.366) | - |
| As at 31 March 2022 | 425.049 | 75.157 | 1,935.557 | 5,713.508 | 146.753 | 59.868 | 104.483 | 1.528 | 8,461.903 | 327.499 |
| Additions | - | - | 11.818 | 158.754 | 0.167 | 20.582 | 2.140 | - | 193.461 | 28.314 |
| Disposals | - | - | (13.634) | (14.514) | (0.486) | (0.584) | (0.520) | - | (29.738) | - |
| As at 31 March 2023 | 425.049 | 75.157 | 1,933.741 | 5,857.748 | 146.434 | 79.866 | 106.103 | 1.528 | 8,625.626 | 355.813 |
| Depreciation/ Amortisation | | | | | | | | | | |
| As at 1 April 2021 | - | 6.637 | 486.057 | 4,015.999 | 124.062 | 30.246 | 66.184 | 1.523 | 4,730.708 | 288.684 |
| Charge for the year | - | 1.003 | 47.319 | 296.324 | 5.147 | 6.635 | 6.854 | 0.003 | 363.285 | 16.039 |
| Depreciation on disposal | - | - | - | (48.434) | (0.764) | (0.004) | (3.688) | - | (52.890) | - |
| As at 31 March 2022 | - | 7.640 | 533.376 | 4,263.889 | 128.445 | 36.877 | 69.350 | 1.526 | 5,041.103 | 304.723 |
| Charge for the year | - | 1.003 | 47.846 | 301.275 | 4.469 | 9.249 | 7.718 | 0.002 | 371.562 | 15.233 |
| Depreciation on disposal | - | - | (1.231) | (8.786) | (0.486) | (0.584) | (0.520) | - | (11.607) | - |
| As at 31 March 2023 | - | 8.643 | 579.991 | 4,556.378 | 132.428 | 45.542 | 76.548 | 1.528 | 5,401.058 | 319.956 |
| Net block | | | | | | | | | | |
| As at 1 April 2021 | 425.049 | 68.520 | 1,223.566 | 1,131.856 | 22.805 | 16.698 | 25.624 | 0.005 | 2,914.123 | 34.167 |
| As at 31 March 2022 | 425.049 | 67.517 | 1,402.181 | 1,449.619 | 18.308 | 22.991 | 35.133 | 0.002 | 3,420.800 | 22.776 |
| As at 31 March 2023 | 425.049 | 66.514 | 1,353.750 | 1,301.370 | 14.006 | 34.324 | 29.555 | - | 3,224.568 | 35.857 |

Notes:

- Plants and machineries acquired out of proceeds of term loan, are pledged as security against the loan.
- During the year no provision envisaged for impairment loss.
- Refer note no 29 for estimated amount of contract remaining to be executed on capital account.
- Company has not revalued any property, plant and equipment during the FY 2022-23 and FY 2021-22
- All title deeds of immovable properties are held in the name of company.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 3B : RIGHT TO USE ASSETS

| Particulars | Amt |
|--|-----------------|
| Opening balance as at 1 April 2021 | 36.845 |
| Net addition / (deletion) during the year | 54.950 |
| Depreciation | (27.466) |
| Balance as at 31 March 2022 | 64.329 |
| Net addition / (deletion) during the year | 62.972 |
| Depreciation | (37.591) |
| Balance as at 31 March 2023 | 89.710 |

NOTE 4 : INVESTMENT PROPERTY

| Particulars | Amt |
|------------------------------------|--------------|
| Land | |
| Gross Block | |
| As at 1 April 2021 | 5.020 |
| Additions | - |
| Disposals | - |
| As at 31 March 2022 | 5.020 |
| Additions | - |
| Disposals | - |
| As at 31 March 2023 | 5.020 |
| Depreciation and Impairment | |
| As at 1 April 2021 | - |
| Charge for the year | - |
| Depreciation on disposals | - |
| As at 31 March 2022 | - |
| Charge for the year | - |
| Depreciation on disposals | - |
| As at 31 March 2023 | - |
| Net block | |
| As at 1 April 2021 | 5.020 |
| As at 31 March 2022 | 5.020 |
| As at 31 March 2023 | 5.020 |

Fair Value

The company obtains independent valuations for its investment property. The valuation model considers current prices in active market.

The main inputs used are the rental growth rates, expected vacancy rates, terminal yields and discount rates based on comparable transactions and industry data. All resulting fair value estimates for investment properties are included in level 3.

Fair value as at 31 March 2023 was ₹ 60.717 MN.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 5 : FINANCIAL ASSETS: INVESTMENTS

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|
| I Long term investments - at cost | | |
| Trade Investments | | |
| (a) Investment in Equity and Preference instruments | 2,975.420 | 3,113.931 |
| (b) Capital contribution in partnership firm | 0.000 | 0.005 |
| II Current investment | 1,937.400 | 2,534.198 |
| Total | 4,912.820 | 5,648.134 |

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|--|------------------------|------------------------|
| Aggregate amount of quoted investments | 1,437.400 | 1,584.198 |
| Aggregate amount of unquoted investments | 3,475.420 | 4,063.936 |

| Sr No | Particulars | Face Value | Partly Paid / Fully paid | Extent of holding (%) | | No. of Shares / Units | | Amount in Million ₹ | |
|-------|---|------------|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | | | As at 31 March 2023 | As at 31 March 2022 | As at 31 March 2023 | As at 31 March 2022 | As at 31 March 2023 | As at 31 March 2022 |
| | Non-current investments | | | | | | | | |
| (1) | Investments at fair value through Other comprehensive income | | | | | | | | |
| | Investment in Structured Entities | | | | | | | | |
| | Kirloskar Proprietary Limited * | INR 100 | Fully Paid | - | - | 2 | 2 | - | - |
| (2) | Investment in equity shares (unquoted) accounted at cost | | | | | | | | |
| a | Investment in Joint venture | | | | | | | | |
| 1 | Kirloskar Ebara Pumps Limited | INR 10 | Fully Paid | 45% | 45% | 225,000 | 225,000 | 2.747 | 2.747 |
| b | Investment in Subsidiaries | | | | | | | | |
| 1 | The Kolhapur Steel Limited | INR 1 | Fully Paid | 99% | 99% | 266,315,115 | 266,315,115 | 343.884 | 343.884 |
| 2 | Kirloskar Corrocoat Private Limited | INR 10 | Fully Paid | 65% | 65% | 3,250,000 | 3,250,000 | 94.000 | 94.000 |
| 3 | Kirloskar Brothers International B V | Euro 100 | Fully Paid | 100% | 100% | 236,851 | 236,851 | 1,398.025 | 1,398.025 |
| 4 | Karad Projects & Motors Ltd. | INR 10 | Fully Paid | 100% | 100% | 13,952,450 | 13,952,450 | 1,480.643 | 1,480.643 |
| (3) | Investment in 6% non cumulative convertible preference shares (unquoted) accounted at cost | | | | | | | | |
| 1 | The Kolhapur Steel Limited | INR 1 | Fully Paid | 100% | 100% | 150,000,000 | 150,000,000 | 150.000 | 150.000 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

| Sr No | Particulars | Face Value | Partly Paid / Fully paid | Extent of holding (%) | | No. of Shares / Units | | Amount in Million ₹ | |
|---|---|------------|--------------------------|-----------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|
| | | | | As at 31 March 2023 | As at 31 March 2022 | As at 31 March 2023 | As at 31 March 2022 | As at 31 March 2023 | As at 31 March 2022 |
| Investment in Partnership Firm | | | | | | | | | |
| 1 | KBL Synerge LLP** | N A | N A | 50% | 50% | N A | N A | 0.005 | 0.005 |
| | Provision for impairment of investment (##) | | | | | | | (493.884) | (355.368) |
| | Total investment in equity shares of subsidiaries and joint venture | | | | | | | 2,975.420 | 3,113.936 |
| Current investments | | | | | | | | | |
| (4) Investments at amortised cost | | | | | | | | | |
| | Investment in fixed deposit with financial institutions - LIC HFL (Int rate - 5.8%) | | | | | | | 500.000 | 950.000 |
| (5) Investments at fair value through profit and loss | | | | | | | | | |
| | Investment in mutual funds | | | | | | | 1,437.400 | 1,584.198 |
| | Total current investment | | | | | | | 1,937.400 | 2,534.198 |

* The investment in unquoted equity shares is ₹200/- and therefore not seen in the above table.

All subsidiaries, joint venture and associate companies are incorporated and have place of business as India except, the Kirloskar Brothers International B.V. is incorporated and has place of business as Netherland.

** KBL Synerge LLP a limited liability partnership was formed in year 2017 between Kirloskar Brothers Ltd, Mrs. Sneha Phatak and Synerge Overseas Pte. Ltd. This LLP has been created for a short term project. Following are the details of total capital and share of each partner in it. Currently KBL Synerge LLP is not operative and has filed application of striking off name from registrar of LLP.

| Name of Partner | Capital Contributed (₹) | Share in Partnership and profit (%) |
|----------------------------|-------------------------|-------------------------------------|
| Kirloskar Brothers Limited | 5,000 | 50 |
| Synerge Overseas Pte. Ltd | 2,600 | 26 |
| Mrs. Sneha Phatak | 2,400 | 24 |
| Total | 10,000 | 100 |

(##) Company has made provision for investment in the subsidiary company viz.

'The Kolhapur Steel Limited' and associate company viz. 'KBL Synerge LLP'. This provision is treated and disclosed as an exceptional item in FY 2022-23 and FY 2021-22.

The Company has complied with the number of layers for its holding in downstream companies prescribed under clause (87) of section 2 of the Companies Act, 2013 read with the Companies (Restriction on number of Layers) Rules, 2017.

NOTE 6 : FINANCIAL ASSETS: TRADE RECEIVABLES

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|--|---------------------|---------------------|
| Non-current | | |
| Unsecured, considered good | 373.330 | 246.004 |
| Doubtful | 1,152.466 | 764.443 |
| | 1,525.796 | 1,010.447 |
| Less : Provision for significant increase in credit risk and credit impaired receivables | 1,152.466 | 764.443 |
| | 373.330 | 246.004 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|--------------------------------|------------------------|------------------------|
| Current | | |
| Unsecured, considered good | | |
| From related parties | 1,066.288 | 652.166 |
| Others | 2,623.722 | 3,292.107 |
| | 3,690.010 | 3,944.273 |
| Total trade receivables | 4,063.340 | 4,190.277 |

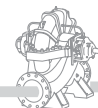
Trade receivables are non-interest bearing and are generally on terms of 1 to 90 days. Refer note 44 (A) for ageing and 40 (A) for movement in loss allowance.

NOTE 7 : FINANCIAL ASSETS: LOANS

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|--|------------------------|------------------------|
| Non-current | | |
| Advances to related parties (Refer note 36) | | |
| Unsecured, considered good | 81.528 | 150.000 |
| | 81.528 | 150.000 |
| Current | | |
| Advances to related parties (Refer note 36) | | |
| Unsecured, considered good | 59.614 | 9.614 |
| | 59.614 | 9.614 |
| Total loans | 141.142 | 159.614 |

NOTE 8 : FINANCIAL ASSETS: OTHER FINANCIAL ASSETS

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|
| Non-current | | |
| (a) Claims receivable | | |
| Unsecured, considered good | | |
| Other Miscellaneous Claim | 13.777 | 16.422 |
| Doubtful | 12.552 | 12.552 |
| | 26.329 | 28.974 |
| Less : Provision for significant increase in credit risk and credit impaired claims | 12.552 | 12.552 |
| | 13.777 | 16.422 |
| (b) Fixed deposits with the original maturity of more than 12 months | 26.621 | 18.406 |
| (c) Security deposits | | |
| Unsecured, considered good | 60.671 | 49.613 |
| Doubtful | 10.884 | 11.147 |
| | 71.555 | 60.760 |
| Less : Provision for significant increase in credit risk and credit impaired deposits | 10.884 | 11.147 |
| | 60.671 | 49.613 |
| | 101.069 | 84.441 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|------------------------------------|------------------------|------------------------|
| Current | | |
| (a) Claims receivable | | |
| Unsecured, considered good | 14.584 | 20.268 |
| (b) Interest accrued | 27.543 | 8.908 |
| (c) Security deposits | | |
| Unsecured, considered good | 827.520 | 824.501 |
| | 869.647 | 853.677 |
| Total other financial asset | 970.716 | 938.118 |

NOTE 9 : OTHER ASSETS

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|
| Non-current | | |
| (a) Advances to supplier of capital goods | 5.301 | 74.493 |
| (b) Advances to supplier and others | | |
| Unsecured, considered good | 238.289 | 275.884 |
| Doubtful | 72.190 | 70.340 |
| | 310.479 | 346.224 |
| Less : Provision for significant increase in credit risk and credit impaired advances | 72.190 | 70.340 |
| | 238.289 | 275.884 |
| (c) Prepaid expenses | 6.553 | 3.366 |
| (d) Retention (Net of provision) | 288.342 | 371.489 |
| (e) Advance income tax (Net of provision) | 117.964 | 243.388 |
| | 656.449 | 968.620 |
| Current | | |
| (a) Advances to supplier and others | | |
| Unsecured, considered good | | |
| Advances to related parties | 97.633 | 109.950 |
| Others | 203.827 | 86.271 |
| | 301.460 | 196.221 |
| (b) Prepaid expenses | 100.579 | 113.768 |
| (c) Gross amount due from customer for project related work | 186.843 | 203.097 |
| (d) Retention | 1,215.310 | 1,013.052 |
| (e) Balances with government authorities | 783.513 | 1,179.424 |
| | 2,587.705 | 2,705.562 |
| Total other assets | 3,244.154 | 3,674.182 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 10 : INVENTORIES

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|-------------------------------------|------------------------|------------------------|
| (a) Raw Materials * | 1,159.990 | 1,046.265 |
| (b) Work-in-progress | 1,708.990 | 1,606.401 |
| (c) Finished goods | 1,101.240 | 1,201.655 |
| (d) Stock-in-trade | 312.247 | 242.206 |
| (e) Stores and spares | 111.314 | 96.054 |
| (Mode of valuation refer note 2.6) | | |
| Total inventories | 4,393.781 | 4,192.581 |

* Include goods in transit - ₹ 24.086 MN (PY 2021-22 : ₹45.835 MN)

Amounts recognised in profit or loss

Write-down/(back) of inventories to net realizable value/ any loss due to it's obsolete nature (net of reversal) amounted to ₹ 34.126 MN (PY 2021-22: ₹29.027 MN) These were recognised as expenses during the year.

NOTE 11 A : CASH AND CASH EQUIVALENTS

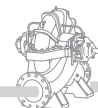
| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|--|------------------------|------------------------|
| (a) Balances with bank | | |
| In current account | 390.441 | 484.550 |
| In EEFC accounts | 232.167 | 104.094 |
| Fixed deposits | 859.836 | 9.365 |
| (b) Cash on hand | 1.922 | 0.653 |
| Total cash and cash equivalents | 1,484.366 | 598.662 |

NOTE 11 B : OTHER BANK BALANCES

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|
| (a) Earmarked balances with bank | | |
| Unpaid dividend accounts | 12.055 | 11.600 |
| (b) Margin money | 4.045 | 3.371 |
| Total other bank balances | 16.100 | 14.971 |

NOTE 12 : EQUITY SHARE CAPITAL

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|--|------------------------|------------------------|
| Authorised | | |
| 250,000,000 (250,000,000) equity shares of ₹2/- each (₹2/-) each | 500.000 | 500.000 |
| Issued, subscribed & fully paid up | | |
| 79,408,926 (79,408,926) equity shares of ₹2/- each (₹2/-) each | 158.818 | 158.818 |
| Total equity share capital | 158.818 | 158.818 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

(a) Terms/ rights attached to equity shares .

The company has only one class of equity shares, having face value of ₹ 2/- per share. Each holder of equity share is entitled to one vote per share and has a right to receive dividend as recommended by the board of directors subject to the necessary approval from the shareholders. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

For the year ended 31 March 2023 the board of directors have proposed final dividend of ₹4.5 (2022: ₹3.00) per share subject to shareholders' approval.

(b) Reconciliation of share capital

| Particulars | As at 31 March 2023 | As at 31 March 2022 | As at 31 March 2023 | As at 31 March 2022 |
|--|------------------------|------------------------|------------------------|------------------------|
| | Number | Amount (Million ₹) | Number | Amount (Million ₹) |
| Shares outstanding at the beginning of the year | 7,94,08,926 | 158.818 | 7,94,08,926 | 158.818 |
| Shares Issued during the year under ESOS | - | - | - | - |
| Shares outstanding at the end of the year | 7,94,08,926 | 158.818 | 7,94,08,926 | 158.818 |

(c) Details of shareholder holding more than 5% shares

| Particulars | As at 31 March 2023 | As at 31 March 2022 | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|------------------------|------------------------|
| | No. of Shares | % of Holding | No. of Shares | % of Holding |
| Kirloskar Industries Limited | 1,89,88,038 | 23.91% | 1,89,88,038 | 23.91% |
| Mr. Sanjay Chandrakant Kirloskar * | 1,78,47,465 | 22.48% | 1,78,47,465 | 22.48% |
| Mrs. Pratima Sanjay Kirloskar | 1,38,49,488 | 17.44% | 1,38,49,488 | 17.44% |
| Nippon Life India Trustee Ltd. (A/C Nippon India Small Cap Fund) | 43,00,851 | 5.42% | 42,78,923 | 5.39% |

(d) Details of shares held by promoters

| Particulars | As at 31 March 2023 | As at 31 March 2022 | As at 31 March 2023 | As at 31 March 2022 |
|------------------------------------|------------------------|------------------------|---------------------------|------------------------|
| | No. of Shares | % of Holding | No. of Shares | % of Holding |
| Mr. Sanjay Chandrakant Kirloskar * | 1,78,47,465 | 22.48% | 1,78,47,465 | 22.48% |
| Mr. Rahul Chandrakant Kirloskar | 4,04,501 | 0.51% | 4,04,501 | 0.51% |
| Mr. Atul Chandrakant Kirloskar | 3,98,888 | 0.50% | 3,98,888 | 0.50% |
| Mr. Vikram Shreekant Kirloskar | - | - | 70,236 | 0.09% |
| Ms. Jyotsna Gautam Kulkarni | 4,41,805 | 0.56% | 4,41,805 | 0.56% |
| Ms. Geetanjali Vikram Kirloskar | 2,625 | 0.00% | - | - |

There is no change in shares held by promoters' during the FY 2022-23 and 2021-22, except the transfer of partial shares held by late Mr. Vikram Kirloskar to his wife Ms. Geetanjali Kirloskar. Details of shares held by promoter's group are available on Company's website.

* includes 1,761,919 (PY: 1,761,919), 2% (PY: 2%) shares held in the capacity of a trustee.

For the period of five years immediately preceding the date as at which the balance sheet is prepared, no shares are

i. allotted as fully paid up pursuant to contracts without payment being received in cash

ii. allotted as fully paid shares by way of bonus shares

iii. bought back.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 13: OTHER EQUITY

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|
| (a) Capital reserve | 0.172 | 0.172 |
| (b) Capital redemption reserve | 4.000 | 4.000 |
| (c) Securities premium | 414.604 | 414.604 |
| (d) General reserves | 5,787.407 | 5,787.407 |
| (e) Retained Earnings | | |
| Opening balance | 4,888.926 | 4,317.230 |
| Add : Total comprehensive income for the year | 1,501.239 | 809.923 |
| Balance available for appropriation | 6,390.165 | 5,127.153 |
| Less : Appropriations : | | |
| Final and interim dividend | 238.227 | 238.227 |
| Sub total | 238.227 | 238.227 |
| Closing balance | 6,151.938 | 4,888.926 |
| Total other equity | 12,358.121 | 11,095.109 |

Capital reserve:

The company had recognised profit or loss on purchase, sale, issue or forfeiture/ cancellation of own equity instrument to capital reserve.

Capital redemption reserve:

The Company had recognised capital redemption reserve on redemption of preference shares from its retained earnings as per the then applicable provisions of Companies Act, 1956."

Securities premium :

The amount received in excess of face value of the equity shares is recognised in Securities Premium Reserve. In case of equity-settled share based payment transactions, the difference between fair value on grant date and nominal value of share is accounted as securities premium.

General reserve:

The Company has transferred a portion of the net profit of the Company before declaring dividend to general reserve pursuant to the earlier provisions of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act 2013.

Retained earnings:

Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 14 : FINANCIAL LIABILITIES: BORROWINGS

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|
| Non-current | | |
| Secured | | |
| (a) Term loan from HDFC bank | 599.738 | 856.971 |
| (Terms of loan: Term loan is repayable in 19 quarterly instalments starting from 31 March 2020 and another fresh loan of ₹ 550 Mn taken in FY-21-22 and is repayable in 18 quarterly instalments starting from 31 January 2022. Loan carries interest rates in range of 7.00% to 9.00% p.a. The loan is secured against fixed asset purchased out of this borrowing.) | | |
| Less- Current maturities of non-current borrowings | 257.233 | 257.233 |
| | 342.505 | 599.738 |
| (b) Term loan from EXIM bank | 225.000 | 300.000 |
| (Term loan is repayable in 16 quarterly instalments starting from 30 June 2022. The loan carries interest in range of 6.85% p.a. to 8.00% The loan is secured against fixed asset purchased out of this borrowing.) | | |
| Less- Current maturities of non-current borrowings | 75.000 | 75.000 |
| | 150.000 | 225.000 |
| Total non-current borrowings | 492.505 | 824.738 |
| Current | | |
| Secured | | |
| 1) Loans repayable on demand from bank | | |
| (i) Cash / export credit facilities | 326.625 | 197.363 |
| (ii) Working capital demand loans/ Short term loans | - | 1,010.000 |
| (Terms of loans: Loans carrying interest @ 6.00% to 9.00% per annum and secured against the inventory and receivables) | | |
| Total secured loan - Current | 326.625 | 1,207.363 |
| Current maturities of long term loan | 332.233 | 332.233 |
| Total current borrowings | 658.858 | 1,539.596 |
| Total borrowings | 1,151.363 | 2,364.334 |

- The quarterly returns or statements filed by the Company for working capital limits whenever availed with such banks and financial institutions are in agreement with the books of account of the Company
- The company has utilized loans for the specific purpose for which same are availed.
- The Company is not declared as wilful defaulter by any bank or financial institution (as defined under the Companies Act, 2013) or consortium thereof or other lender in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.
- The Company does not have any charges or satisfaction which is yet to be registered with Registrar of Companies (ROC) beyond the statutory period.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 15 : FINANCIAL LIABILITIES: TRADE PAYABLES

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|--|------------------------|------------------------|
| Non-current | | |
| (a) Total outstanding dues of creditors other than micro, small and medium enterprises | 77.534 | 73.220 |
| | 77.534 | 73.220 |
| Current | | |
| (a) Total outstanding dues of micro, small and medium enterprises (refer note 42) | 752.678 | 650.041 |
| (b) Total outstanding dues of creditors other than micro, small and medium enterprises | 3,796.442 | 3,871.064 |
| Total | 4,549.120 | 4,521.105 |
| Total trade payables | 4,626.654 | 4,594.325 |

Terms and conditions of the above financial liabilities:

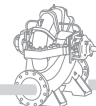
Trade payables are non-interest bearing and are normally settled on 60-day terms except dues to micro and small enterprises which are settled in 45 days or contractual term whichever is earlier. Refer note 44(B) for ageing.

NOTE 16: OTHER FINANCIAL LIABILITIES

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|
| Non-current | | |
| (a) Financial guarantee contracts with banks for subsidiary company | - | 0.580 |
| | - | 0.580 |
| Current | | |
| (a) Investor Education & Protection fund (will be credited as and when due). | | |
| Unclaimed dividends | 12.055 | 11.600 |
| (b) Others | | |
| Trade deposits | 141.126 | 82.858 |
| Interest accrued | 28.766 | 29.115 |
| Salary and reimbursements | 483.996 | 367.325 |
| Payables on account of purchases of fixed assets | 49.831 | 8.665 |
| Provision for expenses | 429.309 | 358.682 |
| Financial guarantee contracts with bank for subsidiaries | 12.805 | 2.517 |
| | 1,145.833 | 849.162 |
| | 1,157.888 | 860.762 |
| Total other financial liabilities | 1,157.888 | 861.342 |

Terms and conditions of the above financial liabilities:

- 1) Other payables are non-interest bearing.
- 2) For explanations on the Company's credit risk management processes, refer note 40



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 17: PROVISIONS

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|
| Non-current | | |
| Provisions for employee benefits | | |
| (a) Compensated absences (refer note 38) | 135.464 | 136.410 |
| (b) Pension scheme (refer note 34) | 22.372 | 23.987 |
| | 157.836 | 160.397 |
| Other provisions (refer note 38) | | |
| (a) Provision for product warranty | 41.347 | 35.030 |
| (b) Provision for decommissioning and restoration costs | 9.621 | 8.892 |
| | 50.968 | 43.922 |
| | 208.804 | 204.319 |
| Current | | |
| Provisions for employee benefits | | |
| (a) Compensated absences (refer note 38) | 153.622 | 149.203 |
| (b) Gratuity and provident fund (refer note 34) | 60.819 | 33.016 |
| | 214.441 | 182.219 |
| Other provisions (refer note 38) | | |
| (a) Provision for product warranty | 267.404 | 229.629 |
| (b) Provision for loss on long term contracts | 11.409 | 13.674 |
| | 278.813 | 243.303 |
| | 493.254 | 425.522 |
| Total provisions | 702.058 | 629.841 |

NOTE 18: OTHER LIABILITIES

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|
| Non-current | | |
| (a) Gross amount due to customers for project related contract work | 165.947 | 165.624 |
| (b) Advances from customer | 536.639 | 522.335 |
| | 702.586 | 687.959 |
| Current | | |
| (a) Gross amount due to customers for project related contract work | 1,392.870 | 1,398.859 |
| (b) Advances from customer | 1,321.010 | 1,458.066 |
| (c) Contribution to provident fund and superannuation fund | 2.243 | 1.418 |
| (d) Statutory dues | 126.757 | 106.202 |
| (e) Deferred revenue | 51.175 | 86.607 |
| | 2,894.055 | 3,051.152 |
| Total other non-financial liabilities | 3,596.641 | 3,739.111 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 19 : INCOME TAX

(1) The major components of income tax expense for the year ended 31 March 2023 and 31 March 2022 are:

(a) Statement of profit and loss

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| Current income tax: | | |
| Current income tax charge | 660.939 | 328.423 |
| Adjustments in respect of income tax of previous year | - | 36.272 |
| Deferred tax: | | |
| Relating to origination and reversal of temporary differences | (114.019) | (35.026) |
| Income tax expense reported in the statement of profit and loss | 546.920 | 329.669 |

(b) Statement of other comprehensive income (OCI)

Current tax related to items recognised in OCI during the year:

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---------------------------|-----------------------------|-----------------------------|
| Income tax charged to OCI | (19.427) | (5.873) |

(2) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended 31 March 2023 and 31 March 2022:

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| Accounting profit before tax | 2,072.847 | 1,111.370 |
| At India's statutory income tax rate of 25.168% (a) | 521.694 | 279.710 |
| Adjustments for - | | |
| Dividend / adjustment for deduction in respect of certain inter-corporate dividends u/s 80 M of income tax act | 112.877 | 250.692 |
| Subtotal (b) | 112.877 | 250.692 |
| Non deductible expenses | | |
| Provision for advances/ deposits and write off | 0.035 | 1.968 |
| Interest payable to MSMED vendors | 2.737 | 4.893 |
| Fines and penalties | 0.001 | 0.010 |
| Donation | 24.224 | 27.189 |
| Provision for impairment of investment | 138.516 | 250.927 |
| Subtotal (c) | 165.513 | 284.987 |
| Sub total (d) = (b-c) | (52.636) | (34.295) |
| Tax impact of above adjustments | (13.247) | (8.631) |
| Other items | (11.979) | (5.056) |
| Short provision for earlier years | - | (36.272) |
| Total (e) | (25.226) | (49.959) |
| Tax expenses at effective rate (a-e) | 546.920 | 329.669 |
| Tax expenses recorded in books | 546.920 | 329.669 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

(3) Movement in deferred tax

(a) Balance sheet

| Deferred tax relates to the following: DTL/ (DTA) | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|
| Property, plant and equipment (Depreciation) | 70.890 | 72.202 |
| Employee benefits | (102.165) | (91.219) |
| Provision for doubtful debts and advances | (449.442) | (347.085) |
| Others - DTA/DTL | 0.956 | 0.347 |
| | (479.761) | (365.755) |
| Net deferred tax liabilities/(assets) | (479.761) | (365.755) |

| Reflected in balance sheet as | As at 31 March 2023 | As at 31 March 2022 |
|-------------------------------|------------------------|------------------------|
| Deferred tax asset | 551.607 | 438.304 |
| Deferred tax liability | 71.846 | 72.549 |
| Net deferred tax asset | 479.761 | 365.755 |

(b) Statement of profit and loss

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| Property, plant and equipment (Depreciation) | (1.312) | 2.482 |
| Employee benefits - compensated absences | (10.946) | (16.643) |
| Provision for doubtful debts and advances | (102.357) | (21.124) |
| Others | 0.596 | 0.259 |
| Deferred tax expense/(income) | (114.019) | (35.026) |

(4) Movement in Current tax

(a) Balance sheet

| Reflected in balance sheet as | Year ended 31 March 2023 | Year ended 31 March 2022 |
|-------------------------------|-----------------------------|-----------------------------|
| Non- current advance tax | 117.964 | 243.388 |

(b) Statement of profit and loss and other comprehensive income

| Movement in current tax | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|-----------------------------|-----------------------------|
| Current tax (asset)/ liability as at beginning of year | (243.388) | (316.206) |
| Add: Additional provision during the year - Statement of Profit and loss account | 660.939 | 364.695 |
| Add: Additional provision during the year - Other comprehensive income | (19.427) | (5.873) |
| Less: Current tax paid during the year (Net of refund received for previous year and adjustment for TDS receivable for previous years) | (516.088) | (286.004) |
| Non Current tax (asset)/ liability as at end of year | (117.964) | (243.388) |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 20: REVENUE FROM OPERATIONS

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|-----------------------------|-----------------------------|
| (a) Sale of products (Refer note 30 for the construction contract revenue) | 24,754.000 | 20,760.253 |
| (b) Sale of services | 371.847 | 590.207 |
| | 25,125.847 | 21,350.460 |
| (c) Other operating revenues (majorly includes scrap sales and exports benefits) | 273.498 | 308.962 |
| Total | 25,399.345 | 21,659.422 |

NOTE 21: OTHER INCOME

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| (a) Interest Income | | |
| From customers and others | 94.028 | 27.624 |
| On income tax and sales tax refund | - | - |
| (b) Release of deferred income | 20.529 | 14.324 |
| (c) Profit on sale of mutual fund investment | 42.496 | 32.192 |
| (d) Dividend income from subsidiary and joint venture companies | 112.877 | 250.692 |
| (e) Foreign exchange difference (net) | 48.835 | 21.641 |
| (f) Other non-operating income | 11.441 | 10.729 |
| Total | 330.206 | 357.202 |

NOTE 22: COST OF RAW MATERIALS CONSUMED , CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK -IN- TRADE AND WORK-IN-PROGRESS

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| (A) Cost of raw material consumed | 13,258.764 | 12,065.299 |
| (B) Changes in inventories of finished goods, work-in-progress and stock-in-trade | | |
| Opening Stock (refer note 10) | | |
| Finished goods | 1,201.655 | 1,090.530 |
| Work-in- progress | 1,606.401 | 1,391.149 |
| Stock in trade | 242.206 | 350.730 |
| | 3,050.262 | 2,832.409 |
| Closing Stock (refer note 10) | | |
| Finished goods | 1,101.240 | 1,201.655 |
| Work-in- progress | 1,708.990 | 1,606.401 |
| Stock in trade | 312.247 | 242.206 |
| | 3,122.477 | 3,050.262 |
| Total change in inventories | (72.215) | (217.853) |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 23: EMPLOYEE BENEFITS EXPENSE

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| (a) Salaries, wages and bonus * | 2,540.290 | 2,248.634 |
| (b) Defined contribution plans | | |
| Contribution to provident fund, superannuation fund and ESIC | 53.588 | 27.609 |
| (c) Defined benefit plans | | |
| Gratuity, Provident fund and Pension | 121.362 | 118.827 |
| (d) Welfare expenses | 158.150 | 113.472 |
| Total | 2,873.390 | 2,508.542 |

* Includes payment on account of Voluntary Retirement Scheme ₹ nil (PY 2021-22 - ₹5.520 MN).

NOTE 24: FINANCE COSTS

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|-----------------------------|-----------------------------|
| (a) Interest expense | 99.690 | 124.345 |
| (at effective interest rate/ market rate of interest) | | |
| (b) Other borrowing costs | 38.574 | 33.547 |
| (includes bank guarantee commission, LC charges, loan processing charges) | | |
| Total | 138.264 | 157.892 |

NOTE 25: DEPRECIATION AND AMORTISATION EXPENSE

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|-----------------------------|-----------------------------|
| (a) Depreciation on property, plant and equipment | 371.562 | 363.285 |
| (b) Amortization of intangible assets | 15.233 | 16.039 |
| (c) Amortisation of right to use assets (Lease) | 37.591 | 27.466 |
| Total | 424.386 | 406.790 |

NOTE 26: OTHER EXPENSES

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|-------------------------------------|-----------------------------|-----------------------------|
| Other Manufacturing Expenses | | |
| Stores and spares consumed | 1,045.910 | 864.653 |
| Processing charges | 478.126 | 393.703 |
| Power and fuel | 390.447 | 336.097 |
| Repairs and maintenance | | |
| Plant and machinery | 169.550 | 174.467 |
| Buildings | 68.445 | 61.261 |
| Other | 42.774 | 38.375 |
| Other expenses | | |
| Rent | 28.393 | 28.040 |
| Rates and taxes | 62.715 | 66.621 |
| Travelling and conveyance | 210.609 | 111.080 |
| Communication expenses | 69.105 | 75.068 |
| Insurance | 42.518 | 40.821 |
| Directors' sitting fees | 7.201 | 7.650 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| Royalties and fees * | 61.887 | 52.495 |
| Freight and forwarding charges | 385.134 | 339.396 |
| Brokerage and commission | 50.721 | 10.252 |
| Advertisements and publicity | 169.652 | 127.702 |
| Provision for product warranty | 255.364 | 289.649 |
| Loss on sale/disposal of fixed assets | 12.601 | 0.476 |
| Provision for doubtful debts, advances and claims | 406.232 | 77.541 |
| Bad debts written off | 27.282 | 83.694 |
| Advances, deposits and claims written off | 0.545 | 8.304 |
| Auditor's remuneration (refer note 31) | 8.627 | 7.913 |
| Professional, consultancy and legal expenses | 487.395 | 479.533 |
| Security services | 54.692 | 48.260 |
| Computer services | 246.908 | 203.078 |
| Non-executive directors remuneration | 14.375 | 13.550 |
| Stationery and Printing | 9.274 | 8.893 |
| Training course expenses | 6.885 | 0.796 |
| Outside labour charges | 373.774 | 298.054 |
| Corporate social responsibility expenses (refer note 43) | 24.165 | 26.447 |
| Other miscellaneous expenses | 130.482 | 137.823 |
| Total | 5,341.788 | 4,411.692 |

* As specified in note given in the Board's Report in respect of legal proceeding pending against KPL, the Company has in the interim, without prejudice to all its rights and contentions, including those in the pending proceedings, in compliance with the order of Hon'ble commercial court, Pune has deposited the claimed royalty amount by way of cheque in safe custody of the Ld. Nazir, District court, Pune from the quarter ended October 2018 onwards until 3rd quarter of 2022-23.

NOTE 27: OTHER COMPREHENSIVE INCOME

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| Items that will not be reclassified to profit or loss | | |
| Remeasurements gains and losses on post employments benefits | (44.115) | 22.349 |
| Tax on remeasurements gains and losses | 19.427 | 5.873 |
| Total | (24.688) | 28.222 |

NOTE 28 : CONTINGENT LIABILITIES

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| Other money for which the company is contingently liable for (Matter Subjudice) | | |
| a) Central excise, service tax and GST | 1,047.213 | 1,046.772 |
| b) Sales tax | 198.566 | 265.577 |
| c) Income tax | 132.511 | 132.511 |
| d) Labour matters | 37.543 | 53.472 |
| e) Other legal cases | 225.688 | 167.383 |
| Total | 1,641.521 | 1,665.715 |

The company does not expect any reimbursement in respect of the above contingent liabilities. It is not practicable to estimate the timing of cash flow if any with respect to above matters.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 29 : COMMITMENTS

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|-----------------------------|-----------------------------|
| a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) | 516.953 | 233.472 |
| b) Letters of credit outstanding | 865.040 | 521.605 |

NOTE 30 : ADDITIONAL DISCLOSURES AS REQUIRED BY IND AS 115 REVENUE FROM CONTRACTS WITH CUSTOMERS

A) Additional details in relation to contracts satisfied over the period

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| a) Contract revenue recognised as revenue for the year | 1,219.619 | 1,355.112 |
| b) Advances received | 1,040.495 | 1,054.477 |
| c) Amount of retentions | 1,503.652 | 1,384.541 |
| d) Gross amount due from customer | | |
| Contract costs incurred | 7,765.211 | 9,214.747 |
| Recognised profits less recognised losses | 2,862.222 | 2,508.579 |
| Less: Progress billing | 10,364.917 | 11,444.914 |
| Less: Provision for gross amount due from customer | 75.674 | 75.312 |
| Total gross amount due from customer | 186.842 | 203.100 |
| e) Gross amount due to customer | | |
| Contract costs incurred | 27,312.291 | 26,036.163 |
| Recognised profits less recognised losses | 4,680.577 | 4,888.535 |
| Less: Progress billing | 33,551.685 | 32,489.181 |
| Total gross amount due to customer | (1,558.817) | (1,564.483) |

- i. Movement in gross amount due from customer and due to customer is due to difference in revenue recognition as compared to progress billings.

B) Disaggregation of revenue from sale of products / services

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|------------------|-----------------------------|-----------------------------|
| a) Within India | 23,367.885 | 20,071.401 |
| b) Outside India | 1,757.962 | 1,279.059 |
| Total | 25,125.847 | 21,350.460 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

C) Reconciliation of revenue from sale of products / services with the contracted price

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|-----------------------------|-----------------------------|
| a) Contracted price | 25,442.610 | 21,674.655 |
| Less - trade discounts, volume rebates, late delivery charges etc | 316.763 | 324.195 |
| Total | 25,125.847 | 21,350.460 |

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| Opening contracted price of orders as at start of the year | 54,857.436 | 55,937.852 |
| Add - Fresh orders/change orders received (net) including exchange rate movement | - | 248.555 |
| Less- Orders completed during year | (89.633) | (1,328.971) |
| Closing contracted price of orders as at the end of the year | 54,767.803 | 54,857.436 |
| a. Revenue out of orders completed during the year | 3.527 | 41.594 |
| b. Revenue out of orders under execution at the end of the year (I) | 1,216.093 | 1,313.518 |
| Total Revenue recognised during the year | 1,219.619 | 1,355.112 |
| Revenue recognised upto previous year (from orders pending completion at the end of the year) (II) | 42,286.285 | 42,330.809 |
| Balance revenue to be recognised in future viz. Order book (III) | 11,265.425 | 11,213.109 |
| Closing contracted price of orders as at the end of the year (I+II+III) | 54,767.803 | 54,857.436 |

NOTE 31: REMUNERATION TO AUDITORS

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---------------------------|-----------------------------|-----------------------------|
| a) Audit fees | 5.700 | 5.200 |
| b) Limited review fees | 2.300 | 2.100 |
| c) Certification services | 0.206 | 0.475 |
| d) Expenses reimbursed | 0.421 | 0.138 |
| | 8.627 | 7.913 |

NOTE 32 : EARNING PER SHARE (BASIC AND DILUTED)

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|-----------------------------|-----------------------------|
| a) Profit before tax | 2,072.847 | 1,111.370 |
| Less : Tax expenses | 546.920 | 329.669 |
| Profit after tax | 1,525.927 | 781.701 |
| b) Weighted average number of equity shares used as denominator | 79,408,926 | 79,408,926 |
| c) Basic and diluted earning per share of nominal value of ₹ 2/- each | 19.22 | 9.85 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 33: EXPENDITURE ON RESEARCH & DEVELOPMENT ACTIVITIES

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|------------------------|-----------------------------|-----------------------------|
| a) Revenue expenditure | 248.245 | 234.302 |
| b) Capital Expenditure | 2.308 | 0.464 |
| | 250.553 | 234.766 |

NOTE 34 : EMPLOYEE BENEFITS

i. Defined Contribution Plans:

Amount of ₹53.588 MN (PY - ₹38.758 MN.) is recognised as an expense towards defined contribution plan and included in Employees benefits expense (Note-23 in the Profit and Loss Statement.)

ii. Defined Benefit Plans:

a) The amounts recognised in Balance Sheet are as follows: Funded Plan

| Particulars | As at 31 March 2023 | | As at 31 March 2022 | |
|---|---------------------|-----------------|---------------------|-----------------|
| | Gratuity Plan | Provident Fund | Gratuity Plan | Provident Fund |
| | (Funded) | (Funded) | (Funded) | (Funded) |
| A. Amount to be recognised in Balance Sheet | | | | |
| Present Value of Defined Benefit Obligation | 606.971 | 1,834.826 | 511.767 | 1,586.091 |
| Less: Fair Value of Plan Assets | 512.558 | 1,868.485 | 458.990 | 1,605.918 |
| Amount to be recognised as liability or (asset) | 94.413 | (33.659) | 52.777 | (19.827) |
| B. Amounts reflected in the Balance Sheet | | | | |
| Liabilities | 94.413 | - | 52.777 | - |
| Assets | - | 33.659 | - | 19.827 |
| Net Liability/(Assets) | 94.413 | (33.659) | 52.777 | (19.827) |

b) The amounts recognised in the Profit and Loss Statement are as follows: Funded Plan

| Particulars | FY 2022-23 | | FY 2021-22 | |
|---|---------------|----------------|---------------|----------------|
| | Gratuity Plan | Provident Fund | Gratuity Plan | Provident Fund |
| | (Funded) | (Funded) | (Funded) | (Funded) |
| 1 Current Service Cost | 38.196 | 59.660 | 33.467 | 48.860 |
| 2 Acquisition (gain)/ loss | - | - | - | - |
| 3 Past Service Cost | - | - | - | - |
| 4 Net Interest (income)/expenses | 1.842 | (7.475) | (0.219) | (2.951) |
| 5 Actuarial Losses/(Gains) | - | - | - | - |
| 6 Curtailment (Gain)/ loss | - | - | - | - |
| 7 Settlement (Gain)/loss | - | - | - | - |
| 8 Others (Transfer In / (Out)) | 1.213 | - | 0.460 | - |
| Net periodic benefit cost recognised in the statement of profit & loss- (Employee benefit expenses - Note 23) | 41.251 | 52.185 | 33.708 | 45.909 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

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

| Particulars | FY 2022-23 | | FY 2021-22 | |
|--|---------------|----------------|---------------|-----------------|
| | Gratuity Plan | Provident Fund | Gratuity Plan | Provident Fund |
| | (Funded) | (Funded) | (Funded) | (Funded) |
| 1 Opening amount recognised in OCI outside profit and loss account | - | - | - | - |
| 2 Remeasurements for the year - Obligation (Gain)/loss | 55.541 | 87.367 | 26.201 | 26.523 |
| 3 Remeasurement for the year - Plan assets (Gain) / Loss | (2.994) | (95.774) | (2.867) | (74.100) |
| 4 Total Remeasurements Cost / (Credit) for the year recognised in OCI | 52.547 | (8.407) | 23.334 | (47.577) |
| 5 Less: Accumulated balances transferred to retained earnings | 52.547 | (8.407) | 23.334 | (47.577) |
| Closing balances (remeasurement (gain)/ loss recognised OCI | - | - | - | - |

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

| Particulars | As at 31 March 2023 | | As at 31 March 2022 | |
|--|---------------------|----------------|---------------------|----------------|
| | Gratuity Plan | Provident Fund | Gratuity Plan | Provident Fund |
| | (Funded) | (Funded) | (Funded) | (Funded) |
| 1 Balance of the present value of Defined benefit Obligation at the beginning period | 511.767 | 1,586.091 | 465.490 | 1,490.666 |
| 2 Acquisition adjustment | - | - | - | - |
| 3 Transfer in/ (out) | 1.287 | (10.069) | 0.460 | - |
| 4 Interest expenses | 33.711 | 107.119 | 28.035 | 88.609 |
| 5 Past Service Cost | - | - | - | - |
| 6 Current Service Cost | 38.196 | 59.660 | 33.467 | 48.860 |
| 7 Curtailment Cost / (credit) | - | - | - | - |
| 8 Settlement Cost/ (credit) | - | - | - | - |
| 9 Benefits paid | (33.531) | (111.645) | (41.886) | (168.354) |
| 10 Employee Contribution | - | 116.303 | - | 99.787 |
| 11 Remeasurements on obligation - (Gain) / Loss | 55.541 | 87.367 | 26.201 | 26.523 |
| Present value of obligation as at the end of the period | 606.971 | 1,834.826 | 511.767 | 1,586.091 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

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

| Particulars | As at 31 March 2023 | | As at 31 March 2022 | |
|---|---------------------|----------------|---------------------|----------------|
| | Gratuity Plan | Provident Fund | Gratuity Plan | Provident Fund |
| | (Funded) | (Funded) | (Funded) | (Funded) |
| 1 Fair value of the plan assets as at beginning of the period | 458.990 | 1,605.918 | 469.109 | 1,466.401 |
| 2 Acquisition adjustment | - | - | - | - |
| 3 Transfer in/(out) | 0.073 | (10.070) | - | - |
| 4 Interest income | 31.869 | 114.594 | 28.255 | 91.560 |
| 5 Contributions | 52.776 | 173.914 | 0.646 | 142.211 |
| 6 Benefits paid | (33.531) | (111.645) | (41.887) | (168.354) |
| 7 Mortality Charges and Taxes | (0.613) | - | - | - |
| 8 Return on plan assets, excluding amount recognized in Interest Income - Gain / (Loss) | 2.994 | 95.774 | 2.867 | 74.100 |
| Fair value of plan assets as at the end of the period | 512.558 | 1,868.485 | 458.990 | 1,605.918 |

- f) **Net interest (Income) /expenses: Funded Plan**

| Particulars | FY 2022-23 | | FY 2021-22 | |
|--|---------------|----------------|---------------|----------------|
| | Gratuity Plan | Provident Fund | Gratuity Plan | Provident Fund |
| | (Funded) | (Funded) | (Funded) | (Funded) |
| 1 Interest (Income) / Expense – Obligation | 33.711 | 107.119 | 28.035 | 88.609 |
| 2 Interest (Income) / Expense – Plan assets | (31.869) | (114.594) | (28.255) | (91.560) |
| 3 Net Interest (Income) / Expense for the year | 1.842 | (7.475) | (0.220) | (2.951) |

- g) **The broad categories of plan assets as a percentage of total plan assets of Employee's Gratuity Scheme are as under:**

Majority of 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. Company has also invested part of it's fund with private life insurance company ICICI prudential.

- h) **The amounts pertaining to defined benefit plans are as follows: Funded Plan**

| Particulars | As at 31 March 2023 | | As at 31 March 2022 | |
|----------------------------|---------------------|----------------|---------------------|----------------|
| | Gratuity Plan | Provident Fund | Gratuity Plan | Provident Fund |
| | (Funded) | (Funded) | (Funded) | (Funded) |
| Defined Benefit Obligation | 606.971 | 1,834.826 | 511.767 | 1,586.091 |
| Plan Assets | 512.558 | 1,868.485 | 458.990 | 1,605.918 |
| Surplus/(Deficit) | (94.413) | 33.659 | (52.777) | 19.827 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

i) The amounts recognised in Balance Sheet are as follows: Non-Funded Plan

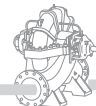
| Particulars | As at | As at |
|---|--------------------------------|--------------------------------|
| | 31 March 2023 | 31 March 2022 |
| | Pension Scheme (Non-Funded) | Pension Scheme (Non-Funded) |
| A. Amount to be recognised in Balance Sheet | | |
| Present Value of Defined Benefit Obligation | 22.372 | 23.987 |
| Less: Fair Value of Plan Assets | - | - |
| Amount to be recognised as liability or (asset) | 22.372 | 23.987 |
| B. Amounts reflected in the Balance Sheet | | |
| Liabilities | 22.372 | 23.987 |
| Assets | - | - |
| Net Liability/(Assets) | 22.372 | 23.987 |

j) The amounts recognised in the Profit and Loss Statement are as follows: Non Funded Plan

| Particulars | FY 2022-23 | FY 2021-22 |
|--|----------------|----------------|
| | Pension Scheme | Pension Scheme |
| | (Non-Funded) | (Non-Funded) |
| 1 Current Service Cost | - | - |
| 2 Acquisition (gain)/ loss | - | - |
| 3 Past Service Cost | - | - |
| 4 Net Interest (income)/expenses | 1.612 | 1.531 |
| 5 Actuarial Losses/(Gains) | - | - |
| 6 Curtailment (Gain)/ loss | - | - |
| 7 Settlement (Gain)/loss | - | - |
| 8 Others | - | - |
| Net periodic benefit cost recognised in the statement of profit & loss- (Employee benefit expenses - Note 23) | 1.612 | 1.531 |

k) The amounts recognised in the statement of other comprehensive income (OCI) : Non Funded Plan

| Particulars | FY 2022-23 | FY 2021-22 |
|--|----------------|----------------|
| | Pension Scheme | Pension Scheme |
| | (Non-Funded) | (Non-Funded) |
| 1 Opening amount recognised in OCI outside profit and loss account | - | - |
| 2 Remeasurements for the year - Obligation (Gain)/loss | (0.025) | 1.894 |
| 3 Remeasurement for the year - Plan assets (Gain) / Loss | - | - |
| 4 Total Remeasurements Cost / (Credit) for the year recognised in OCI | (0.025) | 1.894 |
| 5 Less: Accumulated balances transferred to retained earnings | (0.025) | 1.894 |
| Closing balances (remeasurement (gain)/loss recognised OCI | - | - |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

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

| Particulars | As at | As at |
|--|--------------------------------|--------------------------------|
| | 31 March 2023 | 31 March 2022 |
| | Pension Scheme (Non-Funded) | Pension Scheme (Non-Funded) |
| 1 Balance of the present value of Defined benefit Obligation as at beginning of the period | 23.987 | 23.811 |
| 2 Acquisition adjustment | - | - |
| 3 Transfer in/ (out) | - | - |
| 4 Interest expenses | 1.612 | 1.531 |
| 5 Past Service Cost | - | - |
| 6 Current Service Cost | - | - |
| 7 Curtailment Cost / (credit) | - | - |
| 8 Settlement Cost/ (credit) | - | - |
| 9 Benefits paid | (3.202) | (3.249) |
| 10 Remeasurements on obligation - (Gain) / Loss | (0.025) | 1.894 |
| Present value of obligation as at the end of the period | 22.372 | 23.987 |

m) Net interest (Income) /expenses Non Funded Plan

| Particulars | FY 2022-23 | FY 2021-22 |
|--|----------------|----------------|
| | Pension Scheme | Pension Scheme |
| | (Non-Funded) | (Non-Funded) |
| 1 Interest (Income) / Expense – Obligation | 1.612 | 1.531 |
| 2 Interest (Income) / Expense – Plan assets | - | - |
| 3 Net Interest (Income) / Expense for the year | 1.612 | 1.531 |

n) The amounts pertaining to defined benefit plans are as follows:Non Funded Plan

| | FY 2022-23 | FY 2021-22 |
|----------------------------|----------------|----------------|
| | Pension Scheme | Pension Scheme |
| | (Non-Funded) | (Non-Funded) |
| Defined Benefit Obligation | 22.372 | 23.987 |
| Plan Assets | - | - |
| Surplus/(Deficit) | (22.372) | (23.987) |

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. Expected return of 6.8% (PY 6.3%) has been used for the valuation purpose.

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

- Discount rate as at 31-03-2023 - 7.40% (PY- 6.80%)
- Expected return on plan assets as at 31-03-2023- 6.80%(PY- 6.3%)
- Salary growth rate : For Gratuity Scheme - 10% (PY - 8%). Impact for change in accounting estimate along with other remeasurmnt impact is recognised in other comprehensive income.
- Attrition rate: For gratuity scheme the attrition rate is taken at 11% (PY - 11%)
- The estimates of future salary increase considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in Million ₹)

p) General descriptions of defined plans:

1 Gratuity Plan:

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service or retirement whichever is earlier. The benefit vests after five years of continuous service.

2 Company's Pension Plan:

The company operates a Pension Scheme for specified ex-employees wherein the beneficiaries are entitled to defined monthly pension.

q) The Company expects to fund ₹94.41 MN (PY ₹52.77 MN) towards its gratuity plan in the year 2023-24

r) 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 at a time and studying its impact

| Change in assumption | Effect on Gratuity obligation | |
|------------------------------------|-------------------------------|------------------------|
| | As at 31 March 2023 | As at 31 March 2022 |
| 1 Discount rate | | |
| Increase by 1% to 8.4% (PY -7.8%) | 578.074 | 487.436 |
| Decrease by 1% to 6.4% (PY- 5.8%) | 638.925 | 538.607 |
| 2 Salary increase rate | | |
| Increase by 1% to 11% (PY- 9%) | 632.671 | 533.541 |
| Decrease by 1% to 9% (PY- 7%) | 583.194 | 491.587 |
| 3 Withdrawal rate | | |
| Increase by 1% to 12.0% (PY - 12%) | 603.634 | 510.438 |
| Decrease by 1% to 10.0% (PY - 10%) | 610.617 | 513.212 |

| Change in assumption | Effect on Provident Fund obligation | |
|---|-------------------------------------|------------------------|
| | As at 31 March 2023 | As at 31 March 2022 |
| 1 Discount rate | | |
| Increase by 0.5% to 7.9% (PY- 7.5%) | 1,824.784 | 1,569.087 |
| Decrease by 0.5% to 6.9% (PY- 6.5%) | 1,853.797 | 1,603.893 |
| 2 Interest rate | | |
| Increase by 0.50% to 8.65% (PY- 8.60%) | 1,853.191 | 1,603.236 |
| Decrease by 0.50% to 7.65% (PY - 7.60%) | 1,824.784 | 1,568.937 |

| Change in assumption | Effect on Pension obligation | |
|-----------------------------------|------------------------------|------------------------|
| | As at 31 March 2023 | As at 31 March 2022 |
| 1 Discount rate | | |
| Increase by 1% to 8.5% (PY -8.2%) | 21.293 | 22.769 |
| Decrease by 1% to 6.5% (PY- 6.2%) | 23.558 | 25.332 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 35 :RELATED PARTY DISCLOSURES

(A) Names of the related party and nature of relationship where control/ significant influence exists

| Sr. No. | Name of the related party | Nature of relationship |
|---------|---|---|
| 1 | Karad Projects and Motors Limited | Subsidiary Company |
| 2 | The Kolhapur Steel Limited | Subsidiary Company |
| 3 | Kirloskar Corrocoat Private Limited | Subsidiary Company |
| 4 | Kirloskar Brothers International BV | Subsidiary Company |
| 5 | SPP Pumps Limited | Subsidiary of Kirloskar Brothers International B.V. |
| 6 | Kirloskar Brothers(Thailand) Limited | Subsidiary of Kirloskar Brothers International B.V. |
| 7 | SPP Pumps (MENA) LLC | Subsidiary of Kirloskar Brothers International B.V. |
| 8 | Kirloskar Pompen BV | Subsidiary of Kirloskar Brothers International B.V. |
| 9 | Micawber 784 Proprietary Limited | Subsidiary of Kirloskar Brothers International B.V. |
| 10 | SPP Pumps International Proprietary Limited | Subsidiary of Kirloskar Brothers International B.V. |
| 11 | Rotaserve Limited | Subsidiary of Kirloskar Brothers International B.V. |
| 12 | SPP France S.A.S | Subsidiary of SPP Pumps Limited |
| 13 | SPP Pumps Inc | Subsidiary of SPP Pumps Limited |
| 14 | SPP Pumps South Africa Proprietary Limited | Subsidiary of SPP Pumps International Proprietary Limited |
| 15 | Braybar Pumps Proprietary Limited | Subsidiary of SPP Pumps International Proprietary Limited |
| 16 | Rodelta Pumps International BV | Subsidiary of Kirloskar Brothers International B.V. |
| 17 | Rotaserve BV | Subsidiary of Kirloskar Pompen BV |
| 18 | SPP Pumps Real Estate LLC | Subsidiary of SPP Pumps Inc |
| 19 | SyncroFlo Inc. | Subsidiary of SPP Pumps Inc |
| 20 | SPP Pumps (Asia) Ltd | Subsidiary of Kirloskar Brothers (Thailand) Ltd |
| 21 | SPP Pumps (Singapore) Ltd | Subsidiary of Kirloskar Brothers (Thailand) Ltd |
| 22 | Rotaserve Mozambique | Subsidiary of SPP Pumps International Proprietary Limited |
| 23 | KBL synerge LLP | Associate of Kirloskar Brothers Limited |
| 24 | Kirloskar Ebara Pumps Limited | Joint venture of Kirloskar Brothers Limited |

(B) Names of related parties with whom transactions have been entered into:

| Sr. No. | Nature of relationship | Name of the related party |
|---------|------------------------|---|
| 1) | Subsidiary Companies | Karad Projects and Motors Limited |
| | | The Kolhapur Steel Limited |
| | | Kirloskar Corrocoat Private Limited |
| | | SPP Pumps Limited |
| | | SPP Pumps Inc. |
| | | Kirloskar Pompen B.V |
| | | Kirloskar Brothers (Thailand) Limited |
| | | Rodelta Pumps International BV |
| | | SPP Pumps International Proprietary Limited |
| | | SyncroFlo Inc. |
| | | Rotaserve B.V. |
| | | SPP Pumps (MENA) LLC |
| | | Braybar Pumps Proprietary Limited |
| 2) | Joint Venture | Kirloskar Ebara Pumps Limited |

NOTES TO THE FINANCIAL STATEMENTS

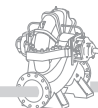
FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

| Sr. No. | Nature of relationship | Name of the related party |
|---------|---------------------------------------|---|
| 3) | Key Management Personnel | Mr. Sanjay Kirloskar Mr. Pratap Shirke Mr. Alok Kirloskar Ms. Rama Kirloskar Mr. Rakesh Mohan Ms. Shailaja Kher Mr. Pardyumn Vyas Mr. S. Unnikrishnan Mr. Amitava Mukherjee Ms. Rekha Sethi Mr. Vivek Pendharkar Mr. Shobinder Duggal Mr. Shrinivas Dempo Ms. Ramni Nirula |
| 4) | Relatives of Key Management Personnel | Mrs. Pratima Kirloskar (wife of Mr. Sanjay Kirloskar) |
| 5) | Post Employee Benefit Plans | Kirloskar Brothers Ltd Employees Prov. Fund For Engg.Factory Kirloskar Brothers Ltd Staff Members Prov. Fund Kirloskar Brothers Limited, Kirloskarvadi Employee Gratuity Fund Kirloskar Brothers Executive Staff Superannuation fund |

(C) Disclosure of related parties transactions

| Sr No | Nature of transaction/relationship/major parties | FY 2022-23 | | FY 2021-22 | |
|----------|--|------------------|----------------------------|------------------|----------------------------|
| | | Amount | Amount for Major parties * | Amount | Amount for Major parties * |
| 1 | Purchase of goods | 4,309.018 | | 4,240.619 | |
| | Subsidiary/Fellow subsidiary Companies | | | | |
| | Karad Projects and Motors Limited | | 3,928.559 | | 3,940.758 |
| 2 | Sale of goods/contract revenue | 1,426.033 | | 854.057 | |
| | Subsidiary/Fellow subsidiary Companies | | | | |
| | SPP Pumps Limited | | 414.896 | | 203.343 |
| | Kirloskar Brothers (Thailand) Ltd. | | 366.296 | | 221.489 |
| | SPP Pumps Inc. | | 255.803 | | 174.276 |
| | The Kolhapur Steel Limited | | 191.583 | | 113.131 |
| 3 | Rendering Services | 134.844 | | 133.412 | |
| | Subsidiary/Fellow subsidiary Companies/Joint venture | | | | |
| | Kirloskar Brothers (Thailand) Ltd. | | 13.848 | | 8.833 |
| | Kirloskar Ebara Pumps Limited | | 45.687 | | 53.745 |
| | SPP Pumps Limited | | 35.357 | | 38.363 |
| 4 | Receiving Services | 107.897 | | 29.429 | |
| | Subsidiary/Fellow subsidiary Companies /Joint Venture | | | | |
| | Kirloskar Brothers (Thailand) Ltd. | | 15.410 | | 13.535 |
| | Rodelta Pumps International BV | | 59.230 | | - |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

| Sr No | Nature of transaction/relationship/major parties | FY 2022-23 | | FY 2021-22 | |
|----------|---|----------------|----------------------------|----------------|----------------------------|
| | | Amount | Amount for Major parties * | Amount | Amount for Major parties * |
| | Kirloskar Ebara Pumps Limited | | 15.767 | | 0.869 |
| | Kirloskar Corrocoat Private Limited | | 3.776 | | 3.411 |
| | SPP Pumps Limited | | 0.871 | | 3.195 |
| | Relatives of Key Management Personnel | | | | |
| | Mrs Pratima Kirloskar | | 5.125 | | 6.405 |
| 5 | Interest Received | 12.572 | | 12.750 | |
| | The Kolhapur Steel Limited | | 12.572 | | 12.750 |
| 6 | Dividend Paid | 95.169 | | 95.169 | |
| | Key Management Personnel | | | | |
| | Mr. Sanjay Kirloskar (**) | | 53.542 | | 53.542 |
| | Relatives of Key Management Personnel | | | | |
| | Mrs. Pratima Kirloskar | | 41.548 | | 41.548 |
| 7 | Dividend Received | 112.877 | | 250.690 | |
| | Subsidiary/Fellow subsidiary Companies/Joint Venture | | | | |
| | Karad Projects & Motors Limited | | 94.877 | | 237.192 |
| | Kirloskar Ebara Pumps Limited | | 18.000 | | 13.500 |
| 8 | Remuneration Paid | 152.688 | | 86.947 | |
| | Key Management Personnel | | | | |
| | Short Term Employee Benefit | | | | |
| | Mr. Sanjay Kirloskar | | 65.027 | | 47.570 |
| | Ms. Rama Kirloskar | | 62.057 | | 12.305 |
| | Commission on profits | | | | |
| | Mr. Pratap Shirke | | 1.500 | | 1.300 |
| | Mr. Alok Kirloskar | | 1.500 | | 1.300 |
| | Mr. Rakesh Mohan | | 0.500 | | 1.300 |
| | Mr. Rajeev Kher | | - | | 1.083 |
| | Mrs. Shailaja Kher | | 0.188 | | 1.300 |
| | Mr. Pradyumna Vyas | | 0.188 | | 1.300 |
| | Mr. S. Unnikrishnan | | 1.500 | | 1.300 |
| | Mr. Shobinder Duggal | | 1.500 | | 1.192 |
| | Mr. Shrinivas Dempo | | 1.500 | | 1.192 |
| | Ms. Ramni Nirula | | 1.500 | | 1.192 |
| | Mr. Amitava Mukherjee | | 1.500 | | 0.650 |
| | Mr. Vivek Pendharkar | | 1.500 | | 0.650 |
| | Ms. Rekha Sethi | | 1.500 | | 0.650 |
| | Key Management Personnel | | | | |
| | Sitting Fees | | | | |
| | Mr. Pratap Shirke | | 0.825 | | 0.848 |
| | Mr. Alok Kirloskar | | 0.600 | | 0.450 |
| | Mr. Rakesh Mohan | | 0.300 | | 1.200 |
| | Ms. Rama Kirloskar | | - | | 0.150 |
| | Mr. Rajeev Kher | | - | | 0.803 |
| | Mrs. Shailaja Kher | | - | | 0.503 |
| | Mr. Pradyumna Vyas | | 0.075 | | 0.420 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

| Sr No | Nature of transaction/relationship/major parties | FY 2022-23 | | FY 2021-22 | |
|-----------|--|----------------|----------------------------|----------------|----------------------------|
| | | Amount | Amount for Major parties * | Amount | Amount for Major parties * |
| | Mr. S. Unnikrishnan | | 1.125 | | 1.125 |
| | Mr. Shobinder Duggal | | 0.975 | | 0.473 |
| | Mr. Shrinivas Dempo | | 0.600 | | 0.338 |
| | Ms. Ramni Nirula | | 0.525 | | 0.405 |
| | Mr. Amitava Mukherjee | | 0.975 | | 0.135 |
| | Mr. Vivek Pendharkar | | 0.600 | | 0.150 |
| | Ms. Rekha Sethi | | 0.600 | | 0.135 |
| | Post Employment Benefit | | | | |
| | Mr. Sanjay Kirloskar | | 3.180 | | 3.180 |
| | Ms. Rama Kirloskar | | 0.848 | | 2.348 |
| 9 | Reimbursement Received | 12.979 | | 28.734 | |
| | Subsidiary/ Fellow Subsidiary Company/Joint Venture | | | | |
| | Kirloskar Ebara Pumps Limited | | 4.250 | | 2.851 |
| | SPP Pumps Limited | | 4.696 | | 15.912 |
| | Spp Pumps Inc | | 0.569 | | 4.368 |
| | Kirloskar Brothers (Thailand) Ltd. | | 0.326 | | 4.127 |
| | Kirloskar Pompen B.V. | | 1.491 | | - |
| 10 | Reimbursement Paid | 2.366 | | 71.521 | |
| | Subsidiary/ Fellow Subsidiary Company | | | | |
| | Kirloskar Brothers (Thailand) Ltd. | | 0.966 | | 5.544 |
| | Rodelta Pumps International BV | | - | | 49.344 |
| | Kirloskar Ebara Pumps Limited | | - | | 13.178 |
| | Rotaserve B.V. | | 0.494 | | - |
| | Braybar Pumps Proprietary Limited | | 0.909 | | - |
| 11 | Business Advance/ Loan Given | 79.299 | | 71.585 | |
| | Subsidiary/ Fellow Subsidiary Company | | | | |
| | The Kolhapur Steel Limited | | 79.299 | | 54.051 |
| | SPP Pumps Limited | | - | | 17.534 |
| 12 | Advance/Loan Repaid/Utilised/Written off | 18.472 | | 0.800 | |
| | Subsidiary/ Fellow Subsidiary Company | | | | |
| | The Kolhapur Steel Limited | | 18.472 | | 0.800 |
| 13 | Contribution Paid for Post Employment Benefit Plan | 113.195 | | 46.740 | |
| | Provident Fund | | 58.558 | | 44.636 |
| | Superannuation Trust | | 1.860 | | 2.104 |
| | Gratuity | | 52.776 | | - |
| 14 | Corporate Guarantees Given | - | | 714.978 | |
| | SPP Pumps Limited | | - | | 341.132 |
| | Rodelta Pumps International B. V. | | - | | 222.232 |
| | Kirloskar Brothers(Thailand) Limited | | - | | 75.807 |
| | Kirloskar Pompen B.V. | | - | | 75.807 |

(**) Includes dividend received in capacity of trustee of ₹5.285 Mn. (PY- ₹ 5.285 Mn.)

Purchases and sales reported are net of discounts, returns etc.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

(D) Amount due to/from related parties

| Sr No | Nature of transaction/relationship/major parties | FY 2022-23 | | FY 2021-22 | |
|----------|---|------------------|----------------------------|----------------|----------------------------|
| | | Amount | Amount for Major parties * | Amount | Amount for Major parties * |
| 1 | Accounts receivable | | | | |
| | Subsidiary/Fellow subsidiary Companies/Joint Venture | 1,066.288 | | 765.542 | |
| | SPP Pumps Ltd. | | 97.463 | | 57.396 |
| | Kirloskar Brothers (Thailand) Ltd. | | 205.969 | | 157.285 |
| | SPP Pumps (MENA) L.L.C. | | 0.388 | | 1.096 |
| | Braybar Pumps Proprietary Limited | | - | | - |
| | SPP Pumps South Africa Proprietary Limited | | 5.616 | | 41.805 |
| | Spp Pumps Inc. | | 73.831 | | 16.132 |
| | Kirloskar Ebara Pumps Limited | | 70.222 | | 44.992 |
| | SyncroFlo Inc. | | - | | - |
| | Rodelta Pumps International BV | | 3.618 | | 74.536 |
| | The Kolhapur Steel Ltd | | 512.819 | | 284.571 |
| | KBL Synerge LLP | | - | | - |
| | SPP Pumps International Proprietary Limited | | - | | - |
| | Kirloskar Brothers Pompen BV | | 71.442 | | 82.491 |
| | Rotaserve B.V. | | 13.342 | | 1.954 |
| | SPP France S A S | | - | | - |
| | Karad Projects And Motors Limited | | 11.578 | | 0.694 |
| | SPP France S A S | | - | | - |
| | Kirloskar Corrocoat Private Limited | | - | | 2.590 |
| | Advance/ loan receivable | | | | |
| | The Kolhapur Steel Ltd | | 141.142 | | 159.610 |
| 2 | Accounts payable | | | | |
| (a) | Subsidiary/Fellow subsidiary Companies/Joint Venture | 846.901 | | 755.396 | |
| | Karad Projects And Motors Limited | | 722.217 | | 678.788 |
| | Kirloskar Corrocoat Pvt Ltd. | | 8.825 | | 3.739 |
| | Rodelta Pumps International BV | | 6.199 | | 4.775 |
| | SPP Pumps Ltd. | | 3.963 | | 0.829 |
| | Kirloskar Brothers (Thailand) Ltd. | | 7.235 | | 10.165 |
| | Spp Pumps Inc. | | - | | 1.347 |
| | Kirloskar Brothers Pompen BV | | 3.515 | | 53.737 |
| | Rotaserve B.V. | | 0.671 | | 2.016 |
| | SPP Pumps International Proprietary Limited | | - | | - |
| | Kirloskar Ebara Pumps Limited | | 93.367 | | - |
| | Braybar Pumps Proprietary Limited | | 0.909 | | |
| (b) | Key Management Personnel (#) | 114.376 | | 53.640 | |
| | Mr. Sanjay Kirloskar | | 47.000 | | 32.058 |
| | Mr. Pratap Shirke | | 1.500 | | 1.300 |
| | Mr. Alok Kirloskar | | 1.500 | | 1.300 |
| | Mr. Rakesh Mohan | | 0.500 | | 1.300 |
| | Ms. Rama Kirloskar | | 53.000 | | 7.176 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

| Sr No | Nature of transaction/relationship/major parties | FY 2022-23 | | FY 2021-22 | |
|------------|--|------------|----------------------------|--------------|----------------------------|
| | | Amount | Amount for Major parties * | Amount | Amount for Major parties * |
| | Mr. Rajeev Kher | | - | | 1.080 |
| | Mrs. Shailaja Kher | | 0.188 | | 1.300 |
| | Mr. Pradyumna Vyas | | 0.188 | | 1.300 |
| | Mr. S. Unnikrishnan | | 1.500 | | 1.300 |
| | Mr. Amitava Mukherjee | | 1.500 | | 0.650 |
| | Ms. Rekha Sethi | | 1.500 | | 0.650 |
| | Ms. Ramini Niruala | | 1.500 | | 1.192 |
| | Mr. Shrinivas Dempo | | 1.500 | | 1.192 |
| | Mr. Shobinder Duggal | | 1.500 | | 1.192 |
| | Mr. Vivek Pendharkar | | 1.500 | | 0.650 |
| (c) | Relatives of Key Management Personnel | - | | 0.870 | |
| | Mrs Pratima Kirloskar | | - | | 0.870 |

(#) Commission to Chairman- Managing Director and Non-Executive Directors is approved in board meeting held on 11th May 2023.
Payment will be made in the year 2023-24

* Major parties denote entities who account for 10% or more of the aggregate for that category of transaction.
The above transactions have been entered at arms length price.

(E) Corporate Guarantees: Below mentioned guarantees have been provided by the company to banks on behalf of subsidiary companies for availing financial facilities.

| Sr No | Particulars | 31 March 2023 | 31 March 2022 |
|-------|--|------------------|------------------|
| | | Amount | Amount |
| 1 | By the company to ICICI Bank Ltd. on behalf of Kirloskar Pompen B.V. (EURO 7,350,000) | 654.859 | 622.250 |
| 2 | By the company to ICICI Bank Ltd. on behalf of The Kolhapur Steel Limited. | 185.500 | 185.500 |
| 3 | By the company to ICICI Bank Ltd. on behalf of SPP Pumps Ltd. (GBP 23,100,000) | 2,341.763 | 2,299.660 |
| 4 | By the company to ICICI Bank Ltd. on behalf of The Kirloskar Corrocoat Private Limited. | 190.000 | 190.000 |
| 5 | By the company to Sinhan Bank Ltd. on behalf of The Kirloskar Corrocoat Private Limited. | 14.850 | 14.850 |
| 6 | By the company to Axis Bank on behalf of SPP Pumps International Proprietary Limited (USD 14,30,000) | 117.503 | 108.404 |
| 7 | By the company to Axis Bank on behalf of Kirloskar Brothers (Thailand) Ltd. (USD 66,00,000) | 542.322 | 500.327 |
| 8 | By the company to Citi Bank on behalf of SPP Pumps Ltd.(USD 4,500,000) | 369.765 | 341.132 |
| 9 | By the company to Citi Bank on behalf of Kirloskar Pompen B.V. (USD 1,000,000) | 82.170 | 75.807 |
| 10 | By the company to Citi Bank on behalf of Kirloskar Brothers (Thailand) Ltd. (USD 1,000,000) | 82.170 | 75.807 |
| 11 | By the company to ICICI Bank Ltd. on behalf of Rodelta pumps International B.V. (EURO 2,625,000) | 233.878 | 222.232 |
| | | 4,814.780 | 4,635.969 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 36 : DISCLOSURE PURSUANT TO SCHEDULE V READ WITH REGULATIONS 34(3) AND 53(F) OF THE SEBI(LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 :

A Loans and advances in the nature of loans for working capital requirements :

| Name of the Company | Balance as at | | Maximum outstanding | |
|--------------------------------|---------------|---------------|---------------------|---------------|
| | 31 March 2023 | 31 March 2022 | 31 March 2023 | 31 March 2022 |
| To Subsidiary Companies | | | | |
| The Kolhapur Steel Limited * | 141.142 | 159.614 | 159.614 | 160.414 |
| To Associates | | | | |
| KBL Synerge LLP | - | - | - | - |

* Consists of ₹9.610 Mn unsecured loan given under order from Board for Industrial and Financial Reconstructions (BIFR) in 2008-09 without any specific agreed terms for charge of interest and repayment. Balance loan of ₹131.532 Mn is with specified terms and conditions.

B Loans and advances in the nature of loans to firms/companies in which directors are interested: NIL

C Investment by the loanee (borrower) in the shares of the Company or subsidiary of the Company : NIL

Note:- Loans to employees under various schemes of the company (such as housing loan, furniture loan, education loan etc.) have been considered to be outside the purview of this disclosure requirements.

NOTE 37 : JOINT VENTURE AND JOINTLY CONTROLLED OPERATIONS

a) List of Joint Venture

| Sr No | Name of the Joint Venture | Description | Ownership Interest | Country of Incorporation |
|-------|-------------------------------|---------------------------|--------------------|--------------------------|
| 1 | Kirloskar Ebara Pumps Limited | Jointly controlled entity | 45% | India |

b) Financial Interest in Jointly controlled entities

| Sr No | Name of the Joint Venture | Summarized financial information | As at | As at |
|-------|-------------------------------|----------------------------------|----------------|----------------|
| | | | 31 March 2023 | 31 March 2022 |
| 1 | Kirloskar Ebara Pumps Limited | Assets | 2,941.938 | 2,342.219 |
| | | Liabilities | 975.784 | 572.133 |
| | | | 2022-23 | 2021-22 |
| | | Income | 2,409.472 | 2,306.693 |
| | | Expenses(including tax expenses) | 2,171.623 | 2,021.281 |
| | | Profit after tax | 237.849 | 285.412 |
| | | Other comprehensive income | (1.780) | 2.590 |
| | | Total comprehensive income | 236.069 | 288.002 |

c) Contingent liabilities , if any , incurred in relation to interest in Joint Ventures: Nil (₹ Nil Million)

d) Capital commitments , if any , in relation to interest in Joint Ventures : ₹10.110 Million (₹23.627 Million)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

e) List of Jointly controlled operations :

| Sr No | Name of the Jointly controlled operation | Description | Ownership Interest | Country of Incorporation |
|-------|--|-------------------------------|--------------------|--------------------------|
| 1 | HCC - KBL * | Jointly controlled operations | N A | India |
| 2 | KBL – MCCL | Jointly controlled operations | N A | India |
| 3 | KCCPL – IHP – BRC – TAIPPL – KBL JV * | Jointly controlled operations | N A | India |
| 4 | IVRCL – KBL JV | Jointly controlled operations | N A | India |
| 5 | Maytas – KBL JV | Jointly controlled operations | N A | India |
| 6 | Larsen & Toubro – KBL JV | Jointly controlled operations | N A | India |
| 7 | KBL-MEIL-KCCPL JV | Jointly controlled operations | N A | India |
| 8 | KBL – PLR JV | Jointly controlled operations | N A | India |
| 9 | KBL – Koya – VA Tech JV | Jointly controlled operations | N A | India |
| 10 | KBL – PIL Consortium | Jointly controlled operations | N A | India |
| 11 | Larsen & Toubro – KBL – Maytas JV | Jointly controlled operations | N A | India |
| 12 | IVRCL – KBL – MEIL JV | Jointly controlled operations | N A | India |
| 13 | Pioneer – Avantica – ZVS – KBL JV | Jointly controlled operations | N A | India |
| 14 | AMR – Maytas – KBL – WEG JV * | Jointly controlled operations | N A | India |
| 15 | Indu – Shrinivasa Constructions – KBL – WEG JV | Jointly controlled operations | N A | India |
| 16 | MEIL – KBL – IVRCL JV | Jointly controlled operations | N A | India |
| 17 | MEIL – Maytas – KBL JV | Jointly controlled operations | N A | India |
| 18 | KCCPL – TAIPPL – KBL JV | Jointly controlled operations | N A | India |
| 19 | KBL-SPML JV | Jointly controlled operations | N A | India |
| 20 | MEIL - KBL JV * | Jointly controlled operations | N A | India |
| 21 | MAYTAS – MEIL – KBL JV | Jointly controlled operations | N A | India |
| 22 | Gondwana - KBL JV | Jointly controlled operations | N A | India |
| 23 | MEIL -PRASAD-KBL CONSORTIUM | Jointly controlled operations | N A | India |
| 24 | JCPL - MEIL - KBL CONSORTIUM | Jointly controlled operations | N A | India |
| 25 | KBL -PTIL UJV | Jointly controlled operations | N A | India |
| 26 | KBL - RATNA - JOINT VENTURE | Jointly controlled operations | N A | India |
| 27 | MEIL-KBL-WEG CONSORTIUM | Jointly controlled operations | N A | India |
| 28 | MEIL-KBL- (KDWSP) JV | Jointly controlled operations | N A | India |
| 29 | KBL and TCIPL JOINT VENTURE | Jointly controlled operations | N A | India |
| 30 | ACPL & KBL JV * | Jointly controlled operations | N A | India |
| 31 | Kirloskar Brothers Ltd. JV * | Jointly controlled operations | N A | India |
| 32 | ITD CEMENTATION INDIA LIMITED JV | Jointly controlled operations | N A | India |
| 33 | GSJ - KBL JV | Jointly controlled operations | N A | India |
| 34 | JBL-KBL-GSJ JV | Jointly controlled operations | N A | India |

* These JVs are operationally and financially closed, however formal dissolution of JV is in progress



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 38 : DETAILS OF PROVISIONS AND MOVEMENTS IN EACH CLASS OF PROVISIONS

| Particulars | Provision for compensated absences | Provision for product warranty | Provision for decommissioning and restoration cost | Provision for loss on long term contracts |
|---|------------------------------------|--------------------------------|--|---|
| Carrying amount as at 1 April 2021 | 272.503 | 167.649 | 8.218 | 19.535 |
| Add: Provision during the year 2021-22 (net of excess/ short provision of earlier year) | 41.650 | 289.649 | - | 3.369 |
| Add: Unwinding of discounts | - | 2.979 | 0.674 | - |
| Less: Amount utilized during the year 2021-22 | (28.540) | (195.618) | - | (9.230) |
| Carrying amount as at 31 March 2022 | 285.613 | 264.659 | 8.892 | 13.674 |
| Add: Provision during the year 2022-23 (net of excess/ short provision of earlier year) | 33.702 | 255.364 | - | 1.773 |
| Add: Unwinding of discounts | - | 4.753 | 0.729 | -4.038 |
| Less: Amount utilized during the year 2022-23 | (30.229) | (216.025) | - | - |
| Carrying amount as at 31 March 2023 | 289.086 | 308.751 | 9.621 | 11.409 |
| Non-current provision | 135.464 | 41.347 | 9.621 | - |
| Current provision | 153.622 | 267.404 | - | 11.409 |

Compensated absences

The cost of the leave encashment and the present value of the leave encashment obligation are determined using actuarial valuations. 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 and mortality rates.

Provision for warranty

Provision for warranty is made for estimated warranty claims in respect of products sold, which are under warranty at the end of the reporting period. These claims are expected to be settled as per schedule of warranty i.e. upto 18 months. Management records the provision based on the historical warranty claims information and any recent trends that may suggest future claims could differ historical amount. “

Provision for decommissioning and restoration cost

A provision has been recognised for decommissioning and restoration costs associated with windmills on lease hold land. The company is committed to restore the site at the end of useful life of windmills. “

Provision for long term contract

A provision is made for the expected loss of the projects, where the estimated cost is more than the estimated revenue. Changes in estimated cost and estimated revenue are assessed by the management at the end of reporting period based on the price variation received/ given, change in the scope of project and revision of estimates regarding date of completion, expected costs to be incurred, changes in external circumstances such as applicable tax rates etc.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 39 : FAIR VALUE MEASUREMENTS

As per assessments made by the management fair values of all financial instruments carried at amortised costs (except as specified below) are not materially different from their carrying amounts since they are either short term nature or the interest rates applicable are equal to the current market rate of interest.

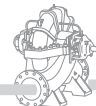
The Company has not performed a fair valuation of its investment in unquoted ordinary shares which are classified as FVOCI (refer Note 5), as the Company believes that impact of change on account of fair value is insignificant.

| Change in assumption | Carrying value | |
|--|------------------------|------------------------|
| | As at 31 March 2023 | As at 31 March 2022 |
| Financial Asset | | |
| Levelled at Level 1 | | |
| a) Carried at fair value through profit and loss | | |
| Investment in mutual funds | 1,437.400 | 1,584.198 |
| Levelled at Level 2 | | |
| b) Carried at amortized cost | | |
| Investment in long fixed deposits with financial institution | 500.000 | 950.000 |
| Trade receivables | 4,063.340 | 4,190.277 |
| Advances to subsidiaries | 141.142 | 159.614 |
| Other financial assets | 970.716 | 938.118 |
| Cash and cash equivalent | 1,484.366 | 598.662 |
| Other bank balances | 16.100 | 14.971 |
| Levelled at Level 3 | | |
| c) Investments in unquoted equity shares (FVOCI) * | 0.000 | 0.000 |
| Financial Liabilities | | |
| Levelled at Level 2 | | |
| a) Carried at amortized cost | | |
| Non-current borrowings | 492.505 | 824.738 |
| Current borrowings | 658.858 | 1,539.596 |
| Trade payables | 4,626.654 | 4,594.325 |
| Other current financial liabilities | 1,145.083 | 858.245 |
| Lease liability | 94.563 | 66.764 |
| Financial guarantee contracts | 12.805 | 3.097 |

* The investment in unquoted equity shares is ₹200/- and therefore not seen in the above table.

NOTE 40: FINANCIAL RISK MANAGEMENT POLICY AND OBJECTIVES

Company's principal financial liabilities, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance company's operations and to provide guarantees to support its operations. Company's principal financial assets include advances to subsidiaries, trade and other receivables, security deposits and cash and cash equivalents, that derive directly from its operations.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

In order to minimize any adverse effects on the financial performance of the company, it has taken various measures. This note explains the source of risk which the entity is exposed to and how the entity manages the risk and impact of the same in the financial statements.

| Risk | Exposure arising from | Measurement | Management |
|------------------------------------|--|---|--|
| Credit risk | Cash and cash equivalents, trade receivables, financial assets measured at amortised cost, corporate guarantees issued to group companies. | Aging analysis, External credit rating (wherever available) | Diversification of bank deposits, credit limits and letters of credit |
| Liquidity risk | Borrowings and other liabilities | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities |
| Market risk- Interest rate risk | Long term borrowings at variable rate | Sensitivity Analysis | Mixed portfolio of fixed and variable interest rate loans |
| Market risk -Foreign Currency Risk | Recognised financial assets and liabilities not denominated in Indian rupee (INR) | Sensitivity Analysis | Management follows established risk management policies, including use of derivatives like foreign exchange forward contracts, where the economic conditions match the company's policy. |

The company's risk management is carried out by management, under policies approved by the board of directors. Company's treasury identifies, evaluates and hedges financial risks in close cooperation with the company's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity. No major change in assumptions and methods used for risk assessments is made during the year.

(A) Credit Risk

Credit risk in case of the Company arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables.

Credit risk management

Credit risk arises from the possibility that counter party may not be able to settle their obligations as agreed. To manage this, the Company periodically assesses the reliability of customers, taking into account the financial condition, current economic trends, and analysis of historical bad debts and ageing of accounts receivable. Individual risk limits are set accordingly.

The company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers reasonable and supportive forward looking information such as:

- (i) Actual or expected significant adverse changes in business,
- (ii) Actual or expected significant changes in the operating results of the counterparty,
- (iii) Financial or economic conditions that are expected to cause a significant change to counterparty's ability to meet its obligations,
- (iv) Significant increases in credit risk on other financial instruments of the same counterparty,
- (v) Significant changes in the value of collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

The company provides for expected credit loss in case of trade receivables, claims receivable as and security deposits when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or failing to engage in a repayment plan with the company etc.

For the security deposits and claims receivable, provision for expected loss is made considering 12 months expected credit loss. Provision for lifetime credit loss is made if there is significant increase in credit risk for such financial assets.

In respect of trade receivable, company uses the simplified approach for the provision for expected loss. The lifetime expected loss provision is recognised based on the provision matrix as decided by the management, based on the historical experience of recoverability. The company categorizes a receivable for provision for doubtful debts/write off when a debtor fails to make contractual payments greater than 1 year past due in case product business and 4 years past due in case of project business. In addition to this company also provides the expected loss based on the overdue number of days for receivables as per the provision matrix. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Provision for expected credit loss

Financial assets for which loss allowance is measured using Expected Credit Losses (ECL) model as per Ind AS 109,

| Exposure to Risk | As at 31 March 2023 | As at 31 March 2022 |
|----------------------|------------------------|------------------------|
| Trade Receivables | 5,215.806 | 4,954.720 |
| Less : Expected Loss | 1,152.466 | 764.443 |
| | 4,063.340 | 4,190.277 |
| Security Deposits | 899.075 | 885.261 |
| Less : Expected Loss | 10.884 | 11.147 |
| | 888.191 | 874.114 |
| Claims Receivable | 40.913 | 49.242 |
| Less : Expected Loss | 12.552 | 12.552 |
| | 28.361 | 36.690 |

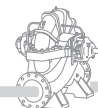
Trade receivable ageing used in the provision matrix for life time expected credit loss is as -

| | As at 31 March 2023 | As at 31 March 2022 |
|-------------------------------|------------------------|------------------------|
| Trade Receivables | | |
| Neither past due nor impaired | 2,349.139 | 2,122.918 |
| Past due but not impaired | | |
| Less than 180 days | 347.921 | 783.832 |
| 181 - 365 days | 358.365 | 316.030 |
| More than 365 days | 1,007.915 | 967.497 |
| Total | 4,063.340 | 4,190.277 |

Reconciliation of loss provision

| | Trade receivables | Others |
|---|-------------------|---------------|
| Loss allowance as at 1 April 2021 | 803.041 | 30.819 |
| Changes in loss allowance | (38.598) | (7.120) |
| Loss allowance as at 31 March 2022 | 764.443 | 23.699 |
| Changes in loss allowance | 388.023 | (0.263) |
| Loss allowance as at 31 March 2023 | 1,152.466 | 23.436 |

* Movement in loss allowance is primarily on account of additional ECL provision based on ageing.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

B) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, company maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the company's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is carried out in accordance with practice and limits set by the company. In addition, the company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

| Exposure to Risk | As at 31 March 2023 | As at 31 March 2022 |
|------------------------------------|------------------------|------------------------|
| Interest bearing borrowings | | |
| On demand | 326.625 | 197.363 |
| Less than 180 days | 332.233 | 1,342.233 |
| 181 - 365 days | - | - |
| More than 365 days | 492.505 | 824.738 |
| Total | 1,151.363 | 2,364.334 |
| Other financial liabilities | | |
| On demand | 153.181 | 94.458 |
| Less than 180 days | 998.305 | 765.046 |
| 181 - 365 days | 6.402 | 1.258 |
| More than 365 days | - | 0.580 |
| Total | 1,157.888 | 861.342 |
| Lease liability | | |
| On demand | - | - |
| Less than 180 days | 20.906 | 11.921 |
| 181 - 365 days | 20.906 | 11.920 |
| More than 365 days | 52.751 | 42.923 |
| Total | 94.563 | 66.764 |
| Trade & other payables | | |
| Not due | 2,636.554 | 2,749.542 |
| Less than 180 days | 638.282 | 644.822 |
| 181 - 365 days | 238.694 | 121.920 |
| More than 365 days | 1,113.124 | 1,078.041 |
| Total | 4,626.654 | 4,594.325 |

The company has access to following undrawn fund based facilities at the end of the reporting year (Interest rates 6% - 9%)

| Exposure to Risk | As at 31 March 2023 | As at 31 March 2022 |
|--------------------------|------------------------|------------------------|
| Expiring within one year | 1,880.000 | 990.000 |
| Expiring beyond one year | - | - |

C) Market risk - Interest rate risk

The company's exposure to the risk of changes in market interest rates relates to borrowings with floating interest rates. To manage the risk, company has created balance portfolio of fixed and variable interest rate borrowings. Change of 0.5%, in the base rates will have effect of INR 5.756 MN on the company's profitability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 40 : FINANCIAL RISK MANAGEMENT POLICY AND OBJECTIVES (CONTINUED)

(D) Foreign Currency Risk

The company is exposed to foreign exchange risk mainly through its sales to overseas customers and purchases from overseas suppliers in various foreign currencies.

The company evaluates exchange rate exposure arising from foreign currency transactions and the company follows established risk management policies, including use of natural hedge between receivables and payables, use of derivatives like foreign exchange forward contracts to hedge exposure to foreign currency risk, where the economic conditions match the company's policy.

Foreign currency exposure :

| Financial Assets | Currency | Amount in Foreign Currency (MN) | | Amount in INR (MN) | |
|---------------------------|----------|---------------------------------|------------------------|------------------------|------------------------|
| | | As at 31 March 2023 | As at 31 March 2022 | As at 31 March 2023 | As at 31 March 2022 |
| Trade Receivables | EUR | 1.065 | 1.075 | 94.876 | 90.380 |
| | GBP | 0.115 | 0.045 | 11.675 | 4.464 |
| | ZAR | 1.069 | - | 4.940 | - |
| | USD | 8.444 | 7.578 | 693.843 | 574.332 |
| Bank Accounts | EGP | 0.841 | 0.358 | 2.243 | 1.482 |
| | EUR | 0.364 | 0.051 | 32.450 | 4.325 |
| | GBP | 0.792 | 0.415 | 80.255 | 41.308 |
| | USD | 1.831 | 1.042 | 150.450 | 78.938 |
| Other Deposits | XOF | 0.014 | 0.144 | 0.002 | 0.025 |
| | EGP | 0.083 | - | 0.222 | - |
| | USD | 0.003 | 0.003 | 0.222 | 0.205 |
| Amount Due from Employees | EUR | 0.003 | - | 0.276 | - |
| | GBP | 0.011 | 0.005 | 1.124 | 0.523 |
| | XOF | - | - | - | - |
| | THB | 0.002 | - | 0.005 | - |
| | USD | 0.011 | 0.002 | 0.888 | 0.174 |

| Financial Liabilities | Currency | Amount in Foreign Currency (MN) | | Amount in INR (MN) | |
|-------------------------|----------|---------------------------------|------------------------|------------------------|------------------------|
| | | As at 31 March 2023 | As at 31 March 2022 | As at 31 March 2023 | As at 31 March 2022 |
| Trade Payables | EGP | 0.731 | 0.731 | 1.949 | 3.025 |
| | EUR | 0.985 | 1.347 | 87.731 | 113.330 |
| | GBP | 0.033 | 0.038 | 3.392 | 3.736 |
| | USD | 3.283 | 4.454 | 269.789 | 337.554 |
| | JPY | - | - | - | - |
| | VND | 15,649.974 | 15,649.974 | 45.385 | 51.645 |
| | XOF | 150.041 | 149.962 | 20.436 | 25.494 |
| | ZAR | - | - | - | - |
| | SGD | 0.004 | - | 0.217 | - |
| Amount Due to Employees | EUR | 0.003 | - | 0.262 | - |
| | USD | 0.002 | (0.002) | 0.187 | (0.155) |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

Currency wise net exposure (assets - liabilities)

| Particulars | Amount in Foreign Currency (MN) | | Amount in INR (MN) | |
|--------------|---------------------------------|------------------------|------------------------|------------------------|
| | As at 31 March 2023 | As at 31 March 2022 | As at 31 March 2023 | As at 31 March 2022 |
| EGP | 0.110 | (0.373) | 0.294 | (1.543) |
| EUR | 0.445 | (0.221) | 39.609 | (18.625) |
| GBP | 0.884 | 0.428 | 89.662 | 42.558 |
| USD | 7.003 | 4.173 | 575.428 | 316.249 |
| JPY | - | - | - | - |
| VND | (15,649.974) | (15,649.974) | (45.385) | (51.645) |
| XOF | (150.027) | (149.818) | (20.434) | (25.469) |
| SGD | (0.004) | (0.003) | (0.217) | (0.140) |
| THB | 0.002 | - | 0.005 | - |
| ZAR | 0.879 | - | 4.060 | - |
| Total | | | 643.022 | 261.385 |

Sensitivity Analysis

| Currency | Amount in INR (MN) | | Sensitivity % (*) (2022-23) | Sensitivity % (*) (2021-22) |
|--------------|------------------------|------------------------|--------------------------------|--------------------------------|
| | As at 31 March 2023 | As at 31 March 2022 | | |
| EGP | 0.294 | (1.543) | 4.25% | 3.54% |
| EUR | 39.609 | (18.625) | 2.12% | 4.19% |
| GBP | 89.662 | 42.558 | 2.08% | 4.33% |
| USD | 575.428 | 316.249 | 4.89% | 3.25% |
| JPY | - | - | 0.36% | 1.66% |
| VND | (45.385) | (51.645) | 0.49% | 3.01% |
| XOF | (20.434) | (25.469) | 3.44% | 7.96% |
| SGD | (0.217) | (0.140) | 4.58% | 3.84% |
| THB | 0.005 | - | 2.91% | - |
| ZAR | 4.060 | - | 2.73% | - |
| Total | 643.022 | 261.385 | | |

| Particulars | Impact on profit (strengthen) | | Impact on profit (weakening) | |
|--------------|-------------------------------|----------------|------------------------------|--------------|
| | FY 2022-23 | FY 2021-22 | FY 2022-23 | FY 2021-22 |
| EGP | (0.012) | 0.055 | 0.012 | (0.055) |
| EUR | (0.840) | 0.780 | 0.840 | (0.780) |
| GBP | (1.865) | (1.843) | 1.865 | 1.843 |
| USD | (28.138) | (10.278) | 28.138 | 10.278 |
| JPY | - | - | - | - |
| VND | 0.222 | 1.555 | (0.222) | (1.555) |
| XOF | 0.703 | 2.027 | (0.703) | (2.027) |
| SGD | 0.010 | 0.005 | (0.010) | (0.005) |
| THB | - | - | - | - |
| ZAR | (0.111) | - | 0.111 | - |
| Total | (29.920) | (7.699) | 29.920 | 7.699 |

(EGP- Egyptian Pound, EUR- Euro, GBP - Great Britain Pound, USD - US Dollar, JPY - Japanese Yen VND- Vietnamese Dong, , XOF- CFA Franc, SGD - Singapore dollar)

* Sensitivity % are derived based on variation in the exchange rates over the period of last 5 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 41: CAPITAL MANAGEMENT

a) Risk management

The company's objectives when managing capital are to

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, change debt. Consistent with others in the industry, the company monitors capital on the basis of the following gearing ratio: Net debt (total borrowings net of cash and cash equivalents, mutual funds and other bank balances) divided by Total 'equity' plus net debt.

The company's strategy is to maintain a gearing ratio within 30%. The gearing ratios were as follows:

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|---|------------------------|------------------------|
| Loans and borrowings (Including current maturities of long term debt) | 1,151.363 | 2,364.334 |
| Less: Cash and cash equivalents (Including other bank balances) | 1,500.466 | 613.633 |
| Less: Investment in mutual funds | 1,937.400 | 2,534.198 |
| Net debt | (2,286.503) | (783.497) |

Gearing ratio is not applicable as net debt of company is negative.

b) Dividend

| Particulars | As at 31 March 2023 | As at 31 March 2022 |
|--|------------------------|------------------------|
| Equity Shares | | |
| (i) Interim dividend for the year | Nil | Nil |
| (ii) Dividends not recognised at the end of the reporting year | 357.340 | 238.227 |

Since year end the directors have recommended the payment of a final dividend of INR 4.5 per fully paid equity share (31 March 2022 - INR 3). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

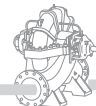
NOTE 42 : DISCLOSURE IN RESPECT OF MICRO, SMALL AND MEDIUM ENTERPRISES

The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006, [MSMED Act] as at 31 March 2023. The disclosure pursuant to the said Act is as under:

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| Total outstanding amount in respect of micro, small and medium enterprises | 752.678 | 650.041 |
| Other disclosures in respect of micro and small enterprises | | |
| Principal amount due and remaining unpaid | 4.692 | 2.880 |
| Interest due on above and unpaid interest | 0.049 | 0.066 |
| Interest paid | | |
| Payment made beyond appointment day | 392.490 | 426.961 |
| Interest due and payable for the period of delay | 2.785 | 4.893 |
| Interest accrued and remaining unpaid (excluding interest accrued for earlier years) | 2.834 | 4.959 |
| Amount of further interest remaining due and payable in succeeding years | 2.834 | 4.959 |

The identification of suppliers as micro, small and medium enterprise as defined under the Micro, Small and Medium Enterprises Development Act 2006, was done on the basis of information to the extent provided by the suppliers of company.

Delay in payment is mainly on account of quality issues.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 43 : CORPORATE SOCIAL RESPONSIBILITY EXPENDITURES

- (a) Amount required to be spent by the Company during the current year is ₹ 23.6 Million (PY - ₹26.2 Million)
- (b) Amount spent by the Company during the current year is ₹ 24.2 Million (PY - ₹26.4 Million)

The company as per its policy on Corporate Social Responsibility (CSR) and recommendation and approval of the CSR committee has contributed ₹ 6.5 Million towards education through its implementing agency Vikas Charitable Trust in the current financial year,

₹12.47 Mn on Skill Development Programme, ₹3.11 Mn on village bus project and balance amount on various projects for students and society at large (including WASH activity for students, bio-diversity restoration project, donation to village Grampanchyats etc) The company has not spent any amount towards construction or acquisition of asset.

Refer board report for detailed disclosure.

NOTE 44 A : TRADE RECEIVABLES AGEING

Trade receivables as at 31 March 2023

| Particulars | Not due | Outstanding for following periods from due date of payment | | | | | Total |
|--|------------------|--|--------------------|----------------|----------------|-------------------|------------------|
| | | Less than 6 months | 6 months to 1 year | 1-2 years | 2-3 years | More than 3 years | |
| | | | | | | | |
| Undisputed trade receivable | | | | | | | |
| Considered good | 2,348.670 | 347.921 | 336.318 | 460.218 | 129.038 | 422.645 | 4,044.810 |
| Which have significant increase in credit risk | - | - | 22.043 | 118.473 | 78.277 | 792.667 | 1,011.460 |
| Credit impaired | | | | | | | |
| Total undisputed trade receivables (a) | 2,348.670 | 347.921 | 358.361 | 578.691 | 207.315 | 1,215.312 | 5,056.270 |
| Disputed trade receivables | | | | | | | |
| Considered good | 0.469 | - | - | 0.417 | - | 17.648 | 18.534 |
| Which have significant increase in credit risk | - | - | 0.004 | 37.597 | 35.976 | 57.961 | 131.538 |
| Credit impaired | - | - | - | - | - | 9.464 | 9.464 |
| Total Disputed trade receivables (b) | 0.469 | - | 0.004 | 38.014 | 35.976 | 85.073 | 159.536 |
| Total trade receivables (a+b) | 2,349.139 | 347.921 | 358.365 | 616.705 | 243.291 | 1,300.385 | 5,215.806 |
| Provision for increase in significant risk and credit impaired | | | | | | | 1,152.466 |
| Net trade receivables | | | | | | | 4,063.340 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

Trade receivables as at 31 March 2022

| Particulars | Not due | Outstanding for following periods from due date of payment | | | | | Total |
|--|------------------|--|--------------------|----------------|----------------|-------------------|------------------|
| | | Less than 6 months | 6 months to 1 year | 1-2 years | 2-3 years | More than 3 years | |
| Undisputed trade receivable | | | | | | | |
| Considered good | 2,122.918 | 783.832 | 296.400 | 271.190 | 228.980 | 442.930 | 4,146.250 |
| Which have significant increase in credit risk | - | - | 13.860 | 32.170 | 98.460 | 548.310 | 692.800 |
| Credit impaired | - | - | - | - | - | - | - |
| Total undisputed trade receivables (a) | 2,122.918 | 783.832 | 310.260 | 303.360 | 327.440 | 991.240 | 4,839.050 |
| Disputed trade receivables | | | | | | | |
| Considered good | - | - | 5.770 | 0.410 | - | 37.860 | 44.040 |
| Which have significant increase in credit risk | - | - | - | - | 23.150 | 39.020 | 62.170 |
| Credit impaired | - | - | - | - | - | 9.460 | 9.460 |
| Total Disputed trade receivables (b) | - | - | 5.770 | 0.410 | 23.150 | 86.340 | 115.670 |
| Total trade receivables (a + b) | 2,122.918 | 783.832 | 316.030 | 303.770 | 350.590 | 1,077.580 | 4,954.720 |
| Provision for increase in significant risk and credit impaired | | | | | | | 764.443 |
| Net trade receivables | | | | | | | 4,190.277 |

Note 44 B : Trade payables ageing

| Particulars | Year | Not due | Outstanding for following periods from due date of payment | | | | | Total |
|--------------------------|-------------|------------------|--|--------------------|----------------|---------------|-------------------|------------------|
| | | | Less than 6 months | 6 months to 1 year | 1-2 years | 2-3 years | More than 3 years | |
| 1. MSME - Non disputed | 2023 | 680.243 | 32.220 | 12.111 | 1.238 | 8.986 | 17.880 | 752.678 |
| | 2022 | 627.116 | 14.527 | 8.398 | - | - | - | 650.041 |
| 2. MSME - disputed | 2023 | - | - | - | - | - | - | - |
| | 2022 | - | - | - | - | - | - | - |
| 3. Others - Non disputed | 2023 | 1,938.876 | 606.062 | 226.583 | 428.572 | 32.351 | 608.253 | 3,840.697 |
| | 2022 | 2,094.360 | 630.295 | 113.522 | 257.206 | 92.091 | 716.358 | 3,903.832 |
| 4. Others - disputed | 2023 | 17.435 | - | - | - | - | 15.844 | 33.279 |
| | 2022 | 28.066 | - | - | - | - | 12.386 | 40.452 |

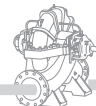
Unearned revenue i.e. gross amount due to customer is not considered in above table being in nature of non-financial liability and disclosed in note 18.

Note 44 C : Capital work- in- progress

| Particulars | Year | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
|--------------------------------|-------------|------------------|----------------|--------------|-------------------|----------------|
| Projects in progress | 2023 | 418.088 | 326.997 | 7.858 | 28.750 | 781.693 |
| | 2022 | 170.400 | 25.097 | 17.143 | - | 212.640 |
| Projects temporarily suspended | 2023 | - | - | 3.078 | - | 3.078 |
| | 2022 | - | 1.785 | - | - | 1.785 |

Following projects which were expected to be completed by March 23, got delayed and now expected to be completed as -

| Particulars | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
|--|------------------|-----------|-----------|-------------------|---------|
| Manufacturing plant expansion and Augmentation of existing plant and machinery | 145.593 | - | - | - | 145.593 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 45: SEGMENT REPORTING

Company operates in single reporting segment of 'Fluid Machinery and Systems'. Information in respect of other disclosures as required by 'Ind AS 108- Operating Segments' is given in consolidated financial statements.

NOTE 46: DISCLOSURE IN RESPECT OF IND AS 116, 'LEASES'

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|-----------------------------|-----------------------------|
| Opening right-to-use asset | 64.329 | 36.845 |
| Net addition / (deletion) during the year | 62.973 | 54.950 |
| Depreciation charged during the year | (37.591) | (27.466) |
| Closing right-to-use asset | 89.711 | 64.329 |

| Particulars | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|-----------------------------|-----------------------------|
| Opening lease liability | 66.764 | 39.113 |
| Net addition / (deletion) during the year | 62.973 | 54.814 |
| Finance cost | 7.499 | 4.109 |
| Lease payments including lease termination | (42.673) | (31.272) |
| Closing lease liability | 94.563 | 66.764 |
| Non-Current | 52.751 | 42.923 |
| Current | 41.812 | 23.841 |

Contractual maturities of lease payments

| Particulars | As at 31 March 2023 |
|--------------------|------------------------|
| Less than one year | 41.812 |
| Between 1-2 years | 31.064 |
| More than 2 years | 21.688 |

1. Short term leases and leases for low value assets are continued to be accounted for as rent expenses.
2. Total cash outflow for lease arrangements during the year is ₹71.066 Mn (PY 2021-22 - ₹59.312 Mn)
3. Company has not entered into any sublease arrangements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

NOTE 47 A: RATIO ANALYSIS

| Particulars (Reasons where variation is more than 25%) | (Amounts in Million ₹) | | | | |
|---|--------------------------|-------------|--------------------------|------|--------------------------|
| | Year ended 31 March 2023 | | Year ended 31 March 2022 | | Absolute Variance (%) |
| | Numerator | Denominator | % | Days | |
| Current Ratio | | | | | |
| [Current assets / Current Liability] | 15,038.623 | 9,794.987 | 1.535 | | 7.719% |
| Debt-Equity Ratio | | | | | |
| [Debt/Equity] | 1,151.363 | 12,516.939 | 0.092 | | 56.190% |
| (Reduction in borrowings along with increase in net worth due to higher profits) | | | | | |
| Debt Service Coverage Ratio | | | | | |
| [(PBDID + Exceptional items) / (Interest + Principal repayment due in next year)] | 2,188.519 | 758.548 | 2.885 | | 206.915% |
| (Reduction in borrowings along with higher profits) | | | | | |
| Return on Equity Ratio | | | | | |
| [(PAT + exceptional items) / (Total op. Equity + Total cl. Equity)]/2] | 1,664.443 | 11,885.433 | 14.004% | | 48.741% |
| (Higher profits due to better operational performance) | | | | | |
| Inventory Turnover | | | | | |
| [Consumption / (op. Inventory + cl. Inventory)]/2] | 14,740.360 | 4,293.181 | 3.433 | 106 | |
| Trade Receivables Turnover | | | | | |
| [Revenue from operations / (op. receivable + cl. receivables)]/2] | 25,399.345 | 4,126.809 | 6.155 | 59 | 17.799% |
| Trade Payable Turnover | | | | | |
| [Purchases/(op.payables+cl. payables)] | 14,941.560 | 4,610.490 | 3.241 | 113 | 11.451% |
| Net Capital Turnover ratio | | | | | |
| [Revenue from operations/ working capital] | 25,399.345 | 5,243.636 | 4.844 | | 0.900% |
| Net profit Ratio | | | | | |
| [PAT before exceptional items/Revenue from operations] | 1,664.443 | 25,399.345 | 6.553% | | 37.437% |
| (Higher profits due to better operational performance) | | | | | |
| Return on Capital Employed | | | | | |
| [PBIT before exceptional items/Total capital employed (NW-DTA+debt+DTL)] | 2,311.053 | 13,188.541 | 17.523% | | 56.204% |
| (Higher profits due to better operational performance along with optimum utilisation of capital employed) | | | | | |
| Return on Investment (quoted) | | | | | |
| [ROI = (Income received on FD+ MF)/ (Average outside investment)] | 95.458 | 2,679.603 | 3.562% | | 62.500% |
| (Higher investments as well as increase in interest rates) | | | | | |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

(Amounts in Million ₹)

NOTE 47 B: OTHERS

1. The Company does not have any transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).
2. The company has not advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries
3. The Company has not received any fund from any person(s) or entity(is), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall: (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
4. The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.
5. No proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.
6. Company has not entered any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956
7. Kirloskar Industries Limited along with Mr. Atul Kirloskar and Mr. Rahul Kirloskar ('the requisitionists'), collectively holding more than one-tenth of the paid-up share capital of the Company had requisitioned for an extra-ordinary general meeting ('EGM') of the shareholders of the Company for appointment of an independent and reputed external entity as an independent forensic auditor for conducting a forensic audit to investigate and i) verify the expenses incurred by the Company on legal, professional and consultancy charges over the past 6 (six) years, and the affairs of the Company ii) verify all records, books of accounts, minute books, other documents of company and iii) examine the conduct of Board of Directors of company including independent directors. Accordingly, Notice dated 16th November 2022 for convening EGM along with statement setting out material facts was sent to the shareholders of the Company and the EGM was conducted on 8th December 2022 by the Company. As per the voting results of the said EGM, the resolution as proposed by the requisitionists was defeated since it was not passed by a the majority of the votes of the shareholders, present/ participating and voting.
8. Previous year's figure have been regrouped, wherever required.

For and on behalf of the Board of Directors

Sanjay Kirloskar
Chairman and Managing Director
DIN: 00007885

Rama Kirloskar
Joint Managing Director
DIN: 07474724

Chittaranjan Mate
Chief Financial Officer

Pune : 11 May 2023

Devang Trivedi
Company Secretary

Pune : 11 May 2023