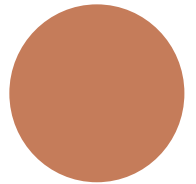


Futuristic. Dynamic. Customer centric.



Contents

For more information, please, visit our website:



It is with great pleasure that I share with you the annual performance report of Kirloskar Pneumatic Company Limited for the fiscal year 2023. Despite challenges, we sustained a 21% sales growth compared to last year, driven by strong performance in exports. //

02-55

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About the Report

We are pleased to present our Annual Report which includes voluntary information to the extent available to us, in accordance with reporting framework developed and designed by International Integrated Reporting Council (IIRC). This report is primarily intended to address the information requirements of investors (our equity and prospective investors). Our endeavour is to present this information in a manner that is also relevant to all the key stakeholders. This report also aligns with following:

The Companies Act, 2013

Indian Accounting Standards

The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Scope and boundary

This report provides comprehensive information about the business activities of Kirloskar Pneumatic Company Limited (KPCL), suitably communicated through the six capitals as per the guidelines defined by the International Integrated Reporting Council (IIRC). The document encapsulates our business model, overarching performance, and corresponding results. It's important to note that the financial capital parameters discussed in this report pertain exclusively to KPCL's standalone operations.

Reporting period

The major reporting period for the Annual Report is 1st April, 2022 to 31st March, 2023. However, certain portions of the report provide facts and numbers from prior years in order to give readers a complete picture.

Assurance for financial statements

To ensure the integrity of facts and information, the financial statements are audited by Kirtane & Pandit LLP, Chartered Accountants and the 'Independent Auditor's Report' has been duly incorporated as part of this report.

Stakeholder feedback

Stakeholders' constructive participation and feedback are welcomed and appreciated. Please send us your feedback to:

Email:
sec@kirloskar.com

Website:
<https://www.kirloskarpneumatic.com>

Forward-looking statements

This report contains forward looking statements that describe our expectations, based on reasonable assumptions and past performance. These are subject to change in light of developments in the industry, geographical market conditions, government regulations, laws and other incidental factors. These statements must not be used as a guarantee of our future performance, as the underlying assumptions could change materially.

Our Capitals



Financial Capital



Manufactured Capital



Intellectual Capital



Human Capital



Social and Relationship Capital



Natural Capital

Corporate Information

Board of Directors

Mr Rahul C Kirloskar
Executive Chairman

Mr K Srinivasan
Managing Director

Mr Atul C Kirloskar

Mr Mahesh Chhabria

Mr Sunil Shah Singh

Dr Ajay Dua

Mr G Krishna Rao

Mrs Nalini Venkatesh

Mr Tejas Deshpande

Mr Pravir Kumar Vohra
(w.e.f. 19th October, 2022)

Mr D R Swar
(upto 19th July, 2022)

Mr K Venkataramanan
(upto 26th July, 2022)

Late Mr Vikram S Kirloskar
(upto 29th November, 2022)

Chief Financial Officer

Mr Suhas S Kolhatkar

Company Secretary

Mr Jitendra R Shah

Auditors

Kirtane & Pandit LLP,
Chartered Accountants

Secretarial Auditors

M/s SVD & Associates,
Company Secretaries

Bankers

Bank of India
Bank of Maharashtra
ICICI Bank Ltd
HDFC Bank Ltd

Registrar and Share Transfer Agent

Link Intime India Private Limited
Block No. 202, 2nd Floor, 'Akshay'
Complex, Near Ganesh Temple, Off
Dhole Patil Road, Pune-411 001
Ph. Nos. 020-46014473 /
26163503 / 26161629

Registered Office

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

Financials at a Glance

₹ in Million

Particulars	Ind AS					Indian GAAP				
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Revenue from Operations	12,393.37	10,211.73	8,232.64	8,290.81	7,102.44	6064.40*	5,533.05*	5,088.78	4,409.59	5,099.27
Profit Before Tax	1,432.76	1,141.24	838.78	719.15	802.29	726.81	714.40	516.45	284.19	614.65
Profit After Tax	1,085.81	849.24	638.42	534.92	552.62	499.43	537.80	363.79	225.75	388.30
Dividend (%)#	275.00	200.00	175.00	135.00	125.00	120.00	100.00	70.00	50.00	100.00
Dividend Per Share (₹)	5.50	4.00	3.50	2.70	2.50	12.00	10.00	7.00	5.00	10.00
Earning Per Share (₹)#	16.82	13.19	9.94	8.33	8.60	38.88	41.87	28.32	17.58	30.23
Book Value Per Share (₹)#	123.00	102.17	91.59	77.02	76.90	359.38	331.48	250.34	230.43	220.03
Share Capital	129.27	128.89	128.53	128.44	128.44	128.44	128.44	128.44	128.44	128.44
Reserves and Surplus	7,822.45	6,455.73	5,757.91	4,817.77	4,809.86	4,487.48	4,129.07	3,086.89	2,831.24	2,697.66
Shareholders' Funds	7,951.72	6,584.62	5,886.44	4,946.21	4,938.30	4,615.92	4,257.51	3,215.33	2,959.68	2,826.10
Loan Funds	-	-	400.00	277.78	5.31	6.88	-	-	-	-
Total Capital Employed	7,951.72	6,584.62	6,286.44	5,223.99	4,943.61	4,622.80	4,257.51	3,215.33	2,959.68	2,826.10
Net Block	2,234.05	2,293.65	1,750.17	2,066.53	1,217.81	748.09	793.65	817.42	970.59	1,139.07

Note:

- The Company transitioned into Ind AS from 1st April, 2016.
- *Sales include excise duty of ₹ 59 Million collected from Customers upto 30th June, 2017 i.e. till the date of implementation of GST (Previous year ₹ 388 Million for full year).
Sales net of excise duty is ₹ 6,005.40 Million. (Previous year ₹ 5,145.05 Million).
- #The equity shares of the Company were sub-divided from ₹ 10/- per share to ₹ 2/- per share w.e.f. 27th September, 2018.

Limitless

As society changes and progresses, we at Kirloskar keep up with the pace by constantly evolving. Our philosophy, which has been the foundation of our organisation for 134+ years, focuses on the progress of humanity.

We encourage our customers to boldly embrace the future by breaking free from conventions and living up to their limitless potential.

Guided by our values, we have a vision that propels us towards an exciting future full of endless possibilities. With innovation as our driving force, we engineer solutions for tomorrow, always keeping human progress at the forefront. We strive to see beyond challenges and envision the unlimited potential that the future holds.

Being limitless also means a firm commitment to the values we live by: Innovative Thinking, Empathy, Collaboration, Integrity, Excellence, and Value Creation. By designing groundbreaking solutions, we create avenues for innovative services that address problems, generate value for our customers and society, and exceed their expectations. We operate with empathy and a strong commitment to moving forward together with our customers and partners because, together, we are limitless.

At KPCL, the customer is at the centre of our universe and their aspirations guide our strategy and operations.

Futuristic. Dynamic. Customer centric.

We believe customer aspirations are never static, so our business plans have to be dynamic and futuristic to keep pace with their evolving aspirations. We continue to develop new products and solutions for our customers on the strength of our technology, R&D and digitalisation initiatives.

While most companies manufacture products and find markets for those products, we do exactly the opposite. We first try to understand the specific customer needs and then build bespoke solutions to meet those needs. This is why, over 80% of our business is 'Made-to-Order'.

To our customers, we deliver a comprehensive solution that meets their requirement — be it of Air, Refrigeration or Gas. This is backed by a best-in-industry spares and service support. The testimony of this is the fact that even customers who have systems supplied by others, prefer to get the post-sales service from us.

About Kirloskar Group

Innovation that empowers and enriches

For more than 134 years, the Kirloskar Group has been a driving force of excellence and innovation.

At the heart of our group's story lies the iron plough. A century ago, our founder, Shri Laxmanrao Kirloskar, started his journey with a small bicycle repair shop in Belgaum, Karnataka, India. Over time, he transformed it into a modest machine tool workshop, manufacturing not only iron ploughs but also chaff cutters — just one example of the engineering innovations that would shape the group's future.

Today, our founder is celebrated as a pioneer of Indian industry and a notable social reformer. Above all, he was an entrepreneur driven by a passion for innovation that improved people's lives. His enduring legacy provides employment to thousands in India and positively impacts millions of lives, both in India and around the globe.

Today, Kirloskar is recognised as the leader in castings, diesel engine manufacturing, backup power solutions, pneumatic packages and cooling solutions, serving as a cornerstone for various industries. With a trail of pioneering achievements, we constantly innovate solutions that defy conventions and unlock a boundless future.

Our group of companies actively operates across diverse sectors, including agriculture, manufacturing, food and beverage, oil and gas, infrastructure and real estate. The sustainability and profitability of these businesses can largely be attributed to the core values woven into our foundation.

134+

Years of engineering excellence

05

Listed companies*

₹ 84,391 Million

Combined shareholders' funds*

6,800+

Employees across the group companies*

₹ 203,198 Million

Combined market cap**

*Listed companies include Kirloskar Ferrous Industries Ltd., Kirloskar Industries Ltd., Kirloskar Oil Engines Ltd., Kirloskar Pneumatic Company Ltd. and Indian Seamless Tubes Ltd. (ISMT).

**Market cap based on closing market price of 31st March, 2023.



Our Values

We are all about finding solutions, building partnership and co-creating a preferred future.

01



Excellence

In everything we do, quality without compromise

02



Integrity

Say what we do, and do what we say

03



Collaboration

We grow with people and partners

04



Empathy

We always listen, and learn

05



Value creation

We're building for a shared prosperous future

06



Innovative thinking

Be bold and brave, & stay relevant

About KPCL

Excelling with customer-centricity at the core

Kirloskar Pneumatic Company Limited (KPCL) continues to be a trusted leader in the manufacture and supply of industrial pneumatic equipment for over six decades.

At KPCL, we specialise in industrial air compressors, gas compressors and pneumatic tools catering to a diverse range of sectors. Our products are powered by globally benchmarked design, R&D, manufacturing and innovation capabilities.

Our products are used in numerous applications, such as Air Compressors, Air Conditioning and Refrigeration Systems, Process Gas Systems, Vapour Absorption Systems and Industrial Gear Boxes. At KPCL, we put customer-centricity at the core of our operations. We design compressors and

compression systems that are tailored to the specific needs of our customers, and a large proportion of our business is made-to-order. Our products are exported to many geographies; and we are further expanding our market footprint.

Our customer-centric approach and commitment to quality have earned us a reputation as a reliable partner for industries worldwide. We try to understand the specific requirements of our customers and offer customised solutions that meet our clients' specific needs, backed by industry-

best spares and service support. We have 100+ dedicated engineers constantly innovating and developing new products and solutions. Our digitalisation initiatives help enhance workflow and customer satisfaction.

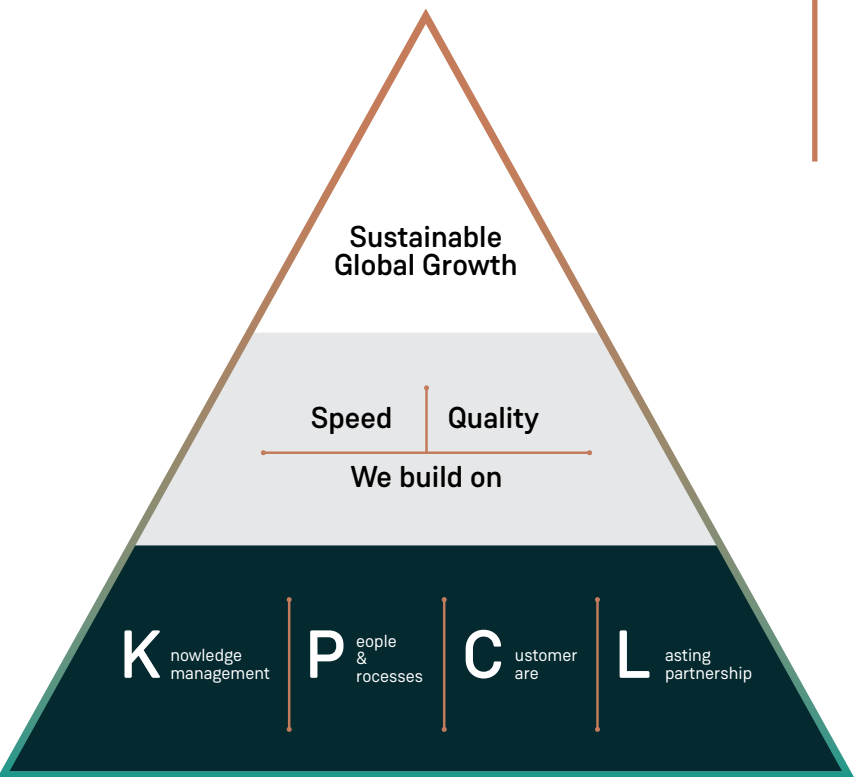
At KPCL, we adhere to sustainable business practices to minimise our carbon footprint. Our goal is to continue delivering quality products and exceptional customer services, making us the go-to manufacturer of industrial pneumatic equipment for our customers' diverse requirements.



Vision and Mission

We will demonstrate an edge to all our stakeholders in offerings for converting/transmitting energy.

We strive to make our company an employer of choice.



70%

India Market Share for Ammonia Refrigeration

1st

Indian Company approved for Hydrocarbon Refrigeration Systems

1st

Supplier of Traction Gears to Indian Railways

50%

Daily gas compressed at CNG stations in India is by KPCL CNG Packages



Product Portfolio

Building futuristic products
to delight customers

At KPCL, we believe in providing innovative and sustainable solutions that meet the diverse needs of our customers. Our decade-long expertise along with our capabilities and excellence in manufacturing allow us to develop products which serve a variety of industries including niche markets which require specialised engineering products.

KPCL offers a diverse range of compression solutions, which includes Air Conditioning and Refrigeration, Air Compressors and Process Gas Systems. We have rich experience in manufacturing compressors for a multitude of applications, ranging from basic air compressors to those designed for handling various refrigerants, natural gas, and other gases and hydrocarbons.

Our portfolio also encompasses comprehensive package solutions tailored to meet specific customer requirements such as climate control for submarines and LPG bottling. Additionally, we supply compressors to oxygen plants.

93%

Of our revenue comes from compressors

Air Compressors



We offer a broad spectrum of air compressors across 15 product categories, subdivided into Reciprocating Compressors, Screw Compressors and Centrifugal Compressors.

Our offerings span from 30 to 10000 CFM and reciprocating, screw and centrifugal compressors. Our products, known for minimal power consumption and maximum reliability, adhere to stringent quality standards tailored to various industrial needs. From general engineering to critical operations in refineries, chemical, petrochemical, PET bottling, metal and power, our compressors contribute significantly across sectors. The Screw Air Compressor Systems serve markets

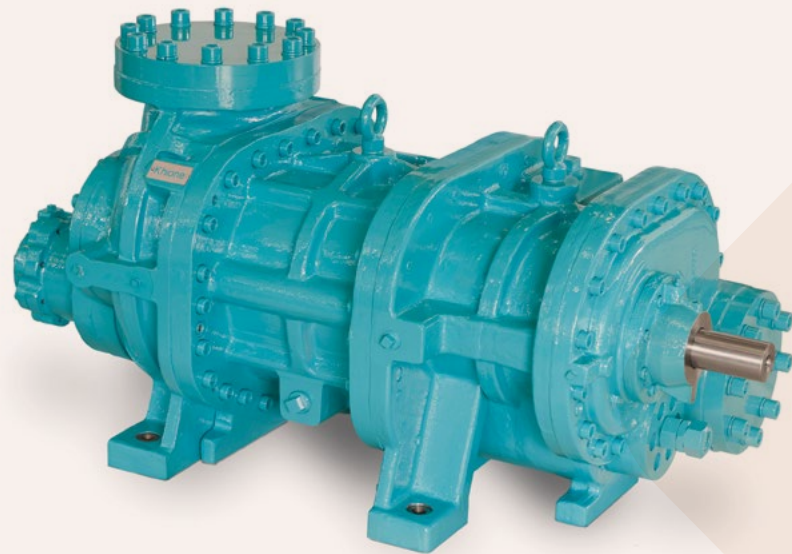
including sugar, automobile ancillaries, railways, mining and cement segment, whereas our Centrifugal Compressors, designed for capacities from 1600 to 9200 CFM, find applications across multiple industries. We are expanding our centrifugal compressor range from 800 CFM to 14000 CFM.

Air Conditioning and Refrigeration Systems



ACR Division offers various products under three categories, which are refrigeration compressors, process refrigeration systems, and vapour absorption chillers.

Our products are designed to cater to the requirements of various industries such as the cold chain for food processing and preservation, refinery and petrochemicals, fertilizers, chemicals and marine sectors. We understand the unique needs of each industry and provide tailor-made solutions to integrate our technical and complex cooling systems seamlessly into their industrial processes. Our products have found extensive application across these diverse industries.



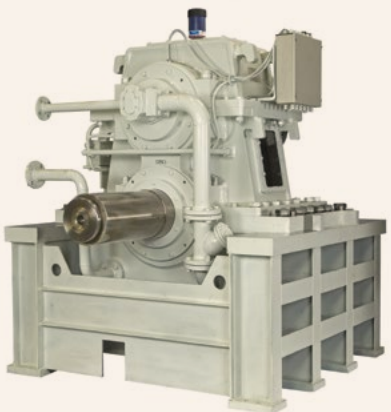
Process Gas Systems



Our expertise lies in serving the specialised oil and gas sector, catering to their gas compression systems requirements for upstream, midstream, downstream and distribution applications.

Our gas compressor packages are designed to operate across a wide range of pressure ranges and various gas types. Being a Company with significant scale and resources, we offer a complete one-stop solution for our customers, right from the initial concept stage to commissioning, followed by ongoing operation and maintenance services. Our reputation for providing custom-engineered, efficient, reliable and cost-effective solutions has enabled us to install more than 1,000 systems across domestic and international markets, making us synonymous with exceptional performance.

Transmission



As pioneers in the railway transmission product industry in India, we have been manufacturing gears, gear boxes and pinions for several years.

We have since expanded our offerings to include high-speed gear boxes for power generation, catering to leading multinational companies. With state-of-the-art gear manufacturing facilities, in-house heat treatment furnaces, and special purpose machines, our division is equipped to enhance gear performance significantly. Our product range includes gears and gear boxes tailored for a variety of industries such as railways, power and steel, cement and minerals, wind turbine, marine, sugar, and refurbishment, among others.

Chairman's letter



Dear Shareholders,

It is with great pleasure that I share with you the annual performance report of Kirloskar Pneumatic Company Limited for the fiscal year 2023. Despite challenges, we sustained a 21% sales growth compared to last year, driven by strong performance in exports. Although there was a decline in orders for oxygen concentrators and a slowdown in CNG compressors, our team's resilience and adaptability helped us maintain growth momentum and deliver encouraging results in FY23.

Our legacy inspires us to see beyond present challenges and opportunities and remain futuristic and dynamic in our thoughts and actions in line with evolving customer aspirations. We believe, this is the only way to grow sustainably with a long-term approach.

Delivering consistent performance

Our overall performance during the year under review showcased the strength of our vision and strategic planning, especially in the face of high input costs. The supply chain disruptions were largely mitigated with better inventory management. Our culture of innovation and stronger relationships with customers helped us stay on the growth path we have envisaged.

We continued on our growth journey, with total income growing to ₹ 1,250 crores from ₹ 1,033 crores, 21% higher than the previous year, primarily driven by the export of Gas & Refrigeration packages to the Middle East region. Our export sales reached ₹ 177 crores this year.

Our profit before tax grew from ₹ 114 crores to ₹ 143 crores, registering 25% growth, while the EBITDA improved to ₹ 177 crores, compared to ₹ 151.45 crores, a growth of 17%. This growth was a product of streamlined operations, strategic improvements in the product mix as well as an emphasis on cost efficiency.

The Air Compressor business continued to grow strongly in delivering superior solutions to various niche applications. The standardisation and scaling up of the Tezcatlipoca range of centrifugal compressors was a milestone for us.

It is one of the most efficient oil-free dry-air compressor in the market and we expect this to become an industry standard going forward. Another major step in building reliability, scalability and standardisation was the implementation of the Product Lifecycle Management software from Dassault. These initiatives enable us to maintain the superior quality of our products.

The oil and gas industry is transitioning to a new normal as prices stabilise after an uncertain period. The acceptance of natural gas by the EU as part of their ESG initiatives, and its potential as a precursor to a future shift towards hydrogen, has strengthened the demand for natural gas and gas projects. This favourable outlook bodes well for our business in this sector.

In the past year, we successfully expanded our customer base to the MENA region and achieved record sales of packages in the Middle East and North Africa. This accomplishment reflects our customer-centric approach, where we prioritise understanding the distinct and evolving needs of our customers across various cultures and geographic locations.

Technology excellence and quality commitment

To capture these opportunities, we have invested significantly in our technical capabilities. We understand the importance of embracing technology and innovation to stay competitive in the rapidly evolving industrial landscape. With our firm belief in the potential of Industry 4.0, we have made significant strides in incorporating digital technologies into our operations.

From product design and development to manufacturing and customer service, quality remains at the forefront of everything we do. Our dedicated team of professionals work tirelessly to ensure that our products and services meet the highest industry standards, surpassing the expectations of our valued customers.

People-first approach

To complement our technical expertise, we put an equal emphasis on fostering a supportive and inclusive work environment that promotes employee well-being, professional development and work-life balance. We understand that a motivated and engaged workforce is essential for sustained growth and innovation.

We continue to have industry benchmark scores on employee satisfaction and have significantly invested in training programmes, skill-enhancement initiatives and career progression opportunities, enabling our teams to thrive and reach their full potential.

Sustainable business practices

At Kirloskar Pneumatic, we recognise the significance of Environmental, Social and Governance (ESG) factors in driving sustainable growth. During the year, we have made significant progress

in establishing a robust governance structure and implementing a comprehensive policy framework for our ESG initiatives. We are dedicated to reducing our carbon footprint, conserving resources and advocating responsible manufacturing practices as the focal points of our efforts.

From education and environment to health and hygiene, our CSR initiatives focus on a wide area of societal priorities. Our youth skilling and girls' education initiatives such as KaShi (Kanya Shiksha) and KPCL-Girls Education Bharari initiative are empowering future generations with knowledge and skills.

With our firm belief in the potential of Industry 4.0, we have made significant strides in incorporating digital technologies into our operations.

Positive outlook

I believe the future looks bright with the demand for our compression packages continuing to remain strong in the air, gas and refrigeration space. Also, the installation of CNG stations has now accelerated and we believe all the announced plans will go into execution mode.

As part of our strategic plans for this year, we aim to prioritise increasing the proportion of product sales in our revenue mix. This will involve introducing new products across industrial and refrigeration compressor categories. We will also benefit from the new range of products, which are being scaled up. I am confident that our customer-centric approach coupled with our industry-leading capabilities, will position us well to capitalise on emerging opportunities. I am confident that we will be able to maintain our growth momentum and we remain committed to meeting our aspirational target of being a ₹ 2,000 crores-plus Company in the next two years.

The Board of Directors, with the approval of all our esteemed shareholders, has recommended a final dividend of ₹ 3.00 per equity share (150%), taking the total dividend for the year to ₹ 5.50 per equity share (275%).

In conclusion, I would like to express our sincere gratitude to our valued shareholders for their unwavering support and trust in Kirloskar Pneumatic Company Limited. It is through your continued partnership that we can strive for excellence and drive limitless growth.

Regards,

Rahul C Kirloskar
Executive Chairman

Business Model

Creating sustainable value for stakeholders

Maintaining strong relationships with stakeholders is critical for us to operate sustainably over the long term. To foster a healthy and long-standing relationship with stakeholders, we consider it essential to establish a two-way dialogue with them. By engaging in communication with stakeholders, we build trust and credibility, demonstrate our commitment to ethical and responsible practices while gaining valuable insights into the needs and expectations of our customers, employees and other key stakeholders.

Input	Value creation Process
<div><div></div><div>Financial Capital</div><div>₹ 129.27 Million Equity Capital</div><div>₹ 277.50 Million Capex</div><div>Debt Free Company</div></div>	<div><div><div><div>Vision</div><div>Values</div><div>Mission</div></div><div><div>Air Compressors</div><div>Air Conditioning and Refrigeration Systems</div><div>Process Gas Systems</div><div>Transmission</div></div><div><div>Product Design</div><div>Marketing and distribution</div><div>Manufacturing</div><div>Sales</div><div>Testing</div><div>After Sales services</div></div></div></div>
<div><div></div><div>Manufacturing Capital</div><div>3 Manufacturing locations</div></div>	
<div><div></div><div>Intellectual Capital</div><div>Investment in R&D</div><div>₹ 128.73 Million on Innovation and Business development</div></div>	
<div><div></div><div>Human Capital</div><div>749 Permanent employees</div><div>₹ 2.8 Million Investment on Training and skill development.</div><div>₹ 5.56 Million Investment on health and safety</div></div>	
<div><div></div><div>Social and Relationship Capital</div><div>₹ 17 Million Investments in community development Initiatives</div><div>76 Dealers base</div></div>	
<div><div></div><div>Natural Capital</div><div>10,056.43 Tonnes Raw material (Steel, Aluminum and Sand)</div><div>12,186,920 kWh Energy Consumed</div><div>72,903 KL Water Consumed</div><div>73.97 KL Oil</div><div>63,222 CFT Wood</div></div>	

Output	Outcome	SDG linkages
<div><div></div><div>Financial Capital</div><div>₹ 12,505.24 Million Total Income</div><div>14.2 % EBIDTA margin</div><div>₹ 1,085.81 Million PAT</div></div>	Increased performance in segments and had a robust cash flow.	<div><div></div></div>
<div><div></div><div>Manufacturing Capital</div><div>Segment Revenue:</div><div>₹ 11,569.44 Million Compressions Systems</div><div>₹ 823.93 Million Others</div></div>	Maintaining strong brand identification. Ensuring customer satisfaction by innovative thinking and ability to change.	<div><div></div></div>
<div><div></div><div>Intellectual Capital</div><div>2 Patents filed</div><div>2 Patents granted</div><div>8 Research publications</div><div>12 Trade marks filed</div></div>	Continuous innovation to improve the product offering and delivering good quality products.	<div><div></div></div>
<div><div></div><div>Human Capital</div><div>7.5% Increase in employee base</div><div>20,407 Hours Time spent in learning and skill development</div><div>3,000 Hours Time spent in health and safety training</div></div>	Providing equal opportunity to all and ensuring race and gender diversity. Ensuring continuous training and skill development.	<div><div></div><div></div></div>
<div><div></div><div>Social and Relationship Capital</div><div>25,000+ Beneficiaries of CSR activities</div><div>95% CSR Satisfaction Index</div></div>	Maintaining healthy and mutually beneficial relationships with stakeholders and conceptualisation of Net Zero Accelerator.	<div><div></div><div></div><div></div><div></div></div>
<div><div></div><div>Natural Capital</div><div>427,689 kWh Energy saved</div><div>11,806 KL Water recycled</div><div>180,633 kWh Renewable Energy</div><div>Materials recycled:</div><div>273.27 Tonnes Steel</div><div>2.69 Tonnes Aluminium</div><div>46.74 KL Oil</div><div>3,418 Tonnes Sand</div><div>7,433 CFT Wood</div></div>	Optimising and using resources in best possible and sustainable manner.	<div><div></div><div></div><div></div><div></div></div>