

21 October 2022

BSE Limited
Corporate Relationship Department
1st Floor, P. J. Towers,
Dalal Street, Fort,
Mumbai 400 001.

BSE Scrip Code: 500243

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C -1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai 400 051.

NSE Scrip Code: KIRLOSIND

Sir / Madam,

Pursuant to Regulation 30 of the SEBI LODR, this is to inform you that the Board of Directors of the Company in its meeting held today i.e., October 21, 2022, has accorded its approval to requisition the convening of an Extra Ordinary General Meeting (“**EGM**”) of the shareholders of Kirloskar Brothers Limited (“**KBL**”).

The said EGM has been requisitioned along with Mr. Atul Kirloskar and Mr. Rahul Kirloskar as co-requisitioners in light of the statements made by KBL released in recent news articles, whereby KBL has confirmed to expending approximately Rs. 274 Crores for legal, professional fees and consultancy charges, out of which, KBL has clarified that it has incurred around Rs. 70 crores as legal expenses over the last 7 (seven) years. The aforesaid admissions along with certain recent orders passed against KBL, raise certain serious and important questions in relation to (a) the conduct of affairs of the KBL Board especially of the independence of the independent directors, (b) the decision-making process pertaining to initiation of legal proceedings by KBL, and (c) expending huge legal expenses towards initiating such legal proceedings.

Accordingly, pursuant to the provisions of Section 100(2) of the Companies Act, 2013 read with Rule 17 of the Companies (Management and Administration) Rules, 2014 and all other applicable rules, if any (including any statutory amendment(s), modification(s) or re-enactment(s) thereof for the time being in force), the EGM of KBL has been requisitioned for the below mentioned businesses to be transacted at the said EGM in the manner as prescribed under the Companies Act, 2013 read with the rules framed thereunder and other applicable laws:

1. An independent and reputed external entity be appointed as a forensic auditor to conduct a forensic audit in the affairs of KBL for investigation and verification of all records, books of accounts, minutes books, other documents of KBL and conduct of the Board of Directors of KBL including independent directors, based on the following matters and questions raised:
 - 1.1. Has the KBL Board especially the independent directors of KBL verified the claims made by Mr. Sanjay Kirloskar in relation to the Deed of Family Settlement (DFS), in order to ensure that they have not been misled by the claims made by Mr. Sanjay Kirloskar? Has the KBL Board including independent directors sought any independent legal advice pertaining to the same especially in view of the pending personal disputes amongst the promoter family?

Kirloskar Industries Limited
A Kirloskar Group Company

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- 1.2. While Mr. Sanjay Kirloskar has been repeatedly claiming that KBL has taken the DFS on record, what steps have been taken by KBL to actually bind KBL with the DFS, in accordance with the provisions of applicable law?
- 1.3. Have the independent directors acted and approved filing of cases by KBL solely on the basis of claims made by Mr. Sanjay Kirloskar without actually verifying the locus or the benefit to KBL for initiating these cases? Have the independent directors analyzed the locus, benefits or reasons for initiation of cases by KBL? If yes, whether the same has been recorded in the minutes of KBL Board meetings?
- 1.4. KBL and Mr. Sanjay Kirloskar have filed various pleadings / affidavits before different fora wherein they have claimed that KBL has suffered losses of dramatically different but large amounts, all arising out of the same cause of action, arising out of an alleged breach of the DFS. Have the independent directors verified the veracity of such claims?
- 1.5. KBL has sworn on Affidavit that KBL is suffering a loss of INR 1 crore per day due to the alleged breach of the DFS. It appears that KBL may have been making such large profits prior to the occurrence of such alleged breaches and only then it could have claimed to suffer the loss as a consequence of the alleged breach. However, the audited financial statements of KBL do not even appear to reflect such high profits of KBL. Has this claim of KBL been verified by the independent directors of KBL prior to the statement being made on oath?
- 1.6. Is there a status report in relation to the cases setting out the expenses, merits, benefits to KBL, legal strategy, prepared by the management and circulated to the independent directors for their approval and appraisal?
- 1.7. Are the independent directors aware of KBL funding cases/litigations by third parties? If so, KBL should provide the details?
- 1.8. As per the recent news publications quoted above, KBL has admittedly spent an amount of INR 70 Crores towards tax matters, labour matters, arbitration pertaining to project business, cases related to domestic and international projects, patents, property documents and for overseas business. However, none of the abovementioned matters appear or have been referred to in the said expenses. Therefore, how much money out of the said INR 70 crores has been expended towards such cases?
2. To direct the forensic auditor to seek appropriate explanations from the Board of Directors of KBL on the abovementioned questions and forensically verify the explanations so provided.
3. To direct the forensic auditor to submit its report in writing directly to the shareholders of KBL while ensuring that the same is not tampered with, within a period of 60 days from the date of the EGM.
4. To finalise and pay appropriate remuneration to the forensic auditor in line with market practices for the conduct of the forensic audit.

5. The Board of Directors of KBL to make available the necessary information, resources and documentation to the forensic auditor so appointed to ensure timely completion of the audit and the issuance of the forensic audit report.
6. The Board of Directors of KBL to take actions and steps as required under the provisions of the Companies Act, 2013 and the rules framed thereunder and any other applicable provisions of law, to give effect to the aforesaid including but not limited to making appropriate filings with the Registrar of Companies and disclosures with the stock exchanges under Regulation 30 of the SEBI LODR and any of the directors of KBL be severally authorized to do all acts, deeds and things to give effect to the resolution set out above.

You are requested to take the same on record.

Yours sincerely,

For Kirloskar Industries Limited

Ashwini Mali
Company Secretary &
Compliance Officer

Enclosed: As above