

“Kirloskar Pneumatic Company Limited’s 46th Annual General Meeting Conference Call”

July 20, 2021



BOARD OF DIRECTORS PRESENT:

MR RAHUL C KIRLOSKAR – EXECUTIVE CHAIRMAN

MR K SRINIVASAN – MANAGING DIRECTOR

**MR SUNIL SHAH SINGH – INDEPENDENT NON –
EXECUTIVE DIRECTOR AND CHAIRMAN OF AUDIT
COMMITTEE**

**DR AJAY DUA – INDEPENDENT NON – EXECUTIVE
DIRECTOR AND CHAIRMAN OF NOMINATION AND
REMUNERATION COMMITTEE**

**MR G KRISHNA RAO - INDEPENDENT NON – EXECUTIVE
DIRECTOR AND CHAIRMAN OF STAKEHOLDERS
RELATIONSHIP COMMITTEE**

**MR K VENKATARAMANAN - INDEPENDENT NON –
EXECUTIVE DIRECTOR AND CHAIRMAN OF RISK
MANAGEMENT COMMITTEE**

MR ATUL C KIRLOSKAR - NON – EXECUTIVE DIRECTOR

MR D R SWAR - NON – EXECUTIVE DIRECTOR

**MRS NALINI VENKATESH - INDEPENDENT NON –
EXECUTIVE DIRECTOR**

**MR TEJAS DESHPANDE - INDEPENDENT NON – EXECUTIVE
DIRECTOR**

MR MAHESH CHHABRIA - NON – EXECUTIVE DIRECTOR

OTHER ATTENDEES:

**MR SUHAS KOLHATKAR – VICE PRESIDENT AND CHIEF
FINANCIAL OFFICER**

MR JITENDRA SHAH – COMPANY SECRETARY

**MR NACHIKET DEO – PARTNER OF P G BHAGWAT,
STATUTORY AUDITORS**

**MR SRIDHAR MUDALIAR – PARTNER OF M/S SVD &
ASSOCIATES, SECRETARIAL AUDITORS.**

Moderator:

Dear Shareholders. Good morning and a warm welcome to you all to the 46th Annual General Meeting of Kirloskar Pneumatic Company Limited through video conferencing or other audio visual facility. As a reminder, for the smooth conduct of the meeting the members will be in mute mode and audio and video will be opened when they will speak at the AGM as per the preregistration. Please note that as per the requirements the proceedings of Annual General Meeting will be recorded and available on the website of the Company. I now hand over the proceedings to Mr. Rahul Kirloskar – Executive Chairman of Kirloskar Pneumatic Company Limited. Thank you and over to you, sir.

Rahul Kirloskar:

Thank you Tanvi. Good morning ladies and gentlemen. On behalf of the Board of Directors, I welcome you all to the 46th Annual General Meeting of the members of the Company. I hope all of you are safe and in good health. I trust all of you have completed vaccination and are following social distancing guidelines to stay safe. Before the COVID-19 pandemic, I had the pleasure and privilege of greeting you in person at our AGMs. The present AGM is also being held through video conferencing facility in compliance with the provisions of the circulars issued by the Ministry of Corporate Affairs and the Securities and Exchange Board of India from time to time. As the requisite quorum is present through video conference to conduct the proceedings of the meeting, I now declare that the meeting is held in order.

Before we start the main proceedings of the meeting, I will introduce my colleagues on the Board. Mr K Srinivasan who is the Managing Director of the Company, Mr Sunil Shah Singh – Independent Non-Executive Director and Chairman of the Audit Committee, Dr Ajay Dua Independent Non-Executive Director and Chairman of the Nomination and Remuneration Committee, Mr K Venkataramanan – Independent Non-Executive Director and Chairman of the Risk Management Committee, Mr G K Rao – Independent Non-Executive Director and Chairman of the Stakeholders Relationship Committee, Mr Atul Kirloskar – Non-Executive Director, Mr D R Swar - Non-Executive Director, Mrs Nalini Venkatesh – Independent Non-Executive Director, Mr Tejas Deshpande – Independent Non-Executive Director and Mr Mahesh Chhabria – Non – Executive Director, has had trouble joining the meeting, connectivity issues. He may join us soon and Mr. Vikram Kirloskar – Non-Executive Director, is absent due to his preoccupation.

I would also like to inform you about the presence of the following people:

Mr Suhas Kolhatkar who is Vice President and Chief Financial Officer, Mr Jitendra Shah – Company Secretary, Mr Nachiket Deo – Partner of P. G. Bhagwat who is our Statutory Auditors and Mr Sridhar Mudaliar, Partner of M/s. SVD & Associates who are our Secretarial Auditors & Scrutinizers appointed for this Annual General Meeting.

I would like to make few announcements regarding inspection of documents. Pursuant to provisions of the Companies Act , 2013, rules thereof and the SEBI Regulations, following registers and documents are available electronically for inspection during the AGM at the NSDL E-Voting portal:a) Relevant Registers, b) Statutory Audit Report; c) Secretarial Audit Report ;d) Auditor's Certificate on Employee Stock Options Scheme pursuant to the SEBI (Share Based Employee Benefits) Regulations, 2014 and Circulars issued there under; e)Draft letters of appointment of

Independent Director and f) Draft agreements to be executed with Whole Time Director and Managing Director.

Notice of AGM, Annual Accounts for Fiscal Year 2021 and Auditor's Report thereon:

In compliance with the MCA Circulars and SEBI Circulars issued from time to time, the Notice of AGM and the Annual Report for the financial year 2020-21 have been circulated by email to Members of the Company. The Notice of AGM and Annual Report for the financial year 20-21 have been uploaded at the website of the Company which is www.kirloskarpneumatic.com and of BSE Limited which is www.bseindia.com

With your consent, the Notice of the AGM and Annual Report are considered as read.

Also pursuant to provisions of Section 145 of the Companies Act, 2013, Independent Auditor's Report and the Secretarial Audit Report need not be read at the AGM, since the same do not contain any qualifications and the observations are self-explanatory.

Welcome to the 46th Annual General Meeting of Kirloskar Pneumatic Company Limited. It is my pleasure to connect with all of you, although this time also we meet virtually. On behalf of the KPCL Board of Directors, I want to thank you for making the time to join us today. Your support and confidence in us, even in uncertain times like these, drive us to look for more ways to do more, to push ourselves to overcome challenges and complexities and create greater value. On Friday, July 16th, we made the announcement of a brand refresh and have adopted a new logo and tagline 'Kirloskar Limitless'. I hope you have seen the ads of, on TV or in the newspapers or on social media. We want to highlight something that has been at the core of our group for the past 130 years. It is something our forefather always believed in, taught us and those teachings have been passed down across generations. We have been taught to always work towards progress of society.

Right from the beginning, when our forefathers created India's first hand plough, to today, there are products range from agricultural machinery to compressors to real estate. At Kirloskar, we are engineered to always think about our customer, about society and what's next. When you think about what's next you inevitably unleash your need potential, and it is in this potential that makes opportunities limitless. We have undertaken several projects ranging from HR to digitization and many more to keep pace with our fast-changing world, to attract and retain the best talent, to be a best-in-class employer and to provide the best solutions and service to our customers.

Now we will come to the Kirloskar Pneumatic, KPCL has been making Compressors for many years for many applications, right from basic Air Compressors to compressors for various refrigerants, compressors to handle natural gas, compressors to handle other gases and hydrocarbons. Not just Compressors, we provide complete package solutions for various requirements - Be it a CNG gas station or a Petrochemical complex needing process refrigeration. Be it for LPG bottling or for climate control in submarines. Not to forget that your Company delivers the Compressors for Oxygen Plants. So, we always work better under pressure.

Coming to the COVID-19 pandemic, the last year was an extraordinary year as none of us has faced this kind of pandemic in our lifetime. During the reporting year, we have handled lockdowns, work disruptions, broken supply chain issues, increase in raw material prices such as steel, copper, etcetera. However, the strong order inflow in the second half and the revival by the end of the year because of strong execution in Q4 helped your Company to achieve sales of Rs. 8,233 Million in Fiscal Year 21 as compared to Rs. 8,290 Million in the previous year.

Let me talk about the various missions your Company sustained during the year. First one, of course, was **'Mission Safety'**, COVID-19 being an unprecedented health crisis, our main priority is employee safety and safeguarding business interests of our Customers and other stakeholders. We are monitoring and assessing the situation continuously. Your Company invested in ensuring that its employees and other stakeholders remain safe and secure. It continued to abide by its internal stringent COVID-19 protocols across the operations and regional offices and adhered to all precautionary measures such as masking, social distancing, temperature screening and sanitizing. The Company also encouraged vaccination for all employees, supporting rapid vaccination against COVID-19 across the globe.

'Mission Oxygen', during this pandemic everyone realized the importance of oxygen plants. Your Company is supplying compressors for oxygen plants for many years. During this pandemic when everyone was struggling to get oxygen, your Company delivered many large compressors for oxygen plant manufacturers in India during the reporting year. During the pandemic, your Company also got an order for approximately 400 Compressors and has supplied in so far 130 compressors to various oxygen plant manufacturers across India. Additionally, your Company is continuously receiving more orders for compressors for these PSA Oxygen generation plants.

'Mission Clean Environment', use of CNG helps in a cleaner environment. Your Company is unique in manufacturing compressors for CNG packages in India. This gives your Company a sustainable advantage. Your Company had record sales of CNG packages during this year through the city gas distribution companies. As per the International Energy Agency's latest report on India's annual Gas consumption is expected to increase by 25 billion cubic meters in 2020-2024 period which translates into a 9% annual average growth rate. India has a plan to increase the share of gas in its energy basket to 15% by 2030 from the current level of 6% and the IEA noted that India is set to emerge as the second largest driver of gas demand in Asia and the fifth largest globally.

The rising petrol and diesel prices coupled with growing availability of CNG have led to an increase in demand for CNG vehicles. The government aims to have about 5,000 retail outlets of compressed natural gas in the next five years as the country plans to increase the share of gas in its energy basket. The government has added about 136 geographic areas in the 9th and 10th round of bidding for gas distribution networks. Your Company is also expecting good CNG business in the current year.

'Mission 24 x 7 supports', even though there was a lockdown for a long time during past year, your Company not only delivered and commissioned but operated and maintained through the pandemic across 15 states on a 24 x 7 basis 375 CNG Stations and continued to offer RoadRailer services as required by our Customers.

I will come to the segmental results. The performance of the compression segment marginally grew over the previous year. Compression segment contributed about 95% of our total revenues, that is, Rs. 7,853 Million. In this, the Air Compressor division constitutes about 15% to 18% of sales, the Refrigeration and Compression segment contributes about 30% to 35% and Gas Compression Systems about 45% to 50% of our total sales. Last year your Company has made record sales of CNG packages.

Your Company launched and established two new range of compressors in the market during the year. Out of these two one is the Screw which is the first of its kind designed and manufactured in India. The other one is the Centrifugal Compressor which are high volume compressors. These Centrifugal Compressors were build with own in-house design impeller, internally built gear boxes and high precision balancing machines. Your Company is getting very good performance feedback from our customers. Your Company is expected to grow the business of the Screw Compressors and Centrifugal Compressors in the coming years.

We continue to deliver large gas package system to the oil and gas sector.

During the year, refrigeration compressor sale was moderate. There was a decline of sale of ammonia compressors to the cold chain and ice plants because no new plants were built during the year.

Overall annual segment results did show a similar trend of earlier years registering a segment profitability of about 18%.

Now coming to the Transmission division. During the 60's, when the Indian Railways needed 'Gears and Transmission' on a war footing, your Company stepped into the Transmission business and built the business. Over the years this requirement has changed dramatically. Accordingly, your Company has also changed. The change was both time consuming and expensive as new capabilities had to be built, Infrastructure had to be in place and new skills has to be developed.

Last year your Company made Hydro-Pneumatic Suspension for tanks and started building customized gear boxes.

Compressors are our Core Business and the fastest growing segment was clearly going to be the Centrifugal Compressors business and in Centrifugal Compressor the heart is a High Speed Gear Box. Your Company has moved from Railway to High Speed Gear Boxes for compressors, for Steam Turbine Power Generators. Today, we build one of the finest range of Centrifugal Compressors with a fully integrated Value Chain that is gears, impellers, castings and high precision grinding and super balancing - all done in house. Building a sustainable competitive advantage means that we need to have an integrated Value Chain, we need to keep and build our Gear business. Additionally, manufacturing set up tuned to build large size of Gear Boxes for use in industry segments like Sugar, Power, Steel and Cement.

As this segment grows, KPCL's right-to-win position in this segment will ensure leadership in the market.

Now your Company is looking forward to manufacturing other components compatible to the existing facility.

RoadRailer: India has long distance haulages with relatively poor or crowded road networks with no specific cargo carriage ways, plus your Company has been working with Indian Railways for over 30 years with his gears and transmission business. Your Company took the initiative to introduce the innovative bi-modal technology RoadRailer under license and obtained necessary approvals and permissions from Indian Railways as well as the Road Authorities. It permits your Company to run RoadRailer on rail as well as on the road for door-to-door transportation of cargo. Currently, your Company is offering RoadRailer services to its end users through its associates on the Chennai and Delhi route.

In the reporting year, in spite of over 4 months COVID shutdown and all other challenges, your Company operated over 1,250 RoadRailers between Chennai and Delhi. Clearly, the concept and technology has now been accepted by Railways as well as our Customers.

We expect to rapidly scale up the numbers as well as the routes across India going forward. The Indian Railways are expected to come up with a suitable policy to open up other routes for RoadRailer operations, soon.

Coming to the Financial Performance. During the Financial Year 21, I am glad to inform you that your Company had achieved revenue from operations of Rs. 8,233 Million and total income of Rs. 8,333 Million, despite the disruption in business activities due to the COVID-19 pandemic. Operations of the Company witnessed disruptions in the business during the first quarter of the financial year due to national lockdown imposed to curb the outbreak of COVID-19. Despite these disruptions, Compression Segment registered a modest growth over the previous year, by earning revenue of Rs. 7,853 Million as compared to Rs. 7,752 Million in the previous year. Transmission segment, however, earned lower revenue of Rs. 313 Million as compared to Rs. 478 Million in the previous year.

Operating profits, however, increased due to product mix and lower cost compared to the previous year. With a strong order board at the start of the year, your Company is poised to achieve better result in the coming year.

Our profit before tax was Rs. 839 Million for FY21 as compared to Rs. 719 Million in the previous year and profit after tax was Rs. 638 Million for FY 21 as compared to Rs. 535 Million in the previous year.

To consider and adopt the Audited Financial Statement of the Company for FY21 together with Report of the Auditors and Board of Directors thereon, is placed at an Item Number 1 of the AGM Notice.

Despite the pandemic which continues in the current year, your Company is expected to provide reasonably good results.

The Directors have recommended a final dividend of Rs. 3.50 that is 175% per Equity Share of Rs. 2/- each and will be paid to the eligible members subject to your approval at Item Number 2 of the AGM Notice.

Directors : Mr Vikram Kirloskar is liable to retire by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment as a Director. The re-appointment of Mr Vikram Kirloskar is placed before you by way of an Ordinary Resolution at Item Number 3 of the Notice.

The Board co-opted Mr Tejas Deshpande as an Additional Director and being eligible, offers himself for appointment as an Independent Director at this Annual General Meeting for a consecutive period of five years from 27th October, 2020 to 26th October, 2025 subject to approval of Shareholders in this Annual General Meeting. His appointment is placed before you by way of an Ordinary Resolution at Item Number 6 of the Notice.

The Board also co-opted Mr K Srinivasan as an Additional Director and Whole Time Director designated as an Executive Director with effect from 27th October, 2020 to 1st January, 2021 and further re-designated as Managing Director with effect from 2nd January, 2021 to 26th October, 2023 on the terms and conditions including remuneration as set out in the explanatory statement and contained in the draft agreement or as altered from time-to-time by the Board or Nomination and Remuneration Committee subject to approval by Members in today's Annual General Meeting. His appointment is placed before you by way of an Ordinary Resolution at Item Number 7 of the Notice.

Further, the Board also co-opted Mr Mahesh Chhabria as an Additional Director and being eligible, offers himself for appointment as a Director, who is liable to retire by rotation, at this Annual General Meeting. His appointment is placed before you by way of an Ordinary Resolution at Item Number 8 of the Notice.

My reappointment as WholeTime Director designated as Executive Chairman of the Company for a further period of five years beginning from 23rd January, 2022 to 22nd January, 2027 on the terms and conditions including remuneration as set out in the explanatory statements and contained in the draft agreement or as altered from time-to-time by the Board or the Nomination and Remuneration Committee. My reappointment is placed before you by way of an Ordinary Resolution at Item Number 9 of the Notice. As this is related to my appointment, I am interested in this item.

Dr Ajay Dua, Independent Director whose current period of office is expiring on 21st July, 2021 is to be appointed as an Independent Director to hold office for a second term of five consecutive years from 22nd July, 2021 to 21st July, 2026. Further, as he will attain the age of 75 years on 15th July, 2022 and shall continue to hold his directorship as Non-Executive Independent Director even after he attains the age of 75 years till the expiry of his second term. His re-appointment is placed before you by way of a Special Resolution at Item Number 10 of the Notice.

Auditors: As per statutory provisions, the Company has to be change the Statutory Auditors after two terms of five years each. The second term of the existing Statutory Auditors,. P. G. Bhagwat LLP, is expiring today. The Board of Directors of your Company proposed the appointment of Kirtane &

Pandit LLP as new Statutory Auditors of the Company subject to Shareholders approval in this Annual General Meeting. The appointment of Kirtane & Pandit LLP, as Statutory Auditors from the conclusion of the 46th Annual General Meeting to the 51st Annual General Meeting is being considered by way of an Ordinary Resolution at Item Number 4 of the Notice. M/s Sudhir Govind Jog has been appointed as Cost Auditor of the Company. However, the remuneration needs ratification by the Company and the same is being considered by way of an Ordinary Resolution at Item Number 5 of the Notice.

Acknowledgements : On behalf of our Board, I wish to place on record our gratitude to our customers, our vendors and our bankers for their encouragement and support. To all directors and Employees for their contribution for the results achieved during the year. In addition, my thanks to you, for your support as Shareholders and for the keen interest shown by you in the performance of the Company. With your cooperation and support, I am sure we will continue to achieve better results in the years to follow. I wish you strength and good health in the months to come and to stay well and safe.

If you have any questions on the Report and Accounts, I shall be happy to answer them after the presentation by Mr. K Srinivasan, Managing Director.

Thank you. Now I will hand it over to Mr. Srinivasan.

K Srinivasan:

Thank you sir. So, first of all, good morning to all of you and welcome to the 46th Annual General Shareholders Meeting. I added to the Chairman wishes to all of you for a safe and healthy year ahead. Thank you for taking time to attend this meeting with us, we appreciate your time, your enthusiasm, your interest in the Company and for the input that you give to us from time-to-time to do a better job of our work. Kirloskar Pneumatic, as a Company that has been handling pressure as a part of its business and we have done reasonably well in a year when we have been subject to pressures of very different kind right through the year. Just like a carbon has different allotropes be it coal, be it graphite or be it diamond. So, to your Company, Kirloskar Pneumatic, has been having different forms of compressors addressing different requirements for various applications and continuously evolving to deliver superior solutions to our customers. It has been year when we have been handling a traditional Air Compressors, Refrigeration Compressors, Hydrocarbon Compressors and later during the year we have to handle the Oxygen Compressors, and this is now on mission mode as we go forward. I am not going to spend too much time on the numbers because you have had the numbers with you for the last three months as well as the annual report which has covered the financials in great details or I will just quickly call out a couple of numbers for you to reflect on. We had the second highest top line sales ever at Rs 823 crores net, we have the second highest profit before tax at Rs 83 crores net and we have the highest post tax profit of about Rs 64 crores. So, this in a year when we were subject to the pandemic strain was I would think a good performance.

Let me quickly jump to what we went through during the year:

The end of last year during March onwards we were in the midst of the pandemic and at that time while the impact in terms of lockdowns and disruption of work was extreme, the actual infection

rates were relatively modest as you would see from the graph we have 19 cases in our Company during July starting from April it got worse gradually in the Company and the peak was actually in September, but as we progressed we learn to handle the COVID, we learn to handle the disruptions, we learn to handle all the troubles that brought along with it in terms of broken supply chain, in terms of difficulties in moving material, etcetera and we actually handle the second peak which happens somewhere in April far better than we handle the first part of the COVID infection. Overall as we speak over 300 of our employees across the Company were infected and almost all of them barring few have recovered and are back at work.

We have handled the COVID related response in a three form strategy looking at awareness, looking at action at workplace and looking at support and this helped us to handle the COVID transition from just handling it to managing it well and this we continue to do as we go forward during the year F22. Not only this, we have taken proactive steps, all our employees have been vaccinated wherein the few who could not be vaccinated as they have been COVID infected and need 84 days of cooling time, but all others have been vaccinated, this allows our Company to operate relatively unscathed by the COVID impact as far as the operations are concerned. I am going to give you a few numbers only as I said to explain the performance of the Company and the key events that happened during the Company. We started the last year with an order backlog of only about order bank, of about Rs 783 crores, but we are opening this year with an order backlog of Rs 927 crore which means that during the year not only we executed the second highest sales ever, but we also booked sufficient order to ensure that we start F22 on a very strong note and hopefully that will help us to deliver superior results for F22.

Another important event during the last year was we did farewell to our Managing Director for 11 years, Mr. Aditya Kowshik. He had provided outstanding stellar leadership right through the last year and we are happy to say bye to him and to see wish him well on this retirement. I will now touch a few events that we went through during the year, since the Chairman had covered in detail the activities and the results of last year, I am going to talk of specific events which shaped our results of last year as well as support us in achieving the F22 results. The first one is in terms of the CNG packages, CNG compressors. We delivered in a 9-month period the highest number of CNG packages during a year, 35% more than what we delivered in a full year the previous year. This was some kind of a record and not only that like the Chairman mentioned we had all these compressors not only delivered, but also even the earlier ones that were delivered, commissioned, installed and kept operational right through across 17 states on a 24 x 7 basis in a pandemic infected time and this was an outstanding achievement of commitment by all our employees who ensured that the country did not suffer from want of energy. Not only this, we learned new things, we were able to remote commission and get it operational, one of the gas compressor that we supplied to Egypt and this is some kind of a hallmark because this taught us how we could still do international sales even in pandemic affected period.

We had other challenges to face and your Company did an extremely good job of it. We quietly have one of our navy ships fitted out with the AC plant in 76 days flat during the pandemic. We have the Vapor Absorption Chillers installed in pharmaceutical companies across the country, this is also important during the pandemic period, we had 96 service engineers out there in the field, installing,

commissioning, and ensuring that these plants ran to produce key raw material for the pharmaceutical industry. The key activity that happened last year and continues to drive our action right through this year as well so far has been to produce Oxygen Compressors. Traditionally, your Company has been a leading provider of what we call as the Air Expansion Process Oxygen Compressors. These are for the mini oxygen plants we have something like 85% market share on this business, we delivered 22 of them last year in a record period and all of them have been installed and commissioned, but we also had to play a key role in not getting oxygen across to our customers, this was through the PSA route.

Thanks to the initiatives taken by DRDO with the government support. There was a war footing plan put out to deliver PSA oxygen compressor across the country. Your Company was selected as one of the partners to make these PSA oxygen generators and we have been mandated to make over 400 of these in a record period. Your Company, has delivered a significant part of this through the end of last year and the first quarter of this year. Eventually, it will ensure that you have this PSA oxygen generation plant right across our country in almost every taluk. The advantage of this would be the Company has offered a standardized package, where the compressor comes from us as a plug and play process and this can be connected to the PSA plants that can be delivered locally and all that you need to run them is just local power.

Oxygen is available there is no transportation, there is no waiting for Cryogenic tanker, there is no bottling nothing is required, and this is the easiest, quickest way to get oxygen across to our country and so you see now your Company plays its role in both the paths. We are in the Cryogenic path, filling Cryogenic tanks, filling cylinders and delivering the traditional way using our rare expansion compressors. We are also in the PSA plants, delivering plug and play compressors for the oxygen generation on a local basis. So, that is the standard package that I wanted to share with you. The advantage of this is always it is a standardized package which allows us to deliver it across the various parts of the country even in remote locations, it is IoT enabled, can be remote monitored, remote control and ensure that even local technicians are able to keep it running right through the year. So, that is the standardized packaged that we have been delivered and this is completely indigenous.

The key element of it the air, the screws everything is made within our Company with our own design, and this gives us not only a unique advantage in terms of local production, but also ease of service and maintenance across the country. Not only in the oxygen compressors we also did an important work for our other important customers, like in the hydrocarbon industries. We made the standardized forced oil lubrication kits which could be installed and used giving them a saving of 30% in a regular usage. We had to do a quick overhaul of some of our key naval assets, because this is important, and we had to do it quietly and in a fairly quick ways so that these were back on the seas quickly.

Another key development that we took up during the year was to get the high performance water well drilling rigs out there. Your Company develops a new K330 model with a 1,200 CFM air at 3,650 PSI pressure. These rigs mounted on trucks are some of the finest one available in the country today, they are already deployed in 14 locations across the country delivering superior performance.

The testimony of the quality of this product has also been the fact that we have been able to export this to South Africa and to other parts of Africa and they find use not only in water well drilling, but also in the mining areas. Another important role that the Company continues to play and has been accelerating its role in this is been to deliver the SAT 650 systems, for the instrumentation cooling for the flying assets of the country.

We also have been delivering the ground support units and this is important to keep our missile launch systems working and this is an important commitment that your Company has been delivering year-on-year without fail and now we have improved both in terms of its speed of delivery and its maintenance across the various locations. Couple of new launches that the Chairman mentioned, and it is worth noting is the fine range of Centrifugal Compressors that your Company has brought to market. It's a state-of-the-art product, completely indigenized right from the Gearbox to the Impellers, to the casting and delivers outstanding solutions. We have today the complete range from 2,100 CFM right up to 7,000 CFM and these are really now making a big difference to our customers, efficiency and productivity.

An important step that the Chairman also mentioned is our delivery of the new Hydro-pneumatic Suspension, we have been approved supplier one among the two and now we are executing a large order for the defense in this Hydro-pneumatic Suspension products. All this could not happen, but for an engaged employees, a committed customer service teams as well as to have a vendor base across different locations who were still managing to supply us right through the pandemic with all the disturbance and difficulties. This was done on the back of strong processes, a continuous improvement plan to have Kaizen and other activities to reduce cost across the Company.

We won several awards, the golden trophy in Kaizen by the QCFI was one of the leading achievements of the Company during the year.

Another area where the Company continued to focus has been in terms of its employee processes. For two years in a row CII HR Excellence Award has been won by your Company as within the top two companies about 600 scores in the country. Last year once again for the year 2021 your Company was one among the two companies to win the CII HR Excellence Assessment Award. This is also in the back of the fact that our Company continues to focus on its green initiatives, we won the Maharashtra Chamber of Commerce Award, first Prize on the large industry for green initiatives in the factory premises, this is pretty unique and the stellar performance in this is really our green wall. One of its kind natural green wall of 16,000 square feet right in front of our factory is a testimony of our commitment to add environmental impact.

We have products to deliver, customers to serve, vendors to look after but in all this one thing that we steadfast has been our commitment to our values. Our values of excellence in all that we do, integrity in thought and action, collaboration in working with customers, vendors and with the community, empathy to our employees and the society, value creation to you, our shareholders and innovative thinking about creating organizational capability to deliver the future have all been the bedrock on which we have built our strategy. The CSR initiatives continued to be important for the Company. We work on four categories health, hygiene, education and environment, of course, during

the year a lot of it have to become remote, but our focus remains steadfast in this, and we focus primarily on women health, children health , education and on healthcare for the deprived part of the society. We continue to support these initiatives and that has been another hallmark during the year. So, as we conclude the group is looking at a limitless future creating limitless value for our customers, our shareholders, our vendors and the community at large.

We thank you all for your support during this difficult time. We, assure you of our continued hard work to ensure limitless value creation to you as our Shareholders. Thank you very much.

Rahul Kirloskar::

Thank you Mr. Srinivasan. Now, I request the Moderator to allow speaker shareholders to speak.

Moderator:

Thank you very much. I now invite Mr Shashikant Marathe to unmute his audio and video and ask the question or give comments. In the interest of time may I request you to restrict to your questions or comments to three minutes please. Mr Shashikant Marathe, we have promoted you in the question queue please proceed with your question. We will check the connection from Mr Shashikant Marathe. We will now move to the next question which is from the line of Mr Dinesh Kotecha. I now invite Mr Dinesh Kotecha to unmute his audio and video and ask question or give comments. In the interest of time may I request you to restrict your questions or comments to three minutes please.

Dinesh Kotecha:

Sir my, Rahul Kirloskar ji and other Board of Directors , Mr. Srinivasan ji I have already sent my questions of four pages, and I hope that you will answer all the questions in writing. Now my question is that this Chorus people are not doing a good job because yesterday they tested my video and audio four times and now my video is not available on the screen this is not a proper thing sir they have wasted four hours of mine yesterday to just check the audio and video and today my video is not available I can only speak I have not seen on the screen that is okay. I just wanted to know our logo was Kirloskar in a rectangle form in a slant way our logo was different and here on screen I am seeing that I is different, have you changed the logo of the Company in the Kirloskar Pneumatic? that is my first question , secondly, sir I am very happy with the results let me tell you very clearly, I am happy because for the first time we have been able to reach a turnover of nearly 800 we have crossed the turnover of Rs 8,230 crore. It is a year of achievement, year of new records in the sense that our profits after tax has been the highest in the last 10 years what you have shown in the chart earlier in 2011-12 we had earned a profit of Rs 61 crores now we have earned Rs 63 crores, sir I would like to know basically, you have given a good commentary, Mr. Srinivasan, gave a good commentary in the presentation about the COVID how many people got affected or how many people have recovered and how many deaths occurred. Now suppose if the third wave comes how far are we prepared for the COVID, I would like to know that, that is my first question and secondly, sir I would like to know the major agenda before the Board for the current year and next year for gaining market share and what are the new areas of growth and opportunities that I would like to know other than that , I have already as I said I have already sent my questions in writing and sir nowadays nobody uses telefax sir, so do not write telefax, see that the balance sheet is very much informative to the point and all unnecessary things are removed from the balance sheet. We nowadays, we communicate with mobile, or we communicate with emails so telefax nobody uses so you can remove that. Again, my best wishes to Mr Aditya Kowshik who has left after illustrious career in Kirloskar Pneumatic, all the best to him. I welcome the new incumbent – Mr Srinivasan, Mr Tejas

Deshpande and Mr Mahesh Chhabria and you know when I see the profile I would like, all the qualification , with all the qualification, past experience achievements in the previous endeavor all these three directors must give more value for a money than what they receive by way of salary and that is what I am expecting. Sir , now the next journey should be of Rs 1,000 crores by which year you think that we will be achieving Rs 1,000 crores turnover I would like to know that. Sir only one small suggestion, I would like to give you our face value is Rs. 2, sir instead of giving a dividend of Rs. 3.50 paisa you give us Rs. 1 back by way of our share capital. So, share capital will reduce to Rs. 1 and it will raise to half and then they will get the proper value from the market this is one suggestion which I am giving you, you give us Rs. 2.50 paisa dividend and Rs. 1 back by way of capital, now this particular financials I mean thing, which I am telling you which helps the Company to reduce the capital and then we can see faster growth. Colgate, did it sir and see the value of Colgate of Rs. 1 today earlier 5 years ago when Colgate was Rs. 10 face value of price were quoted Rs. 1,000 and now at Rs. 1 face value it is quoted Rs. 2,000. Now this type of valuation we should also get and Kirloskar Pneumatic is doing a fine job on all fronts on the government order front, private order front every fronts they are doing very good I wish you all the best and I am expecting answers for all my questions sir and presentation which was given by Mr Srinivasan it can be uploaded on the website or sent to me by email I will be very thankful for that. Wish you all the best sir I am not in favor of this virtual meeting at all. This should be face-to-face AGM. Once in a year we get this chance and all these nonsense things are going on by the Chorus people, by the intermediary I am writing the email and all the things and on a very first page on a very first line you should say if you want to join this is how you should join now we have to search how we have to join the meeting also whom you have to send the email the restriction over 2 days for finding the email all these are nonsense are going on for the minority shareholders not at all helpful let me very clear. I am frustrated by all these things just 3 days before the AGM we have to remember oh we have to write an email for becoming our speaker and then we have to this Chorus people are harassing us every time for test checking and then test checking is done it is done fantastic now video is not available, and they say it is technical, now technical is from there side and on my side is very clear. Now all these will be put aside, and it is a waste of money that you are doing sir the Company should handle somebody from the Company from professional front the Company should handle all these things now that it will be very easy for us to communicate with you. Rahul ji I really wish you all the best and I am very happy about the achievements that the Company has achieved under your particular leadership and sir Rs 1,000 crores, 2 years, I am looking at Rs 1,000 crores turnover and equivalent a profit also should cross with better margin to Rs 80 crore minimum. Thank you very much sir. Wish you all the best and Mr Srinivasan a nice inning you should play with this Company now that you have joined as a CEO. Thank you very much MD.

Moderator:

Thank you. I now invite Mr Shashikant Marathe to unmute his audio and video and ask the question or give comments. In the interest of time may I request you to restrict your questions or comments to three minutes please.

Shashikant Marathe:

Sir, I am Marathe from Pune. I express a very good morning to all attending this e - AGM. Sir, it is true that nothing in this world is constant except change. You successfully implemented change management and converted the risk associated with pandemic into opportunities. You imbibed modern tools such as Artificial Intelligence, digitization, c 3D technology and implemented team

spirit in tandem with the team work on the tagline “Stand Together to Grow Together”. This ensured KPC to implement in right time, workable and profitable strategy to tie over pandemic woes with a dent of Rs 58 Million in the topline , KPC reported higher PBT, PAT, EPS and book value year-on-year. You paid highest dividend in the decade. I congratulate all those who made it possible for KPC to be add on with eight accolades this year. Compression segment is our cash cow and it grew in 20-2021. However, the laggard segments, Transmission, rail road must be encouraged to grow faster, as all over the world the lockdown is being eased and the governments are funding industries and poor to produce more to feed corporate, being at the bottom of the pyramid. Hadapsar’s 24% energy requirements are made by solar system. Implement more than 50% energy needs of two other plants. At present there are players who will finance CAPEX for the solar installation and charge annuity through the user through an addition will benefit from reduced power cost. You did nurtured 711 permanent employees capable of working positively in the team spirit, convey my condolences to few employees who lost their life in this pandemic. KPC did implement CSR in its spirit and spent entire CSR funds for bringing up poor and needy. With due respect following points need your attention sir. Reduce quickly the excess spending of Rs. 509 Million on imports. Quickly implement your export strategy to enter in new countries, be cautious with African customers. How many are employed other than permanent, you should also tell, reduce temporary, badlis, contractual and casual workers for fruitful industrial relations. Our R&D has helped KPCL to have cutting edge over peers by establishing in house gear business. enthuse R&D to develop in house manufacturing of critical machines, impellers and rotors for the peers. This year nil rise on an employee remuneration vis-à-vis 20.35% on managerial personnel, though justified, you need to raise workmen’s emoluments as they did contribute immensely to the bottom line. KPCL’s ethical obligation call for it to avoid all together transfer of unclaimed shares as well as dividend to IEPF. Forfeited ESOPs are less by 8,600 over granted. Ensure with strong CG our market capitalization takes, take off and ESOP is implemented fruitfully. Unpaid statutory dues this is over one page reduce them quickly. With a dent in topline year-on-year explain why trade receivables grew over 19-20. We are in a capital goods segment tried to settle the dues and get the full payments prior to installation. Try to settle quickly dues of SMEs, last year also I pointed this out. I am lucky as I interacted with all Kirloskars, starting from its founder. The group apply acknowledgement and full-page gratitude to group founder late Mr. Laxmanrao Kirloskar. Your brand building image in this week is a good effort, however, a word of caution ensures that nothing family disputes are brought on the media as such reports may dent brand building exercise what you are doing. Thank you for an opportunity to express my views for your excellence. Thank you.

Moderator:

Thank you very much. I now invite Mr. Hardik Jain to unmute his audio and video and ask the question or give comments. In the interest of time may I request you to restrict your question or comments to three minutes please.

Hardik Jain:

Thanks for the opportunity can you hear me. So, firstly congratulations for a good performance even during the pandemic year. This is the first time I am attending this AGM, so some of my questions would be to just understand the business properly so if I look into compressor business, so are these compressors are installed only when the new CAPEX is done at a factory level, or we have a big replacement market as well as in the compressor. So, what will be the life of any compressor? Secondly sir do we get the orders whenever let us say negotiate or evaluate any orders so we get the

orders through our efficiency and the quality of the product, or this business works on a L1 kind of business model where everyone bids in the L1 gets the order and typically we negotiate with the customer, or we negotiate with the EPC players who must be setting up the factory. You mentioned that our order book is almost Rs 900 crore plus, what is the typical order to execution cycle, if you can mention and in all our three compressor business like Air Compressor, Refrigeration and Gas Compressor, what kind of growth rates you are envisaging for over, let us say, next two years. Now coming to the high growth segment of Gas Compressor where the big opportunity everyone sees. So reading your annual report I assume that we get revenue from selling the compressor and as well as we also get some revenue through managing the stations. You have mentioned that we have managed 350 stations during the year, so if you can just broadly elaborate the business model, how does this work , I mean how much revenue we get when we sell the compressor and what kind of AMC kind of revenue we get through managing the stations and is the AMC kind of revenues fixed per annum or it has any link with the volume of the gas sold at the station or anything like that and in other than gas stations where our compressor are due will this entire value chain of gas transmission. In our revenue breakup we have given the two breaks so one is obviously the sale of products revenue from sale of products there is revenue from services and revenue from leased income if you can elaborate what is revenue from services and revenue from lease income, is this revenue from services is like AMC revenue which we get from the gas station. In terms of transmission business so I understand that some of this businesses we are running as a backward integration for our Air Compressor business, but where do you see this business going, I mean, what kind of growth we expect in transmission business and at what level of sales this transmission business can start making profit. what is the revenue from RoadRailer business in FY21 revenue in profits and is it included in the transmission business itself where does it recorded and your CAPEX plan for FY22 and 23 and the last question is do you know in all our compressor business you have mentioned in annual report that all the segments itself are billion dollar opportunity, billions of dollar opportunity in global market, but our export revenue is very insignificant so what are steps you are taking through to improve our exports, that is it from my side. Thank you.

Moderator:

Thank you very much. Now as all speakers have finished speaking, I request the Chairman to answer the questions please.

Rahul Kirloskar:

Thank you Tanvi. I will start with Mr. Kotecha. Just like you I would also have preferred physical meetings, but with the pandemic, none of us I think can take a chance so we do not have a choice, but to have these virtual meetings and hopefully next year we will be back to physical meetings also. I take your complaints about Chorus Calls, and we will look into this. You also asked about the logo. Yes we did go through a brand refresh about 4 or 5 days ago and must have seen that on the campaigns, we have got a very positive response because, we did a survey some time ago and the survey said very clearly that, survey of all our stakeholders and the survey said very clearly that we need to do something about our brand and that is what we have done, and it has been extremely well received.

So, I will now answer the questions that Mr Kotecha sent to us earlier, so as start why our earlier MD, Mr Aditya Kowshik left, he retired as he superannuated, that is the answer to that question; you asked about , some suggestions about earnings per share etcetera, so that we will take them and thank

you for your warm welcome to our new incumbents. You also asked a question as why telefax for communications, actually you are right you do not need to use telefax for communications, but there is this one time in the year where nothing works, and you have to be ready for it. So, that is why we need to have a backup and that is why we have it that is it we hardly ever use it, but we do have it. Then you asked about the number of shareholders to IEPF. So, this cumulative number of shares transferred to IEPF is provided in the shareholding pattern filed with BSE and is available for all. Then you asked about conservation of energy, technology absorption and foreign exchange earnings and outgo, for all, the earnings what is the cost and benefit also would like to know what steps are being taken in the year which were not taken earlier. So, total investment was about Rs 11 lakhs and cumulative benefits were about Rs 94 lakhs, environmental benefits were about 735 tons of CO2 emissions.

Then what new steps to reduce cost, so one is to improve on power factor for Kvh billing by MSEDCL, reduction in energy consumption of electric furnaces used for heat treatment, reduction in transformer distribution losses and the budget for all these activities about Rs 24 lakhs. Then the common question across all three, why are your exports not increasing? You know this is a slow process it is not easy and so we are targeting exports to reach 10% of turnover, hopefully, in the next two years and with that the Company should be a net FOREX earner. We have noted your observations regarding SWOT. Top 10 shareholders, the shareholding of directors is provided on page 72 of our annual report, list of the top 10 shareholders requirement has been done away with by MCA and the list of top 6 shareholders is available on page 117 of the annual report, the remaining four are Nihal Gautam Kulkarni, Ambar Gautam Kulkarni, Aditi Atul Kirloskar and IDFC Flexi Cap Fund. Then you are talking about the query regarding how many countries, dealer, why cannot we have our own setup; the current international business is too small for this and it will entail high cost that is the reason why we have the structure that we have today. Then the other question was disputed cases under various laws as stated in the annual report.

So, you ask for the amounts that were paid; so not deposited is Rs 103.98 Million as per the Audit Report, deposited is Rs 3.23 Million and gross is Rs 107.21 Million. So, after that, it was about balance sheet, incremental profit growth etcetera, inventory was receiving. So, I believe you are talking of the Raw Material to Sales Price Ratio and not Inventory and this ratio was 53.6% and this is mainly due to change in product mix and higher projects sales during the year. When you talked about other expenses have come down and what were they? This is basically, power and fuel, bad debts, travelling, legal and professional fees, Encon initiatives and virtual meetings are measures for cost reduction and our expenses are in line with our competitors. Then you talked about employee benefits, try to rationalize it to less than 12%, yes that is our endeavor also.

Balance sheet: What is the intangible assets under development ,that was, the Screw Compressor technology that we were developing; then you talked about investments in relation to capital employed, investment are about 37.88% of capital employed , previous year was 27.8%, return on current investment is more or less the same at the same rate of current year. The non-current investment it depends on the market price of the shares that we have invested in, but I think last year we have had a very good return. When you asked about that Rs. 1 back of share capital, we will definitely get the Board to consider it. Then you asked about Mysore Kirloskar. Mysore Kirloskar is

under liquidation so there is no benefit of any merger. The noncurrent investments that you asked about are of strategic and long-term nature, the loans will be repaid out of current earnings. Then you asked about the increase in debtors. Our sales in the last quarter were Rs 415 crores, it was half the sales of the Company for the full year, while the previous year was Rs 227 crores. So, the increase in receivables is due to higher volume compared to last year. The advances are of many customers there are more than 100 customer advances. I am sorry there was an error it should have said from customers rather than customer. Then miscellaneous receipts, this is exchange gain on foreign currency assets and liabilities which is about Rs 24 million. I cannot make an estimate of what is going to be the operating income during the year. When are we hoping for Rs 1,000 crores? Well I can say, near future. Are we harnessing growth opportunities? Yes, we are. What are our aspirations by the 50th year? I think we are targeting Rs 2,000 plus crores. Going ahead what are the speed break bumps and speed breakers? I think it has been clearly explained in the MDA. Which areas have broad discipline by the management for better performance, efficiency improvement, reducing wastage, etcetera, I think all of them. Impact of COVID-19, I think it has been very clearly established in what we have said in our report. So, thank you for your questions Mr. Kotecha and thank you for your participation.

Now coming to Marathe sir. First of all let me thank you for your good wishes as always and thank you for your observations also. So, as far as your question about Transmission and RoadRailer, I have covered it in my speech. Hadapsar, Going forward energy requirement, going forward we will certainly take into consideration your suggestions to use more alternate energy sources; then reduce your excess spending on imports. I think we answered that question about export going up to 10%; how many are employed other than permanent? I think it is a fruitful mix between managers who are bargainable employees and shop floor employees, trainees, etcetera. R&D, there are a lot of R&D projects in the pipeline which you will be hearing about soon; you talked about employee remuneration the average percentage increase in managerial remuneration is due to appointment of additional members on the Board and value of perquisite on exercise of stock options by the retiring Managing Director. Then you talked about IEPF that is the statutory obligation and there is nothing that we can do about it. However, we are time and again requesting members to contact the Company or its RTA for claiming dividends. We are appealing through newspaper advertisement, publications all over India and we are also sending reminder letters to shareholders three months before transferring the shares to IEPF. It is our ethical obligation, but we also have to abide by government directives in this regard. Forfeited ESOPs, no options were granted during the year 20-2021 as per the KPCL ESOS 2019. Further during the year 45,600 ESOP were exercised and total 37,000 options were lapsed /cancelled /expired due to various reasons like cessation of employment, retirement, etcetera. Unpaid statutory dues list, indeed, Auditor's Report provides an overall position on 31st Mach by furnishing particulars of amount under dispute with various authorities due to reasons specified therein. Out of this amount Rs 3.23 Million are already deposited with authorities under protest. Therefore, all amount mentioned in the list are not due, they are in dispute.

Increase on trade receivables mainly due to higher sales, then you talked about SMEs, we have been updating our records with the information from our suppliers about MSME status, in order to ensure that their dues are paid in time that is within 45 days. With such benefits made available by the Government over 694 as of 31st March, 2021 suppliers have registered themselves with the Company

as MSME compared to 215 plus in the past year. Balance outstanding to SME as on 31st March, 2021 mostly represents purchase within 45 days and are not due as on that date and thank you again for your good wishes.

Then coming to Mr. Hardik Jain, Compressors are installed either new or as replacement, both come, and the life expectancy is between 10 years to 20 years depending on the type, some orders we get on L1, some orders we get because of quality, efficiency whatever maybe the reason. We gave orders from end uses as well as EPC players. Current order book position is over Rs 1,000 crores; Execution cycles differs from one month to 12 month; how much growth can we expect? About 10% to 15% overall because it is different for each product. CNG package is about a crore of rupees per compressor package, station management is about 25 lakhs. One compressor required per station. We get a fixed AMC. As I said in my speech, about 4,000 to 5,000 compressor required as mother stations in the next 5 years, 7 years. Our compressor are also used in upstream, midstream and downstream markets as well as at oil wells and refineries and the annual opportunity is about Rs 100 to Rs 150 crores other than CNG stations. Revenue from service is managing is, out of Rs 186 crores part of the revenue comes from managing gas stations, Rs 28 crores is leasing gas packages. Transmission, what is the current order book? Rs 40 crore, Transmission Division now supports Air Compressor business by providing Gears and Gear Boxes for the air compressor division. RoadRailer we see a very good response current year, the previous year we were affected by the COVID closure. It is a capital-intensive business and we are looking that in the next two years it should become EBITDA positive.

CAPEX plan, I think it is between Rs 30 to Rs 50 crores a year is what we will need. Exports I have talked about. I think with this I have answered all the questions that were there.

So, I will now come to the E-Voting, Scrutinizer and Results. The Company has provided the facility to cast the votes electronically on all resolutions set forth on the notice. Members may note E-Voting on the NSDL platform will continue to be available for the next 30 minutes. Members who have not cast their votes yet electronically and who are participating in this meeting have an opportunity to cast their votes within the next 30 minutes. Members can click on vote tab on the video conference screen to avail this feature. The Board of Directors have appointed Mr. Sridhar Mudaliar, Practicing Company Secretary as the Scrutinizer to supervise the E-Voting process. The results of E-Voting will be announced within 48 from the closure of this Annual General Meeting and the same shall be placed on the website of the Company BSE and NSDL.

Thank you for attending this meeting. I hereby declare the proceedings of Kirloskar Pneumatic Company Limited's 46th Annual General Meeting closed. On behalf of the Board of Directors, I thank each one of you. We will see you at the next AGM, hopefully physically, till then stay safe and see you next year. May I now request the Moderator to make further announcement regarding E-Voting.

Moderator:

Thank you sir. The icon for E-Voting is available on the screen, which will redirect you on a separate window to the E-Voting portal of NSDL. The E-Voting facility will be active for 30 minutes from now. Thank you.

The time for e-voting has elapsed and they are of the view that all Members who have participated in the Annual General Meeting have been given adequate time and opportunity to vote at the AGM and this concludes the proceedings of AGM.

Thank you all for participating in the AGM and E-voting.