

Good morning and a very warm welcome to the 47th Annual General Meeting of Kirloskar Pneumatic Company Limited. It is indeed a pleasure to connect with all of you, even though we meet virtually. On behalf of the KPCL Board of Directors, I want to thank you for joining us today.

I must mention that FY 22 saw our brand 'Kirloskar' being refreshed with a new logo and a new business vision. Our legacy inspires us to innovate solutions that challenge conventions and helps to create an inclusive future for customers, partners, employees, investors and communities. The 'Limitless' vision of the Company is laying a foundation for aggressive growth plans. We are limitless in terms of our aspirations, capacity and capabilities, access to national and international markets and the value that we can generate for our stakeholders and the society.

At KPCL, we believe that 'handling pressure is our business.'

Having said that, FY 22, which began with the second COVID wave and ended with rising geopolitical tensions in Europe, tested our resilience and yet we collectively withstood the challenges, enhanced our performance on all fronts and embraced opportunities for a future full of possibilities. We worked on stretched / aspirational target(s), took up aggressive growth projects, worked upon new product developments and after years of effort, started booking 'Project Orders' for export. Yes, in all of this we have been changing and working to explore national and international markets thereby showing our brand recall.

Our overall performance during FY 22 reflected our resilience and the power of our vision. Notwithstanding high commodity prices, consequent rise in input costs and supply chain constraints, the Company achieved volume growth in its products, especially Air Compressors and CNG Compressors. This was achieved by managing strategic improvements in the product mix as well as revision in pricing.

We will continue to build further capabilities and capacities for future growth. FY 22 also saw a major boost in our R&D initiatives. Our newly developed screw compressors for oxygen generation have been very well received in the market. There are more innovative products in the pipeline. We will continue to file patents to safeguard our intellectual property and we believe filing of IP applications is a major step towards building internal capability to build our future.

We rely on various natural resources for the continuity of our operations and we as a responsible Corporate, utilize these resources judiciously in line with our sustainability strategy. Climate change today has a visible impact on the ecological system. At KPCL, we are not only reducing our environmental footprints through improving our operations and product portfolio but also maintaining green offices and facilities and as you all are aware that we are having the largest green wall in Asia.

Let me now talk about the segment wise performance of your company during FY 22:

Compression products:

Your Company is essentially in the business of Compressors and Compression Systems for Air, Refrigeration and Gas. The Compression segment registered a robust growth over the previous year by earning revenue of Rs. 960 Crores which contributed approximately 94% of our total revenue.

During FY 22, despite COVID impact on operations, your Company continued to deliver Compressors and Compression Systems for all critical areas - Oxygen Plants, CNG stations, Petro chemical plants, Pharma companies and cold storage, etc.

Air Compressor business:

Your Company has been the leading player in the Recip. Compressor segment. Further, though a relatively new entrant in the Screw Compressor business, your Company has a sustainable competitive advantage in this as it owns the entire value chain: i.e. ability to design, manufacture, sell and service these machines in India. The investment in High Speed Gear Box manufacture gives your Company the advantage to deliver superior and cost effective Centrifugal Compressors. During FY 22, over 1,400 such compressors and compression systems were produced and sold to different industries right from Defense, Oxygen Plants to Food and Beverages.

During the second wave of COVID-19, a critical shortage of oxygen for treating patients with respiratory diseases had posed a major challenge. In an accelerated effort to expand access to oxygen care, I am pleased to inform you that your Company produced and supplied over 600 screw compressors for crucial oxygen generation plants in India.

This business will continue to grow in line with growth in the economy.

Refrigeration business:

Your Company is an established player in this industry in India since the said business is strongly driven by Proven Track Record. During FY 22, your Company has actively started bidding for projects in the Middle East, particularly in Oil and Gas space. Your Company has backed some orders and is in the race for many more. Further, your Company is also a leading player in the Reciprocating Compressors for Cold Storage, Ice Plants, Dairies, etc. and is looking forward to expand further into Food processing and Pharma Sectors with our new Khione range of Screw Compressors. A unique feature of our Recip. Compressor is that it is air cooled as well as it runs with ammonia as the refrigerant which makes it the most environment friendly compressor in the market.

With increased activity in oil and gas sector as well as downstream, petrochemical sector, food processing, pharma and dairy industries your company expects to grow significantly in this space.

Process Gas business:

Your Company has been historically offering Compressor and Compressor Packages for Oil and Gas sector - Upstream, Midstream and Downstream as well as for the distribution - i.e. CNG stations.

Our CNG business continued to drive growth during the year, as we capitalized on rising demand by increasing our capacity to cater to the market. During FY22, your Company delivered record number of CNG compressor packages across India. The CNG business is well poised to grow significantly going forward. In fact, almost 50% of the CNG stations in India are powered by Kirloskar.

In order to enhance our offerings, your Company has developed and is launching the Hydraulic Booster Compressor that will address the off-network CNG stations.

In addition to that, your Company has also started offering standardized Compression packages for Bio-gas as well as Methanol.

Other businesses:

During FY 22, your Company stabilized the RoadRailer operations. This is the only Inter-Modal, Road-Rail logistic operation that runs seamlessly from factory to warehouse between Chennai and Delhi. The Railways have permitted Container operators to attach RoadRailer to their trains and this will open up newer routes for this business going forward. However, there are continuing challenges and Company is dealing with them.

I will now come to the financial performance of the previous year:

I am glad to inform you that during FY 22, your Company has achieved revenue of Rs. 1,033 Crores, a growth of 24% year-on-year. This was largely driven by volume growth in Air Compressors and CNG Compressors. Therefore, product mix was the big driver. For the first time, we have received over Rs. 100 Crores of export orders.

Our Profit before tax grew from Rs. 84 Crores to Rs. 114 Crores, representing a growth of 36%. EBDITA, on the other hand, increased by 23% over the previous year. Despite rise in operating cost, we were able to retain our EBDITA margin to over 14% by simplifying our operations, optimizing costs across the Board and taking appropriate strategies to lower our cost of capital. As a result of this, your Company earned a net profit of Rs. 85 Crores as opposed to Rs. 64 Crores in the previous year representing increase of over 33%.

These measures enabled us to maintain healthy cash flows throughout the year. Going forward, significant capital expenditure is being committed to meet the growing market demand for our products and to fast-track our growth aspirations. For the past 5 years, the Company has invested significant amounts of money to shift our focus from Recip. Compressors to Rotary Compressors. This investment cycle will continue for the foreseeable future.

During FY 22, the Company converted about 5.58 Lakh Sq. mtrs. Government Grant Land at Nashik to Freehold Land at a cost approximately Rs. 58 Crores to meet its future growth requirements.

The Audited Financial Statements for the financial year ended 31st March, 2022 together with the Report of the Auditors' and the Board of Directors thereon is being placed for your consideration and adoption at Item No. 1 of the Notice.

DIVIDEND:

During FY 22, the Board had declared an interim dividend of Rs. 1.60/- i.e., 80% per Equity Share of Rs. 2/- each.

Further, the Board has recommended a final dividend of Rs. 2.40/- i.e., 120% per Equity Share of Rs. 2/- each and will be paid to the eligible members subject to your approval, which is being placed at Item No. 2 of the Notice.

DIRECTORS:

Mr Atul C 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 Atul C Kirloskar is placed before you by way of an Ordinary Resolution at Item No. 3 of the Notice. Please note that Mr Atul C Kirloskar, being my brother, we both are interested in this resolution.

Mr D R Swar, who was serving on the Board since 25th April, 2009 expressed his desire not to offer himself for re-appointment in the AGM, owing to his personal priorities. The Board and the Company place on record their sincere appreciation for his innovative ideas, valuable guidance, support and advice extended by him during his tenure. The resolution relating to non-filling up of vacancy caused by the retirement of Mr D R Swar is placed before you by way of an Ordinary Resolution at Item No. 4 of the Notice.

AUDITORS:

M/s Sudhir Govind Jog has been appointed as Cost Auditor of the Company. However, their remuneration needs ratification by the Company and the same is being considered by way of an Ordinary Resolution at Item No. 5 of the Notice.

OFFICE OR PLACE OF PROFIT:

As you are aware, an appointment of the related party to the office or place of profit in the Company on a monthly remuneration exceeding Rs. 2.5 Lakhs requires prior approval of the Members by way of an Ordinary Resolution.

Hence, continuation of Mr Aman Kirloskar as General Manager (Operations) to hold the office or place of profit on a remuneration payable up to a maximum limit of Rs. 60 Lakhs per annum, with effect from 1st April, 2022, is being considered by way of an Ordinary Resolution at Item No. 6 of the Notice. Please note that I am interested in the said resolution.

REMUNERATION :

Regulation 17(6)(e)(i) of the SEBI LODR Regulations prescribes approval of shareholders by way of a special resolution in general meeting in case the fees or compensation payable to Executive Director being promoter or member of the promoter group exceeds Rs. 5 Crores or 2.5% of the net profits of the Company, whichever is higher. Since, my remuneration may exceed Rs. 5 Crores, your approval by way of special resolution is sought at Item No. 7 of the Notice. Please note that Mr Atul C Kirloskar, my brother and me are interested in the said resolution.

GENERAL ANNOUNCEMENTS:

- KYC registration:

As per SEBI Circular dated 3rd November, 2021 read with clarification dated 14th December 2021, it mandates all the listed companies to record PAN, Nomination, KYC details of all the Shareholders and Bank Account details of the first holder. Further, the KYC letters along with requisite forms thereto were dispatched to all such shareholders holding shares in physical form by speed post on 25th January, 2022.

Folios wherein any ONE of the said details are not available on or after 1st April, 2023, shall be frozen. In view of the aforesaid, we request you to submit the requisite Investor Service Request forms along with required supporting documents as stated therein at the earliest.

- Issue of shares in dematerialized form only:

In view of the circulars, notifications, amendments issued by various regulatory authorities, the listed companies are statutorily required to henceforth issue the securities in dematerialized form only by way of Letter of Confirmation in cases of Duplicate, Renewal / Exchange, Endorsement, Sub - division / Splitting, Consolidation of folios, Transmission, Transposition, Change of name, Name Deletion, etc.

In view of the aforesaid, we request those who are still holding shares in physical form to dematerialize their shares at the earliest.

Before I come to acknowledgements, I just want to announce that the sales for the first quarter of this year were Rs. 272 Crores which is a 60% growth. PBT was at Rs. 21.7 Crores as opposed to Rs. 9.8 Crores which is 120% growth. PAT was Rs. 16.2 Crores as opposed to Rs. 7.1 Crores. So these were the results for the first quarter.

Acknowledgements: On behalf of the Board, I wish to place on record our gratitude to our bankers for their encouragement and support and 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 in the performance of the Company.

We look forward to your continued support in helping us reach many more milestones in a limitless future together.