

KIRLOSKAR PNEUMATIC COMPANY LTD

A Kirloskar Group Company

“Kirloskar Pneumatic Company Limited’s 45th Annual General Meeting Conference Call”

August 21, 2020

KIRLOSKAR PNEUMATIC COMPANY LTD

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BOARD OF DIRECTORS PRESENT:

MR. RAHUL C. KIRLOSKAR – EXECUTIVE CHAIRMAN

MR. ADITYA KOWSHIK - MANAGING DIRECTOR

**MR. SUNIL SHAH SINGH – INDEPENDENT, NON-EXECUTIVE
DIRECTOR & CHAIRMAN, AUDIT COMMITTEE**

**DR. AJAY KUMAR DUA – INDEPENDENT, NON-EXECUTIVE DIRECTOR
& CHAIRMAN, NOMINATION AND REMUNERATION COMMITTEE**

**MR. K. VENKATARAMANAN - INDEPENDENT, NON-EXECUTIVE
DIRECTOR & CHAIRMAN, RISK MANAGEMENT COMMITTEE**

**MR. G. K. RAO – INDEPENDENT, NON-EXECUTIVE DIRECTOR &
CHAIRMAN, STAKEHOLDERS RELATIONSHIP COMMITTEE**

MR. ATUL C. KIRLOSKAR – NON-EXECUTIVE DIRECTOR

MR. D R. SWAR – NON-EXECUTIVE DIRECTOR

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

MR. K SRINIVASAN – INDEPENDENT, NON-EXECUTIVE DIRECTOR

OTHER ATTENDEES:

**MR. SUHAS KOLHATKAR -- VICE PRESIDENT & CHIEF FINANCIAL
OFFICER**

MR. JITENDRA R. SHAH -- COMPANY SECRETARY

**MR. SANJAY ATHAVALE – PARTNER, M/S. P.G. BHAGWAT,
STATUTORY AUDITORS**

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

Moderator:

Dear Shareholders, Good Morning and Warm Welcome to you all to the 45th 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 the mute mode and audio and video will be open when they will speak at the AGM as per the pre-registration. Please note that as per the requirements, the proceedings of the Annual General Meeting will be recorded and available on the website of the company.

I now hand over the proceedings to Mr. Rahul C. Kirloskar -- Executive Chairman of Kirloskar Pneumatic Company Limited. Over to you, sir.

Rahul C. Kirloskar:

Thank you, moderator. Good Morning, Ladies and Gentlemen. On behalf of the Board of Directors, I welcome you all to the 45th Annual General Meeting of the Members of the Company. As requisite quorum is present, I declare that the meeting is held in order. Every year, I have had the pleasure and privilege of meeting you in person at our AGM(s). But due to the COVID-19 pandemic, the present AGM is being held through the video conferencing facility in compliance with the circulars issued by the Ministry of Corporate Affairs and the Securities and Exchange Board of India from time-to-time. I trust all of you and your family members are safe and following social distancing guidelines.

I will now introduce all the Members of our Board. I will start with Aditya Kowshik who is the Managing Director; 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 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 and Mr. K Srinivasan – Independent, Non-Executive Director. Unfortunately, Mr. Vikram Kirloskar, Non-Executive Director is unable to attend this Shareholder meeting due to his preoccupation.

I also wish to inform you about the presence of the following:

Mr. Suhas Kolhatkar, who is our Vice President and Chief Financial Officer; Mr. Jitendra R. Shah – Company Secretary; Mr. Sanjay Athavale – Partner of M/s. P.G. Bhagwat who are our Statutory Auditors, and Mr. Sridhar Mudaliar – Partner of M/s. SVD & Associates who are our Secretarial Auditors.

Just like to make a few announcements. Pursuant to provisions of the Companies Act, 2013, rules thereof and the SEBI regulations, following registers, 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 and d) Auditor Certificate on

Employee Stock Options Scheme pursuant to the SEBI share based Employee Benefits Regulations, 2014 and Circulars issued there under.

In compliance with the MCA Circulars and SEBI Circulars issued from time-to-time, the Notice of the AGM and Annual Report for the financial year 2019-20 have been circulated by e-mail to all members of the company. The Notice of AGM and Annual Report for the financial year 2019-20 have been uploaded at the website of the company, i.e., www.kirloskarpneumatic.com and of BSE Limited www.bseindia.com With your consent, the Notice of 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 Secretarial Audit Report need not be read at the AGM since, the same do not contain any qualifications and the observations are self-explanatory.

I will now come to my speech for the AGM. I welcome you all again to the 45th Annual General Meeting of Kirloskar Pneumatic Company Limited. It is a pleasure to connect with all of you again, although this time for the first time in our lives we meet virtually.

On behalf of the KPCL Board of Directors, I want to thank you for taking the time out to join us today. Your support and confidence in us, even in uncertain times like these, drive us to look for ways to do more and create greater value.

During the fiscal year '20, I am glad to inform you that your Company has achieved revenue from operations of Rs.821 crores and a total income of Rs.839 crores, despite the disruption and business activities in the later part of March, 2020 due to the COVID-19 pandemic. On a like-to-like basis, revenue from operations of your Company have increased by Rs.111 crores and the total income has increased by Rs.115 crores which translates to a growth of over 15%. This is due to the increased business in the Oil & Gas sector. Your Company has achieved revenue from Compression segment of Rs.768 crores for the fiscal year '20 as compared to last year Rs.661 crores, registering a growth of 16%. Revenue from the Transmission division remain stagnant around Rs.47 crores for the fiscal year '20. RoadRailer service attracted a new stream of traffic to the Indian Railways comprising of auto components, FMCG goods and electronic items. Various industries have shown interest in availing RoadRailer services. Response from customers is encouraging. During fiscal year '20, your Company started earning revenue from this service.

Our EBITDA was Rs.105.7 crores for fiscal year '20 as compared to Rs.102.2 crores in the previous year. The operating profits reduced due to product mix as well as higher depreciation as compared to the previous year, as a result, the Company earned a net profit of Rs.53.5 crores during fiscal year '20. As on 31st March, 2020, your Company's return on net worth was 10.8% as compared to 11.2% in the previous financial year. Reduction and return is mainly attributable to net profits being impacted by higher depreciation.

I am happy to inform you that the Compounded Annual Growth Rate over the past five years for sales has been close to 14% while EBITDA has grown by 11%.

To consider and adopt the Audited Financial Statement of the Company for the fiscal year 20 together with the report of the Auditors' and Board of Directors thereon is being placed at item #1 of the AGM notice.

During the year, the Board had already declared an interim dividend of Re.1, that is 50% per equity share of Rs.2/- and a second interim dividend of Rs.1.70 per equity share of Rs.2/- which were duly paid in February, 2020 and March, 2020 respectively. I do hope you have received this dividend. The directors therefore do not recommend any further dividend treating the above interim dividends paid aggregating to Rs.2.70 as final dividend for the fiscal year 2020.

To confirm the payment of interim dividends as the final dividend for fiscal year 20 is being considered as item #2 of the AGM notice.

I would like to thank all the Shareholders for appointing Mr. K Srinivasan as an Independent Director of the company w.e.f. 25th June, 2020 for a term of five consecutive years up to June 24, 2025 via Ordinary Resolution passed by way of Postal Ballot.

I would also like to thank all the Shareholders for reappointing Mr. K. Venkataramanan as an Independent Director of the Company for a second term of two years w.e.f. July 27, 2020.

And Mrs. Nalini Venkatesh as an Independent Director of the company for a second term of five years w.e.f. July 25, 2020.

These resolutions were passed by way of Postal Ballot.

I am liable to retire by rotation at this Annual General Meeting and being eligible offer myself for reappointment as a Director. My reappointment is placed before you at item #3 of the Notice. As this is related to my appointment, I am interested in this resolution.

Mr. Sudhir Govind Jog had been appointed as Cost Auditors of the Company. However, their remuneration needs ratification by the Company and the same is being considered at item #4 of the Notice.

Now, I would like to come to the future. COVID-19 being an unprecedented health crisis, our main priority is employee safety, and safeguarding business interests of our customers. We are monitoring and assessing the situation continuously since March, 2020. In response to the declaration of nationwide lockdown to contain the spread of the COVID-19 pandemic, the Company suspended operations at all its offices at various locations and plants w.e.f. March 23, 2020. To facilitate continued business, the Company resorted to work from home for its employees, wherever possible. The operations of the Company at Saswad plant are being ramped up gradually and will reach to usual working levels in the coming month. Company's

plant at Hadapsar has now started operating with limited working strength in accordance with permission granted by the appropriate authorities. Post partial commencement of operations in the company's plants as stated above, there has been an improvement in the performance month-on-month. The Company has put in place several measures for monitoring the health of employees and safeguarding them from the COVID-19 pandemic while they come to work at our Saswad and Hadapsar plants.

The Company has made quite a few investments in the last year. These include state-of-the-art screw rotor cutting and grinding machines, five axis machine and a 2.5 meter gear grinding machine. This will enable us to produce world-class air screw compressors with a performance which is at par if not better than our competitors. We will also be able to machine our own impellers for our centrifugal compressors. We can now produce gears required for gearboxes of 50 MW and above. We have also invested in a large gas compression package which has been leased out on a two-year contract. For the coming year, we have decided to defer all non-essential investments.

Performance for the First Quarter: The total income for the quarter ended June 30, 2020 was Rs.282 crores as compared to Rs.181 crores in the corresponding quarter of the previous year. The operations resulted into a loss of Rs.5.7 crores for the quarter-ended June 30 as compared to a profit of Rs.3.5 crores in the corresponding quarter of the previous year. As mentioned earlier, the Company's operations and financial results for the quarter have been impacted by the lockdown. Therefore, the above figures are not comparable with those of the corresponding quarter.

Collections from receivables have been satisfactory till date which has enabled the company to pay all its suppliers as well as other liabilities. The Company has therefore satisfactory liquidity position for its operations and to meet its financial commitments.

CRISIL has recently reaffirmed the credit rating for the company's bank facilities as well as other instruments. Subject to operations at Hadapsar returning to normal in the next two or three weeks, I am quite optimistic that we will be in a position to equal our performance of the previous year. However, the improvement in the sales performance *inter alia* also depends on the operating status of our suppliers and customers which are also being impacted due to the lockdown.

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. With your cooperation and support, I am sure we will continue to achieve better results in the years to follow. If you have any questions on the Report and Accounts, I shall be happy to answer them. I wish you strength and good health in the months to come and please do stay safe.

Now, I would like to hand over to the moderator for the question-and-answer session.

Moderator: Thank you, Chairman. We will now begin the question-and-answer session. The first question from the line of Mr. Shashikant Marathe. Kindly unmute your audio and video to give your comments and ask your question. Kindly restrict your question to three minutes.

Shashikant Marathe: Chairman sir, very good noon to all of you and those who have joined this virtual meeting from their residences. I am thankful to our CS. But for his help, I would not have been in a position to address the meeting. It is true that in the world nothing is constant except change. This virtual meeting is a welcome change and saves our time as well as company's time, energy to attend, transport, etc., I would have loved to visit your factory which is a home to 5,000 birds and is a Limca Record for 16,000-plus sq. ft. 'Green Wall', a world record, you being the fifth, very good. The need for change is to improve significantly. Our company in the year under report has not been benefited from the change as the top line was highest in the decade. There were orders for RoadRailers and CNG gas compressors, still the PBT, PAT, EPS are down year-on-year. The sustainability was lost. Lockdown was only in March and hence, there ought to have been improvement. Therefore, I suggest rethink why you lost this opportunity. Company paid the dividend. It was good. But basically, it was a wrong practice. Because, whatever company lost is lost and all others have gained. I recall what late Mahatma Gandhi ji said, "All the management people must act as a trustee." And if you had acted as a trustee, you would not have declared the dividend. We have been happy to get the dividend tax-free, but in the larger interest, it ought not to have been done. Anyway, what has been done is good because most of the people including the promoters and we as shareholders are happy as we are to save the tax and we got the money intact. You have in management discussions and analysis not disclosed the reason for your investment in one new Kirloskar group. You ought to have been mentioned this. The Company definitely need to do some efforts to locate the shareholders who's dividend is unpaid as last interim dividend is unpaid. It is a hard earned money for them. Try to do something. Central Ministries are appealing for clearances of the dues of small and medium scale industries. You in your speech have stated that you have cleared all your dues, but it appears that in the year 2019-20, there were more dues. We must in our own interests make all our suppliers, distributors compliant with our Business Responsibility Report because if you make them compliant, our business acumen will increase and our market share is bound to go up. Our scrip fell on the bourses from 209 to 80 in the year gone. Market knows our pulse. So, let the market know our inherent strengths. Our ability to do all the products at a competitive rate of good quality have some thrust on the publicity so that our quotation will get more good. Relook at our investments and exit from Punjab National Bank. Now mutual funds are taxable. Why not have rethinking on our investment policy and have some tax-free bonds or even mutual funds which will give us monthly, quarterly or half yearly interest. Though it will not be liked by the Board of Directors, we must deploy an outside agency to assess competencies of the Board. You have stated thereto internally asses.- We earn hardly 199 Million and spend 1595 Million - aim at innovative ways to find local vendors for major part of our imports. Have a thrust in Africa, increase the exports. The Railways though passenger trains are not running, the goods trains are running and it will give a boost to our new product. I am sorry if I hurt your feelings on the dividend distribution. The company has lost the dividend distribution tax. It is your now

ethical responsibility to ensure how you can recoup that loss to the company. Thank you very much for giving me an opportunity. Thank you, sir.

Moderator: Thank you. I now invite Mr. Priyank Kothari to unmute your audio and video to ask question or give your comments. Kindly restrict your question and comments to three minutes.

Priyank Kothari: Good morning, Mr. Kirloskar and to the other people on the dais. I am a new shareholder to this company. Last one and a half years, I have been a part of this Company now. But I have been reading this Company for quite a long time. If I just put my questions? I just have some broad observations. First of all, I hope each and every employee in the top management, the employees and their families are safe. And I think the company is really taking good care of all the employees. So, I wish everybody a good future and a healthy life. And a very important thing which I observed in this Annual Report was the title itself, "Change is Constant" which is one of the most inevitable thing in human life. And still most of the people ignore it. I guess the Company even spoke about this thing. It gave me an observation that they are thinking of new thoughts, new ideas, new challenges, and new ways of looking things. And if this is a thought that I think the Company is clearly giving a good message to the shareholders. I also seen this change actually happening in our company's last three, four years Annual Reports. And so is the reason I was more and more intuitive to understand about this company in detail. I also want to thank the Management for giving the ESOPs to the Management, Employees and giving them more and more commitment towards our Company. I also have seen another remarkable thing was that the Company has increased the remuneration of the employees by 18%. However, there was a mere increase in the managerial remuneration. Normally, we see the managerial remunerations are more higher at times than the employees. So it is a very good thing that I could see in this company. So, now come down to my questions, I have already mailed the questions and will read the same for other Members. I will put down my questions in two forms, that is one is business related, ask a question first in the Oil and Gas business. Can you in layman language, explain what does this addition of 136GA's is in the ninth and tenth round of bidding of gas distribution network mean for our Company? If I have to understand that we serve CNG compressors, then what kind of opportunity does it opens for us in terms of number of compressors and the value? And when we say we are a leader in this segment, can you explain me what is our market share in the same and who are the other competitors in this business and their market share relatively? And when we say we are confident of retaining our position, what is the reason that gives the management confidence that we will remain the leader in this segment. Question #2 is that with electrical vehicles already getting closer than expected, how long do you see that investment in CNG vehicles will make sense? And generally, I have observed from other companies that Mahanagar Gas and other businesses that there is more revenue in the CNG side than the PNG, and I understand the Government is having a push towards PNG. So in this case, how big would you view this opportunity for us if I assume that as mentioned the CNG investment is happening? And overall, what will be the total volume for PNG and CNG for us as a Company? As you mentioned, the country is laying longest pipeline for LPG and rollout of city gas is almost 300 districts by 2030 with an investment of Rs. 1.2 lakh crores. If you can tell me as a layman that how much opportunity is this for us in terms of value, in terms of number of the units that we

can sell without focusing on our market share as of now? And what is our thought on how much can we target to take this opportunity coming towards us? In the lockdown period, we saw that there is a steady flow of orders in CNG segment to our Company. Could you give me a sense how much worth of orders were given by the Government in this period and how much have we been able to garner? I read this term rate contracts that are finalized with the various gas distribution companies and there were steady orders again in these rate contracts. Can you explain me what are these rate contracts? And how are they finalized? How do we receive these orders? As a layman, I could not understand this terminology and wanted to know the process of winning such orders. You mentioned about receiving few significant orders during the lockdown in the refinery segment. Could you also throw some light on this order, the size of the same and the nature of the same, and the timeline of execution of these orders? And how critical are these orders to the end Company? And I come to the cold chain business. So, KPCL has a dominant market share in the cold chain refrigeration compressor business as mentioned in the Annual Report. Can you quantify how much is our market share in this space? And the cold chain business has been need of the hour since many years. However, we have not seen any significant thing happening in this business in the country itself. I have been hearing this thing since last 15years. So, I just wanted to know how confident are you that now we see that really cold chain business will really pick up in India? If you can also explain that what is open type ammonia refrigeration compressors? What other types are available in the market? And why is this a better option in the other options that are available? And what is the USP for the customer to buy this open type ammonia refrigeration? I come to the industrial business part now. You have started export to Southeast Asia, Middle East, North and South Africa. So, what kind of additional business do we expect from this market going forward? And what are the size of opportunity in this market for our products? Do we need to provide after sales for these products in this market? And if yes, then what is our setup already for this aftersales of business over there? Can you give me some more idea about the centrifugal compressor and the water well compressors? What is the unique part in this business? And what we believe that this technological innovation can take us to the next level of growth? If you can explain me what are these unique things this business would give us our edge? I come to the ground support business now. And what kind of work has the company already done in this area of defense sector? What are the expectations from the Atmanirbhar program which the Government has given out? And what we clearly classify as the advantage point for us in this business? I think you mentioned the orders from Ordnance and HAL. In coming years, what is the future expectation in this business in terms of orders? We have been aggressively working on getting this approved vendor status in many countries. I congratulate that we have been selected as one in Middle East. However, if you can explain to me what does the approved vendor status mean to us as a Company, I mean, how does it impact us when we look at other business? And is it a one-time thing or every year do we need to get the status from the customer? My another question is in the R&D side. We have also been working in few recognized research organizations in Europe to develop cutting edge technology and compression system. Could you throw some light about the nature of R&D and what would be the position once we launched such products from this R&D? Now, I come to the transmission business, the railways business. We have developed an entire range of gear pinions requirement of Indian Railways. Can you tell us who are the other players in this segment for

this product competing with us? Second, what is our differentiation from theirs? And third, what is the size of this opportunity? And what is the importance of these products? And what also makes it important for the customer to not change the vendors in the coming years for this product? On the industrial gearbox, I have one question that is, we have done some complex work in gearbox orders for various industry. Can you tell me in which year and what kind of critical work has been done? And what is the size of that project we have done in the gearbox business? In the locomotive and wind turbine, we seem to be well placed as per communication in the Annual Report. Can you give us some sense what kind of opportunities is being opening up for us in this area and how much are we ready to cater in terms of capacity and manpower? Now, I have some five questions on the financial side. I saw a huge addition in the gross block in the last two years in our balance sheet. So, in what areas have you invested this capital in terms of the business division if you can explain me? In 2016-17, PAT was similar to year '19-20. However, the revenue was quite low in '16-17 compared to the current year. Now, could you give the reason for high margin in that year and why we have a low margin in the current years? I also observed that the annual numbers of our company I can clearly say that from year 2015-16, something has started changing in this company and if my observation is right, I would like to know if the management can give some sense of the recent history and throw some light on what are the efforts and the strategy that the Company took in the Boardroom? And what was the thought process at that point of time, which has given this change in last four, five years in our company's revenues? If you can also give some sense about the margin profile of different divisions, that is from oil and gas, cold chain, industrial, ground support business and in the transmission, railways and industrial gearbox. We have also seen a marginal increase in debt in our balance sheet. Do we see a further increase going forward or again the company would be achieving the debt free status? That is it from my side. Thanks a lot for patient hearing all my questions.

Moderator: Thank you. And I now invite Mr. Samar Srivastava to unmute your audio and video to ask your question or give your comments. Kindly restrict your question and comments to three minutes.

Samar Srivastava: Hi, thank you for taking my question. I am sorry, my video is not working. Most of my questions have already been asked by the previous shareholder. So, I will just restrict my questions to the CNG business. And essentially, what I want to understand is I am trying to understand whether since this is a B2B business, do customers bargain a lot harder for bulk orders and as a result of which the payment cycle could be longer and margins could be under pressure, if you could just explain the economics of this business? And on an annualized basis, what sort of revenue opportunity do you see coming from the equipment that you supply for pumps as well as from annual maintenance contracts which I would imagine would continue for many years even after you have installed the equipment. So essentially, I am looking to understand the economics of this space. Thank you very much.

Moderator: Thank you. Now, as all speakers have finished speaking, I request the Chairman to answer the questions.

Rahul C. Kirloskar:

Thank you. First of all, I will answer Mr. Marathe's questions. He had asked me about the change and the top line was the highest, but the profitability had gone down. That was the first question. The increase was mainly in project sales and CNG sales, and this has impacted our margins. So, that was the reason why the margins went out. The next question was about dividend. We had paid an interim dividend in the month of January, the first interim. The second interim was paid in the month of March. I am actually glad we paid the second interim in the month of March because if we had not paid at that point of time, we may not have paid in June. We had our annual results. Because of the impact of the pandemic and the need to conserve cash would have given us a completely different thought process. So actually, we take your point, but actually I think it was a good decision to pay both the interim dividends. Next question that you asked was about the shareholders unclaimed dividend. We make best efforts. However, there is a limit to what we can do and we cannot chase every shareholder, but we are trying our best. The next question was for quick clearance of dues to SMEs. One thing I can assure you is we pay our SMEs on time. Whatever money is shown as due to SMEs on the balance sheet, is the money that was not due. If something was delivered to us on the 10th of March, on the 31st of March, it shows on the balance sheet as a creditor, but we are not due to pay until the 25th of April, just to give you an example. The group has started a company called Kirloskar Management Services Private Limited. This is to ensure that our common services we get better rates so that you will see a cost reduction across all the companies of the group in the future. 30% of our suppliers and distributors participate in BRR initiatives. Yes, I do know our share fell by a lot, but there is nothing that I can do about it. We do regularly evaluate our investments and shuffle them in order to improve yields. With the changes in tax structure or dividend, we have shifted our mutual fund investments to growth plans as well as bank FDs. We shall also give due consideration of course to your suggestions on other investments. We do evaluate the Board as per the provisions of the Companies Act including the rules thereon and the Board has carried out the performance evaluation of its own performance as well as that of its committees and individual directors. Imports are high and exports are low. And as you know, we have been working to try and fix that and I think you will start seeing a change from this year. Last year's import also included about Rs.30 crores for purchase of new machinery. The inventory levels went a little bit out of control because of the lockdown. We had a lot of sales which were planned in the last 15 days of March, but unfortunately, they could not happen and some of them are still stuck because of the restrictions on our factories.

Mr. Priyank Kothari, first of all, I would thank you for your compliments. I will try to answer in layman terms also. So, your first question was relating to 136 GA's. Basically, this works out to about 7,000 to 8,000 CNG stations in the next 10-years. Our market share varies between 45% to 55% year-to-year. Atlas Copco and some other foreign companies are our competitors. And basically what gives us our edge is that we have our own compressor which we have developed. So that is what gives us the edge. We believe that CNG is definitely going to be here for the next 10-years. I cannot give you a longer timeframe than that because I do not know how long it is going to last and whether things are going to turn electric or whether cars are going to be on hydrogen. Pipelines carry natural gas at a certain pressure. We increase pressure for CNG. And for PNG pressure is reduced. CNG is viable. Actually, it is PNG which

is sold at lower than cost price. CNG is sold at a higher than cost price. On CNG, gas distribution companies make money. On PNG, they lose money. There is no LPG pipeline, I think you are talking about a natural gas pipeline, but there is no LPG pipeline that is being laid. Market share, I have talked about. Rate contracts are basically tenders which are over a period of time and they contain a number for the number of compressors and it is for a time period. So that is how rate contracts work. So, it may be for a year and they might say 12 compressors or 20 compressors and they will say okay, deliver so many this month and so on. The orders that we received in the first quarter were basically for some refineries as well as for CNG stations. That was the major type of orders that we got. On the cold chain business, we have about 75% or 80% market share in the open type ammonia compressors. And we do expect growth in the coming years. In layman terms, what is open compressor? You know for air conditioning and refrigeration there are two types of compressors; one is hermetic which is called as sealed compressor and the other one is open. So this is an open. And basically, what it does is there is a lower lifecycle cost for the range up to 600 TR on water chilling duty. Industrial business? Very difficult to answer that. This question about Southeast Asia, Middle East and Africa as you know, it depends on projects. It is a large market. We do provide after-sales service. We have some people posted in Dubai. What we have to do is to make sure that we are approved and I think you did ask this question also that once you are approved as a supplier normally it is there for a long time. Unless you make a big mistake, you do not have to keep on reapplying, you just are approved for quoting for that project. So, you continue quoting for projects as and when they do come up. We have invested a lot of money in developing our own range of centrifugal and rotary compressors. So, the centrifugals have started taking significant market share in the Indian market because they are more power efficient than the competition. The rotary screw compressors are next in line and that is where we have invested and our goal is to have the most power efficient compressors on the market. So that is where we aim to be. Defense business? Your guess is as good as mine, we do not know which way it is headed, whether it is going to go up or down. Currently, the feeling is that the defense business will be better for the years to come. But, I did have the same feeling five years ago. You said approved vendors status in the oil and gas segment. Companies only buy when you are on the approved vendor list. And they will be renewed periodically, but maybe once in 10-years or so. So, the R&D work that we do for our screw compressors and the rotary centrifugal compressors, that is where we have tied up with the European universities. And we have already started launching those products, in fact, the centrifugals have been fully launched, the screw compressors started being launched last year. Railway business? Gajra Gears and DHL are the major competitors. We have taken a decision over the last couple of years that we want to be in the industrial gearbox business. So, right now we are targeting the steam turbine gearbox market where the competitive intensity is less. We have been approved by one major OEM and we are regularly supplying them. And this is a range up to 50 MW that we have supplied. The huge additions in the gross block, I have said where we have put in the money is basically about Rs.100 crores was invested in the compressors segment, which included Rs.46 crores for leasing of gas systems and Rs.30 crores on the rotary business both for screw compressors as well as centrifugal. Rotary line had investment of Rs.60 crores and transmission had about Rs.10 crores. 2016-17 PAT was similar to '19-20. Two major reasons: Product mix has undergone a substantial change. This year the project and CNG sales were

higher and they have higher material costs. And in FY '16-17, the Company had Rs.10 crores from sale of investments which influenced the PBT. Other than that, I think our overheads have been under control and we have been bringing them down and they are down by about 4% in '19-20 compared to '16-17. I think the major change is that we have invested a lot of money on product development and that has unfortunately taken far more time than what we imagined. So, you will start seeing the fruits of this product development in the years to come and in the compressors business, we have moved a major part of our product line from the reciprocating compressors to these rotary compressors and that is where the market is. Margins? The compression business shows about 15% to 20% margins depending upon project and product mix. Transmission business, we need to increase the volume dramatically. And that is what we are working on. Marginal increase in debt? The debt is basically buyer's credit availed from the consortium banks and most of which is already paid off. Right now, the borrowing costs are very low. So we are looking at various options for the future.

Mr. Srivastava asked about some more questions regarding CNG. I did talk about 7000 to 8000 CNG stations in the next 8 to 10 years. It is a tender business and all the tenders have an O&M contract as an integral part of the tender. We do have competition... and there is nothing you can do to stop competition. In fact, we believe that competition makes us better. And you did ask about, whether this is the system where a lot of bargaining takes place. I think we are Indians, we love to bargain and we will continue to love to bargain. So that is part of the game. And we are supplying all CNG systems all over the country.

So, this is the end of the question and answer session.

I would just like to make a few announcements regarding E-Voting, Scrutinizer and Results. The Company has provided the facility to cast votes electronically on all resolutions as set forth in the Notice. Members who have not cast their votes yet electronically and who are participating in this meeting, will have an opportunity to cast their votes during the meeting through the E-Voting system provided by NSDL. Members can click on 'vote' tab on the video conference screen to avail of this feature. Mr. Sridhar Mudaliar is appointed as the scrutinizer to scrutinize the E-Voting and remote E-Voting process. The results of E-Voting will be announced within 48-hours from the closure of the Annual General Meeting and the same shall be placed on the website of the company, BSE and NSDL. Thank you.

I request the moderator to make further announcements regarding E-Voting.

Moderator:

Thank you, Chairman. Dear shareholders, 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 all.