

Kirloskar Industries Limited – 29th AGM, 2023

August 12, 2023

- **Moderator:**
- Dear members, Good morning and a very warm welcome to you all to the 29th Annual General Meeting of Kirloskar Industries Limited through video conferencing mode. 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 the Annual General Meeting will be recorded and available on the website of the Company. I now hand over the proceedings to Mr. Atul Kirloskar – Chairman of the company.
- **Mr. Atul Kirloskar – Chairman, Kirloskar Industries Limited:**
- Thank you, Swapnil. The Company Secretary has informed me that the necessary quorum is present and I call the meeting to order. On behalf of the Board of Directors, I extend a hearty welcome to all of you at the 29th Annual General Meeting of the members of the Company. This AGM is being held through video conferencing facility in compliance with the provision of the circulars issued by the MCA and SEBI from time-to-time. It is always a pleasure to connect with all of you and although virtual, it is a privilege to host you today. I trust all of you and your family members are well.
- I would now like to introduce your directors. I am Atul Kirloskar, Chairman of the Board, Mr. Mahesh Chhabria, Managing Director, Ms. Aditi Chirmule, Executive Director, Mr. Satish Jamdar, Independent Director. He is also the Chairman of the Audit Committee and the Risk Management Committee, Mr. A. N. Alawani, Non-Independent Director, he is the Chairman of the CSR Committee and the Stakeholder Relationship Committee, Mr. D Sivanandhan, Independent Director. He is the Chairman of the Nomination and Remuneration Committee, Mr. Vinesh Kumar Jairath, Non-Independent Director, Mr. Tejas Deshpande, Independent Director, Mr. Ashit Parekh, Independent Director, Mr. Vijay Varma, Independent Director, and Ms. Purvi Sheth, Independent Director.
- I would also like to inform you that the following persons are attending the meeting. Mr. Anandh Baheti, Chief Financial Officer, Mrs. Ashwini Mali, Company Secretary, Mr. Parag Pansare, Partner of Kirtane & Pandit LLP, Chartered Accountants and the Statutory Auditors of the company, and Mr. Mahesh J. Risbud, Practicing Company Secretary and Secretarial Auditor of the company. The following registers and documents are available electronically for inspections during the meeting:

- A – The Register of Contracts or Arrangements in which directors are interested.
- B - Register of Directors, Key Managerial Personnel, and their shareholding.
- C - Statutory Audit Report.
- D - Secretarial Audit Report.
- E – The Auditor Certificate on Employee Stock Appreciation Rights Plan, 2019.
- The Notice of this AGM and the Annual Report for the Financial Year 2022-2023, have been facilitated by email to the Members of the Company and are also available at the websites of the Company, BSE Limited, and the National Stock Exchange of India Limited. With the consent of the members, I will consider them as read. Pursuant to the provisions of Section 145 of the Companies Act 2013, the Independent Auditors Report and the Secretarial Audit Report need not be read at the AGM since the same do not contain any qualifications, observations, or comments.
- I will now commence my address. Ladies and gentlemen, it gives me great pleasure to welcome you once again on behalf of my colleagues on the Board and the management of the Company to this Annual General Meeting through video conferencing. During the Financial Year 22-23, our primary efforts were directed towards realigning the Company's operations to enhance the returns. As you are aware, the Company operates as an unregistered Core Investment Company. The process of realigning our activities involved directing our attention towards the new business sectors that is real estate and capitalizing on noncore investments. Let me now take you through the financial performance of 22-23. You are all aware that your Company has at present three main sources of income, for example the sale of wind energy, property licensing fees, and dividend income.
- During the Financial Year ended 31st March, 23, your Company earned a total income of approximately ₹ 118 crores against ₹ 103 crores in the previous year. The profit before tax for the financial year was at ₹ 93 crores against ₹ 80 crores in the previous year. The substantial increase in profit before tax is mainly due to higher dividend income from the investee companies. Further details will be covered in the MD's presentation. The Board of Directors in its meeting held on 23rd May 2023, has recommended a dividend of ₹ 11 per share that is 110%, of ₹10 each for the Financial Year 22-23 subject to shareholder's approval.
- Now, I will update you about the key highlights of our subsidiaries. Let me take Avante Spaces Limited. Avante Spaces embarked on mixed-use development of the land parcel in Kothrud in the year 2020 and has continued to make satisfactory progress considering the challenges involved in the development of any area in the main city center of a prime locality. Avante has put a strong emphasis on environmental and socially responsible actions while continuing to create world class space and redefine or uplift the overall locality. Avante obtained registration under the Real Estate Regulation Act 2016; RERA for One Avante and has sold some under

construction units in the project. The sale has allowed Avante to fund balance work on the project and prepare the construction finance facility availed from prepaid construction finance facility availed from ICICI Bank.

- Avante is on course to recognize revenue and profits in the next financial year. Avante is continuing with its objective of all-round development of the Kothrud land parcel. With the construction of the first project nearing completion, Avante is now focused on the second projects planning and execution. Details of this project will be covered in the MD's presentation. Coming to Kirloskar Ferrous Industries Limited, it is in the business of manufacture of Pig Iron and Castings and has its manufacturing facilities located in Bevinahalli village and in Hiriya Karnataka. During the year under review, KFIL achieved net sales of ₹ 4,149 crores as compared to ₹ 3,615 crores in the previous year. The profit before tax for the year under review stood at ₹ 472 crores as compared to ₹ 543 crores in the previous year.
- ISMT Limited has a steel production facility at Jejuri in Maharashtra and seamless tube and pipes manufacturing units at Ahmednagar and Baramati in Maharashtra. ISMT management has been able to stabilize and streamline the operations within the first year of acquisition by KFIL. ISMT achieved a total income of ₹ 2,598 crores as compared to ₹ 2,182 crores in the previous year. The profit before tax before exceptional items for the year under review stood at ₹ 155 crores as compared to ₹ 5.5 crores in the previous year. The board of KFIL and ISMT approved the Scheme of arrangement and merger between ISMT, the Transferrer Company and KFIL the Transferee Company and their respective shareholders. The Scheme is subject to the receipt of necessary statutory and regulatory approvals.
- Now, I turn to the first quarter results for the Financial Year 23-24 of the Company. The results for the first quarter were approved by the Board today on 12th August, 23. The total income for the first quarter ended 30th June is ₹ 29 crores corresponding previous year quarter was ₹ 8 crores and the profit after tax for the quarter stands at ₹ 12 crores and in the previous quarter in the last year was ₹ 2.4 crores. I'm grateful for the support given to us by you, the shareholders, our bankers, our employees, and all other relevant stakeholders.
- Now, I would request Mr. Mahesh Chhabria, the Managing Director of the Company to present an update on the operational overview of the Company.
- **Mr. Mahesh Chhabria -- Managing Director, Kirloskar Industries Limited:**
- Thank you, Chairman and good afternoon shareholders. Before I begin, I request you to kindly pay a few minutes attention to the cautionary statement, which is nothing but the safe harbor agreement that we should all be reflecting on and talking through while we make this presentation. These are the values that KIL and Avante live with and practice throughout their daily lives on a regular basis. This actually gives you a snapshot of the business and the business at a glance over the last decade for KIL with its revenues from operations, other income, and total income totaling ₹ 118.3 crores for the year ended 2023. Profit before tax at ₹ 93 crores for the year ended 2023, with a profit after tax at ₹ 74.1 crores. If you were

to reflect on the performance of the business, the revenue generated from windmill operations remained consistent at around ₹ 3 crores in the fiscal year 22-23 maintaining the same level as the previous year 21-22.

- The Company owns land and buildings thereon and apartments and offices in Pune, New Delhi, and Jaipur. The Company has given most of these lands and office buildings and offices on a leave and license basis to group companies and other companies. This income is reported under the head other income which stood at ₹ 27 crores for Financial Year 22-23. We are assessing the lease asset portfolio from a monetization and potential development perspective. During the year under review, the Company received a total dividend income of ₹ 69 crores. The income from treasury operations for the year was ₹ 19 crores taking the total income to ₹ 118 crores. The profit after tax for the year was ₹ 74 crores registering a 22% growth year-on-year. At KIL, we recognize the potential that the Indian market holds in the forthcoming years. To capitalize on the emerging opportunities, we are now realigning our business to be future ready in a constantly evolving world. Our commitment to building the future stems from the desire to become more customer centric than ever before.
- In view of the business realignment efforts, we took the following steps during the year. The first leg of the realignment is the real estate business i.e., Avante Spaces Limited, a wholly-owned subsidiary of the Company. Through this venture, we are executing our vision of real estate development of land parcels owned by the Company and the subsidiary. If you may be aware, the Company entered into a Business Transfer Agreement with Avante in 2020. As per this Agreement, Avante had allotted 6 crore Unsecured Optionally Convertible Debentures of ₹ 10 each to the company. The Board of Directors of Avante approved the conversion of these OCD's into equity shares. Further, on the recommendations of the Audit Committee and with the approval of the board, preferential allotment of warrants convertible into equity shares of KIL were issued to Mr. Raul Kirloskar and Mr. Atul Kirloskar. The total consideration is approximately ₹100 crores. The details of the entire allotment are available on the Company's website.
- The second leg of realignment is in our Unregistered Core Investment Company activities. As CIC, the Company continues to invest its money in Group Companies and other surplus funds in fixed deposits and liquid funds. During the year, we monetized some of these investments. The Company was the promoter of Swaraj Engines Limited along with Mahindra & Mahindra. The Company sold its entire shareholding of 17.41% of the paid-up equity share capital of Swaraj Engines to M&M at a price of ₹1400 per equity share for which it received an aggregate consideration of ₹ 296 crores and booked a profit of ₹ 278 crores. Accordingly, we moved KIL in the non-promoter category. The Company holds 683 equity shares of Cummins India Limited and the company is applied for reclassification of the company from the promoter category to the public category. The approval for the same was received on 26 June, 2023. The Company invested ₹ 78.28 crores to acquire 4.99% direct stake in ISMT Limited. The third leg of the realignment is the divestiture of our windmill assets. The strategic move is anticipated to enable the

management to concentrate on its newly established ventures. On the recommendation of the Audit Committee, the Board considered and approved the sale of the windmill business of the Company to ISMT Limited. Since ISMT is a related party, this transaction is subject to all necessary regulatory approvals.

- We will update the shareholders once all the formalities are done. What makes the diversion to real estate promise sector, a promising move, effective use of all our existing real estate assets promising trends and the micro markets that we have are real estate assets in a very experienced team and working with leading consultants with a disciplined approach following high governance standards. This gives you a snapshot of our Kothrud project as to what we are doing at Kothrud the first development project that we have undertaken. So, as you can see on this slide it is broken up into three phases and over time all the three phases will play out over the next three to four years.
- We have received a pre-certification of a Platinum rating from the Indian Green Building Council; IGBC for the first project 1 Avante on plot B. The term platinum IGBC, green building rating refers to the highest level of certification awarded by the IGBC for green and sustainable buildings in India. This slide basically showcases to you project details. At KIL, we firmly believe that our employees are our most valuable asset. A human capital is the collective knowledge skills and experience of our people and it is this pivot that helps us in achieving our strategic objectives. We recognize that attracting and developing and retaining top talent is essential for maintaining our competitive edge in the industry. With a legacy spanning several decades, we have nurtured a talented and diverse group of individuals who embody our core values of innovation, excellence, and integrity. We have digitized the employee lifecycle in the Company, all the employees undergo a 360-degree survey. Here are some of the glimpses of our employee engagement initiatives and rewards and recognition activities at KIL. Thank you.
- **Mr. Atul Kirloskar – Chairman, Kirloskar Industries Limited:**
- So, thank you, Mahesh. Now, I request Swapnil to allow the speakers shareholders to ask their questions one by one.
- **Moderator:**
- Thank you so much, Sir. Speaker shareholders who have registered themselves earlier will be allowed to speak one by one to ask questions or express views. We will first invite our speaker member #1, Swechha Jain to ask the question. Ms. Jain, we have sent a prompt on your screen, please accept the prompt. You can unmute your audio and video and you can go ahead with your question please. Ms. Jain please accept the prompt on your screen. We have unmuted you, please go ahead with your question. We will wait for the connection for Ms. Jain to join in. We will wait for a moment while Ms. Jain joins in. Ms. Jain are you able to hear us? We have unmuted you. Please go ahead with your question. I am sorry, we are unable to hear you due to a possible network issue. We will contact you and if you are connectivity improves; we will announce your turn again. Chairman Sir, we had two

more speaker shareholders who have not joined in as well, however, we have received the questions from all these speaker-shareholders, you can answer them altogether.

- **Mr. Atul Kirloskar – Chairman, Kirloskar Industries Limited:**

- Thank you, Swapnil. Are the shareholders online?

- **Moderator:**

- No Sir. Okay, so then we will answer those questions by e-mail because we have received the questions by e-mail. So, we will complete that sequence after the meeting. I would also like to make an announcement now. I would like to give you details regarding a general announcement. The members who are holding shares physically are requested to furnish their PAN, KYC details, and nomination details through standardized forms available on the Company website if not already done. This will help avoid these shares from being transferred to the IEPF. The Company has sent individual reminder letters to all the members holding shares of the Company in the physical form for furnishing the set details. Now, I will provide the details for e-voting. The remote e-voting period commenced on Wednesday, 9th August, 2023 at 9:00 AM and ended on Friday, 11th August, 2023 at 5:00 PM. The facility for e-voting is available to those members who are present at the AGM and have not cast their votes by remote e-voting. Ms. Manasi Paradkar, Practicing Company Secretary has been appointed as the Scrutinizer to Scrutinize the e-voting process in a fair and that's better manner and to provide the report there to. The Scrutinizer's Report will be submitted to the Stock Exchanges within 48 hours from the conclusion of the AGM and will also be uploaded at the website of the Company and NSDL. I'm grateful to all the shareholders for taking the initiative to join the meeting through video conferencing facility and I wish you all and your family members good health and a safe future. Thank you very much.

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- **End of Transcript**