

Chairman's Speech

The Financial Year 2020–2021 witnessed a lot of unexpected situations and circumstances caused by the Covid-19 pandemic. It has affected business and the way it is conducted, as well as the way we live our normal lives. The year witnessed a focus on health infrastructure and sustaining the economy of the country. I am happy to inform you that your Company took all precautionary measures to ensure health and safety of its employees and workers. This helped in running the business to near normalcy in this pandemic situation.

There was another change I wanted to bring to your attention. On Friday, 16 July 2021, we announced the refresh of our Kirloskar brand with a new logo and a new business vision : Limitless. I hope you have seen the ads on TV, in the newspaper or on social media. We wanted to highlight something that has been at the core of our group for the last 130 years. It's something our forefathers always believed in, taught us and those teachings have been passed down across generations. We have been taught to always work towards the progress of society. Right from the beginning, when our founders created India's first iron plough, to today, where our 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 innate potential. And it is this potential that makes opportunities limitless. We have undertaken several projects ranging from HR, to digitization and 3D printing, 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. This is not just an external change, but an internal transformation, in the way we conduct business with our customers, dealers, vendors and suppliers, as well as our employees, our investors, and you, our shareholders.

We have chosen the copper colour palette for our new logo: this is to represent our 130 year old story of both old and new. While keeping ahead of an ever changing world through innovations and technology, we proudly retain our legacy of values that have been unchanging. In copper, both the shiny new and the burnished old (teal) co-exist. Copper is a hard-working metal, with minimal loss of energy and used widely in engineering products. This is who we are.

I will now come to the operational performance of your Company for FY 2020-2021.

Operational Performance for FY 2020–2021 :

Financial year 2020-2021 started with nationwide lockdowns to control the spread of the Covid-19 pandemic due to which the operations of the Company were suspended from 25 March 2020 for a period of about 45 days. Thereafter, operations of manufacturing plants at Koppal and Solapur started in phases by following the COVID-19 Guidelines issued by the Government authorities and local administration from time to time.

From the commencement of Quarter II of the financial year 2020–2021, the demand for pig Iron improved from foundries supplying castings to tractor, steel, agriculture, pump and auto sector across India and the Company sold all the pig Iron produced.

The demand for the castings was strong during the year under review. After resumption of operations in May 2020, demand from the Tractor industry kept on increasing till the end of the financial year and demand from the heavy and medium auto industries picked up from the second quarter and further improved in the second half of the financial year. Increased demand for castings from tractor, Auto and diesel engine industry enabled your Company to scale up production. Your Company continuously worked on the improvement of quality of the castings at both units of Koppal and Solapur, by reducing rejection rates.

The Coke Oven plant was commissioned on 31 March 2020 at Koppal and the 20 MW Power Plant attached to the Coke Oven Plant was also commissioned on 11 June 2020. Both the plants achieved 100 percent capacity utilisation in the second quarter of the financial year. Commissioning of these plants have resulted in reduction of coke consumption and power costs.

During the year under review, the Company completed the acquisition of movable and immovable assets relating to the pig iron plant of VSL Steels Limited with a capacity of 1,50,000 MT per annum, situated at Paramenahally Village, Hiriyur, Chitradurga District, Karnataka in December 2020. Operations of that plant have commenced from February 2021.

Iron ore mining at Kirloskar Bharat Mines commenced from 24 March 2021 and continued till 5 April 2021. Around 98,600 MT of iron ore was extracted till 31 March 2021 and will be dispatched after renewing the validity of the forest clearance, which are in process.

During the year under review, your Company successfully brought in new customers and new products to increase the customer and product base and also increased the supply of machined castings.

Financial Performance for the FY 2020–2021 :

Total Income stood at ₹ 2,040.91 Crores as compared to ₹ 1,865.30 Crores for the previous financial year.

Sale value of Pig Iron was ₹ 1,067.32 Crores as compared to ₹ 1,070 Crores for the previous financial year and that of Castings was ₹ 874.40 Crores as compared to ₹ 734.21 Crores for the previous financial year.

The Company added machining capacity and ramped up machining capabilities to meet customer demand. Consequently, the sale of machined castings increased during the year as compared to previous year and sold machined castings of around 11.5 percent of sale of total castings.

Profit before tax was ₹ 363.19 Crores as compared to ₹ 156.18 Crores for the previous financial year a 132 % increase.

Profit after tax was ₹ 302.11 Crores as compared to ₹ 112.37 Crores for the previous financial year - an increase of 169 percent.

The Company worked on the optimisation of interest rates by availing facility at competitive rates and effectively managed working capital thereby reducing interest expense.

Update on projects completed and undertaken till date :

The following projects have been completed during the financial year 2020–2021 :

- A 20 MW Power Plant was commissioned at Koppal plant in the month of June 2020. The power generated using the waste gas of Coke Oven plant has been used for captive consumption. The plant achieved self-sufficiency in power requirement resulting in reduction of power cost.
- Completed the acquisition of the assets of VSL Steels Limited at Paramenahalli and commenced the operations, adding value both to the top line and the bottom line of your Company.
- Commenced mining operations of the Kirloskar Bharat Mine for short period in the last week of the March 2021.
- Various projects were undertaken for capacity expansion and up-gradation on technology / infrastructure in foundry and machine shop both at Koppal and Solapur units, to meet the increasing demand for castings from customers.

Dividend :

The Board of Directors at its meeting held on 2 March 2021 declared an Interim Dividend of ₹ 2 per equity share of ₹ 5 each (i.e. 40 percent) and the Interim Dividend has been paid to the eligible Members on 25 March 2021.

Further, the Board of Directors at its meeting held on 5 May 2021 has recommended a Final Dividend of ₹ 3 per equity share of ₹ 5 each (i.e. 60 Percent) for approval of the Members at the Annual General Meeting.

Accordingly, total dividend for the financial year 2020-2021 aggregates to ₹ 5 per equity share of ₹ 5 each (i.e. 100 percent).

Performance highlights for first quarter of the financial year 2021–2022 :

The Board of Directors at its meeting held on 26 July 2021 has approved the Unaudited Financial Results of the Company for the quarter ended 30 June 2021.

1. Total Income was ₹ 823.84 Crores as compared to ₹ 213.65 Crores for the same quarter in previous financial year due to the pandemic.
2. Profit before tax was ₹ 186.35 Crores as against the Loss before tax ₹ 12.31 Crores for the same quarter in previous financial year
3. Profit after tax was ₹ 139.50 Crores as against Loss after tax of ₹ 17.09 Crores for the same quarter in previous financial year.

Outlook for the financial year 2021–2022 :

The COVID-19 pandemic continues to be a cause for concern to global economies and business. Global financial conditions are being supported by various monetary policies, but financial systems in many countries are showing signs of underlying strain.

However, the global economic recovery has been gaining momentum, driven mainly by advanced economies and powered by massive vaccination programmes and stimulus packages. The global economy is projected to grow 6 percent in the year 2021. Services trade is expected to recover more slowly than merchandise trade, as it is consistent with subdued cross-border tourism and business travel until transmission of covid-19 declines across the globe.

India is emerging as the world's fastest-growing major economy, with the International Monetary Fund holding its growth forecasts at 6.8 percent for the financial year 2021-2022. Also, the Economic Survey 2020-2021 has drawn attention to the V-shaped economic growth, a testament to the burgeoning Indian economy and its intrinsic strength. The Indian Government announced in tranches the financial stimulus during the pandemic period to help and sustain business environment.

The Indian Auto Industry is expected to record strong growth in the financial year 2021-2022 post recovering from effects of Covid-19 pandemic. The Government of India expects automobile sector to attract US \$ 8 to 10 Billion in local and foreign investments by 2023. Demand for commercial vehicles is increasing due to high level of activity in the infrastructure sector. The vehicle scrappage policy is also likely to boost sales of heavy and medium commercial vehicles that had been in the contraction zone since the year 2018. The Indian Government has a vision to make India an auto manufacturing hub. Initiatives like 'Make in India' and 'Automotive Mission Plan 2026' is expected to give a huge boost to the sector.

Demand for auto and tractors have a direct impact on the performance of your Company having bearing on the capacity utilisation and profitability. Expectation of a normal monsoon, uptick in rural demand and improved financing conditions may have favourable demand for tractors. The Management of your Company is closely monitoring developments in economic and business situations arising out of the pandemic and taking appropriate actions to meet the demand of its Customers.

The prices of the steel have firmed up on account of improved demand. The prices of Pig Iron also firmed up in the first quarter of this financial year mainly on account increased export. The prices of coal in the international market increased from USD 130 per metric tonne in the beginning of the financial year to around USD 190 per metric tonne and are expected to be range bound in the near future.

Safety, Health and Environment :

Your Company is in compliance with all the statutory requirements related to Safety, Health and Environment. Monitoring and analysis of water, stack emissions and ambient air quality have been undertaken periodically to verify and maintain the level of environmental parameters well within the specified limits.

To ensure safety and well-being of the employees, your Company took all recommended precautions as per guidelines issued by the Government of India, State Governments, and local authorities from time to time, which included 'Work from Home' policy for eligible employees, regular communication with employees, arrangements for online meetings, sharing details of online learning programs for self development, restrictions on travel, minimizing contacts, health advisory to employees and vaccination drives.

Corporate Social Responsibility :

Activities relating to Corporate Social Responsibility (CSR) were carried out in the areas of Health, Education, Environment and Rural Development in line with provisions of the Companies Act, 2013, rules thereof and the CSR Policy of the Company. Details of CSR activities are provided in the Annual Report.

Industrial relations :

Employer-employee relations were generally cordial during the financial year.

Awards and Recognitions :

During the financial year under review, the Company and the Managing Director received various recognitions / awards, details of which are provided in the annual report.

Acknowledgement :

Before I conclude, I would like to thank all our customers, suppliers, bankers and stakeholders for their support. I also would like to express my gratitude to the Government of India and State Governments for their support and assistance. I place on record my appreciation for the leadership of Mr. Gumaste and to the employees for their hard work and commitment.

Thank you !

Atul Kirloskar
Chairman