

Chairman's Speech

Operational Performance for FY 2019–2020 :

Financial year 2019-2020 was a challenging year due to decrease in demand from tractors and commercial vehicles industry. As the supply of castings to these industries was impacted, there was a decrease in sales. All castings of cylinder blocks and heads supplied to tractors and commercial vehicles industries were smoothly migrated to BS-VI variants.

In respect of Pig Iron; the Company sold all the pig iron produced during the year. The reduction in the sale value of pig iron was mainly on account of reduction in realisation prices of pig iron.

However, the Company managed the operations well during the financial year and could improve the profits in spite of decrease in sales.

Financial Performance for the FY 2019–2020 :

Total Income stood at Rs. 1,865 Crore as compared to Rs. 2,164 Crore for the previous financial year with a decrease of 14 percent.

Sale value of Pig Iron was Rs. 1,070 Crore as compared to Rs. 1,176 Crore for the previous financial year with a decrease of 9 percent and that of Castings was Rs. 734 Crore as compared to Rs. 923 Crore the previous financial year with a decrease of 20 percent.

Profit before tax was Rs. 156 Crore as compared to Rs. 147 Crore for the previous financial year with an increase of 6 percent.

Profit after tax was Rs. 112 Crore as compared to Rs. 98 Crore for the previous financial year with an increase of 14 percent.

During the year under review, the Company worked on efficiency improvement in manufacturing activities of Pig Iron and Foundry and reduced the consumption of coke, consumables, stores and spares.

Power generation through turbo generators using mini blast furnace gas and also through solar power has also helped the Company to reduce power cost.

The Company also worked on the optimisation of Inventories and Debtors, which has improved the current ratio as compared to the previous financial year. Finance cost of working capital was also reduced by availing of competitive rates.

During the year under review, the Company has successfully increased customer and product base therefore increasing the supply of machined castings.

The vision of the Company to become the partner of choice with our valued customers has been realized and has been reflected in the Customer Satisfaction Survey conducted during the year by AC Nielsen.

Update on projects completed till date:

1. Railway siding at Koppal plant became operational from the second quarter of the financial year. This has facilitated movement of bulk materials by rail and thereby achieved economy in operations.
2. The Coke Oven plant with a capacity of 2 lakh Metric Tonnes per annum was commissioned on 31 March 2020. This will enable the Company to reduce consumption of coke in the manufacture of Pig Iron as well as reduce dependency on import of coke.

3. Operations of the Power Generation plant attached to the Coke Oven Plant has commenced from 11 June 2020. The power will be generated by using waste gas generated from the Coke Oven Plant. It will be utilized primarily for captive consumption resulting in reduction of power cost.
4. Various projects for capacity expansion in foundry, fettling and machine shop were undertaken both at Koppal and Solapur units as per requirements of customers. This will enable to meet the increase in demand for castings from customers.
5. A new foundry project has been initiated for manufacturing of large castings of 500 to 2,500 kilograms. First phase equipment has been installed and commissioned.

Dividend :

The Board of Directors at its meeting held on 5 March 2020 declared an Interim Dividend at the rate of Rs. 2 per equity share of Rs. 5 each (i.e. 40 percent) for the financial year 2019–2020. The Interim Dividend has been paid to the eligible Members on 20 March 2020.

The Board of Directors has sought approval of the Members to confirm the Interim Dividend paid on equity shares as Final Dividend for the financial year 2019–2020.

Performance highlights for first quarter of the financial year 2020–2021 :

During the quarter ended 30 June 2020, operations of the Company were affected due to lockdowns declared by the Central and Local Governments to contain the spread of Covid-19 pandemic. Operations of the Company have recommenced from second half of May 2020 after following all government guidelines.

The Board of Directors at its meeting held on 29 July 2020 has approved the Unaudited Financial Results of the Company for the quarter ended 30 June 2020.

1. Total Income was Rs. 214 Crore as compared to Rs. 482 Crore for the same quarter in previous financial year
2. Loss before tax was Rs. 12 Crore as against the profit before tax Rs. 26 Crore for the same quarter in previous financial year
3. Loss after tax was Rs. 17 Crore as against profit after tax of Rs. 18 Crore for the same quarter in previous financial year.

Outlook for the financial year 2020–2021 :

The global economic outlook is uncertain due to Covid-19 pandemic, with massive stoppages of production, disruptions in supply chains, trade and tourism. Financial markets across the world are experiencing extreme volatility impacting global commodity prices.

Economic activities in India have been also affected due to lockdowns declared from time to time by the Central and Local Governments to contain the spread of Covid-19 pandemic.

In view of the global nature of pandemic and the uncertainty around its severity and duration of the impact, a potential impact on operations of the Company can not be determined till economic activities become normal.

The business of the Company depends on operations of Original Equipment Manufacturers (OEMs) and any disruption at the customer end will have an impact on sales and revenues of the Company. Majority of customers of the Company have also started operations since May 2020 and few sectors showed developments during last two months. Sale of Tractors in July 2020 was higher by around 24 percent as compared to that in July 2019. Going forward, there seems to be good demand for castings from Tractor Industry.

The Earth moving equipment sector has also showed improvement in last month. With the current scenario, the Company expects reasonable capacity utilisation in forthcoming months. However, the development in heavy commercial vehicles industry seems slower than tractor industry.

The Management of the Company is closely monitoring developments in economic and business situations arising out of pandemic and taking appropriate actions to meet the demand of its Customers.

To ensure safety and well-being of the employees, the Company has been taking from time to time all necessary steps such as regular communication with employees, 'Work from Home' policy for eligible employees, arrangements for online meetings, health advisory and check-ups for employees, cleaning and disinfection of plants, office premises and transport vehicles at regular intervals, maintaining social distancing, providing masks and sanitisation supplies to employees and visitors for essential services.

As part of mitigation measures, the Company has deferred non urgent capital expenditure in the current environment and has been effectively managing working capital.

Following activities are proposed during the financial year 2020–2021 :

1. Operations of Coke Oven plant alongwith Power Plant are to be undertaken at its full capacity to reduce the cost of coke and power cost.
2. The Company is continuously working on more value added products to secure increased orders for machined castings from its customers by expanding machining facilities at both the plants.
3. Various clearances from the Government are in progress for two iron ore mines won by the Company through e-auction. Mining operations are expected to commence during the financial year 2020-2021.
4. Projects for improving operations of mini blast furnaces. .

Industrial relations :

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

Awards and Recognitions:

During the financial year under review, the Company, the Managing Director and the Chief Financial Officer have received various recognitions / awards, details of which are provided in the annual report. Notably, Mr. R. V. Gumaste, Managing Director has been awarded with 'Foundryman of the year 2020' by the Institute of Indian Foundrymen.

Corporate Social Responsibility (CSR) :

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

Appreciation for contribution by Directors:

Mr. A. R. Jamenis and Mr. B. S. Govind will retire as Independent Directors on 12 August 2020.

Mr. A. R. Jamenis has been associated with Kirloskar group in various capacities for around 53 years. He was the Managing Director of the Company from the year 1998 to 2003, continued as Non-Executive Director thereafter and has been Independent Director of the Company from the year 2014. He has been the Chairman of Audit Committee and the Nomination and Remuneration Committee from the year 2016.

Mr. B. S. Govind has been associated with the Company as an Independent Director from 13 August 2014. His knowledge and expertise in foundry industry was helpful to the Company. He was earlier the Member of Nomination and Remuneration Committee and has been the Member of Audit Committee since the year 2017.

The Board of Directors places on record our sincere appreciation for their contribution to the Company and wish them good health and all the best for the future.

Acknowledgement :

Before I conclude, I would like to thank all our customers, suppliers, bankers and stakeholders for their support. I place on record my appreciation for the leadership of Mr. Gumaste and to the employees for their hard work, commitment and their superb handling of the Covid-19 situation during the months of March, April and May 2020.

Thank you !

Atul Kirloskar
Chairman