

**“Transcript of the 26th Annual General Meeting of
Kirloskar Industries Limited held on Thursday,
27th August 2020 at 11.30 a.m., through Video
Conference”**

Board of Directors Present:

Sr. No.	Name of the Director	Designation
1	Mr. Atul Kirloskar	Chairman
2	Mr. Mahesh Chhabria	Managing Director
3	Ms. Aditi Chirmule	Executive Director
4	Mr. Nihal Kulkarni	Non-Independent Director
5	Mr. Anil Alawani	Non-Independent Non-Executive Director, Chairman of Stakeholders’ Relationship Committee and Corporate Social Responsibility Committee
6	Mr. Vinesh Kumar Jairath	Non-Independent Director
7	Mr. Tejas Deshpande	Independent Director
8	Mr. Sunil Shah Singh	Non-Independent Non-Executive Director, Chairman of Audit Committee
9	Mr. D. Sivanandhan	Independent Director
10	Mr. Ashit Parekh	Independent Director
11	Mr. Satish Jamdar	Independent Director
12	Mrs. Mrunalini Deshmukh	Non-Independent Non-Executive Director, Chairman of Nomination and Remuneration Committee and Risk Management Committee

Other Attendees:

Sr. No.	Name of the Director	Designation
1	Mr. Umesh Shastry	Chief Financial Officer
2	Mrs. Ashwini Mali	Company Secretary
3	Mr. Dilip Dixit	Partner, G. D. Apte & Co., Statutory Auditors
4	Mr. Umesh Abhyankar	Partner, G. D. Apte & Co., Statutory Auditors
5	Mrs. Anagha Naniwadekar	Partner, G. D. Apte & Co., Statutory Auditors
6	Mr. Mahesh Risbud	Statutory Auditor
7	Mrs. Manasi Paradkar	Scrutinizer

KIRLOSKAR INDUSTRIES LIMITED

A Kirloskar Group Company

*Annual General Meeting
Thursday, August 27, 2020*

Moderator: Ladies and gentlemen, good morning and welcome to the 26th Annual General Meeting of Kirloskar Industries Limited. I now invite the Chairman. Mr. Atul Kirloskar to welcome the shareholders. Over to you, sir.

Atul Kirloskar: Okay. Thank you, the Company Secretary informed me that the quorum is present, and I call the meeting to order. On behalf of the Board of Directors, I extend our hearty welcome to all of you to the 26th Annual General Meeting of the shareholders. Every year I've had the pleasure and the privilege of welcoming you and meeting you at the AGMs. But due to the COVID-19 pandemic, the present AGM is being held through video conferencing facility.

Moderator: Mr. Atul, we can't hear you. You may go ahead sir.

Atul Kirloskar: I trust all of you and your family members are well, and following the government regulations and social distancing guidelines to stay safe. Now like to introduce Directors, my name is Atul Kirloskar and I am the Chairman of the Board. Mr. Mahesh Chhabria, The Managing Director, Ms. Aditi Chirmule, who is the Executive Director, Mr. Sunil Shah Singh who is the Independent Director and Chairman of the Audit Committee. Mr. Satish Jamdar, who's the Independent Director and Chairman of the Nomination and Remuneration Committee, Mr. Anil Alawani, Non-Independent Director and Chairman of the CSR Committee as well as Stakeholders' Relationship Committee, Mr. Vinesh Kumar Jairath who is a Non-Independent Director, Mr. Tejas Deshpande who is Independent Director, Mr. D. Sivanandhan, the Independent Director, Mrs. Mrunalini Deshmukh, Independent Director, and Mr. Ashit Parekh, who is also an Independent Director.

I'd like to inform you that the following persons are also attending this meeting. Mr. Umesh Shashtry, who is the Chief Financial Officer. Mrs. Ashwini Mali who is a Company Secretary, Mr. Dilip Dixit and Mr. Umesh Abhyankar, partners of G. D. Apte & Co., Chartered Accountants, Statutory Auditors of the Company. Mr. Mahesh Risbud who is the Practicing Company Secretary and Secretarial Auditor of the Company.

The following documents are available electronically for inspection during the meeting.

- a) 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) Auditor's Certificate on Employee Stock Option Plan 2017,
- f) Auditor's Certificate on Employees Stock Appreciation Rights Plan, 2019 and
- g) Draft appointment letter of Mr. Tejas Deshpande.

KIRLOSKAR INDUSTRIES LIMITED

A Kirloskar Group Company

*Annual General Meeting
Thursday, August 27, 2020*

The notice of the AGM and the Annual Report for the Financial Year 2019-2020 has been circulated by email to the members of the Company and are also available at the website of the Company, BSE Limited and National Stock Exchange of India Limited.

With the consent of the Members; the same are considered as read.

Pursuant to 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 qualification, observation or comment.

Ladies and gentlemen, it gives me a great pleasure to once again welcome you to this Annual General Meeting being held through Video Conferencing. As the COVID-19 pandemic hit us only in the last week of March 2020, we have not suffered the impact of the same in the FY 2019-2020. However, the COVID impact is being felt during this Financial Year and I shall subsequently inform you of the same.

Let me take you through the financial performance of the last year. In the Financial Year 2019-2020, your Company earned a total income of ₹ 86.09 crores against ₹ 72.92 crores in the previous year. The profit before tax for the Financial Year is ₹ 64.92 crores against ₹ 56.8 crores in the previous year. This increase is largely due to receipt of our investee companies, both in form of interim and final dividends that were paid out in the Financial Year.

We will now go to the other businesses of your Company.

Real Estate: As you're aware the Company owns two land parcels in Pune, one in Kothrud and one in Khadki. In the last Financial Year, your board has approved a mixed used development on land parcels at Kothrud, Pune. As you may be aware, in the previous Financial Year, the Company carried out pre-development activities of the land parcels and had appointed various consultants and sub consultants for obtaining necessary permissions or No Objection Certificates from various Regulatory Authorities and rendering master planning and architecture, design consultancy services, etc. During the year, the Company did apply for permissions to commence development on the smaller land parcel at Kothrud and I'm glad to inform you that all permissions are in place for the development activities to commence and the Company has recently started development activities on the smaller plot with ground breaking ceremony being performed on 22nd August 2020. We are assessing the plans for the building on the larger plot, keeping the learning's from the pandemic in mind.

During the year ended March 2020, the Company spent a further amount of ₹ 17.82 crores on real estate activities, in addition to ₹ 40.91 crores spent up to the Financial Year 2018-19. The Company has a dedicated real estate team focused on strategizing, planning and executing the real estate business, along with various consultants and sub-consultants to deliver out first project over the next couple of years. This team will, in addition, also work on real estate development for our other land parcels in the city of Pune.

I now turn to the windmill business.

As you're aware, the Company owns seven windmills with a total installed capacity of 5.6 MW. During the year the wind energy generated a revenue of ₹ 3.26 crores as against ₹ 2.99 crores in the previous year. In the last year our windmills generated a net wind energy of close to one crore units of electricity, the highest generation since installation of the windmills, as against 85 lakh units of electricity in the previous year showing increase of 16%. The Company sold green energy to a leading global IT Company till September 2019 and thereafter obtained a Short-Term Open Access Permission to sell brown energy to another third-party consumer for a period from 1st October 2019 to 31st March 2020. We have received Renewable Energy Certificates for the sale of this brown energy. 1117 RECs were sold during the year, which resulted in a revenue of ₹ 25 lakhs and the Company continues to hold 528 RECs as on 31st March 2020.

As far as our treasury income is concerned, the Company earned ₹ 1.4 crores as Fixed Deposit interest in 2019-2020. We continue to hold Mutual Fund investment of around ₹ 52 crores as on March 2020, in addition to Fixed Deposits of ₹ 29 crores. Going forward, we shall be utilizing the gains and sale proceeds of these investments towards our real estate development activities.

Now moving on to dividend.

The Board declared and paid an interim dividend of 100% ₹ 10 per equity share of ₹ 10 each in the month of March 2020. The Directors do not recommend any final dividend for the Financial Year 2019-2020 and have proposed that the interim dividend declared and paid in March 2020, be treated as final dividend for the Financial Year 2019-2020. While the shareholders holding demat accounts received this dividend in March 2020, non-demat holders holding 1.28% of the total holdings were paid through non-electronic mode by issuance of bank warrants / demand drafts in July 2020.

Now, I turn to the First Quarter Results of the Financial Year 2020-2021.

The results of the first quarter were approved by the Board On 13th August 2020. The Total Income for the first quarter ended 30th June 2020, is ₹ 8.30 crores, (corresponding previous year quarter ₹ 8.91 crores), and the profit before tax for the quarter stands at ₹ 2.14 crores (corresponding previous year quarter ₹ 4.27 crores). The profit is lower consequent to a one-time payment of NA arrears on our Khadki land parcel for prior years, which was levied upon us by the local authorities.

Coming to the COVID-19 impact. Consequent to the outbreak of the pandemic, the management has reviewed and taken into consideration the impact of the known internal and external events arising from the pandemic on its business.

Every business has been impacted due to the pandemic and we do believe that there would be an impact on our Company's revenues as well as on our profits. We believe this fiscal year as a Company we will see a reduction in rental receipts, a potential reduction of dividend income as well as lower windmill revenues and Treasury income. All of this in the aggregate may lead to lower profits. In view of the anticipated fall in the revenues, we have implemented cost and expense austerity measures, including salary reductions, as well as reductions in other expenditure heads to conserve cash and still be profitable at the end of the year.

We remain a zero-debt Company holding cash and cash equivalents of close to 75 crores and with cost containment measures stopped earlier. We will definitely overcome and come out healthier from this COVID crisis.

However, our real estate development projects may see some delays due to receipt of permissions and approvals, and cost impact on account of labour availability besides supply chain issues, we may also face delayed cash flows from our wind energy business and property tenants on account of the deferred payments.

To ensure safety and well-being of the employees the Company has taken adequate measures against COVID-19 which include work from home policy, regular communications with employees, online meetings, health advisories and unnecessary screening and sanitization measures at the offices.

Various protocols and precautionary measures required to combat COVID-19 have also been taken into consideration for the real estate development activities at the Kothrud land parcel.

Acknowledgments, I'm grateful for the support given to us by all of you, the shareholders, our bankers and employees and all other relevant stakeholders. I now move to the question and answer session and I would request the moderator to take over from now.

Moderator:

Thank you so much. We will now begin the question and answer session. Give me a moment while I allow the speaker shareholders to come online. We have the first question from Mr. Shashikant Marathe. Mr. Shashikant, you may go ahead with your question please. You may unmute your audio and video sir and go ahead.

Shashikant Marathe:

Chairman Sir, good day to you. I am Shashikant Marathe from Pune. Good day to all dignitaries who have joined this virtual meeting. I am happy that all of you are safe.

Our's being an investment Company, all financial matters are dependent upon the companies where we are invested. The market being volatile may I suggest to have a relook at our dividend policy, so as to ensure continuity for dividend declarations by having a dividend sustenance fund. Most of our clients take dividend for 19-20 in the same year, and it may be a bit difficult

KIRLOSKAR INDUSTRIES LIMITED

A Kirloskar Group Company

*Annual General Meeting
Thursday, August 27, 2020*

for dividend for 2020 unless all companies pay interim. The two years dividend it was justified, my suggestions as per 19-20 you pay ₹ 10 even though the top and bottom line figures they are high than the previous year and yet the dividend was reduced by half. Here you pay ₹ 21 for 20-21 now it's a question mark, we must revisit our reserve in view of large cancellation, in view of large cancellation, lapses of allotted, when the market capitalization papers is of fate, let us enrich the allotted by some other means. For the size of our business, their shareholders number appear to be high. Think of rates, reduce this number as shareholder servicing costs is increasing year-by-year.

Real estate is now in downturn, due to unfavorable internal as well as an external environment. Having invested further on the real estate ensure that we get best return from this land bank. I had in the past suggested that you should develop and sell flats at this prime location. Else we will suffer as the developer is bound to ask for a larger size of the tape. Note 19 details of PTA not given and you said that you teach the associated and at the same time, we also state it is not. With 23.91 share percentage in the capital of KB, can you not ask for a post of Director from the Company. In your speech to express difficulties in getting revenue. Hope you will explore possibilities for revenue from Kothrud and parcel. Think of tax free bonds instead of bank deposits, because on bank deposits, we pay heavy interest income tax.

I apprehend that the Company had a problem in getting our set of vision, mission and objectives fortified, there is a vast scope for giving loans to agriculturist in view of government's policy to boost agriculture, would you like to consider approaching Reserve Bank of India in this respect, because Reserve Bank of India is now liberal and may listen to you in case you want to be a financing activity. Wish you better year here and after. Thank you very much. I appreciate your gesture to reduce the involvements, but it is not the case. You should not reduce the involvements. We should encourage people to have innovative ways to reduce cost and fight the inflation. Thank you very much, sir.

Atul Kirloskar:

Thank you.

Moderator:

Thank you so much. We have the next audio question from Mr. Kirti Shah. You may go ahead.

Kirti Shah:

Good morning Sir. Chairman sir. I have already send one email?

Atul Kirloskar:

Good morning.

Kirti Shah:

Kirti Shah here.

Atul Kirloskar:

Yes, go ahead.

Kirti Shah:

I have already sent one email.

KIRLOSKAR INDUSTRIES LIMITED

A Kirloskar Group Company

*Annual General Meeting
Thursday, August 27, 2020*

Atul Kirloskar: Yes, I have got it.

Kirti Shah: How much valuation is our total, this real estate valuation and today's Company how many products has been patented. And how much their valuation today in at our Company because share price is not reflecting really. As our Company is a debt free Company in cash position in our Company but share price is not reflecting. That's why you give today's valuation what is the valuation of this, what should be the price according to you, what should be the book value in reality, wish you all the best, thank you very much. Kindly give me appropriate answer.

Moderator: This was the last question. I now hand it over to the Chairman, you may go ahead sir.

Atul Kirloskar: Thank you very much, I would like to answer the questions asked by the shareholders. So coming to Mr. Marathe's question. He has made some suggestion on dividend sustenance fund, we'll have a look at it and just to clarify, the government, sorry the Company has paid a total dividend last year of ₹ 31 per equity share, ₹ 21 was for the previous year and ₹ 10 was the interim dividend that was paid and this was before the pandemic. So, we were fortunate that we were able to get interim dividend out to all the shareholders. Even in the last year we had mentioned that going forward, there would be a lot of investment required for our real estate projects and therefore, when you have capital expenditure happening for the growth of the Company, there is pressure on dividends.

The second question that he had asked was on we were sitting on ESOP in view of the large cancellations of the allotted units. So, here I'd like to say that the employees had voluntarily surrendered the employee stock options granted under the ESOP, due to the options being underwater and had requested a cancellation of the same. So the management after reviewing various options for the benefit of the employees had come up with an introduce the equity settled stock appreciation rights which are called ESARs and this as a concept contemplate passing of appreciation in the value of certain number of equity shares to the employees with lower payments from the employee side. The employees need to pay the face value per share, granted against the ESARs plus taxes on perquisite at the time of exercising of the files. It also offers benefits to the Company in terms of a lower equity dilution with same or lower accounting cost as compared to the previous alternative.

Then he also made a suggestion of for increasing the shareholding. So thank you for that suggestion and we will keep it in mind. Next question was on real estate experiencing a downtown. Yes, at the moment yes, but since our projects are going to get ready in the future, I think we need to look at the future and see what the demands are going to be at that time. Development is off approximately 1 million square feet leasable area on some of the land parcels at Kothrud and as I have informed you the commercial development activities for constructions on the land parcels at Kothrud would be around 53,000 square feet carpet area for the first project. And this was started on 22nd of August 2020.

Then he mentioned something about the details of KBL being an associate Company and not being an associate. So, there are two sets of rules. One is with the Company does not have a significant influence on KBL as it does not participate in the management and all financial decisions of KBL. So, that's how we don't consider it as an associate. But on the other hand, as per the provisions of the Companies Act, 2013, because we have more than 20% shareholding, we have to consider it an associate, it's just two different rules that say two different things. We are just following those principles.

The last question is, whether we'll be in a position and whether we make efforts to pay dividends in the future. So, I don't want to make any promises for the future. But you can rest assured that the management is always working to make sure that there is a return to the shareholders and we will try and live up to that. At the same time, we have to look at the means of capital expenditure of the Company and have a judicious mix of wisdom and decide whether we want to invest more and give less dividend or give more dividend when there is less investment. If there is anything else that Mahesh would like to add, I will hand over to him for a minute.

Mahesh Chhabria:

Just want to do a clarification for Mr. Marathe, they talk about residential real estate, we are clear that this project at Kothrud as a commercial real estate project where we will develop the Kothrud land parcels and lease it out and get rental income streams in the future. The project should see light of the day at the end of three years or two, if all activities perform to plan. That's it.

Atul Kirloskar:

Okay. Thank you Mahesh. So, Mr. Shah also asked about valuation and what are the projects and things like that. So, all I can say to him is what happens in the stock market is decided by the stock market and people who are dealing in stocks, valuation of the Company, the EPS of the Company on a standalone basis is ₹ 61 per share on a consolidated basis it is ₹ 99 a share. PE ratio is seven times, standalone basis and book value is ₹ 863 per share on a standalone basis and ₹ 1426 per share on a consolidated basis. So, we have two land parcels their valuations are based on the Ready Reckoner price and those calculations can be made but I think when we add value to that land, the valuations should hopefully go up. He did have in his email mentioned that he will not get some dividends I would recommend that he gets in touch with Link Intime India Private Limited which will guide him in the process of claiming his unclaimed dividend. That covers all the questions. Thank you very much.

I will now go through the process of e-voting.

The Remote e-voting period commenced on Monday, 24th August 2020, at 9 a.m. and ended on Wednesday, 26th August 2020, at 5 p.m. The facility for e-voting is available to those members who are present at the AGM and have not cast the votes by remote e-voting.

KIRLOSKAR INDUSTRIES LIMITED

A Kirloskar Group Company

*Annual General Meeting
Thursday, August 27, 2020*

Ms. Mansi Paradkar Practicing Company Secretary has been appointed as the scrutinizer to scrutinize the e-voting process in a fair and transparent manner and to provide the report there to. The scrutinizes report will be submitted to the stock exchange within 48 hours from the conclusion of the Annual General Meeting 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. I wish all of you and your family members good health and a safe future. And the proceedings of the Annual General Meeting will now conclude and all the directors will now log off but, I will hand over to the moderator to take you through the e-voting process. Thank you very much.

Moderator:

Thank you so much sir. E-voting is being conducted now and will remain open for 30 minutes. Thank you.