

## Duncan Engineering Limited

### Transcript of the 62nd Annual General Meeting held on 27th July 2023

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#### 62nd Annual General Meeting of the Members held on Thursday, 27th July 2023 through Video Conferencing

##### Board of Directors

Sr. No.	Name of Director	Designation
1.	Akshat Goenka	Managing Director
2.	Arvind Goenka	Non-Executive Director
3.	Om Prakash Dubey	Independent Director (Chairman of Audit Committee, Nomination & Remuneration Committee & Stakeholders Relationship Committee)
4.	Arti Kant	Independent Director
5.	Mahesh Krishna	Independent Director

##### Transcript

- **Ms. Sayalee Yengul** – Good afternoon. I am Sayalee Yengul, Company Secretary. A very warm welcome to everyone to the 62nd Annual General Meeting of Duncan Engineering Limited.
- The General Circulars issued by the Ministry of Corporate Affairs (MCA) and Circulars issued by the Securities and Exchange Board of India (SEBI) has allowed companies to conduct Annual General Meeting through video conferencing or other audio-visual means, thereby dispensing with the requirement of physical attendance of the Members at their Annual General Meeting. Accordingly, this 62nd Annual General Meeting of Duncan Engineering Limited is being held through video conferencing or other audio-visual means.
- Members attending this meeting through video conferencing or other audio-visual means shall be counted for the purpose of reckoning Quorum under Section 103 of the Companies Act. Facility to join this meeting through video conferencing or other audio-visual means is made available on first come first serve basis for the shareholders. All members are kept mute by default to avoid any background noise and to ensure smooth and seamless conduct of the meeting. Once the Q&A session starts, the names of shareholders will be announced who have registered themselves as speakers to enable them to speak at this meeting. The speaker shareholder will thereafter be unmuted to speak. In order to give a fair chance to all speaker shareholders, five minutes are allotted to each speaker. To start speaking, shareholders are requested to follow the instructions given to them by the operator. However, if due to any reason, they are unable to join the meeting through video, they can speak through audio mode. If there is a connectivity problem at the speaker's end, the next shareholder waiting in the queue will be asked to join him. Once the connectivity improves, and if time permits, he or she will be called again to speak after the other shareholders completes his or her speech.

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- For good audio video experience, shareholders are requested to ensure the following. Ensure no other applications are running in the background. Ensure Wi-Fi is not connected to any other devices. And in case there is any issue, they may contact the phone numbers and email ids mentioned in the Notice of the Annual General Meeting.
- I have immense pleasure in introducing my colleagues present in the meeting, Mr. Kamal Saria- Chief Financial Officer, Mr. Shrikant Rao- Head- Sales & Marketing, Mr. Fernandez Arockiaraj- Head-Operations and Mr. Amit Karogal – Head – Design Engineering.
- As Mr. J P Goenka, Chairman of the Board, retires in this AGM, the Directors elected Mr. Akshat Goenka, Managing Director, as Chairman of the Meeting. In case of any connectivity issue at the end of Mr. Akshat Goenka, Mr. O P Dubey will act as Chairman of the Meeting. Now, I would request Mr. Goenka to take the Chair and to proceed with the meeting. Over to you, sir.
- **Mr. Akshat Goenka** – Thank you. Good afternoon, ladies and gentlemen. I am delighted to welcome you all to the 62nd Annual General Meeting of Duncan Engineering Limited, and the fourth of its kind being held through audio visual means. The requisite quorum being present at this meeting, I declare the meeting to order.
- Let me introduce my colleagues on the Board, who are joining us from various locations. Mr. Arvind Goenka, Mr. Om Prakash Dubey, Mrs. Arti Kant and Mr. Mahesh Krishna. The representatives of our Statutory and Secretarial Auditor are also present at the meeting.
- The Annual Report for the financial year 2022-23 has already been circulated electronically to the members of the Company. With your permission, I shall take them as read. The Independent Auditor's Report on the Financial Statements and Secretarial Audit Report for the year ended 31st March 2023 does not contain any qualification or adverse remarks. Accordingly, they are not required to be read as provided in the Companies Act, 2013.
- The Register of Contracts in which Directors are interested, Register of Directors and key managerial personnel and their shareholding are available electronically for inspection by the members.
- For the year ended March 2023 your Company achieved a Profit Before Tax of Rs. 12.92 crore against Rs. 8.47 crore previous year. Revenues from operations registered a 25.7 % growth from Rs. 55.8 crore in FY 21-22 to Rs. 70.00 crore in FY 22-23. I am glad to announce that your Directors have proposed a final dividend of 10% to the shareholders, and vindicating the support and trust of all.

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- In the First quarter of the current year, the Company achieved a turnover Rs. 15.64 crore against turnover of Rs 16.4 crore during the same quarter previous year, mainly due to the reduction in project order sale. We have a healthy sales Enquiry funnel in Q1 so we are confident that sale will increase going forward. I thank you and all our stakeholders for continuing support to our endeavors to grow and nurture the Company.
  - After tabling of the resolutions is over, registered speakers can express their views and ask questions. Now I will pick up the formal items of business of this AGM.
  - The first item of business relates to adoption of audited financial statements of the Company for the financial year 31st March 2023, along with the reports of the Board of Directors and the statutory auditors thereon. The objective of this item is to comply with the requirements of the Companies Act 2013.
  - The second item of business relates to proposal to pay a final dividend at the rate of Rs.1/-, that is 10% per equity share, for the financial year 31st March 2023. The objective of this resolution is to declare final dividend for the financial year 2022-2023.
  - The third item of business relates to the vacancy created by retirement of Mr. Jagdish Prasad Goenka, Chairman of the Board and a Director liable to retire by rotation, who does not offer himself for re-appointment. The objective of this item is not to fill-up the vacancy so created by his retirement, in compliance with the requirements of Articles of Association of the Company and the Companies Act 2013.
  - The fourth item of business relates to appointment of Mr. Mahesh Krishna (DIN: 00909208) as an Independent Director of the Company. The objective of this item is to appoint him as an Independent Director in accordance with the applicable provisions of the Companies Act 2013, and the rules made thereunder.
  - The fifth item of business relates to appointment of Ms. Sheila Singla (DIN: 02266630) as an Independent Director of the Company. The objective of this item is to appoint her as an Independent Director in accordance with the applicable provisions of the Companies Act 2013, and the rules made thereunder.
  - The sixth item of business relates to revision of remuneration of Mr. Akshat Goenka, Managing Director of the Company with effect from April 01, 2023. The objective of this item is to comply with applicable provisions of the Companies Act 2013, and the rules made thereunder.
  - Now I invite the speakers, to ask questions on Accounts and Annual Report and any other point that they may have. Thank you.
  - **Moderator** – Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. We have the 1st speaker shareholder, Ms Neha Idnany.
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Transcript of the 62nd Annual General Meeting held on 27th July 2023

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- **Ms. Neha Idnany** – Hi, Good afternoon. Thank you for the opportunity. I've sent in my list of questions would be grateful if, you know, you could answer them 1 by 1.
- **Mr. Akshat Goenka** – Sure, thank you. We will do that. Thank you.
- **Moderator** – Thank you Ma'am. Our next speaker for the event is Mr. Keshav Garg.
- **Mr. Keshav Garg** – Thank you very much for this opportunity, ma'am. I've already sent my list of questions, but the major ones, I'll just repeat. For the present financial year what is the expectation for top line as well as bottom line? Will we be able to surpass, 100 crore top line in this financial year? And, if not, then, when, in your best judgment can we do so. Also, our operating profit margin has fallen from a peak of 25% during the 2nd quarter of last year to 16% during the 4th quarter. And consequently, our EBITDA also fallen from the 2nd quarter of last year of around 5 and a half crore to approximately 3 crore in the last quarter. So going forward, what kind of EBITDA per quarter should we expect. Should we expect it in the range of 4 and a half crore per quarter or 3 crore per quarter.
- Also, what is the steady state operating margin that we can expect going forward? And what kind of revenue can we generate if we operated our 100% installed capacity? And how many shifts are we currently working on. And also kindly give us some overview of the competitive landscape in the industry. Has there been any entry or any new competitor? And who would be our major competitors and what would be our market share. I think last AGM, it was mentioned that we were planning to launch new products during the 2nd half of last financial year. So, what is the progress on that count?
- And what are our capex plans? Is there any threat from any substitute products? Sir our exports have dropped even from a lower base year on year during last year, and they are around 1 and a half crore. So, do you think that going forward exports can become a significant, a meaningful contributor to our revenue mix? Can it become 10 – 20 – 30% going forward. Also, we have around 28 crore of net cash with us. So kindly consider a share buyback. And lastly, one clarification. Does OCCL hold 75% of our equity or do they hold 51% and the promoters are holding 25% directly. Kindly, clarify some of these issues. Thank you very much and best of luck.
- **Moderator** – Thank you. Mr. Garg. Our next speaker for the event is Ms. Veena Patel.
- **Ms. Veena Patel** - Good afternoon, everyone. I have a list of questions I quickly read them out. If you can just broadly give a revenue break up between the different segments of power, auto, manufacturing, construction, health care, which are highlighted in the annual report.

**Transcript of the 62nd Annual General Meeting held on 27th July 2023**

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- So going ahead what would be the growth drivers for the company, would it be the new product launches or you entering into new verticals or segments of applications or it would be majorly coming from the export side. And very precisely if you can just mention about the initiatives that we have taken in the last 2 to 3 years for the new product development and how are you going to increase the export sales.
- Currently, what is our capacity utilization and what kind of peak revenues can we achieve from the existing capacities? What would be the capex plan for the next 2 years. And if you can just provide some broader guidance with regard to the growth for the next 3 years both on the top line as well as on the earnings.
- **Mr. Akshat Goenka** – Thank you.
- **Moderator** – Thank you. Mam. Next speaker for the event is Mr. Amit Bagaria.
- **Mr. Amit Bagaria** – Hi Akshat. I want to congratulate and thank you for the successful turnaround that you have done through a few years. And I am sure you are on a steady growth path going forward. I just have 1 suggestion that given all that we are financially more stable and making decent profits. If you can consider increasing the dividend, pay out over the period of time, that will be really nice. Rest, I think the speaker have asked a lot of questions. I have nothing significant to ask. Thank you so much Akshat and best of luck.
- **Mr. Akshat Goenka** – Thank you.
- **Moderator** – Thank you Mr. Bagaria. Out next speaker for the event is Mr. Ravi Kumar Naredi.
- **Mr. Ravi Kumar Naredi** – Hello respected Chairman and MD, honourable Board of Directors, employees of the company and fellow shareholders. I am new shareholder in this company. And whatever new MD is doing, it is an excellent job they are doing. In financial year, 13-14, our top line was 71 crore and today also 71 crore. So we want to know, in 10 years, why top line has not grown. Bottom line has grown. That is a good also. And the plan for capex 24-25 financial year. And what margin guidance and capacity expansion for financial year 24 and 25. One of my fellow shareholders suggested for dividend paying, but I am more suggesting you please make more capex and if you have sufficient fund, then buyback the shares instead of dividend. Thank you very much.
- **Mr. Akshat Goenka** – Thank you.
- **Moderator** – Thank you Mr. Ravi. Thank you, sir. That was the last question over to you Chairman sir.

**Transcript of the 62nd Annual General Meeting held on 27th July 2023**

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- **Mr. Akshat Goenka** – Thank you so much everybody asking the questions and more so big thank you for sending the questions in advance. It has allowed us to be prepared with all the different answers. There are some points that came out outside the prepared questions. One is regarding the shareholding pattern of Duncan Engineering. OCCL owns 50.1%, approximately making it a subsidiary of OCCL. The balance 25% odd is owned directly by the promoter family. So that is the breakup of the 75%.
- There's been a question around dividend payouts both asked here as well as in the pre-sent questions. We have come out with a new policy and that going forward we will be aiming to pay out up to 20% of PAT as dividend. That is a very healthy dividend policy and that's what we are looking to implement, going forward from this financial year.
- I call on Kamal and Shrikant to answer the specific questions that were sent in advance. And I will also add on as required to make sure all your queries are answered correctly. Kamal, would you like to please start.
- **Mr. Kamal Saria** – Hello. Sir asked one question about the margin, so our current margin is EBITDA 15%. Second question was on working capital, so our working capital is 10 to 12 crore, but our inventory /debtor will be some increase if revenue increase. Third question was new product you can introduce, so we are introducing solenoid valve products we have introduced to the market size of Rs. 570 crore, Duncan required revenue potential of Rs. 10 crore from this valve.
- One question spoken was of export countries. We are looking at countries from Singapore, UAE, Oman, Bangladesh, and Duncan required revenue generation will be Rs. 2 crore. Sir, vision of the company for the next 4-5 year. Our next year cross target is 100 crore with EBITDA of 15 crore. Some question, 23 crore investment in the company, what is the plan on investment? Currently company investment 23 crore, company will use investment for the growth of company as per requirement in future. Our FY 23-24 capital budget is 7.50 crore and next year budget is 10 crore. Major capex for in house set up of upcoming new products commitments. Dividend already answered by Akshat Sir. Dividend we have already prepared a policy and will release dividend 20% of PAT. Again, some questions from Outlook. Our budgeted topline is Rs. 80 crore and budgeted EBITDA is 15 crore. Next year we will strike for 100 crore.
- **Mr. Akshat Goenka** – Kamal, sorry one minute, budgeted EBITDA is 15% not 15 crore. I would like to add here for all our shareholders, our standard guidance for EBITDA is going to be 15%. Now, there is every chance that we will do better than 15%, but looking at how we are looking at increasing the top line and entering new products and new markets. We would like to project only a 15% EBITDA for guidance. Yes. Go ahead Kamal.

- **Mr. Kamal Saria** – One question is that our operating margin is decreased from Q2FY23 to Q4FY23. This is mainly reason that our cost of goods sold is reduction due to high margin sale in that quarter Q2. What is that your full capacity? Why not use our 100% capacity so that revenue will increase by 30%. Currently we have one single shift, general shift. Second is, how there been any entry exit of competitors in our domain market. Our main competitors in VALMET, ASCO, FESTO and SMC. Our highest, we are, we have some new products Solenoid Valves at validation and certification stage. We have capex plan for next year for our product development. We have a good prospects for exports and new geographies with new products markets.
- Some person asked addressable opportunity size for our company in various segments of railways sector. That question will be taken by our marketing head, Mr. Shrikant. What is the competitor? you already said VALMET, ASCO, FESTO and SMC. Our 30th June order booking pending is Rs. 13 crore. Execution cycle is average 2 months. Our current capacity utilisation is than 70%, and peak revenue from current utilisation is Rs. 90 crores. Capex plan from this year is Rs. 7.50 crore and next year is Rs. 10 crores. Company's this year 80 crore and next year 100 crore. Question of inventory, receivable, payable cycle. Our inventory is 45 to 55 days and receivable is 20 to 25 days. Our payable is 45 days. Some question for expanding export business. Shrikant will explain that matter.
- One question is growth from our customized product. Customized Products (Cylinders) will continue to address various market needs. Also, Duncan is launching New Range of Solenoid Valves with multiple variants to address variety of customer. What are our current or future prospects? Current Product Lines such as Standard and Non-Standard will continue and Future New Products will be in Solenoid Valves, Actuators etc.
- And one major question in FY 13-14 is 71 crore turnover and again 71 crore turnover. In FY 13-14 we had two major business verticals. One is Automotive Business Unit (Manufacturing: Tyre Tube Valves, Tube less tyre valves) and second is Pneumatic Business Unit (Manufacturing: Cylinders, Solenoid valves) Out of two verticals we had discontinued Automotive Business unit in FY 15-16 and retained only cylinder business. We had grown our business from 34 crore to 70 crore. Our capex plan is already 7-7.50 crore and next year is 10 crore. Our EBITDA margin is 15%. This is already explained by Mr. Akshat. Shrikant can you explain some exports and marketing related questions.
- **Mr. Shrikant Rao** – Yeah, I'll do that. A very good afternoon to everybody the few questions, which I would like to answer. What kind of new product are Duncan looking to introduce into the market and what will be the market size and revenue and potential. So, presently we are, focusing, the product line towards the process industry. And specifically as Kamal informed that we are coming up with new Solenoid

Valves products. It has a good market size of, more than, approximately around 600 crores and we are looking at revenue potential of 10 crores down the line once we start the product. And regarding exports, we have a question from Neha, like which countries are we looking at and targeting and what will the revenue margin in these geographies? We are actually targeting a revenue of around 2 crores. We are starting with specifically from the Southeast Asia and the Middle East, initially, because a lot of new products for certification, which are in due process, and which are going to come. So, to start with this fiscal year, at least we are targeting where certifications are minimalistic. More certification are going to come this fiscal year, but this fiscal year, we are generally focusing towards Southeast Asia.

- And I think that were the major questions. And 1 question was from Veena, what is addressable opportunity size for a company in the various segments for railway sector? The railway sector actually is a very price sensitive area and with railways and with government push up with a lot of startup, to promote a lot of startups they had introduced a lot of MSME companies or SME companies into the vendor list, which is, making bit difficult for us to railway. So that's where, you know, we are only addressing to the equipment manufacturers who buys from us who prefers quality of over price.
- So that is there and one question from Veena was who are our competitors and what is our competitive edge? Our major competitor today VALMET, ASCO, FESTO and SMC as whereas our competitive edge is, we for most of the product line, when it comes to process automation, we are going to be a one stop solution for all the customer. And also we are very strong when it comes to customization of products. So that is major our competitive edge, which other companies cannot offer today. I think that is all from my side.
- **Mr. Akshat Goenka** – Thank you Kamal and Shrikant. I think to sum up for our shareholders, I would like to say that last year the numbers looked good, but even behind the numbers, the company made very rapid strides and building up with team in working towards certifications in developing new products, all of those are going to come on stream at some time in this financial year. And we are also very well equipped to keep going on this journey of developing products and tracking new markets.
- The growth of the company is going to come by entering new markets and new products. Our existing business is now going to grow in a more organic rate of growth, not a rapid rate of growth, but we are quite well equipped to take this journey forward and specifically, when we talk about 100 crores, we are looking at hitting that milestone in FY25. I hope we've been able to address all the various queries that you all had.
- Ladies and gentlemen, the agenda items have already been put to vote by remote e-voting and now being put for voting electronically during the meeting. I would like to inform you that pursuant to the provisions of the Companies Act 2013, and the SEBI



**Transcript of the 62nd Annual General Meeting held on 27th July 2023**

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Listing Obligations and Disclosure Requirements Regulations 2015, the Company had provided remote e-voting facility to all its members through the platform provided by Link Intime in respect of each of the businesses contained in the Notice convening this meeting. Such remote e-voting was opened on Monday, July 24, 2023, at 9.00 a.m. (IST), and concluded on Wednesday, July 26, 2023, at 5 p.m. (IST). Members present at this Annual General Meeting who have not cast votes through remote e-voting may avail the facility of e-voting during the meeting.

- The guidelines to vote during the Annual General Meeting have been mentioned in the Notice of the meeting. The result of e-voting during this Annual General Meeting, along with the results of remote e-voting will be scrutinized, and a consolidated result will be declared subsequently. Please refer to notice for the same. Mrs. Shaswati Vaishnav, Practicing Company Secretary is appointed as scrutinizer in connection with the e-voting process.
- This concludes the transaction of business mentioned in the Notice convening the 62nd Annual General Meeting of the Company. I now request the e-voting to take place. Please note that the e-voting can be done for another 15 minutes from the conclusion of this meeting. The results of E-Voting will be announced on receipt of the scrutinizers report. E-voting results will be announced within two working days of the conclusion of AGM as required under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015. The result will be submitted to stock exchange and hosted on company's website.
- I thank you all once again. And wish you and your family good health and prosperity. Stay healthy and stay safe. Thank you so much.
- **Ms. Sayalee Yengul** – Thank you sir. I am pleased to propose a vote of thanks to the Hon'ble Chairman and to the entire Board of Directors. I thank each one of you for being here; Thank you for your continued support and we look forward to the same in the years to come. Thank you once again, have a good day.

The facility for e-voting on the Link Intime website was made available to those Members, who were present at the AGM and have not cast the votes by remote e-voting. This facility was closed at 2.45 pm (IST). The proceedings of the annual general meeting concluded at 2.45 pm (IST).