LEEL Electricals Limited
(Formerly Lloyd Electric & Engineering Ltd.)
159, Okhla Industrial Estate, Phase-III, New Delhi - 110 020 (INDIA)
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CIN : L29120UP1987PLC091016

September 26, 2017

The Manager, Listing Department
The National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 051

NSE Symbol : LEEL

The Manager, Listing Department
BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

BSE Scrip Code: 517518

Dear Sirs,

Sub: Chairman Message to the Shareholders on 30th Annual General Meeting ('AGM').

This is with reference to the 30th AGM of the Company held today i.e. on 26th September, 2017. On the occasion of 30th AGM, Mr. Brij Raj Punj, Chairman & Managing Director has issued his message to the shareholders.

The copy of the same is enclosed for your information and record.

Thanking you,

Sincerely yours,
For LEEL Electricals Limited

Anita K. Sharma
Company Secretary & VP Finance
Encl: as above

Dear Shareholders,

The year 2016-2017 has proved to be an important year bringing with it various milestones as well as numerous challenges. However, I am extremely happy to share with you that your company was able to overcome the hurdles, and deliver another record performance in FY16-17. Over the past three decades, we have built a strong foundation and now we are steadily progressing towards achieving greater scales of success based on our core competencies.

Though, India recorded a slow GDP growth of 7.1 per cent in FY 2016-17 as compared to 7.6 percent in FY 2015-16 but simultaneously saw major reforms and policy initiatives undertaken by the present Government. In recent months economy has witnessed many positive developments. From the most surprising currency demonetization to the initialization of implementation of Goods & Service Tax (GST) to improve the tax compliances and governance which would provide an impetus to the investment and growth in the country.

We are pleased with our nos., where we registered a topline growth of 23% against a backdrop of uneven global economic conditions, dramatic foreign exchange rate movements and unpredictable political and operating environment. Our consolidated revenue stood at Rs. 3367 Crores in FY 17 against Rs.2720 crores in FY16. Vertical integration in the entire value chain has enabled us to improve on various parameters.

During the year, the board took a strategic step by exiting the Consumer Durable business while strengthening our core competency as an HVAC player. The Company restructured its business strategy and sold its Retail business of trading under Lloyd Brand which was carried out under Consumer Durable Segment. The Retail segment has been growing at a faster pace and required growth capital to sustain at the current level. Considering thin margins in the segment and the overleveraged balance sheet, making further capital investment in non-core product was not thought to be a viable proposition. Moreover, LEEL group has its core competencies in the B2B space with expertise in manufacturing over decades in the HVAC&R industry. This necessitated a careful relook on the consumer business for its sustainability and called for a strategic decision to down size the balance sheet with the high debt and concentrating on its core businesses of B2B. With this in view, the board decided to exit the trading business of Consumer product division and on 8th May 2017 sold its consumer durable business (CDB) to Havells India Ltd together with all rights, title, interest, assets, licenses, employees etc., including the trade mark “Lloyd” on a going concern basis at the enterprise value of Rs.1550 Crores on a debt free cash free basis subject to closing adjustment. The net proceeds from the sale of the CDB would be partially utilized towards downsizing the over-leveraged balance sheet and partially by investing in high margin business and also payment of special dividend to the shareholders. The sale of the consumer business will not have any impact on the OEM business and the company would continue to carry its B2B business of manufacturing of heat exchangers and air-conditioners as OEM supplier to other brands in India and export markets also.

Let me share some key business highlights during the year

Over the past few years, the demand for room air conditioners has been continually shifting toward energy-efficient ACs (5-star/inverter), which contributes ~30-35% of overall industry volumes. The Bureau of Energy Efficiency (BEE) is implementing the new EER norms from 2018 onwards as by which, all ACs that operate on invertor technology will have to be compulsorily rated from 2018. Consequently, the rating for fixed and variable compressors will be merged. The split AC market is expected to transition to inverter technology over next few years, with inverter ACs projected to account for 30% of the market by FY18 and 50% by 2020. Your Company is one of the top supplier of room air conditioners to the major brands in India as well as overseas. LEEL has already developed the air conditioners meeting the new norms of energy consumption. The Company has already started the manufacturing of inverter air conditioners and extensively working on development of Heat and Cool Split AC with R-410A and R-32 refrigerants.

We are also focusing on the cutting edge technology solutions across all our product categories. Over the years, we have built capabilities both organically as well as inorganically by acquiring companies which are focused in delivering product with technological advancement. Our recent acquisition of Noske Kaesar Rail & Vehicle business reflects our philosophy to enlarge and deliver significant business synergies especially through technology absorption and increased access to the global Rail & Defence market.

Your Company is also extensively working on attracting opportunities in the Defence and Aviation Sector by designing a complete Oil Cooling System for its latest Aviation and Defense applications and strengthening its quality systems and production processes by becoming ready for AS9100 and NadCap certifications. Having its core strength of manufacturing the mechanically bonded radiators, our products are supplied to international Railway for their locomotive engines.

Your Company is one of the largest manufacturers of evaporators and condenser coils for air conditioners and heat exchangers/ radiators serving the entire spectrum of Heating, Ventilation, Air Conditioning and Refrigeration (HVAC&R) Industry. Rail HVAC business of LEEL is getting diversified from Indian Railways to Metro Customers. During the year, our Bhiwadi facility got approved by international rolling stock manufacturers for sourcing their HVAC needs. To accommodate the increased demand from international customers, a new test lab has been installed for testing of Railway HVAC units meeting with international standards.

In the international market, our recent acquisition of Noske Kaesar Rail &Vehicle (NK R&V) business has given us the access to the international Railway and Defence market in HVAC segment. NK R&V has designed and developed a new roof mounted air conditioning unit which eliminates the requirement for the standard type of power inverter currently utilised in our locomotive HVAC units. The unit has been through an array of performance testing with positive results and we plan to market the solution to various locomotive builders and maintainers for projects around the world.

Janka, continued with its cost saving actions as a next step of company restructuring with an objective to further downsize and become leaner in the back office. Although currently main business for Janka is Air Handling Units, the strategy will be shifting towards products with higher added value, particularly Industrial Cooling and Rail HVAC. Janka has secured large project to supply AHUs for prestige Jaguar car production plant in Slovakia. It has also secured first project from Pesa, a leading Central European rolling stock manufacturer, to deliver AC units to trams for city Bydgoszcz in Poland during years 2017-18.

We have Company has been consistently rewarding the shareholders with good dividend and this time a special dividend of 200% was paid to the shareholders out of the sale proceeds of CDB business. In addition, the Board has also recommended 15% dividend, subject to the approval of the shareholders at this AGM.

Your Company has long-standing heritage of commitment to excellence, leadership and innovation. People are what make this Company great. Our employees have worked tirelessly to deliver outstanding products, services and solutions to our customers. The Company has put in place several initiatives that focus on leadership and talent development across grades. The Company has successfully implemented the “Business Excellence Program” through skill improvement initiatives ‘Kaizens- Improvements’ in the organization and has achieved positive results at almost all the levels of the organization. Safe working conditions, including those that protect the safety and health of workers, are assured at all levels. The Company’s HR strategies are aimed at finding a balance between employees’ goals and aspirations with those of the Company.

Over decades, your Company has been actively working in the field of education and social welfare through its charitable and humanitarian arm “Pandit Kanhaya Lal Punj Trust”. We believe that Corporate Responsibility is a holistic concept that encompasses the full range of environmental, social and economic issues addressed by our work. We are providing free education to the girl child who is coming from weaker section of society through our flagship project : PKLP Schools. Further, on the belief that gender equality and women empowerment are the panacea for promoting social development and economic growth of the society, we have started Women Empowerment Cell (WEC) in two states – Bhiwadi, Haryana and Jabalpur, Madhya Pradesh. WECs are providing free vocational training to women from rural area through workshops and helping them to be self-reliant.

Heading into FY 2017-18, I have great confidence in the future of the Company. We see incredible opportunities for growth – and we have a defined plan to seize them. It starts by taking a global approach. Our acquisition of Noske Kaesar Rail & vehicle business has further strengthened our manufacturing footprints through our New Zealand facility, thereby making us a Global HVAC Company.

I would also like to take this opportunity to thank our diligent and hard-working employees around the world for continuing to provide the highest levels of service to the Company and to its clients. Everyone at LEEL is committed to continually improving the products and services which we are offering to our customers across the country and overseas.

Finally, to all our shareholders, thank you for your support. We are committed to delivering value to you, both today and long into the future. I thank our board for their guidance. And, I thank all shareholders for their continued interest and unremitting belief in the company.

Warm Regards
Yours Sincerely

Brij Raj Punj
Chairman & Managing Director