

CHAIRMAN'S SPEECH

Good afternoon and a very warm welcome to the 48th Annual General Meeting of Kirloskar Pneumatic Company Limited. It is indeed a pleasure to connect with all of you, even though this time also we meet virtually. On behalf of the KPCL Board of Directors, I want to thank you for joining us today.

Our legacy inspires us to see beyond present challenges. We look at opportunities, remain futuristic and dynamic in our thoughts and actions in line with evolving customer aspirations. In this context, I must mention that our brand 'Kirloskar' was refreshed with a new logo and a new business vision 2 years earlier. The company's ambitious growth plans are being supported by this 'Limitless' vision. We seek to grow in a sustained manner driven by technological excellence, financial prudence and social relevance.

We worked on delivering high quality products / services, providing innovative solutions to meet customers' unique needs, continuous improvement by strong emphasis on in-house research and development and creating value for our stakeholders. Yes, in all this we have been changing and working to explore new markets both national and international.

At KPCL we believe that **'The only way to handle pressure is to apply it.'**

At the heart of our business lies pressure management, whether it's for gas stations or climate control systems in submarines. Handling pressure well is our business to create value for our all stakeholders. Our commitment to delivering value is reflected in our performance this year and our dedication to continued growth.

This year, we achieved a significant milestone by listing on the National Stock Exchange ('NSE').

Overall Performance

Our overall performance during the FY 23 showcased the strength of our vision and strategic planning, especially in the face of high input costs. The supply chain disruptions were largely mitigated with better inventory management. Our culture of innovation and stronger relationships with customers helped us stay on the growth path we have envisaged. We continued on our growth journey, with total income growing to ₹ 12,500 Million. This accomplishment reflects our customer-centric approach, where we prioritize understanding the distinct and evolving needs of our customers across various cultures and geographic locations.

To capture various opportunities, we have invested significantly in our technical capabilities. With our firm belief in the potential of Industry 4.0, we have made significant strides in incorporating digital technologies into our operations. During the year, introduction of our new range of products, i.e. Khione, Calana and Tezcatlipoca Compressors were well received by the market.

Compression Business

Your company is essentially in the business of Compressors and Compression systems for Air, Refrigeration and Gas. The Compression segment registered a robust growth over the previous year by earning revenue of ₹ 9,609 Million which contributed 93% of our total revenue. In this, Air Compressor business constitutes about 20% - 25%, Refrigeration Compressor business about 30% - 35% and Gas Compressor business about 40 % - 45 % of total sales.

The Air Compressor business continued to grow strongly in delivering superior solutions to various niche applications. The standardisation and scaling up of the Tezcatlipoca range of centrifugal compressors was a milestone for us. It is one of the most efficient oil-free dry-air compressors in the market and we expect this to become an industry standard going forward. Another major step in building reliability, scalability and standardization was the implementation of the Product Lifecycle Management software. These initiatives enable us to maintain the superior quality of our products. We have record sales of Reciprocating Compressor Packages for various critical applications in metal, in air separation etc. and this continues to grow.

The capabilities of the centrifugal compressor have been improved by optimizing the in-house manufacturing processes and reducing lead time. Additionally, the Company has achieved in-house capabilities in design and manufacturing of screw rotors and centrifugal impeller for various applications.

In Refrigeration business, your Company benefits from 'Concept to Commissioning' methodology, which is used to stay ahead of the Industry's increasingly stringent environmental, quality and safety regulations. Your Company is an established player in Refrigeration business in India since the said business is strongly driven by Proven Track Record (PTR). Your Company is a dominant player in the Hydrocarbon refrigeration market as it has a very strong PTR in handling Hydrocarbons. The Company holds a significant market share of approximately 60% in the field of ammonia refrigeration compressors. As part of its efforts to accelerate the development of new products, the Company has made investments in an in-house performance testing facility dedicated to refrigeration compressors.

Your Company has supplied and completed the installation of 4 large Gas packages in the Middle East region which resulted in a record growth in export sales. Almost, 50% of the daily gas compressed at on-line CNG stations in India is by KPCL CNG Packages. In order to further enhance our offerings, your Company has developed and commenced shipment of Calana range of booster compressors which will address the off-network CNG gas stations. There is a continuous growth in the O&M business.

Sustainable Business Practices

At KPCL, we recognize the significance of Environmental, Social and Governance (ESG) factors in driving sustainable growth. During the year, we have made significant progress in establishing a robust governance structure and implementing a comprehensive policy framework for our ESG initiatives. We are dedicated to reducing our carbon footprint, conserving resources and advocating responsible manufacturing practices as the focal points of our efforts.

R&D Initiatives

Several new products launched in the year. There are more innovative products in the pipeline. Going forward, we will continue to file more patents to safeguard our intellectual property .and we believe filing of IP applications is a major step towards building internal capability to build a preferred future.

FINANCIAL PERFORMANCE

I am glad to inform you that during FY 23, your Company has achieved total income of ₹ 12,505 Million, a growth of 21% YOY. Our Profit before tax grew from ₹ 1,141 Million to ₹ 1,433 Million, representing a growth over 25%. Our Profit after tax crossed the mark of ₹ 1,000 Million this year to ₹ 1,086 Million. It showed growth over 27% as compared to previous year.

The Audited Financial Statement for the financial year ended 31st March, 2023 together with the Report of the Auditors' and Board of Directors thereon is being placed for your consideration and adoption at Item No. 1 of the Notice.

DIVIDEND

During the FY 23, the Board had declared an interim dividend of ₹ 2.50 (125%) per Equity Share of Rs. 2/- each. Further, the Board has recommended a final dividend of ₹ 3.00 (150%) per Equity Share of Rs. 2/- each and will be paid to the eligible members subject to your approval at Item No. 2 of the Notice.

DIRECTORS

With a deep sense of grief, I report, the sudden and unexpected demise of Late Shri Vikram S Kirloskar, Non-Executive Director and Promoter of the Company on 29th November, 2022. The Company immensely benefitted from his foresight and vision, pursuit of excellence, desire for quality enrichment and leadership during his tenure as member of the Board. His mentorship to senior colleagues in the organization is irreplaceable and remains a source of inspiration forever. His passing away will be irreparable loss to the Company.

During the year, your Company appointed Mr. Pravir Kumar Vohra as an Independent Director with effect from 19th October 2022 to hold office for a term of Five (5) consecutive years.

I am liable to retire by rotation at this Annual General Meeting and being eligible, offers myself for re-appointment as a Director. The re-appointment is placed before you by way of an Ordinary Resolution at Item No. 3 of the Notice.

Kindly note that I am interested in the said resolution.

AUDITORS

M/s. Sudhir Govind Jog has been appointed as Cost Auditor of the Company. However, their remuneration needs ratification by the Company and the same is being considered by way of an Ordinary Resolution at Item No. 4 of the Notice.

RE-APPOINTMENT OF MANAGING DIRECTOR

As you are aware, Mr. K Srinivasan was appointed as Managing Director for three years. Under his leadership, the Company has consecutively shown not only the growth in the topline and bottom line but has achieved highest revenue and profit year on year. His re-appointment would require prior approval of the Members by way of an Ordinary Resolution. The Board of Directors of the Company, on the recommendation of the Nomination and Remuneration Committee, at their Meeting held on 27th April, 2023 recommended the re-appointment of Mr. K Srinivasan as the Managing Director for a further period w.e.f. 26th October, 2023 till 31st March, 2026. The said re-appointment is being considered by way of an Ordinary Resolution at Item No. 5 of the Notice.

OUTLOOK

Despite a global economy that is experiencing high inflation and modest to negative growth, the current slowdown has resulted in a delay in the technological transmission in the energy sector. As a result, there is a continued strong demand for our compression packages, both in the gas and refrigeration space. Furthermore, the installation of CNG stations is expected to accelerate and we hope to meet all the announced plans. This acceleration would likely lead to significant growth in both CNG and booster compressor sales in FY 24.

Your Company has received strong inquiries for various packages, both in India and from the Middle East, indicating a promising future. Additionally, we are excited about our new range of products, i.e. Khione, Calana and Tezcatlipoca compressors, which were brought into the market during the reporting year.

Overall, your Company is confident that it can maintain its growth momentum and remained committed to its aspirational goal of becoming a ₹ 2,000 Crore plus Company in another two years.

GENERAL ANNOUNCEMENTS

KYC registration:

Pursuant to the directions of SEBI, the Members holding shares of the Company in physical form shall furnish their PAN, KYC details and Nomination through standardized forms. In this regard, the Company has sent the KYC letters along with requisite forms thereto to all such shareholders holding shares in physical form by post in May, 2023.

Please note that folios wherein any ONE of the said details are not available on or after 1st October, 2023, such folios shall be frozen. In view of aforesaid, we request you to submit the requisite Investor Service Request Form(s) along with required supporting documents as stated therein at the earliest.

Generating awareness on Dispute Resolution Mechanism:

In accordance with SEBI Letter no. SEBI/HO/OIAE/2023/03391 dated 27th January, 2023, the Registrar and Share Transfer Agent has sent information as directed by SEBI with respect to “Generating Awareness on Availability of Dispute Resolution Mechanism” vide both email and SMS to shareholders, on 10th February, 2023. The said mechanism has also been placed on the website of the Company.

ACKNOWLEDGEMENTS

On behalf of the Board, I wish to place on record our gratitude to our bankers for their encouragement and support and to all Directors, employees, customers, vendors and channel partners for their contribution for the results achieved during the year. In addition, my thanks to you, for your support as shareholders and for the keen interest shown in the performance of the Company.

I thank all of you for your continued trust in the Board and the Management and look forward to your continued support in our limitless journey ahead.

If you have any questions on the Report and Accounts, I shall be happy to answer them.