

14th Annual General Meeting
Kirloskar Oil Engines Limited
11th August, 2023

– **Mr. Swapnil - Moderator:**

- Dear shareholders, good morning and a warm welcome to you all to the 14th Annual General Meeting of Kirloskar Oil Engines Limited through video conferencing or other audio-visual facilities. As a reminder, for the smooth conduct of the meeting the members will be in mute mode and audio and video will be opened when they will speak at the AGM as for the preregistration. Please note that as per the requirements, the proceedings of the Annual General Meeting will be recorded and available on the website of the company.
- I now hand out the proceedings to Mr. Atul Kirloskar, Chairman of Kirloskar Oil Engines Limited. Over to you Chairman Sir.

– **Mr. Atul Kirloskar – Chairman, Kirloskar Oil Engines Limited:**

- Thank you, Swapnil. The Company Secretary has informed me that the necessary quorum is present and I call the meeting to order.
- So, good morning, ladies and gentlemen. On behalf of the board of Directors, I welcome you all to the 14th Annual General Meeting of the members of the company. The present AGM is being held through video conferencing facility in compliance with the provisions of the circulars issued by the MCA and SEBI from time to time. On behalf of the Board of Directors, I thank you for sparing your time from your busy schedule to join us.
- I'd like to introduce the Directors starting with myself.
 - I am Atul Kirloskar, the Chairman.
 - Ms. Gauri Kirloskar, Managing Director.
 - Mr. Sunil Shah Singh, Independent Director and Chairman of the Audit Committee and Stakeholders Relationship Committee.
 - Mr. Satish Jamdar, who is an Independent Director, Chairman of the Risk Management Committee and Nomination & Remuneration Committee.

- Mr. Rahul Kirloskar, Non-Independent Director and Chairman of the CSR Committee.
 - Mr. Mahesh Chhabria, Non-Independent Director.
 - Mr. Vinesh Kumar Jairath, Non-Independent Director.
 - Dr. K.M. Abraham, Independent Director.
 - Dr. Shalini Sarin, Independent Director.
 - Mr. Yogesh Kapur, Independent Director.
 - Mrs. Purvi Sheth, Independent Director.
 - Mr. Arvind Goel, Additional Independent Director.
- The present term of appointment of Mr. Sunil Shah Singh, Independent Director of the company and also the Audit Committee and Stakeholders Relationship Committee Chairman, is valid up to 11th September, 2023. The Board has taken on record the immense contribution made by him towards guiding the company on business matters during his association with the company.
- The following persons are also attending the AGM –
- Mr. Anurag Bhagania, the Chief Financial Officer.
 - Ms. Smita Raichurkar, Company Secretary & Head Legal.
 - Mr. Aseem Srivastav, Chief Executive Officer, B2C.
 - Mr. Rahul Sahai, Chief Executive Officer, B2B.
 - Mr. Umesh Abhyankar, Partner of G D Apte & Co., Chartered Accountants, Pune, being the Statutory Auditors.
 - Mr. Mahesh J. Risbud, Practicing Company Secretary, being the Secretarial Auditor.
 - Mrs. Varsha Limaye, Partner of M/s Parkhi Limaye & Co., Cost Accountants, Pune, being the Cost Auditors.

- Mrs. Manasi Paradkar, Practicing Company Secretary, being the scrutinizer for the E-voting process.
- Now, pursuant to the provisions of the Companies Act, 2013 rules thereof and the SEBI regulations following registers and documents are available electronically for inspection during the AGM at the NSDL E-voting portal –
 - A. The register of Directors, Key Managerial Personnel and their shareholding.
 - B. Register of Contracts or arrangements in which Directors are interested.
 - C. Statutory Auditor's report on standalone and consolidated financial statements.
 - D. Secretarial Audit Report.
 - E. Auditors certificate on Employee Stock Option plan pursuant to the Securities and Exchange Board of India Regulations, 2021 and circulars issued thereafter.
- I'd also like to inform you that the Annual Report including the AGM notice for the FY2022-2023 has been circulated by email to the members of the company and are also available at the website of the company, BSE Limited and the National Stock Exchange of India Limited. With the consent of the members, the same are considered as read.
- Pursuant to the 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 qualifications, reservations or adverse remarks.
- I will now commence my address to all of you. The fiscal year 2023 has been characterized by a global economic recovery marked by resilience and adaptation to the challenges posed by the unprecedented events of the past few years. India's economy has also demonstrated remarkable resilience during the FY23. The stable macroeconomic environment has provided a favorable backdrop for our operations, enabling us to explore new avenues for expansion while maintaining financial prudence. We are also seeing a great amount of interest in India as a manufacturing hub. With the right push from the government and a conducive business environment, as a country we are well poised to capture this opportunity.
- On the B2B side, the CPCB IV+ emission norms in the power gen industry and our readiness for it was the biggest highlight for the year. We had always stated as an organization our commitment to stay in the internal combustion engine space and that we will make the technology transitions along with the industry. We were the first in the industry to certify our entire Genset range to the latest CPCB IV norms. These norms are on par with most stringent diesel emission norms in the world. We will remain committed to our focus on engineering and the industry transitions whether with newer

emission norms or with alternate fuels and fit for the market that we operate in. We have made progress in our roadmap for entry into the high horsepower range and you will hear more about it from our business teams in the coming days.

- On the B2C side, our focus on deepening and widening the channel is progressing well and we are beginning to see the results. The business has turned profitable and I am confident that the team can sustain and improve these results. As a responsible corporate entity we recognize the critical importance of sustainability. At the heart of our efforts we are firmly committed to reducing our carbon footprint, conserving resources and advocating responsible manufacturing practices as the core pillars of our initiatives.
- Our commitment to sustainable business practices extends across various aspects including our products, manufacturing procedures, human resource protocols and our rigorous adherence to elevated standards in accounting and financial practices. Notably, our Cargill factory operates as a carbon neutral facility underlining our dedication to sustainability within our manufacturing operations. Our products, especially with the latest emission norms, are comparable to global standards in emissions. We have a wide range available for alternate fuel gensets and options such as retrofitted emission control devices and dual fuel kits.
- Coming to the business highlights for the FY22-23. Looking at the standalone financial performance for the full year, there has been a significant improvement. The gross sales for the year amounted to ₹4073 crores, that is an increase of 25% compared to the previous year's ₹3268 crores. EBITDA was at ₹427 crores in the FY23 compared to ₹269 crores, excluding a onetime gain of ₹53 crores from the sale of shares of Arka Fincap Limited in FY22 representing a 59% year-on-year increase in EBITDA. These results highlight the company's strong performance and strategic efforts positioning it for continued success in the future.
- I'll come to the subsidiaries performance last year. La-Gajjar Machineries Private Limited, at the consolidated level, reported a total income of ₹578 crores and turned profitable this year with a Net Profit of around ₹5 crores. Please note that we acquired an additional stake in LGM this year thereby making it our 100% subsidiary. Arka Financial Holdings Private Limited reported a total income of ₹373 crores at a Net Profit of ₹ 61 crores. Kirloskar Americas Corporation recorded a revenue of \$3.5 million and a Net Profit of \$98,000.
- Now, I'll come to the performance for Q1 of this year. On a standalone basis, the revenue from operations for the quarter ended 30th June, 2023 stands at ₹1265 crores as against ₹953 crores for the corresponding quarter last year. Profit Before Tax for the quarter is ₹139 crores as against ₹87 crores for the corresponding quarter in FY22-23.

- On a consolidated basis, revenue from operations for the quarter ended 30th June, 2023 stands at ₹1543 crores as against ₹1191 crores. Profit Before Tax for the quarter is ₹170 crores as against ₹110 crores for the corresponding quarter last year.
- We are committed to enhancing shareholders value and maintain regular distribution of dividends out of our earnings. In view of KOEL's strong performance in FY23, the Board has proposed a final dividend of ₹2.5 per equity share subject to shareholders approval. Together with the interim dividend of ₹2.5 per equity share paid in March'23, this brings our total dividend of the year to ₹5 per equity share, which is a 250% dividend.
- On behalf of KOEL, I would like to thank all our shareholders, Board of Directors, business partners, customers and employees who have a long term commitment to the group. I wish the team all the very best. Thank you, ladies and gentlemen, and I would now request Ms. Gauri Kirloskar, the Managing Director, to start her presentation.
- **Ms. Gauri Kirloskar – Managing Director, Kirloskar Oil Engines Limited:**
 - Good morning, ladies and gentlemen. We are very aware of the power of our brand and what the brand means to the millions of customers that we serve every day. At the core, we are an engineering firm. We are proud of the strength of ours. We are proud that we design and develop fit-for-market technologies. Over the past 75 years, the internal combustion space has seen many changes, whether it's the transition from a purely mechanical product to an electronic engine or stricter emission controls that made the product more technically advanced and complex. In all of these changes, Kirloskar Oil Engines has been successful in transforming and developing newer products of advanced technology in line with the market and regulatory demands. We were able to do it because engineering and R&D is our strength and as the industry transitions, as the internal combustion engine space transforms further with alternate fuels, more advanced emission norms we will continue to evolve as well leveraging on our core strength in engineering. What is important to realize is that the energy transition that we are seeing in the industry is not a threat, it is a great opportunity for us to leverage our core strengths. The recent CPCB IV+ transition is a good example of this. We were the first in the industry to certify our entire range of gensets which includes 23 engine platforms to the latest emission norms.
 - Along with our engineering strengths, we are very strong in our manufacturing acumen and capabilities. We have strong standing relationships with our suppliers going back generations and our distribution in India for service and sales is unmatched. We also have a certain DNA as far as our culture goes. We are values driven, we believe in creating value for all our stakeholders. Our shareholders, like all of you, is one of those stakeholders and there are other stakeholders including our employees, customers, channel partners, suppliers and the communities in which we operate and serve. Each of these stakeholders must derive value from our existence and for us it is way beyond the

Balance Sheet. I do believe that if we approach business with this outlook, the Balance Sheet will be taken care of.

- We have recently finalized our Vision and Mission, as you can see on the screen. Our vision is 'We power a caring, prosperous and sustainable future' and our mission is that 'We engineer solutions to enable our customers to live their limitless potential'.
- I will give an update on where we are against our stated strategy. We are now at a stage where the focus is on execution of the strategy and the whole organization is geared up for it. At this point of time, I can say that we are on track with our plans, and we will continue our journey in the coming years as well.
- We had said that we will grow two times in three years and we said that our aim is to reach a top line of 6,500 crores at a healthy double-digit profitability at the end of three years. We were able to significantly improve our capacity utilization both at our end and also at our suppliers end and we will continue with our focus on plant and supplier capacities. We have also made significant progress in our strategy. And as we stand today, we are on the right track.
- This slide is known to you. We have bifurcated the business into B2B and B2C organizations, taking into cognizance the fundamental differences in business models between these organizations. This has helped us to come out with the relevant plans that are fit for the business, get the right kind of talent into both of these organizations, and let both of them build their businesses as per their plans.
- On the B2B side, we have invested a lot of time in gearing up our channel to meet the expectations of our customers. Our products are becoming more advanced in technology and it is important that our channel is equipped to sell and serve these products. We are progressing well in our technology roadmap. Our foray into the high horsepower ranges is progressing well. We are expanding our portfolio in line with the energy transition that we are seeing.
- On the B2C side, we have completed the acquisition of LGM and we are in the process of integrating this business into our B2C segment. The B2C business is a high volume, low margin business and therefore scale along with a strong focus on costs is important in this business.
- At Arka, our financial services subsidiary, we established an alternative investment fund the Arka Credit Fund to undertake advisory business. The loan book has consistently grown over the quarters at the end of fiscal year 23, the loan book stands at 3,961 crores. This is an increase of 66% over the prior year. During the year, the PBT for the business has doubled to 82 crores.
- At a standalone level, as I mentioned earlier, our revenue for the previous year, for fiscal year 23 was 4,073 crores that is a 25% increase from the previous year. Our EBITDA rose

to 426.9 crores from 268.8 crores that is an increase of 59% and our profit after tax was 270 crores from the previous close of 155 crores that is a 74% increase. Overall, we are satisfied with what we have delivered this year, backed by a strong demand situation and our relentless focus on execution. At a consolidated level also, the numbers show strong growth in line with our 2X 3Y strategy.

- On the people and culture side as we work on the business strategy, people are a critical piece that will make the strategy a reality. As an organization, we should be able to attract the right talent and we must be able to retain our critical talent.
- There are three main pieces to the culture and people's strategy that we have been working on. What started with the leadership structures creating the B2B and the B2C organizations is a work in progress. Looking at our business objectives, we are redesigning our organization structure so that we can have the right focus and that we can have the right talent doing the right jobs.
- Before I speak of what we are doing in the space of ESG. While the term ESG is relatively new, what we are doing in the spectrum of ESG is not at all new. ESG gives us a framework for us to see where we stand in terms of sustainability and governance practices, benchmarking and tracking improvements against ourselves and against other organizations. A lot of the expectations from ESG are all things we already do. For example, having the right board oversight. We set very high standards in accounting and financial results.
- Under the environment pillar, our entire technology roadmap is a significant contribution to the environment. Producing the cleanest engines possible as per the standards at the most optimal price to the customer is something that is important for us. And making progress in our technology roadmap means we will come out with cleaner fuels and better technology in the energy space. Not only is the product clean, the manufacturing locations are green as well. Our plants are carbon neutral, and we are inching towards water neutrality as well. There is focused work done at the plant to ensure that the premises promote biodiversity as well. In the social space, there is a lot of work that we do in the spaces of education, health, livelihood, etc., and the communities around which we operate.
- Awards are a reflection of our efforts and focus. I will not speak of each of these individually, but the big highlight was the National Energy Conservation award that our Nashik plant won last year.
- In conclusion, I would like to assure all of you that we are progressing well, there is a lot more work that we will have to put, in this is just the beginning. What I have realized over the last one year is that the biggest motivation tool is growth. Growth excites the organization. Growth means people can see the outcome of their efforts. Growth also translates to personal growth. As a company grows, newer roles open up, existing roles become larger so that the focus on growth will have to continue. Our technology

roadmap is clear, we have timelines attached to it. And we will execute as per these plans at a larger level, the focus on execution will continue. The time for strategy is over. It is now time for execution. Of course, the strategy is not cast in stone, we will change it as required. But we will focus more on the execution for the next couple of years before we get back to the drawing board again. I want to end by assuring all of you, our stakeholders, that we are committed to creating value and each one of you is a critical stakeholder for us. Thank you for your support.

- **Mr. Atul Kirloskar – Chairman, Kirloskar Oil Engines Limited:**

- Thank you, Gauri. Swapnil may I now request you to invite the speaker shareholders one by one.

- **Mr. Swapnil - Moderator:**

- Thank you so much, Chairman sir. Speaker shareholders who have registered themselves earlier will be allowed to speak one by one to ask questions or express views. We will now invite Mr. Satish Shah, who has pre-registered himself, however, he has not joined the meeting. Hence, we will move to our next speaker member, Mr. Vivek Ram. Mr. Ram, please unmute your audio and video. We have sent a prompt on your screen. Please accept that and you can go ahead with your question. We will wait for a moment while Mr. Ram unmutes his audio and video.

- **Mr. Vivek Ram – Speaker Shareholder:**

- Sir, first of all, Namaste to one and all.

- **Mr. Atul Kirloskar – Chairman, Kirloskar Oil Engines Limited:**

- Namaste.

- **Mr. Swapnil - Moderator:**

- Yes, Mr. Ram, please go ahead. We can hear you.

- **Mr. Vivek Ram – Speaker Shareholder:**

- First of all, Namaste to one and all, am I audible?

- **Mr. Atul Kirloskar – Chairman, Kirloskar Oil Engines Limited:**

- Yes, you are audible. Go ahead.

- **Mr. Vivek Ram – Speaker Shareholder:**

- Myself Vivek from Kerala, I'm a shareholder of several Kirloskar Group of Companies. I have two questions to raise. One is earlier this month as per SEBI rule, Kirloskar Brothers

Limited, put period of family settlement signed by Mr. Atul Kirloskar, Sanjay Kirloskar and Mr. Rahul Kirloskar, who are the promoters on the exchange. The Kirloskar deed has a non-complete clause, where brothers or companies can't get into rival business. Then why are you suggesting we get into making all types of pumps or getting into or dipping into business areas of others, which is a concern for shareholders. Looking back into, we have several examples like Ambani Group of Companies or Hikal of Hiremath or Baba Kalyani Group of Companies who are in the process of litigation. This is one, this is my one area of concern, if you could please shed some light on it. And the other question is we'll put the two questions together. As a shareholder, I'm also a little bit worried as the company will, is getting in unnecessary lawsuits or plus rising the litigation costs, which is a problem or concern for the shareholders. If you could shed some light on for it, it be very useful to us.

- **Mr. Atul Kirloskar – Chairman, Kirloskar Oil Engines Limited:**

- Could you just repeat? Could you just repeat your second question, losses where?

- **Mr. Vivek Ram – Speaker Shareholder:**

- The second question is, sir, it will lead to unnecessary lawsuits. If we go into lawsuits, areas of business. So, it will be raising the litigation cost, which is a concern for the shareholders. If you could please give some light on it, it'll be very useful.

- **Mr. Atul Kirloskar – Chairman, Kirloskar Oil Engines Limited:**

- Yeah. So, thank you very much for your question. Anybody else, Swapnil?

- **Mr. Swapnil - Moderator:**

- Chairman sir, we had only two speaker shareholders, who had pre-registered and since all the speakers have finished speaking, I would request the Chairman to answer the questions raised.

- **Mr. Atul Kirloskar – Chairman, Kirloskar Oil Engines Limited:**

- So, thank you, Mr. Vivek Ram for your questions. As far as the first question on the DFS is concerned, the DFS was a deed of family settlement, which is an old agreement between the Kirloskar family members and not the companies. And it is relating to distribution of shares only. And this was entered into in 2009. It has no impact or bearing on anything that Kirloskar Oil Engines does.
- On the second question on lawsuits, I think you're referring to the memorandum of articles based on the email that you had sent to us. I would urge since you are a new shareholder, I would urge you to read the old memorandum of articles, because it already includes pumps, and we have been making them for a very long time. I would also like to assure you that all the actions taken by us are for the benefit of the

stakeholders, and we never spend any money on matters of personal disputes in this company. So, thank you, I think I've answered his questions. Swapnil back to you.

- **Mr. Swapnil - Moderator:**

- Thank you, Chairman. Sir, you will have to proceed with the flow, where we have the remote e-voting and the other announcements to be made.

- **Mr. Atul Kirloskar – Chairman, Kirloskar Oil Engines Limited:**

- Okay. The facility for e-voting is available to the members and it commenced on 8th August at 9am and ended on 10th August at 5pm. And 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. Mrs. 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 reports there to. The scrutinizers report will be submitted to the stock exchanges within two working days from the conclusion of the AGM, and will be uploaded on to the website of the company, also on BSE Limited and the National Stock Exchange of India Limited and on the website of NSDL. In conclusion, I'm very grateful to all the shareholders for taking the initiative to join the meeting through video conferencing facility. I wish you and all of your family members good health and a safe future. And the proceedings of the Annual General Meeting will conclude at the end of the e-voting period. With your permission members of the Board of Directors will log off now from the AGM and thank you all very much for your time. I request the moderator to make further announcements regarding e-voting.

- **Mr. Swapnil - Moderator:**

- Thank you so much sir. The icon for e-voting is available on the screen, which will redirect you to a separate window to the e-voting portal of NSDL. The e-voting facility will be active for 30 minutes from now.

(E-Voting in progress)

(END OF TRANSCRIPT)