Kirloskar Pneumatic

Operator: Ladies and gentlemen, good day and welcome to the Kirloskar Pneumatic Company Limited Q4 FY26 earnings conference call hosted by Antik Stock Broking Limited. As a reminder, all participant lines will be in a listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dhirendra Tiwari of Antik Stock Broking Limited. Thank you and over to you, sir.

Dhirendra Tiwari – Antik Stock Broking Limited: Good evening. On behalf of Antik Stock Broking, I welcome you all to the Q4 FY26 results conference call. I am pleased to have with us today Mr. Aman Kirloskar, Managing Director, and Mr. Ramesh Birajdar, CFO, along with the management team. Sir, we are aware the company continues to deliver long-term growth. Congratulations to Mr. Aman and the team at Kirloskar Pneumatic. All the best for the future. Now, I invite Mr. Aman Kirloskar to discuss the results, after which we can take the Q&A. Over to you, Aman.

Aman Kirloskar – Managing Director: Thank you, Dhirendra. Thank you all for joining the call today. I have with me Mr. Ramesh Birajdar, the Chief Financial Officer of the company, and Mr. Jitendra Shah, the Company Secretary. Before proceeding with the business updates, I kindly ask Mr. Jitendra Shah, our Company Secretary, to read out the disclaimer statement.

Jitendra Shah – Company Secretary: Thank you, sir. And good evening to all. The presentation uploaded on the website of the company and discussions on the financial results during the earnings call may contain statements relating to future business development and economic performance that could constitute forward-looking statements. While these forward-looking statements represent the company's judgment and future expectations, a number of factors could cause actual developments and results to differ materially from the expectations. The company undertakes no obligation to publicly revise any forward-looking statement to reflect future events or circumstances. Further, investors are requested to exercise their own judgment in assessing various risks associated with the company and also the effectiveness of the measures taken by the company in tackling them as indicated during the discussion. Thank you.

Aman Kirloskar – Managing Director: Thanks, Jitendra. Let me start by wishing all of you a very happy and prosperous new financial year. FY27 has begun, and it is a good moment to reflect on where we have come from and set the context for where we are going.

I would like to highlight a few key points of FY26. During the year, we had the highest order booking of more than 2,000 crores. We declared the highest total income of 1,786 crores and the highest PBT of 356 crores. We developed a couple of new products including the Zephyros air conditioning package, providing a competitive edge in a new business segment. We also declared the highest dividend of 12 rupees per share, which is 600% on a face value of 2 rupees.

During the last financial year, we made meaningful progress on our long-term goals despite external uncertainties. The domestic market remains strong with significant performance in the food, dairy, chemicals, fertilizers, and general engineering sectors. While oil and gas lagged due to slower order finalization, we saw momentum begin to pick up in the last quarter. Additionally,

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products such as the Tesco centrifugal compressor and the Kheon refrigeration compressor continued to gain market share.

Coming to innovation, we have made significant progress on the development of several cutting-edge compression solutions, represented by our highest ever IP filings of 57 for the year, taking us to over 128 IPs filed. In recognition of this, KPCL has been awarded a top 30 IP-driven organization by CII. We launched our oil-free air compressor, Hydrino, and we are quite happy to note that we have even booked a few orders for these. For the year, we also launched our Taiji semi-hermetic compressors, which we have also sold. Our Zephyros air conditioning package will be commercialized in the market in Q1 FY27 as we are still doing some fine-tuning to compact the design and reduce the costs. However, the units that we have installed in our Hadapsar office and Saswad factory are running very well.

Our enablers remain robust and well-aligned with our values and culture. In recognition of our best-in-class HR practices and policies, we were honored with the HR excellence award from the Institute of Directors. Our PBT last quarter was also significantly elevated. This was made possible by all the enablers we have been working hard on for the last few years—our in-house capabilities, which allowed us to offset inflation to some extent and resulted in higher margins. We also took a measured approach in markets with lower margins like boosters and screw compressors and did not get into any price war here. If we could get an order with the margins we wanted, we took it; and if not, we let it go. Lastly, we focused on less contested spaces based on our own IP and import substitution, which also helped push up margins.

While this quarter and year have been good on the margin front, we would like to caution that this year would be a bit of an exception. A margin expectation of 18% to 20% EBITDA would be more sustainable. While we always strive for higher margins, we must also consider the impact on growth and find a balance.

Now, coming to our business units. In the air compressor division, the year was good for the Tesco centrifugal compressors, which continued to take market share. Aside from our key sectors of metals and power plants, we have also managed to get some orders through sectors like pharma, tire manufacturing, and textiles during the last financial year. Our range of reciprocating compressors also did well with orders for gas compressors hitting record highs. Screw compressors were a laggard last year. The air compressor division remains roughly 18% to 20% of our business.

On the refrigeration side, the business delivered a strong performance during the year, achieving record high volumes for our KC/KCX compressor range. Kheon sales also continued to pick up and gain more acceptance in the market. We executed several large packages this year, some of which went out in Q4. This business is roughly 40% to 45% of our total business.

Coming to process gas systems (PGS), as we had previously mentioned, our decreased dependence on PGS has decreased our reliance on large oil and gas orders from the Middle East. However, our O&M business is expanding. We currently manage over 1,000 CNG stations across India, reflecting an increasing trend in this segment. While current gas shortages have not yet impacted the CNG market and order booking remains active, we continue to monitor potential future effects. The gas system division performed well this year and the outlook remains positive. We expect the geopolitical situation in the Middle East to drive demand for domestic exploration

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and upstream gas projects. Furthermore, there is a renewed interest in alternative fuels, and KPCL is well-positioned to capitalize on opportunities across various sectors including biogas, hydrogen, and coal gasification. PGS contributes roughly 35% to 40% of our business.

We have also established a new business unit in the last financial year, which is the Precision Engineering Division. We have established this division to leverage our manufacturing capacities and capabilities, including forgings, castings, and precision machine components at our Nasik and Hadapsar facilities. Please note that this is a non-reportable segment for FY26. Given the renewed interest in specialized manufactured products, we believe our unique capabilities are well-positioned to drive growth. While we have secured several orders in this segment and we are currently in the execution phase, we will avoid talking too much about this business until we are clear that this is sustainable and not one-time in nature.

Coming to the outlook, despite the challenges of the past year, including delayed package orders and late finalization of large contracts, we believe we remain well-positioned to deliver strong growth ahead. The current geopolitical climate has increased demand for exploration and upstream packages, alongside rising interest in alternative fuels like biogas and hydrogen. We offer established solutions for all of these segments. Furthermore, our core revenue-generating sectors including oil and gas, food, dairy, chemicals, and power are all expected to grow. Our localized supply chain and focus on "Make in India" import substitutes insulates us from many geopolitical risks and provides a competitive advantage. We continue to invest in unique in-house manufacturing capabilities that will further strengthen our market position. With our strong order board and substantial volume of active proposals entering the new financial year, we are confident in achieving our growth objective of 20% plus.

Now, I will request Mr. Ramesh Birajdar, CFO, to take you through the financials.

Ramesh Birajdar – CFO: Good evening. The presentation outlining key trends observed in Q4 and FY26 results has been uploaded to the investor section of our company's website. Additionally, following today's board meeting, the financial results have been duly filed with the BSE and NSE. These disclosures provide comprehensive details on the company's performance.

I will quickly run through the business results for Q4 and the year ended March 31, 2026. Sales for Q4 FY26 were 706 crores against 543 crores in Q4 FY25. Sales for FY26 also showed a growth of 21% over the previous year. Other income for Q4 is almost the same for both years at 6 crores in FY26 against 5.7 crores in FY25. Total income for Q4 FY26 was at 712 crores compared to 588 crores in the previous year.

There is a major reduction in the percentage of raw material to sales for Q4 FY26 compared to Q4 FY25, at 50.06% in Q4 FY26 against 56.35% in Q4 FY25. However, the YTD percentage of raw material to sales has improved by 3.1% in FY26 due to a better product mix, better selection of orders, execution of large packages, and overall cost-saving efforts on account of backward integration of manufacturing in our Nasik and Saswad plants.

Staff cost, which is employee related expenses (ERE), stands at 53.1 crores in Q4 FY26, which is 7.5% of total income, against 45.5 crores in Q4 FY25, which was 7.7% of total income. Employee related expenses for the year to date are 200 crores, representing 11.2% of total income, as against

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177 crores or 10.7% in FY25. This rise is driven by salary increments and increased headcount. The company has incurred over 165 crores in the last 2 years, leading to an increase in depreciation to 31.1 crores in FY26 as against 28.9 crores in FY25. We continue to invest in capex to support growth and to meet our commitment towards new product development under the PLI scheme.

YTD other expenses are a mix of fixed and variable costs and stood at 326 crores in FY26 against 308 crores in the previous year. The increase in these expenses is mainly due to the search and execution of large packages, an enhanced level of after-sales business, a growing O&M business, and expanding activities at our Nasik and Saswad plants.

The year-to-date performance for the current year shows an improvement in the EBITDA margin, reaching 21.7% of total income at 388 crores compared to 19% of total income at 313 crores in the previous year. The YTD profit before tax has reached 356 crores, constituting 19.6% of total income, against 17% or 284 crores in FY25. Net profit after tax for FY26 is 258 crores, which is 14.5% of total income, in comparison to the previous year's 211 crores or 12.8% of total income.

The company has maintained its status as a debt-free company, and I would like to state that the company still has a net cash position, with cash and cash equivalents of about 460 crores as of April 1, 2026. The Board of Directors has approved a subdivision of equity shares of face value of 2 rupees into a face value of 1 rupee, subject to approval by the shareholders. The company issued 60,800 equity shares during FY26, while in the previous year 124,300 shares were issued under the employee stock option program. As a result, there is a marginal increase in the paid-up share capital to 12.99 crores against last year's 12.98 crores.

Earnings per share (EPS) for FY26 has shown growth of 22%, reaching 39.80 per share, while the earning was 32.50 per share in FY25. In line with our dividend policy, the Board of Directors has approved a final dividend at the rate of 425% on the face value of 2 rupees per share, which is 8.50 per share. This is in addition to the payment of an interim dividend which was already paid at the rate of 175%, or 3.50 per share. So, the total dividend for FY26 is 600%, which is the highest in the history of the company. The final dividend is subject to approval by shareholders.

With about 93.4% of total income coming from the compression segment, it remains our only reportable segment. The segment earned an operating profit of 24.9% in FY26, higher than the previous year when it was 21.7%. While the compression segment showed higher profitability, this is somewhat of a one-timer; however, as indicated from time to time, our compression business margins are sustainable in the range of 18% to 20%.

As of April 1, 2026, the company's unexecuted order book amounted to 1,853 crores, an increase of 15% from the 1,624 crores recorded on April 1, 2025. Net unallocable assets including corporate assets and assets of the precision component business division were to the tune of 834 crores.

Regarding the implementation of the new labor code that became effective on November 21, 2025, we have completed our current assessment. The estimated provision was reduced by 4.2 crores in Q4, resulting in a total provision of 14 crores for FY26, which is pertaining to that period, while the impact for FY26 is recorded in costs.

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The consolidated business statements for Q4 as well as the full year are also published. We are working on reorganizing and restructuring our subsidiary to get the results expected and projected while acquiring the company. This will take some time to get positive results from our subsidiary company.

Before I conclude, I would like to place on record my sincere appreciation for our teams across operations, finance, supply chain, and sales and marketing, whose relentless focus and disciplined execution continue to drive our performance. I would also like to extend my appreciation to our Chairman, Mr. Rahul Kirloskar, the board members, and our investors for their continued trust and support as we work towards building a stronger, more resilient, and future-ready organization. I would also like to acknowledge Mr. K. Srinivasan, former Managing Director, for his constant encouragement and for shaping the company's mindset to embrace challenges and pursue ambitious growth.

Thank you so much for joining today, and we will now open the floor for questions from our investors.

Operator: Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking your question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Priang Cheda from Value Capital. Please go ahead.

Priang Cheda – Value Capital: Yeah, hi team. So I have two questions. First, on the order book, would you want to call out the book-to-bill or the execution cycle, which has shortened significantly versus past few years? I am just trying to match and map what would be the executable order from the opening order book that we have as of April 1. And Ramesh sir, just a clarification: in this order book, have we included the precision engineering orders? If yes, would you be able to quantify that?

Management: This 1,853 crore order book as of April 1 is inclusive of the precision component business. Out of this, roughly 500 crores is executable beyond FY27, and the remaining is executable in this year. We are continuously focusing on the equipment business where it is "touch and go," where we get roughly 600 to 700 crores in business during the year, execute it, and dispatch it for sales.

Priang Cheda – Value Capital: Okay, so which means that out of the 1,853 crore order book, 500 crores is beyond one year, and the balance 1,353 crores is minimum executable within less than one year?

Management: Yes, this follows a similar trend to what we have had for the last several years.

Priang Cheda – Value Capital: Understood. My second question is on the product and high-hope products that we had as a strategy to scale up the revenues. First, what would be our GTM strategy? Because I understand that FY27 would be a capex year and FY28 is where the full-flight

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sales start. If you can just touch upon the sales strategy that we plan to deploy to scale this up and what our ambitions are in terms of scaling up the sales.

Second would be on the Tesco centrifugal reciprocating compressors. If you can just call out the units achieved for FY26 and what the sales targets are for FY27. And maybe Aman can touch upon any other products that we should hope will achieve large sales numbers and have a larger sales contribution from other new innovations that we are planning to launch. Thank you.

Aman Kirloskar – Managing Director: Thank you. So I will start with Zephyros. Just to reiterate, Zephyros is a fairly innovative air conditioning package which uses a green refrigerant and is significantly more efficient than traditional chiller systems. Our go-to-market strategy here would involve engaging with all stakeholders, including consultants, architects, and installers. We do have a target for how much we wish to sell in this financial year.

This would be done largely by interfacing with builders and finding the right target markets for this. The ideal markets as of now with our current range would be smaller machine shops, small restaurants, banquet halls, etc. There is quite a large potential for Zephyros, and we will slowly build out a channel as we get more volumes.

On the Tesco centrifugal machines, we have about 130 machines in the field, of which 85 have been commissioned. I hope that answers your question.

Priang Cheda – Value Capital: Any other products which you think should be a focus going ahead as a large part of the sales strategy?

Management: If you remember from the last many meetings, the indication is that we are switching towards the equipment business where the execution cycle is a shorter period. Our target is to take out something like 20% to 25% of business coming out of this equipment business where the execution cycle is very short. Small products like Kheon are again part of the equipment business. We just take the order, execute it, and dispatch it. That focus is increasing and will be sustainable over the next few years.

Priang Cheda – Value Capital: Thank you.

Operator: Thank you. The next question is from the line of Balasubrahmanyam from Aryan Capital. Please go ahead.

Balasubrahmanyam – Aryan Capital: Good evening, sir. Thank you so much for the opportunity. Sir, you mentioned ideal markets like small machine shops and restaurants. I am trying to understand in this business—I think our current PBT is around 357 crores—we have committed capex of 320 crores. I am trying to understand whether these are small orders we can get, and what is the ROC and payback period of this 320 crore investment? Can we expect a substantial contribution from FY27 or FY28 onwards?

Management: The 320 crores is a commitment for the PLI scheme that we made to develop products. One is the air conditioning package and the second is the motor. We already installed two packages, one in the canteen and one in the office in Hadapsar. Both are running very fine. This system represents a new business segment for us. So far we were in the refrigeration business with

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the KC/KCX and other products, and now we are entering into air conditioning and comfort. That business will grow. For backward integration, we planned for motors, heat exchangers, and sheet metal components. Some of the activities are planned for the Saswad plant and some for the Nasik plant. Out of these 320 crores, we have already incurred roughly 60 crores, and the remaining we are targeting to incur over another two years. The commercial launch of this will happen in Q1. We have a separate team for this working with dealers, and the team is working to execute now.

Balasubrahmanyam – Aryan Capital: On the payback period and the ROC side, can we expect 25% to 30% kind of margins since it involves small orders?

Aman Kirloskar – Managing Director: In this segment, considering that it is a highly competitive segment, we probably will not be targeting those kinds of margins. However, we will try and target very high volumes. These are volumes which KPCL generally has not done in the past. So on the margin percentage side it may not be as high, but on the absolute side, it should make up for it.

Balasubrahmanyam – Aryan Capital: Okay, sir. My second point: I think earlier you mentioned incremental capacity for centrifugal compressors would be available from Q1. Have all the machines been installed for this segment? And secondly, what is the current order pipeline for the new A800 smallest centrifugal frame?

Aman Kirloskar – Managing Director: In terms of the installed capacity, this has been done and it is now available. The machine has been commissioned as well. Coming to the A800 frame, I think we still need maybe one month or so to really get the product launched. But I think there is quite a bit of demand for a smaller centrifugal. This will be the most efficient offering for an 800 CFM compressor.

Balasubrahmanyam – Aryan Capital: Thanks, sir. My last question is on the export sales of 140 crores. Out of this, what percentage is coming from the MENA regions? A significant part of that is from the MENA region for CNG packages. And secondly, I want to confirm that non-traditional orders are leveraging critical integrations like forging, machining, and assembly. Will it be a reportable segment from Q1 FY27 onwards?

Management: For that, you will have to wait until Q1. We will definitely disclose it as and when we achieve it, but there is good progress on that part. Regarding exports, we are not fully dependent on the MENA region. We focus on Southeast Asia and the African region. In the MENA region, we are currently a little bit less active because the situation is different. We always focus on different and new niche areas for exports.

Aman Kirloskar – Managing Director: The MENA region was definitely a fairly large part of our export sales. However, considering the current geopolitical environment, we have shifted our focus to different regions like Southeast Asia and the North African part of MENA. We are still in active discussions for several orders in the Middle East; however, those are going quite slowly. I suspect that once the geopolitical situation in the Middle East cools off, we will start to see some rapid movement in this segment.

Balasubrahmanyam – Aryan Capital: Thank you so much for the detailed explanation, sir. All the best.

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Aman Kirloskar – Managing Director: Thank you.

Operator: Thank you. The next question is from the line of Sameer Thakur from Ambit Capital. Please go ahead.

Sameer Thakur – Ambit Capital: Thanks. Just to carry on with the previous question. Regarding this Middle East exposure, can you get into the details of what kind of products you have? Do you have approvals from Aramco or Qatar Energy or any certifications that would help assuming once the situation settles, if they start rebuilding their capacities?

Aman Kirloskar – Managing Director: With regards to the geopolitical situation in the Middle East, there is near-term pressure. As I mentioned previously, it is difficult to dispatch packages for orders we already have over there, and it is also difficult to book new orders. However, in the long term, this will augur well for us on two fronts. One is on the international side. As you rightly pointed out, there will be demand for gas packages going into some of these countries. Secondly, there is a renewed interest in the domestic market in alternative fuels like biogas, coal gasification, and hydrogen, on top of a push in the upstream segment of the domestic market. I hope that answers your question.

Sameer Thakur – Ambit Capital: Yeah, that was helpful. One more regarding the backlog mix. Is it possible to give a separate mix by division? There seems to be a lot of backlog from the other division, precision components. I'm trying to make sense of the margins. Is precision components a margin-dilutive business?

Management: Are you asking for the margin of systems and components?

Sameer Thakur – Ambit Capital: No, just the backlog mix by separate divisions, if possible. My sense is the backlog is driven by the other segment, precision components. I want to sense whether this division has lower margins than your core business.

Aman Kirloskar – Managing Director: We generally don't give a breakup of segments. However, as we pointed out last year, we did have to go to non-traditional segments to get orders. In terms of margins, from a company standpoint, we will be directionally around 18% to 20% as we have guided in the past.

Sameer Thakur – Ambit Capital: Great. That was all from my side. Thank you.

Operator: Thank you. The next question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani – PL Capital: Hi, thank you for the opportunity. First question is about the oil-free compressor you talked about in your opening remarks. Is it a completely new product and have we achieved sales from this? What is the opportunity?

Aman Kirloskar – Managing Director: The compressor which we are referring to is branded as Hydrino. It is a water-injected screw compressor, largely used in food processing and pharmaceuticals. In terms of the market, there is a similar category and we have competition with similar products. However, we have several unique USPs. One is that we have no oil in this machine

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at all, whereas competitors may have oil in their bearings. We are also domestically produced, which means we are generally more cost-competitive and can offer service and spares faster than imported machines.

Amit Anwani – PL Capital: So is this a completely new product launch or was it already there?

Aman Kirloskar – Managing Director: This is a new product for KPCL.

Amit Anwani – PL Capital: Understood. Regarding Tesco, Taiji, Zephyros, and Kheon: since these products have been in the market for some time, what kind of sustainable growth are you targeting? If we take a 2-to-3-year perspective, what is our standing in terms of market share or revenue for each, and what growth can we look forward to?

Aman Kirloskar – Managing Director: In our segment, especially for capital goods like compressors, these are products designed to run and prove themselves before they gain broader market acceptance. Usually, getting the first few orders is hard, and it gets progressively easier. All the products you mentioned, with the exception of Zephyros, are now in the market. We are already growing our Tesco centrifugal line quite aggressively. For Kheon as well, we are seeing good growth. We launched Taiji last year, so we grew from zero. Generally, from new products, we target at least 10% to 15% of sales. As a company, we want to grow at 20%. These products, depending on their maturity, would grow at a slightly higher pace.

Amit Anwani – PL Capital: Regarding the precision engineering division, what exactly is the strategy? You mentioned a 500 crore order book there. Can we expect FY27 to have order inflows as high as 500 crores again, or is this a one-off case?

Aman Kirloskar – Managing Director: The reason we are being quite opaque on this is that we don't really know whether it is sustainable yet. We will have to go forward and see. In terms of precision engineering, we have many unique capabilities in forgings, castings, and machining. There will be a stable demand, but I cannot foresee if it will be to the same extent.

Amit Anwani – PL Capital: Finally, anywhere you feel the geopolitical situation could be a key risk in terms of costs or conversions? Any challenges in the near term that could impact the business?

Management: The order book at the beginning of last year was 1,624 crores and now it is 1,853 crores for the start of this year. Despite all the uncertainties and geopolitical situations, we have a higher order book compared to last year. Regarding price increases, we always focus on that. For short execution periods, we pass costs on to our customers. For large packages, we have already negotiated and finalized orders with our vendors, so there is no direct impact on our profitability.

Amit Anwani – PL Capital: Are we focusing back on large packages for inflows this year? Or will we keep smaller packages and equipment orders as the norm?

Aman Kirloskar – Managing Director: As a strategy, we always want more products versus packages because it makes the business less lumpy and more predictable. That being said, the demand environment for packages seems to be higher currently because fewer orders were finalized last year. Even though we want more products, we do have quite a few inquiries out there for packages right now.

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Amit Anwani – PL Capital: Understood. Thank you so much. All the best.

Operator: Thank you. The next question is from the line of Bhavya Doshy from Kris. Please go ahead.

Bhavya Doshy – Kris: Which segments are contributing more to the stronger order inflow experienced in FY26? Is there strong traction in CNG stations, and are we again bidding for mother stations which saw higher competition earlier?

Aman Kirloskar – Managing Director: In terms of orders for the last financial year, they would broadly be in line with the numbers I mentioned regarding business contribution. This year, we did have good numbers coming from the precision engineering division. We generally don't give a granular breakup, but it would largely be from ACR, precision engineering, and gas. On CNG, we are actively bidding and there is renewed interest to increase the number of stations. There is a push from various customers to close more orders, and we have been closing more orders in the CNG space in the last quarter and carrying that into this year.

Bhavya Doshy – Kris: Given the strong IP filing, how does the launch pipeline look for new products?

Aman Kirloskar – Managing Director: We have a number of products we are actively developing, and they vary in terms of complexity. The more complex ones take longer with more testing. We have a couple of products where we are expanding the range, which will come faster. It is difficult to commit to specific launches at this stage, but I mentioned the A800, which is an extension of our centrifugal range. We have quite a few products in the pipeline that will see launches starting in Q1 itself.

Bhavya Doshy – Kris: How much cost saving does this package offer compared to conventional systems for end users?

Aman Kirloskar – Managing Director: This package is significantly more efficient than a traditional water chilling system. It would be in the range of 10% to 15% plus.

Bhavya Doshy – Kris: Thank you so much.

Operator: Thank you. The next question is from the line of Mihir Manohar from Trust Mutual Fund. Please go ahead.

Mihir Manohar – Trust Mutual Fund: Congratulations to the entire team for a great set of numbers. My question was on the CGD side. When does the demand for mother compressors actually kick in? Is the laying of large gas transmission pipelines necessary for mother compressor demand to kick in?

Aman Kirloskar – Managing Director: You do need pipelines for mother stations. Generally, the trend we see is that at least 70% of new stations are daughter stations because they are lower in capex. The disadvantage with daughter stations is that they are higher in opex because you need a mother station to first compress the gas into a cascade. There is a trend over time where daughter stations are converted into mother stations. In certain markets where it is difficult to put pipelines, like hilly areas, those will remain daughter stations.

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Mihir Manohar – Trust Mutual Fund: Will full infrastructure rollout result in higher demand for mother compressors or booster compressors?

Aman Kirloskar – Managing Director: There will be higher demand for both. In the short term, it may be skewed toward daughter stations, but long term, many of them will be converted into mother stations.

Mihir Manohar – Trust Mutual Fund: Can you throw some light on what value is contributed by new products like Tesco, Taiji, etc., over the last two quarters?

Aman Kirloskar – Managing Director: We don't give such granular information. A lot of these are newer products, and as I mentioned, it is difficult to get those first few sales, especially for Taiji or Hydrino. Tesco is certainly higher up in terms of order value and continues to grow quite quickly. That is as granular as I can go.

Operator: Next question is from the line of Bharat Shah from BCS Capital Ideas. Please go ahead.

Bharat Shah – BCS Capital Ideas: Aman, this is the beginning of a new innings with a bang. I have known your family for more than 25 years and have seen you to be meticulous planners. Congratulations on this lovely note. Regarding the growth aspect, you mentioned 20% plus on a sustainable basis. Do you mean for the current year or for the next 5 years?

Aman Kirloskar – Managing Director: When I said 20% in the opening comments, it has always been our aspiration to grow the company at 20% plus over a long period of time, on both the top line and bottom line.

Bharat Shah – BCS Capital Ideas: Now that we have reached a meaningful scale and with the innovation rate of new products, should we be more ambitious than that?

Aman Kirloskar – Managing Director: In terms of innovation, we have been recognized as a top 30 IP-driven organization. That is not all we want to be. We have our own internal targets to grow our IP filings. Some of the products we are developing today are cutting-edge not just in India but in the world. I am really excited about what is under development and I hope we can launch a few of those this year.

Ramesh Birajdar – CFO: Bharat-ji, I will add something relating to innovation. We gave a presentation for PLI scheme approval, and an official asked us who our technology partner was. We said there is no technology partner; our team is capable of doing the innovation and engineering, and we developed these products ourselves. They were surprised and appreciated that an Indian company is performing such innovation and coming up with different products.

Bharat Shah – BCS Capital Ideas: Absolutely delighted to hear that. One last small point: while the margins in Q4 were high at 26% plus and may not be sustainable, the year as a whole was around 21.5%. Given the leverage and specialty products, is it likely that 21.5% margin becomes prevalent, or is 18% to 20% still the fair guidance?

Aman Kirloskar – Managing Director: In a bad quarter, we always say don't judge us quarter-to-quarter. In the same vein, please don't judge us by one good quarter. Directionally we

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will be 18% to 20%, and if we can, we will strive for 21%.

Bharat Shah – BCS Capital Ideas: Got it. Thank you so much and all the best.

Operator: Thank you. The next question is from the line of Sourav Arya from Oakland Capital. Please go ahead.

Sourav Arya – Oakland Capital: Congratulations on a good set of numbers. You previously mentioned exports would not be a big driver. Does that change with the situation in the Middle East? Could you double-click on the export opportunity?

Aman Kirloskar – Managing Director: Exports are about 6% of our total sales. Since one of our major markets for large packages is oil and gas, the Middle East is certainly a key market for us. However, because it is not a very large part of our total business, it is not an overwhelming risk. In the long term, the implications of the geopolitical unrest in the Middle East will likely be good for KPCL.

Sourav Arya – Oakland Capital: When it comes to approvals for these packages, since you are using compressors from Aerial which are already approved there, have we won packages in the Middle East in the past?

Aman Kirloskar – Managing Director: Yes, we have won packages in the past and we have a couple of active inquiries going on. In the Middle East, specifically on the gas side, there are many approved vendors from lower-cost countries, which makes it difficult for us to compete when everything is specified—from the compressor vendor to the engine and the heat exchangers. With everything specified, it becomes difficult to innovate on costs. That being said, we are competitive enough to win, and we have won in the past.

Sourav Arya – Oakland Capital: This is very helpful. Last year our order book was around 1,600 crores and we were confident of 20% growth. Now again the book-to-bill is around one, and we are confident of 20% growth. What happened last year and what gives us confidence this year?

Management: No, I think there is some misunderstanding. The total order board is more skewed towards products this year, and products generally have a shorter execution cycle. We did get a couple of large package orders which will spill over into the next financial year, but the execution cycle this year for the company should actually reduce.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for joining us, and you may now disconnect your lines.

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