Ref.: SEC&LEG/93

April 30, 2025

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai 400 001
Scrip Code – 505283

National Stock Exchange of India Limited
Exchange Plaza, C -1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai 400 051.
NSE Symbol: KIRLPNU

Dear Sir / Madam,

Sub.: Transcript of the Conference Call

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation of earlier communication vide letter SEC&LEG/71 dated April 18, 2025; we inform that the Conference Call for Investors and Analysts was held on Thursday, April 24, 2025 at 4:00 p.m. (IST) to discuss on the Audited Financial Results of the Company for the quarter and year ended March 31, 2025.

The Transcript of the Conference Call is enclosed and is available on the website of the Company viz. www.kirloskarpneumatic.com

You are requested to take the same on record.

Thanking you,
Yours faithfully,
For Kirloskar Pneumatic Company Limited

Jitendra Rajaram Shah

Digitally signed by Jitendra Rajaram Shah
Date: 2025.04.30 16:49:40 +05'30'

Jitendra R. Shah
Company Secretary
Membership No. 17243

"Kirloskar Pneumatic Company Limited Q4 & FY'25 Earnings Conference Call"

April 24, 2025

MANAGEMENT:	**MR. K. SRINIVASAN - MANAGING DIRECTOR, KIRLOSKAR PNEUMATIC COMPANY LIMITED**
	MR. RAMESH BIRAJDAR – CHIEF FINANCIAL OFFICER, KIRLOSKAR PNEUAMTIC COMPANY LIMITED
	MR. JITENDRA SHAH – COMPANY SECRETARY, KIRLOSKAR PNEUAMTIC COMPANY LIMITED
MODERATORS:	**MR. AMIT SHAH – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Kirloskar Pneumatic Company Limited Q4 and FY'25 Earnings Conference Call hosted by Antique Stock Broking.

As a reminder, all participant lines will be in the 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Shah from Antique Stock Broking. Thank you and over to you, sir.

Amit Shah: Yes, thank you, Manu. Good afternoon, everyone. On behalf of Antique Stock Broking Limited, I welcome you all to 4Q FY'25 Post-Result Earnings Call of Kirloskar Pneumatic Company Limited.

To discuss the results, we have the Senior Management Team of the Company, represented by Mr. K. Srinivasan – Managing Director of the Company; Mr. Ramesh Birajdar – CFO of the Company.

I would hand over the call to Mr. K. Srinivasan for his opening remark, post which we can open the floor for Q&A. Over to you, sir.

K. Srinivasan: Yes, so good evening to all of you. Let me start by wishing you all well on the occasion of the various New Years we celebrated last week, Bengali, Punjabi, Assamese, Odia, Malayali and Tamil New Year. I also take a minute to pass to mark of respect in memory of the 26 innocents who lost their life yesterday. Let's continue with the call.

Before proceeding with the business update, I will ask Mr. Jitendra Shah, our Company Secretary, to read out the Disclaimer Statement. Jitendra, please.

Jitendra Shah: Thank you, sir.

The Presentation uploaded on the website of the Company and discussion on the financial results during the earnings call may contain statements relating to future business developments and economic performance that could constitute forward-looking statements. While these forward-looking statements represent the Company's judgments and future expectations, a number of factors could cause actual developments and results to differ materially from expectations. The Company undertakes no obligation to publicly revise any forward-looking statements to reflect future events or circumstances. Further, investors are requested to exercise their own judgments in assessing various risks associated with the Company and also the effectiveness of the measures which taken by the Company in tackling them as indicated during the discussions.

Thank you.

K. Srinivasan: Thanks, Jitendra. Now, I will proceed with the business updates.

The Financial Year F'25 was as near to plan as one could get. We achieved both the topline and bottom-line plan in spite of the various uncertainties, thanks to the robust business model that allows for the various sectors and markets to compensate for each other. Domestic market was strong in food, dairy, pharma, fertilizer, and chemicals, and in some sectors of general engineering. Growth in oil and gas sector as well as all the new energy sectors was patchy. Our targeted and modest export aspiration was more than met with export at Rs. 124 crore, which is roughly about 10% of sales. New product sales of Tezcatlipoca centrifugal compressors, Khione screw compressors, Calana boosters, Jarilo biogas compressors, and Aria low-cost air compressors all picked up traction.

With the record filing of and award of 41 IPs during the year, the Company is accelerating in creating a more winning solution for its customers. Order booking remains strong, providing clear visibility for continued growth in F'26. I do understand that there are some concerns expressed about order booking, and I will address them later.

Sales for the year was Rs. 1,629 crores as against Rs. 1,323 crores of the previous year, a growth of 23%. Growth came predominantly from the domestic market, exports too grew and grew by 80% from the very modest Rs. 69 crores of the previous year. We produced over 3,500 compressors during the year and this was a new record.

Order booking was strong and this leaves us with an order book as we start the year of Rs. 1,624 crores as compared to Rs. 1,425 crores, Rs. 1,475 crores of the last year. This increase of 12% may be appearing less than our projected sales growth of at least 20%, but considering the fact that our average execution cycle as a whole has come down primarily because our switch between equipment sales and packet sales has changed 60-40 in a positive direction. Consequently, this order book does represent adequate order backlog for meeting our growth aspirations. Also, the inquiry pipeline and the orders in hand would allow us to meet the planned growth not only of F'26, but also going forward.

We are continuing our effort to build in-house manufacturing capabilities both at Nashik and at Saswad. Towards this, facilities to manufacture the Tyche range of semi-hermetic compressors and the lost foam casting, LFC range of cast iron, SG iron and steel castings for our compressor parts have been commissioned. CAPEX execution for the year was near Rs. 100 crores. The acquisition of the 55.26% stake in Systems & Components (India) Private Limited during the year allows the Company to scale up its business in the pharma, chemical, and dairy sectors. These are early days. We did have only a quarter and a few days for this Company to be brought into our fold. There is strong work in progress to ensure that we have a significant jump in the top and bottom line during the next year.

The net working capital at Rs. 272 crores as against Rs. 300 crores, a decrease of about Rs. 28 crores over the beginning of the year. This is about 15% of the sale and is in line with our planned objective. Free cash generation from operation was strong at Rs. 280 crores, supporting an enhanced dividend to commemorate the 50th AGM of the Company. There is a bit of an explanation that would be required to say why 50th AGM is quite different from our 74th year of operation that I think most of you would know.

Now let's discuss about our various product lines:

Air Compressors:

The air compressor business ended the year on a strong note with record dispatches of the Tezcatlipoca centrifugal compressors. The sale of large reciprocating compressor packages to the fertilizer and chemical plants added to the sales growth. Overall order intake was strong, indicating a clear growth in market share. The air compressor business continues to be 20% of our overall sales.

Refrigeration Compressor Systems and Compressor Systems:

This clearly was the start of the year as the refrigeration compression segment grew strongly on the back of cold chains and ice plants, dairy industry, food processing, pharma, chemicals, and fertilizer industries. This more than compensated for the marginal decline in the growth of the gas business. Bringing of Systems & Components (India) Private Limited into our fold further enhanced our offering to the growing market.

Process Gas Compression System:

The process gas space continues to throw up new opportunities and challenges. While the sale of gas packages was slow and steady, the sale of CNG packages and Calana booster for gas distribution was in fits and bursts. We had periods of good order inflow, bad execution, and vice versa. We continue to see a decline in commissioning of mother stations and a preference to put up daughter stations. This is clearly to comply with the coverage commitments that the gas companies have made and this is not a good sign for us. The booster compressor is a marginal business and we are reluctant to pick up more orders beyond the point. However, the new energy business both in hydrogen and biogas are growing, but it is yet to pick up significantly in terms of execution.

Sale of CNG packages to the MENA region is scaling up and this seems to be a new area of growth as countries in this area find it the quickest way to get energy to meet their growing economies. We continue to operate and maintain near 1,000 odd filling stations across 15 states, and the O&M business remains strong and growing.

Outlook for F'26:

The economic outlook continues to be uncertain, less so in India. The general slowdown across geographies does have a sobering impact on all new projects and investments. Yet in all this, we seem to be in a sweet spot with several things going in our favor. We have a slew of launches, mostly replacing imports. We have good products addressing the growing market segments like dairy, pharma, chemicals, and more in-house manufacturing that is continuously being set up, reducing both our cost and shortening delivery. The strong engineering capabilities to build customized solutions for very many applications and industries helps us to meet the growing customized requirements of various customers. A large value of active quotes and proposal out there, as well as the highest ever order book at the beginning of year, both help to meet our growing aspirations.

We are quite confident of reaching our first milestone of being above Rs. 2000 crores during this year.

Now I will request Ramesh Birajdar – our CFO, to take you through the financial aspects. Ramesh.

Ramesh Birajdar: Yes, thank you. Good evening.

The Presentation highlighting the trends observed in the Q4 as well as FY'25 results is now available on the Company's website. You can find it in the Investor Relations section.

Additionally, we have released the financial result on the BSE and NSE websites following the conclusion of the board meeting held today. These filings contain detailed information about the Company's performance.

Before discussing the specifics of financial performance, let me first highlight some of the year's significant achievement. The Company recorded new order bookings exceeding Rs. 1,860 crore during FY'25. This is the highest order gaining in the history of the Company. The sales of Rs. 1,629 crore witnessing the growth by 23% over the last year. Export sales gone up from Rs. 69 crores in FY'24 to Rs. 124 crore in FY'25. PBT, that is profit before tax showed a growth by 58% to the tune of Rs. 281 crore.

Reaffirmed AA- credit rating by CRISIL with positive outlook, dividend at the rate of 500% for FY'25, which is the highest in any financial year. Completed one acquisition successfully in FY'25, and as a commitment to ESG, all our three factories have started using the solar energy to the extent of 30% of the total consumption.

Now I will run through the Business Result for Q4 and the year ended on 31st March 2025:

Sales for Q4 FY'25 were at Rs. 583 crores against Rs. 490 crores of Q4 FY'24. The sales for Q4 also showed a growth by 19% over the previous year Q4 FY'24. Other income for Q4 is almost same for both years Rs. 5.57 crore in FY'25 against Rs. 5.95 crore in FY'24. The total income for Q4 FY'25 was at Rs. 588 crore compared to Rs. 496 crore in the previous year. There is a minor change in the percentage of raw material to sales for Q4 FY'25 compared to Q4 FY'24, 56.36% in Q4 FY'25 against 56.21% in Q4 FY'24. However, the YTD percentage of raw material to sales has improved by 1.1% in FY'25 due to better product mix, better selection of orders, execution of the large packages, and export sales.

The staff cost stands at Rs. 45.52 crore in Q4 FY'25, that is 7.75% of the total income against Rs. 37.88 crore in Q4 FY'24, again the same percentage 7.74% of the total income. YTD, employee-related cost stand at Rs. 177 crore, that is 10.72% of total income against Rs. 164 crore that is 12.21% of the total income in FY'24. Lower depreciation is in FY'25 compared to FY'24 is due to the impairment of RoadRailer assets in FY'24, reduction in depreciation of the lease assets which are fully depreciated now.

YTD, other expenses are mix of fixed and variable costs and are at Rs. 302 crores in FY'25 against Rs. 244 crore in previous year. Increase in these expenses are mainly surge in execution of packages, higher export sales, enhanced level of service business, and expanding activities in our Nashik plant. The year-to-date performance for the year shows an improvement in the EBITDA margin reaching 19% of total income to Rs. 313 crore compared to 16.5% of total income to Rs. 222 crore in the previous year.

In the ongoing fiscal year, the year to date profit before tax that is PBT has reached Rs. 281 crore constituting 17% of total income against 13.25% to Rs. 178 crore in FY'24. Net profit after tax for the current fiscal year is Rs. 211 crore that is 12.8% of total income in comparison to previous year's Rs. 133 crore that is 9.9% of the total income.

Company has maintained status as a debt-free Company, and I would like to state that Company still has net cash position of Rs. 330 crore plus as on 1st April 2025. The Company issued 1,24,300 equity shares during the year FY'25. Last year, 1,38,400 equity shares under its employee stock option program. As a result, the paid up share capital increased to Rs. 12.98 crore compared to Rs. 12.95 at the beginning of the year. YTD earning per share in the current year has shown growth by 58% reaching to Rs. 32.50 per share while Rs. 20.60 per share was at the previous year FY'24.

In line with our dividend policy, the Board of Directors have approved a final dividend at the rate of 325% on face value of Rs. 2, that is Rs. 6.50 per share. This is in addition to interim dividend at the rate of 175%, that is Rs. 3.50 per share. So the total dividend for FY'24 is 500%, that is Rs. 10, which is the highest in the history of the Company.

With about 94% of the total revenue coming from the compression segment, it remains the only reportable segment. The segment earned profit of about 21.71% in the current year, higher than the previous year when it was 19.8%. The compression segment is consistently sustaining the profitability within the range of 18% to 20%, and which is directionally will maintain in that range.

As of 1st April 2025, the order book amounted to Rs. 1,624 crore. Unallocable assets include the corporate assets and assets of transmission business and the Nashik plants to the tune of Rs. 763 crore. As you may know, the Company recently acquired the Systems & Components (India) Private Limited, situated in the village Patgaon near Murbad, Maharashtra. Following this acquisition, the Company has published its consolidated income statement along with the balance sheet from the date of acquisition that is 4th December '24 to 31st March '25, reflecting the financials of both entities. Comparable details of consolidated business will be provided after completion of a full reporting cycle of one year.

Now this forum is open for questions from our investors.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani: Yes, congratulations team for the strong set of numbers. My first question is, sir, you highlighted about the air compression, very strong growth and Tezcatlipoca received a phenomenal response, wanted to understand what was the absolute contribution or value from Tezcatlipoca on how it has grown versus last year. And second thing is any top 2, 3 industries where you highlight, definitely highlighted few sectors, any top 2, 3 sectors where the Tezcatlipoca is receiving strong response. And you highlighted about the market share gain. So any sense whether we gained, but to what extent we have gained the market share versus the competition?

K. Srinivasan: The ACD business itself is a pretty small business. It is only 20% of the Company's total sales. Tezcatlipoca centrifugal compressors now account almost about 15% to 18% of the ACD business. So that is a big growth that we are seeing. This was not a product line 3 years back, so that's a big jump. So in terms of multiples, it is growing many times every year. So we will actually see how big it can be. Like we said in the beginning, it can be anywhere between a Rs. 300 to Rs. 500 crore opportunity in 3 to 5 years. We are the only people who make the entire centrifugal compressor in India, and that gives us a huge advantage. In terms of industries where this is being accepted, metal, all kinds of metal, carbon black, cement, so these are some of the big industries that are buying. Material conveying industries like power plants etc. for conveying coal and all. So these are broadly, wherever large volume of air is being used at moderate pressure, this is picked up. And this is a very popular product now. We hope to see much bigger traction going forward.

Amit Anwani: Sure. Now coming to the gas segment you highlighted that the oil and gas remains patchy so any ballpark you want, are we expecting that the package orders will moderate and any color you want to give what was the contribution from package and CNG this year and how it will shape next year?

K. Srinivasan: The package business is about half of our process gas business. The other half comes from the gas distribution, which is the CNG packages at the petrol stations and the boosters, as well as in the O&M, maintenance and operations of all these stations. It's about half and half, very roughly. And the package business is okay. It's not as patchy as the CNG station and the installation of the booster packages. Their orders are coming in. The installation is that a muted on and off. There's some urgency sometimes and then they say, no, no, the sites are not ready. So it is going a little up and down. The PNRB's approval of 18,000 stations, out of that they are supposed to about 2,000 odd stations every year. I think if you look at most of their numbers that are putting out, they are still calling out somewhere between 1,500 to 1,800 stations is what they are looking to put out. Unfortunately, a significant number of them end up being booster stations. That is where the whole story changes completely.

Amit Anwani: So lastly on the order intake, if I can see roughly about Rs. 1,860 crores versus Rs. 1,770 crores. So just 3%, 4% growth this year in order inflow. So is it a right read through that this includes now the package orders might have increased and as you highlighted that the duration has gone up? Or can we understand that there was some slowdown in receiving the inflows?

K. Srinivasan: No, I think there is some error there. The order, full year order pickup was up by 23%. We were some 1,460 odd numbers. I am now giving you a number without, it could be 1,465, 1,462 whatever it is. And this year it's about 1,800 something. So it was up by almost 23% for the full year order booking. Now the opening order bank as we start the year is 12% higher than the opening order bank that we started the previous year with. So booking for the year was 23% up, our execution obviously was much faster, quicker during the year and I give an explanation for that, that we are having now a significant change in the breakup between equipment as a part of the total sale versus packages as a part of the total sale. As we go more towards the equipment as a part of the total sale, the execution cycle shortens. So we have now actually moved down on an average the execution cycle from about 7 months to about 5 months. So that means the order bank will automatically be lower.

Amit Anwani: Yes, thank you so much, sir. Thanks.

Moderator: Thank you. We have our next question from the line of Shubham Sehgal from SiMPL. Please go ahead.

Shubham Sehgal: So my first question was on the process gas segment. I mean, as you mentioned that like the slowdown is still very apparent and the stations are not coming up and we are supplying the daughter packages or the boosters. But do we see any improvement coming up in this year? Will we start to supply the mother packages or how do you foresee? And another one thing on our process gas segment, Reliance had planned 500 compressed biogas plants and I think one of the plants showed some progress like earlier last month. So did we supply our compressor there and do we have any outlook on this?

K. Srinivasan: Yes, so first let me answer the gas distribution which is really the mother station and the daughter station. This business is not something that's going away. There is a slowdown but this goes up and down with the availability of gas and the pricing of gas that is available. So the plan to have overall in the country more than 96% of the geography covered by city gas and as the corollary you need to have also this along with the gas distribution for the industries and automobiles. So that is both goes together. Otherwise they won't be able to make money. 18,000 stations have to come up and I think they still have to do something like about 12,000 to 14,000 stations. The exact numbers will be difficult to tell at the moment. So this keeps coming up, so it is not going away and we are still a very, very strong player in it. We continue to manage and run over 1,000 stations across the country. So that is on the PGS gas system. Now coming to the biogas business, yes, Reliance had announced 500 biogas plants. There is an overall Government of India scheme saying that there will be 5,000 biogas plants across the country in 5 years. We have several products for this. We have the Jarilo range of compressors which can take biogas as it is generated from 0.5 bar and take it up to 250 bar to fill cascades or to fill into vehicles directly. Or we can even compress it and put it into pipelines or conveying to various places. Now Reliance Project, we are an approved supplier of compressors. So there is a move by Reliance. Earlier they were offering the complete package as an order out to a person who will set up the plant for generating biogas, for compressing it, and to bottle it. Today, they seem to be convinced that the equipment can be directly ordered on reputed manufacturers like Kirloskar. So we expect more orders to come directly from Reliance, and we are an approved supplier to Reliance for both the low-pressure and the high-pressure gas. We expect the biogas business would scale up, but it is not scaling up as fast as everybody would expect it to happen. And we had explained this reason earlier also. This slowdown is not because of intent, it is because of the science of generating continuous biogas from a variable biosource and still delivering the kind of requirement of gas that is stipulated. That is where the challenge is. And I think they will need this.

Shubham Sehgal: Okay, all right. And on margin expansion, I mean, like the initiatives we have been taking like our fabrication plant and other backward integration we are doing. So can we make margins to like, can we do over 20% in FY'26 or it will take time to gradually reach there or we can maybe like out to 20% like how is your outlook on margins?

K. Srinivasan: See, on the EBITDA margin, I think we have said directionally the Company will move towards 20%, we are already something like about 19%. The compression segment margin we said will be about 20%, we are already at 21.7%. So we have moved directionally. Now Ramesh had explained several times that there is a trade-off between margin and volume. So we have to keep that in mind that we would like to get a 20% topline growth continuously and we would use margins prudently to trade off to see that the volume of top line does not diminish. Most of the businesses we work with are government, government related, and they are all tender based, and we would like to stay very competitive. So the in-house manufacturing gives us the capability to be cost competitive and allow us to work for customers who still buy on L1, but still also make reasonable margins as we go forward.

Shubham Sehgal: Okay, that seems fair. Just my last question. So I think last quarter we had mentioned that we reported like around Rs. 130 crore revenue for Tezcatlipoca for the whole 9 months. So if you can provide the number for it for the full year and do we have other compressors which are kind of crossing the Rs. 100 crore mark and any other compressor other than Tezcatlipoca that we are getting on? We have very high scope so that it could reach good scale.

K. Srinivasan: Tezcatlipoca has not crossed Rs. 100 crores this year. We are still working to cross Rs. 100 crores during the current year. Booking orders, we expect to cross Rs. 100 crores during the current year. At the moment, it is not Rs. 100 crores. It is significantly lower than that, but we have booking orders and scaling up. As far as the question of which are the compressor packages where we do more than Rs. 100 crores, the KG series of compressors, which is really ammonia reciprocating compressor, has been a well above Rs. 100 crores for many years now, and it continues to be the largest selling reciprocating compressor with ammonia, which is a natural refrigerant used in cold chains, ice plants across the country with a dominant position. All the CNG compressors also, the KG series of compressors, also have been over Rs. 100 crores for many years now.

Shubham Sehgal: Got it. That is all from my side. Thank you.

Moderator: Thank you. Before we move on, ladies and gentlemen, please restrict yourself to 2 questions per participants, as there are several participants. The next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre: Hi, sir. Thank you so much for the opportunity. Sir, I just wanted to know your input on the order inflow for the full year. Will we be able to see a 20% kind of growth in order inflow as well?

Ramesh Birajdar: If you see the order receipt in the year FY'25, we got almost Rs. 1,860 crore plus. And this is the highest order booking in any financial year. And in terms of the sales also, this is the highest sales ever in the Company. Going forward, which is switched from the packages to equipment, where the cycle time for the production and sale is lower. And that is gaining benefit to achieve our aspirational sets.

Mahesh Bendre: Okay, so we have not witnessed any order inflow slackness in the current quarter at least?

Ramesh Birajdar: No, there are many orders. There are inquiries also. We are working on that. And on that basis, we are saying that we'll achieve the aspirational sales of Rs. 2,000 crore plus.

K Srinivasan: So I think there are quite a few questions on order book and order backlog. Let me explain it like this. We have said in the beginning that our business modeling of working on different segments and markets allows us the comfort of managing order inflow, obviously trading off some margin between various segments. If the gas distribution segment sees a slowdown, we can pick up traction in the segment which is the refrigeration segment, which also offers us opportunities both in commercial and industrial, we do more on the commercial side as an optional thing where we can pick up more orders. So overall our position has been literally the same. We've been saying that we will meet the 20% growth. Our order intake supports this aspiration and there is patchy slowdown and patchy good things also happening. The refrigeration part which really runs into food, food processing, dairy. These are all doing exceptionally well for our pharma fertilizers, chemicals, all of them are doing exceptionally well. So on the whole, our order intake is adequate to meet our growth aspiration. That's the sum and substance that we would like to leave with you.

Mahesh Bendre: Sure sir, thank you so much sir. Thanks.

Moderator: Thank you. A reminder to all participants, please restrict yourself to 2 questions only. If you have a follow-up question, we request you to rejoin the queue. The next question is from the line of Manoj Bahety from Carnelian Asset Management. Please go ahead.

Manoj Bahety: Congratulations on good set of numbers. I specifically when I see I mean, Rs. 83 crores of PAT this quarter. I mean, the number when we started this journey is maybe Rs. 22 crores. This was a full year PAT. So, kudos to the team for that almost the full year PAT has come in a single quarter. Definitely, there has been a progression which has happened. Largely, I wanted to understand on the order booking side. I mean, when I see the order book for this particular quarter now stands at Rs. 1,625 crores and you are also mentioning that Rs. 2,000 crores stand for visibility, you are still looking. So just wanted to get a sense and execution cycle has come down. But how can there be a change just in a single quarter that last quarter we were still looking at an order book to be sufficient enough for us to have the Rs. 2,000 crores. Now there is a change in that. So if you can provide some clarity around that, some color as to what will be the equipment order intake for this particular year, equipment order intake and project order intake out of the Rs. 1,860 crores of order inflow and also in the last year basis….

K. Srinivasan: I think we have gone through this and I will repeat again. Our order booking for the year was 23% higher than the previous year. Our order backlog as we start the year, as we call it, the order bank for execution during the year is 12% higher than the last year. So these are the two criteria benchmarks that you have to look at. Will a 12% higher order bank allow us to deliver 20% growth in the topline is the question that is to be answered. We believe we can for 2 reasons. One is compared to the last year, this year we will have an even higher execution of equipment compared to packages. So we expect to execute more of the orders that we booked this year quite quickly. Consequently, we still are confident that we will deliver the 20% plus growth that we are planning for the year. Now, we will have to deliver quarter-on-quarter and as we go forward, we will be able to convince everybody that this is possible. Our modeling shows that we are booking enough orders. As of now, I am busy for the first quarter. I am quite busy for the package orders for the full year. We still have to see that the order of traction is good, and we believe it is good to complete the numbers that we have put out. We will talk about it every quarter.

Manoj Bahety: Sure sir, understood. How much would be the equipment order booking for this particular financial year of this Rs. 1,860 crores?

K. Srinivasan: The equipment orders get booked and executed during the same year. Out of the Rs. 1,465 crores of order bank that we start with, only about Rs. 400 odd crores would be equipment. More than Rs. 1,000 crores would be the packages, about Rs. 1,000 crores. I won't say exactly. Packages and maybe the AMC were there. So we should be okay. Our estimation is that we have enough orders to do the numbers.

Manoj Bahety: And second question was just about Tezcatlipoca compressor. I mean, over here, the business has done well for us over the last 3 years. Now close to 4% to 5% of our business is coming from this particular category. Just wanted to understand, and we are also getting market share. Just wanted to understand the differentiation here and what is the product differentiation from a competition perspective or from an operating perspective. If you could throw some color over that, that would be really helpful. And how should one see this particular number building in over the last 3 years?

K. Srinivasan: Centrifugal compressor business in India is roughly about Rs. 300 crores. We expect it to be about Rs. 500 crores in the next 2 to 3 years. Current customer manufacturers will deliver these compressors are almost all imported. Some of them would be 100% imported. Some of them would have the airends and significant parts imported and just put together in India. In any case, they are significantly import dependent. They are expensive. And they are all based on supply chains with anywhere between 7000 kilometers and above, parts would come from China, parts would come from Europe, parts would come from the US. The compressor that we make is designed by us, manufactured entirely in a supply chain within 200 kilometers. I have 3 factories within which we do this. And whatever we have delivered has been delivering the lowest cost of utilization, the lowest lifetime cost of usage as we believe. Initially it is just a demonstration. As customers buy and use it, the repeat orders demonstrate that they find that it is far superior to anything that they've experienced so far. It's economical, it's efficient.

Manoj Bahety: Sure, that is it from my side.

Moderator: Thank you. We have our next question from the line of Ashish Kumar from Ampersand Capital. Please go ahead.

Ashish Kumar: Thanks for the opportunity. So my first question is, you have already given guidance of Rs. 2,000 crores for next year. My question is more of a medium term, like beyond FY'26, do we see this 20% kind of revenue growth sustaining? And my second question is this change in this order book mix. Do you think it is structural and what does it mean for our margins from a medium term perspective? Thank you.

K. Srinivasan: Now coming to the medium term perspective, we have been saying that we are in an industry where delivering a 20% sustained growth over a longish period of time is possible. We are at a very early stage of this growth curve. We can deliver it. So what are the enablers that will give us the confidence that we can do it? One is our current market share. If you look at air compressors, we are now somewhere between 5% to 7%. If you look at our market share as a country in the refrigeration business, what compressors are made in India and the product addressed through the Indian manufacturer is very, very small. India is still the largest importer of compressors. If you look at the gas business, we are probably the only one who does most of the packaging and the work within India. And also we have the distribution compressors that we build ourselves 100%. So there are a lot of things going in our favor. Modeling is done in such a way that we increasingly do more and more manufacture within the country, which allows us two things. One is it allows us the speed of execution. Second is it allows us customization to meet specific requirements of customers. Third is it allows us to be cost-competitive. With all this, we have a huge opportunity out there. We are a small, small player in a huge developing market, predominantly served with imported inputs. The market itself is India, and I see this 20% growth for a significant period of time is a definite possibility. Now, what are the things we are doing to give us the right to play there? One, our R&D investment of trying to put in enough number of IPs is one big investment to build the capability. Two, we are setting up manufacturing, and these are not traditional old manufacturing. And we do have a casting plant that has been running for 60 years. But the new casting plant that we set up would be a lost foam casting, which is probably there may be 2 or 3 plants in India of such type. And even that, what we do is even more special. It's hydrocarbon free. It's got so many other features that make it even more competitive and even more environmentally friendly. So all we are trying to do is build capabilities that will allow us to deliver this 20% growth in an opportunity that is already there. We are not creating that opportunity. That is why we are not so worried about markets slowing down, going up etc. because our share of the total market even today is so small that even if the market does not grow and stays where it is for 1 year or 2 years, I still can continue to grow.

Ashish Kumar: Okay, understood. Comment on the margins?

K. Srinivasan: Yes, so margins we keep saying and Ramesh explained it best. Capability to deliver superior margins exists, but depending on market conditions, we are willing to trade off margins for growth. So all we keep saying is directionally, Company's margin be about 20% EBITDA and the compression segment already 21% plus, we will keep it around 21%, 22%, but we will focus on getting scale in volume.

Ashish Kumar: That's all from my side. Thanks.

Moderator: Thank you. We have our next question from the line of Mohit Jain from Chris PMS, please go ahead.

Mohit Jain: Thank you. My questions have been answered. You can move on to the next.

Moderator: Thank you. We have our next question from the line of Sahil Sanghvi from Monarch Network Capital. Please go ahead.

Sahil Sanghvi: First of all, congratulations. That is extremely amazing execution from your team. So very well done. My first question is, which are these new products that we expect to roll out in the next one year or so and when we expect some good response and good order bookings?

K. Srinivasan: Okay, so thanks for this question because it's a nice subject to me to explain. See, if you look at the capital goods product that we bring to the market, generally is first is a product acceptance, second is product scale up. So there are two parts to it. We need to get about 10% market before it starts scaling up. Tezcatlipoca took 2 years for it to get accepted by the market and then the rapid scale up starts. And then you really get to a cascading effect as customers buy and experience it. We had the similar experience in Khione with the variant that we thought we can sell a bare shaft compressor and eventually we realized for 2 years the sales was just so lukewarm that we shifted to packaging it and suddenly now it is picked up very well. So I will come and tell you what are the products that will scale up. Our definition of a new product is product launched within the last 3 years. So the Tezcatlipoca will scale up remarkably. The Khione packages will scale up. And here we have an outlet further added to our chain by having systems and components as one more potential customer internally. Then we have the products like the Jarilo which is announced. So that is another thing. The new product that we are hitting the market with this year is Tyche. Now Tyche is a semi-hermetic compressor, probably the only semi-hermetic compressor made in India. Today, over a 1000 semi-hermetic compressors are being imported, primarily from Germany, Italy, and a little bit from China as well. These are technically a superior product. The Tyche would be comparable or better than what they get from imports, and obviously significantly better priced than the imported German or the Italian machines. Over a 1000 compressors come into this country. Now depends on how we position. Do we want to sell them as bare compressors or do we want to package them and offer it as a customer solution? This is something that we will learn as we go forward. Initially, our interest would be to just sell the compressor, then it is a need to product against an import, but if you package it in offer then you end up partly competing with your own OEs. So there will be a mix. Our learning from the Khione has been that you have to go through this in a mixed way. We will do that. There are several other products, but a couple of them are not even announced. So I would wait till they are launched before I make the announcement. Like I said, 41 IPs both granted and filed is an indication that there is a lot many good things in the pipeline coming out.

Sahil Sanghvi: Right, sir. Tyche just a follow up question. Will go into which end user industries? Is it refrigeration? Just understand...

K. Srinivasan: Yes, it is refrigeration. So all commercial refrigeration starting from cold chains, the cold boxes, cold rooms in restaurants and other storage areas. It could be very, very small ones as well. So quite a few small things. This cannot go or this we are not made the smaller ones yet, which can go into reefer containers, milk delivery vans etc. But they are all in the pipeline. There are quite a few things. Happy things will come.

Sahil Sanghvi: Right, And secondly, sir, you said the refrigeration side of the business is very largely dominated by imports. So can you give a number to it as in how much percent of this market is currently catered by imports?

K. Srinivasan: So almost all, 100% all the compressors were imported. So that's the first thing. Now what is the market? Is it only the compressor or the compression system? Because there is a condenser, there's a fan, there's the whole packaging that has to be done before it becomes a working tool. Now eventually that part of the work is partly being done in India with imported parts. At which part would we play is the question. So we generally tend to give packages, which is not just the bare compressor, but the condenser, the air handling system, the cooler, the whole thing. So if you cut it at different places, the market could be anywhere between Rs. 3,000 crores plus.

Sahil Sanghvi: Got it, sir. Got it, got it. And lastly, is it fair to assume that the equipment versus package ratio in our order book will be now something like 60-40, which was vice versa before?

K. Srinivasan: Yes, that's the way we are. Some months plus minus, but directionally, we are 60-40 equipment-favor.

Sahil Sanghvi: And equipment is a 5-month processing sort of time?

K. Srinivasan: Equipment is about 16 weeks on an average.

Sahil Sanghvi: Okay, thank you, thank you so much and all the best.

Moderator: Thank you. We have our next question from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Hi, Srinivasan.

K. Srinivasan: Good evening.

Bharat Shah: Good evening to you. Just one question. We have a 65-year-old Company now, almost. And if you look at it, say, even 5 years back, we were just about half the turnover that we have just achieved in the year gone by. Therefore, for a longish period of time, we have kind of lived modestly. But clearly, the last 5 years, things seem to have improved and accelerated even if it is on a very low base. But things have definitely improved and more data, faster clip. And there is a greater ambition to grow. There is a greater desire to engage with the outside world and achieve exports and explore more areas where we can find our feet and clearly our profitability also has improved. So what I wanted to understand is how much of these improvement both in the topline growth, margin improvement, the overall character of the business in terms of capital efficiency. How much of this improvement in last 5 years is because of internal resolve and energizing and engagement and how much it is improved due to the external opportunity becoming more favorable?

K. Srinivasan: Thank you for a very good analysis and I must explain this in 2 parts. First part is the environment in which we are currently operating is hugely supporting growth compared to what we were earlier. I think that is the first thing. So credit should go to the external environment and opportunities that is now available for the Company to grow, which is significantly more, significantly bigger than what it was earlier. That's the first thing. The second half of the growth is the ability of the team to address those opportunities and accept those new challenges that have come up. There it has been a question of building capabilities, be it in the design, engineering, R&D sector, be it in a conscious decision to be, let's say, not in line with the traditional process of saying that everything should be outsourced, we do only minimum in-house etc. We are going exactly the opposite of what most common manufacturing companies have done. We have in-housed a lot of things. We have consciously decided to go more deeper into manufacturing which means we have looked back and said, which are those things that we and many companies did do in-house but gave away over a period of time, get back to very basic things like forging, fabrication, casting, and say, with the science, with the technology that is currently available, is this still the right solution to get it done by small scalers who are outside there doing it with very old techniques and methods etc.? So here is something I would say learning from the Chinese model, scale, competence, building the new signs around old processes and seeing how we can build products more efficiently. So that is a capability building exercise. The strategic call that all of us collectively take and do is to ensure that the business modeling is done with 3 tires of aspiration. One is growth is paramount. We need to grow because the market is there, opportunity is there. Second is it has to be profitable growth. The third one is it should be cash accretive. We should generate enough free cash and that should fund all our aspirations. So everything has been structured in a way, choice of markets, choice of mix between opportunities to take, call to say whether we should get into exports early enough or choose the markets we export. So all that has come out of a business modeling exercise that we have done to say that we are relatively agnostic to market variance. That is what I have been explaining. Look, you are not too worried when there is a big tariff war out there. You are not too worried when there is a bit of a slowdown out there because in most cases we have chosen segments and markets in a way that there is enough headroom for us to meet our current growth aspirations for quite some time. So that is the way we have modeled it. And we are quite confident that we will be able to live up to the expectations of investors and not disappoint them for quite some period of time.

Bharat Shah: I know that Srinivasan that you are the humble man and you do not want to draw light to yourself, but how much, really speaking, the noticeable improvement in the last few years? Would you attribute to the energy within? And how much to the opportunity outside? I mean, is it 50-50, 70-30, 80-20 to internal and external, what would be your... I know it's a bit of a random question, but I will be very keen to understand your mind because your internal energy of organization is something which is more durable. External opportunity, of course, has to be there in order to gain an upper hand, but it is still so small in terms of the size of the business that clearly that opportunity I think existed earlier as well.

K. Srinivasan: So Bharat Bhai let me answer like this. I think quite a few investors visited our plant sometime in March. I do not know how many yet been there. What I would say is it is a little bit of a judgmental question for me to answer. I think there is the energy in houses is measured by, let's say, the IP creations, measured by the employee engagement scores, which is an industry standard today, measured by my attrition rate being single digit among the lowest industries of this type. So the engagement and the capabilities building that has happened is huge. So I would really leave it for time and judgment to see how we are able to deliver on a sustained basis because that's a very subjective question and difficult to answer. All I would say is there is opportunity out there, there is capability in how, and I think both of them work beautifully together.

Ramesh Birajdar: Bharat Bhai, I will add one more sentence because he's sitting in front of me and I am also here part of this growth story of the Company. One leadership factor is also driving the Company from Rs. 800 crores to Rs. 1,600 crores because bringing the new product, bringing the manufacturing capability, driving for the new growth opportunities, sustaining all these things is, of course, it is a direction of intelligence. And direction of intelligence is coming from the leadership, both at MD level and both at the Chairman level.

Bharat Shah: As I said, I know Srinivasan is a humble man. So he will not like to attribute much light to himself, but you have answered. Thank you. One last thing, Srinivasan. From Rs. 1600 odd crores that we are today and given the large size of opportunity and our desire to seize that opportunity and give a good account of ourselves. In 5 years' time, will we be Rs. 4,000 crore, Rs. 4,500 crore or Rs. 5,000 crore kind of a business? If we grow it 20%, we will be Rs. 4,000 crore. If we grow it 23% odd, we will be Rs. 5,000 crore. So where do you think we are likely to be?

K. Srinivasan: Let me answer this question in 2 parts. I think this 20% year-on-year is directionally doable with the capability in the market opportunity. Obviously, we do not factor in inorganics too much because it happens as it happens and we are a value buyer. So I think while growth is an aspiration that we continuously work on as one of our prime objective, we will not buy growth. So that is one important thing that we are all inculcating in ourselves saying that we would not buy growth because there is a lot of opportunities which are tempting but it is not the price or it does not bring the capability that the Company is looking for. So let us take it modest Rs. 4,000 crore is a good number to look at. We can go much bigger if the inorganic opportunities fructify. We do not talk about it, but we keep looking, which is appropriate for us.

Bharat Shah: Fantastic. All the very best, anyways.

Moderator: Thank you. We have our next question from line of Vedant Sarda from Nirmal Bang Equities. Please go ahead.

Vedant Sarda: Can you please just give me the components of other expenses which is at Rs. 244 crores for FY'24 and Rs. 301 crores at FY'25?

K. Srinivasan: Yes, please. Just give a minute. We will give you number. Because the other ones are also semi-variable. It varies with the volume of our business. Ramesh will give you the exact items that go into it. You can take it as almost semi-variable because there is a lot of things that are related to the volume of business. Let's say outsourcing, our labor for all our O&M maintenance outside, all that comes under this. But we will give you the exact.

Ramesh Birajdar: But largely it is IP updation plus the maintenance cost, plus addition of the Nashik, power and fuel. And outsourcing is another part where it is mainly the contract costing. And of course, it is the maintenance of the O&M business through the contractors. It is all inclusive of this.

Vedant Sarda: Okay, so it could be driving according to the volumes.

K. Srinivasan: It is semi-variable. As the number of stations go up, you will see this going up.

Ramesh Birajdar: When our business is growing and at the same time, our cost is also growing because it is completely outsourcing.

Moderator: Thank you. We have our next question from the line of Dhavan Shah from AlfAccurate Advisors. Please go ahead.

Dhavan Shah: Yes, thanks for the opportunity, sir. So my question is on the order inflow. I think in the last concall, you mentioned that there is some green shoots only from the refrigeration side while the air and gas business are witnessing slowdown. So I think that is visible in the current quarter order inflow as well, which is around Rs. 300 odd crore and down by 25% odd on YoY basis. So I just wanted to understand what gives you the confidence that for FY'26 we can grow in terms of the order inflow by 20% odd?

K. Srinivasan: I think we answered this, but I will repeat again. So the order inflow, we should look at it not just only on the quarter, because one project order booking in a quarter would change the number, absolute number. But the composition of the order inflow gives us the confidence of what out of it. Almost 300, if you look at the total order book during the year of Rs. 1,860 crore , significant part actually got executed, which is unusual, which got executed also during the year, the equipment order etc. So what we do expect going forward is there will be booking and execution during the same year, which has been much less during the previous year. So that is one first thing. We do have as an overall order for the year, 23% higher booking compared to the previous year. There is a change in the mix between equipment and packages. That is a second step. Third is even as we speak, the start of the year, we are starting with a 12% higher order bank compared to the previous year. So I think to get to about 20%, I would take it as let's say 12 plus 50 so 18% is a given. You are not expecting anything big when we say we will do at least 20% growth.

Dhavan Shah: Understood, sir. That is all from my side. Thank you.

Moderator: Thank you. We have our next question from line of Kunal Sheth from B&K Securities. Please go ahead.

Kunal Sheth: Thank you for the opportunity sir. I am sorry for this question has already been answered. Just wanted to check sir, we have seen meaningful improvement in margin over the last few years. Would it be possible to list out key reasons that has been driving this margin and what part of these reasons are sustainable?

K. Srinivasan: So the margin growth had multiple steps. The Company's margin growth, we kept saying from day one that we take out decretive activities. We had transmission as some of the reason. We had the RoadRailer business as one of the reason. These are all being taken out. So on the Company side, the margin moving is driven largely by taking out the decretive activities. That has happened. On the positive side, we have a better product mix. We have a cost control coming out of in-house manufacturing, better design, better engineering etc. all that combined this help us. Is the market giving us better margin on the same product? No, it is a competitive market. But what is also happening is our ability to come up with the newer products which are less material intensive more, engineering intensive allows us to improve. Ramesh explained that our material cost for sales is down this year by about 1.1%, 1.2%. That is an indication of a better product mix that allows us to make better margin. So all this combined thing adds up to take our margins up towards. That is why I said in the beginning, we will take it directionally there, but we are not in a way saying that we will work only on margin and not to look at taking those L1 orders, we still need to take to keep the growth going.

Kunal Sheth: That was very useful. Thank you so much.

Moderator: Thank you. We have our next question from the line of Rohan Vora from Envision Capital. Please go ahead.

Rohan Vora: Hello, so thank you for the opportunity and congratulations on the number. So you already gave out the reason, I just missed that point. So you said that the CBG as a whole is getting implemented at a slower pace. So I just wanted to understand the reason for that and also wanted to understand the kind of competition that is there in that segment. And what is the per CBG plant, what is the amount of our supply that can be there at the potential level? Thank you.

K. Srinivasan: It is a good question. We have dealt with it in an earlier call, but I will deal with it once again as a subject. Compressed biogas, India's stated objective is to have this generated and one consumed locally where it is filled into cascades. The second one is to mix it along with natural gas and consume it in the regular way, along with vehicle usage and other things, or city gas and they want to say that the compressed biogas would be mixed with natural gas to the extent of about 6% going up to 15% max. So that is a stated objective. We are less than 2% or 1% at the moment. So there is a big plan out there for compressed biogas. And it sort of substitutes a significant amount of gas that is currently being imported. So there are multiple reasons to support this. The challenges today remain that as you set up these biogas plants, generation of biogas is still a challenge because the bio-source is still not a very stable source except the red mark which is from the sugar mills, all other bio-source, urban waste, spent wash etc. are all sporadic, agri-waste, whole kinds of things are being tried and used. The generation of biogas in any many of these projects have been significantly below their expected plan. Consequently, the challenge is now on the gas generation. Once gas is generated, we can help with compressors for cleaning it either through wet scrubbing with membrane, whatever it is, low pressure compressors, high pressure compressors. Compressor technology is available proven and available with us. It is also there with a few other imported compressor suppliers. But that is not the challenge today. The big challenge is the generation of stable, significant biogas. So that is why this is not scaling up. If you ask me, will it scale up very quickly? It will go through again the initial 10% story. If they crack the technology of getting stable biogas, compressing and distribution consumption is all proven processes. Are we positive about it? We are hugely positive. We have all the range of products for it. We are happily working with all the big companies which are working on this. And we are only hoping and praying that as they scale up, we will grow along with them. That is a short story.

Rohan Vora: And sir, just the ticket size for plant ballpark number if possible?

K. Srinivasan: Sorry. So the plant size, depending on the kind of cleaning and capacity, whether it is a 5 TPR, 10 TPR, 25 TPR, whatever they have, the packages could vary somewhere between Rs. 13 lakhs to Rs. 2.5 crores.

Rohan Vora: Sure, sir. This is very helpful. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. And I would now like to hand the conference over to the management for closing comments. Over to you, sir.

K. Srinivasan: Okay, so thank you all very much for accepting to be in this call. I think on an overall basis my understanding is there is a bit of apprehension on the order intake. Let me assure you that is not the worry for us at the moment. We are quite well placed to deliver what we have promised. What we look ahead is to see that our execution cycles get even better with all the in-house manufacturing, new products hitting the market. We look forward to talking to all of you with a continuing good performance going forward. Thank you all very much.

Moderator: Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us and you may now disconnect your lines.