



Kirloskar Oil Engines Limited

15th ANNUAL GENERAL MEETING

ON THURSDAY, 8th AUGUST, 2024

Proceedings of the Annual General Meeting through Video Conferencing (VC) / Other Audio Visual Means (OAVM)

Moderator

Dear shareholders, Good morning and a warm welcome to you all to the 15th Annual General Meeting of Kirloskar Oil Engines Limited through video conferencing or other audio-visual facility. As a reminder, for the smooth conduct of the meeting, the members will be in the mute mode and audio and video will be open when they will speak at the AGM as per the pre-registration. Please note that, as per the requirements, the proceeding of the Annual General Meeting will be recorded and available on the website of the company.

I now hand over the proceeding to **Mr. Atul Kirloskar**, the Chairman and Non-Executive Director of Kirloskar Oil Engines Limited. Over to you Sir.

Chairman

Thank you. The Company Secretary has informed me that the necessary quorum is present and I call the meeting to order. Good morning ladies and gentlemen. On behalf of the Board of Directors, I welcome you all to the 15th Annual General Meeting of the members of the company. The present AGM is being held through video conferencing facility in compliance with the provisions circulars issued by the MCA and SEBI from time to time. We very much appreciate your generous support. On behalf

of the Board of Directors, I thank you all for sparing the time from your busy schedules to join us. Like last year, we are conducting the AGM through video conferencing. Let me introduce the directors to you. I am

Atul Kirloskar, the Chairman and Non-Executive Director.

Ms. Gauri Kirloskar, Managing Director.

Dr. K.M. Abraham, Independent Director and he is the Chairman of the Audit Committee.

Mr. Satish Jamdar, Independent Director and he is the Chairman of the Risk Management Committee and the Nomination and Remuneration Committee.

Mr. Rahul Kirloskar, Non-Independent Director. He is the Chairman of Corporate Social Responsibility Committee.

Mr. Mahesh Chhabria, Non-Independent Director.

Mr. Vinesh Kumar Jairath, Non-Independent Director.

Dr. Shalini Sarinn, Independent Director.

Mr. Yogesh Kapur, Independent Director and Chairman of the Stakeholder Relationship Committee.

Mrs. Purvi Sheth, is the independent director and

Mr. Arvind Goel, is an independent director.

I would like to also inform you about the other people present here.

Mr. Sachin Kejriwal, who is the chief financial officer,

Ms. Smita Raichurkar, who is the company secretary and head legal,

Mr. Aseem Srivastav, who is the chief executive officer of B2C.

Mr. Rahul Sahai, he is the Chief Executive Officer of B2B Business.

Mr. Umesh Abhyankar, partner of GD Apte and Company, Chartered Accountants Pune, being statutory auditors.

Mr. Mahesh J Risbud, Practicing Company Secretary, being the secretarial auditor.

Mrs. Varsha Limaye, partner of Mrs. Parkhi Limaye and Company. They are our cost accountants Pune and they are our cost auditors.

Mrs. Manasi Paradkar, practicing company secretary, being the scrutinizer of the e-voting process.

Then pursuant to the provisions of the Companies Act 2013, rules thereof and the SEBI regulations following registers, stroke documents are available electronically for inspection during the AGM at the NSDL e-voting portal. The register of directors, key managerial personnel and their shareholding, register of contracts or arrangements in which directors are interested, statutory auditors report on standalone and consolidated financial statements and the secretarial audit report. Also, the auditor's certificate on employee stock option plan pursuant to the SEBI share-based employee benefits and sweat equity regulations 2021 and circulars which are issued thereunder. I would also like to inform you that in compliance with the MCA circulars and SEBI circulars issued from time to time, the annual report including AGM notice for the financial year 2023-2024 have been circulated by email to the members of the company and are also available at the websites of the company BSE Ltd and the National Stock Exchange of India Ltd. With the consent of the members, the same are considered as read. Pursuant to provisions of Section 145 of the Companies Act 2013, the independent auditor's report and the secretarial audit report need not be read at the AGM, since the same do not contain any qualification, reservation or adverse remarks.

I will now commence my address to you. Despite widespread uncertainty due to prolonged geopolitical conflicts, the global economy has demonstrated remarkable resilience throughout 2023-

2024. India has sustained its position as one of the fastest growing major economies. This growth has been underpinned by robust fundamentals, including increasing capital expenditures in stock exchanges, deleveraged balance sheets of leading businesses, fiscal consolidation, manageable external balance and substantial foreign exchange reserves. India is also attracting significant interest as a manufacturing hub. With the right support from the government and a conducive business environment, we are well positioned to seize this opportunity. I will give you business segment updates in the B2B segment. Financial year 2023-2024 marked a successful transition from CPCB2 to CPCB4 plus emission norms for our power generation products. We are evolving from a diesel engine manufacturing company to a technological leader in power and energy systems. This transformation is driven by our focus on internal R&D, progress on our defined technology tracks and fostering innovation within our team. We are significantly expanding our product range both in terms of power ranges and in fuels.

We also offer internal combustion engines which is called ICE, I-C-E, designed to run on a variety of fuels, including hythane, natural gas, ethanol, methanol, and hydrogen. Our aim is to ensure these products are ready as these fuels become more accessible.

We have made significant strides in the high horsepower segment with new products like OptiPrime, and we are hopeful that we will gain substantial market share due to this innovative solution. Additionally, we are actively researching and developing non-ice power generation technologies such as fuel cells, hybrid products, batteries and microgrids. On the industrial engine business, we won the biggest single order worth 768 crore rupees from the Nuclear Power Corporation of India Limited this year. We have also won a larger share of the business from our existing

construction OEMs as well as acquired some new ones. Our railway business has witnessed a very good turnaround and has now crossed 100 crores. International expansion is a key strategic priority. During the year we acquired 51 percent shares of Engines LPG LLC through our wholly owned subsidiary Kirloskar Americas Corporation, which is a step towards business expansion and to enable market development in power gen applications in the North American market. We have also appointed MySpan Power Solutions FZE as our exclusive GOM for the Middle East and North Africa region. Coming to the B2C segment, this year we witnessed a significant improvement in profitability due to our deepening and widening strategy coupled with operational alignments. We also completed amalgamation of OptiQua pipes and electricals private limited with Lagajar Machineries private limited. We are optimistic about the potential this business holds and look forward to achieving operational efficiencies from the upcoming facility at Sanand, which will help us consolidate our manufacturing locations. Now I will update you on the business highlights for the last year, which is financial year 2023-2024. For the standalone financial performance, the sales for the year amounted to 4,806 crores. This is an increase of 18% compared to the previous year's 4,073 crores. EBITDA was at Rs. 564 crores in FY24 compared to Rs. 429 crores in FY23, representing a 31% year-on-year increase. These results highlight the company's strong performance and strategic efforts, positioning it for continued success in the future. Coming to the subsidiaries' performance, Lagajar Machinery's Private Limited at the consolidated level reported total income of 557 crores with a net profit of 25 crores. Arca Financial Holdings' Private Limited at the consolidated level reported a total income of 572 crores and a net profit of 67 crores. Kirloskar Americas Corporation at a standalone level recorded

revenues of 3 million US dollars and a net loss of 11,000 dollars. This year we acquired 51% stake in Engines LPG LLC that is with the brand Wildcat. This company recorded revenue of US\$0.36 million and a net loss of US\$0.67 million post acquisition.

Coming to the performance for the first quarter of FY24-25 on a standalone basis, the revenue from operations for the quarter ended 30th June 2024, stands at Rs.1,343 crores as against 1,265 crores for the corresponding quarter last year. Profit before tax for the quarter is at 181 crores as against 139 crores for the corresponding quarter of 2023-24.

On a consolidated basis, the revenue from operations for the quarter ended 30th June 2024 stands at 1636 crores as against 1543 crores for the corresponding quarter last year. Profit before tax for the quarter is at Rs. 211 crores as against Rs. 170 crores for the corresponding quarter last year. We are committed to enhancing shareholders' value and maintain regular distribution of dividends out of our earnings. In view of KOEL's strong performance in FY24, the Board has proposed a final dividend of Rs 3.5 per equity share, subject to shareholders' approval. Together with the interim dividend of Rs 2.5, this brings our total dividend paid for the year at Rs. 6 per equity share or 300% dividend.

On behalf of Kirloskar Oil Engines Ltd, I extend my heartfelt gratitude to all our shareholders, the Board of Directors, business partners, customers and employees for their unwavering commitment to the group. I wish the team all the very best and thank you ladies and gentlemen. I now request Ms. Gauri Kirloskar, Managing Director, to start her presentation.

Managing Director

Good morning. I want to start by thanking all of you for being our partners and being with us on this journey. Many of you have been part of this journey with us for many years and have

stayed with us through the good times and the bad times and together we have reached here today. Through the years, you are all witness to the evolution of your company and the industry at large. And as I stand here today, I can definitely say that it is our willingness to change, adapt and evolve that is making us successful even after 75 years. I would go to the extent of saying that adapting to uncertainty, showing agility and resilience and embracing change is our biggest strength as an organization. And it is our Indianness that makes us who we are. We see this resilience and adaptability being lived every day across this country. We draw our strength from the fabric of India, our diversity, but unity, our resilience, our adaptivity and agility, while one traverses across the length and breadth of this country. It is our privilege to serve this great nation and we are proud to be an Indian organization, serving not just the Indian markets, but making significant strides globally as well.

Our values are the anchor around which we operate and the vision and mission are our North Star. Everything that we do will be guided by these. If you observe our actions over the last year, the strategic decisions that we have made, it is all with these guiding principles in mind. We are very clear on the direction that we want to go. We are committed to being a strong presence in the power generation and internal combustion space. We are excited to be part of the transition that our industry is witnessing. We will remain a leader in technology. We will invest significantly in our R&D, and we will be ready with the right products at the right time, fit for the customers we serve as technology changes.

Around two and a half years ago, we had announced a 2X3Y strategy, a strategy to grow our top line two times in three years. For a company that had grown in low single digits for many years before that, it was a big challenge. Back then, many people

questioned us, many asked us how realistic these targets were and whether we were serious with our strategy. Many questioned us on the rationality of publicly stating a growth target and being held accountable to it. I believe that growth targets have to be aggressive. We may achieve it or not, but we must be able to have targets and aspirations that we all strive together to achieve. Targets cannot be conservative because it makes the organization complacent, and that is where we do not want to be. As we announced the strategy back then, we were quite clear as a leadership team as to how we will achieve it. But there is always a difference between strategy and execution. As one goes about executing strategy, a lot changes, realities on the ground hit us, the market and the macro environment changes from the time that we decided the strategy, the competition reacts, and many such factors play out as one starts executing. For an organization like KOEL, we also work with a large extensive channel that makes sure that our products and services reach our customers across the country and across the world. Execution of the 2X3Y strategy was no different. We had to make sure first that internally the KOEL ecosystem of employees, channel partners, dealers, distributors across the country walks with us in this aspiration. And as is the case with any strategy execution, a lot changed in the market, macro environment and in this case the regulatory environment as well. Despite all of this, I am happy to say that we are on track with our 2X3Y goal with what we have delivered in the last two years. We will remain committed to our growth pillars and we will focus on these till the 2X3Y period concludes. We are working on the future as well beyond 2X3Y and I will give you a glimpse of it in the coming slides.

The numbers are a mere reflection of many things that went on during the course of the year. These numbers are a reflection of the

soundness of our strategy, the capability of our teams to execute the strategy, the overall market environment that was supportive, our ability to adapt to last-minute regulatory changes and the strength of the KOEL's ecosystem consisting of our channel partners, our suppliers, who all together took the organization forward and have delivered these numbers. We grew at 18% over the last year at an 11.9% margin. Both our EBITDA and profit after tax grew at 26% from last year and this is made possible by the daily rigor and discipline in execution that is reflected in the seven consecutive quarters where we delivered over a 1,000 crores in revenue.

Both at a standalone and a consolidated level we have delivered strong numbers and as I said earlier we are on target with our growth ambitions both on the top line and the bottom line. Before we started our 2X3Y journey, to make sure that we had the right focus and to make sure that we have the right leadership competencies in place, we had divided the organization into three main businesses.

The B2B segment, which is in the power generation and industrial space through fuel agnostic internal combustion engines and other alternate technologies. The B2C business that deals in pumps, farm mechanization products, and ARCA, the financial services organization. Each of these businesses have their own leadership and are run independent to each other to ensure that we have the focus and the expertise that is needed to be successful.

On the B2B segment, it contributes to over 70% of our revenues, and this is a segment where we have seen significant top line and bottom line growth. This is despite the challenges that the teams had to manage with emissions changes, last minute changes in notifications, managing a pre-buy cycle, along with the transition into a new emission norm. All of this meant careful planning and

execution to make sure that we are not sitting on obsolete inventory, nor with shortage of products, and this is what makes this growth very satisfying for us. We also made progress in our high horsepower strategy and our international strategy.

On the B2C side, our improvement of profitability was a key highlight. While there has been satisfactory growth, our focus on profitability showed good results. We are in the final stages of our consolidation of manufacturing into one location and by this transition we will have enough capacity with us to manage the next couple of years.

At ARCA the business is showing good performance, we are growing well, all the targets that we set for ourselves have been met and we will grow this business in the coming years as well.

Now I'll speak a little about people and culture. There are three main pieces to the culture and people's strategy that we have been working on.

The first one is around ensuring the right organization structures. A major portion of this work is completed and we have the right teams in place to execute the strategy. We are looking at grooming some of our internal talent to take up more senior roles. We are investing in their growth and development and we are also bringing in talent from the market where we see a gap. We also want to have a talent pool that is fungible and has the ability to move around in the organization and can take up diverse roles. As we get the structures right and as we focus on investing in our internal talent and attracting external talent, our organization culture then becomes very important for us to be able to attract and retain the right talent.

Making sure that KOEL has an environment that fosters diverse opinions and views, encourages open communication and fosters innovation is critical for all of us, and that is the culture that we

want. Culture is a combination of the right processes and policies, the right kind of leadership and also being focused on our values and behaviors emanating from our values and not compromising there. There are concrete steps that we are taking in each of these areas and we are seeing the benefits of this. I am excited with the unique opportunity that COEL has in front of us to make this world a better place to live in. As you all know, controlling greenhouse gas emissions, especially from fossil fuels, will play a crucial role in our shared responsibility towards this planet, arrest climate change and make our planet a healthier place. Our products and solutions will play a critical role in driving the energy transition for the country and globally. Our vision statement reads as, we power a caring, prosperous and sustainable future, and it is reflective of our commitment to ESG as a core business objective and the reason that we exist. Whether it is our CPCB 4 Plus products or our BS 5 products, we meet the strictest of emission norms globally. It is our strategy to provide products and solutions that will help our customer meet their ESG targets through technologically advanced products and also through programs like reconditioning and remanufacturing. Our manufacturing locations themselves are clean and green and a lot of focus is made on sustainable manufacturing processes, reducing greenhouse gas emissions and being water neutral. We are also known for our ethical and governance standards and that is something that we take very seriously. As I said in the beginning, we have started on 2X3Y journey and that journey will reach its conclusion in fiscal year 25. While we will wait and see how the final numbers will pan out in the end of Fiscal year 25, we are very happy with the progress we have made so far. The journey has been very tough, things did not exactly play out the way we had planned, but that is what happens with every strategy and I am proud of the way that

our teams dealt with the situations, the agility and the commitment we have shown as a team. We made significant progress in the strategic pillars we laid out for ourselves, and the results, the outcome of the hard work, and the dedication of the teams. This gives me confidence about our future, and our future comes from the strength of our teams and their ability to deliver.

As a leadership team, we had been thinking a lot on our future post-fiscal year 25, and what is it that we want to aim for as an organization. After a lot of deliberation, we have come out with a strategy which we call 2B2B, which reads as 2B2Billion in five years starting from fiscal year 26. When we announced the 2X3Y strategy, there were a lot of voices both internally and externally that said that this was too outlandish and there were a lot of opinions on why we will not hit these numbers. What made us achieve these numbers is a simple plan to stick to the strategy and focus on execution day in and day out. The 2B2B strategy will also play out in a similar fashion. We are clear on what our growth levers are, we know what to do when and we will focus on relentless execution.

I believe that good growth targets must be like rubber bands, they must stretch the organization and all of us, but it must not be that hard that it breaks. We believe that 2B2B is such a target. We know that the execution of this strategy will be tougher than the previous one. Two years ago, we had a lot of low-hanging fruits to pluck, there were obvious changes and corrections that were needed. While executing that is equally tough, it was there waiting to be corrected. As we stand here today, we do not have any low-hanging fruits left, and that makes the job even more exciting for us. If you look at the levers that we will leverage to achieve our 2B2B strategy, our core manufacturing strategy is somewhere that we will focus. This includes make versus buy decisions, what to

source, what to machine, and what capacity levels we want to have. On the B2C side, we have a new plant that will be commissioned in the next quarter and with that we will have enough capacity to take us for the next phase of growth. In the 2X3Y strategy, we had come out with four technology tracks and we had shown a roadmap as far as these technology tracks are concerned. I keep saying that at the heart of it, we are an engineering company that also manufactures and sells and our focus on R&D will stay and we will continue to invest in R&D. We are excited to be part of this transition that our industry is seeing, and we believe that this is a once-in-a-lifetime opportunity to make a difference to the world and the communities that we serve. We will look for inorganic growth opportunities as we go along, but we are clear on what fits our strategy and what doesn't, and we will grow only in areas where we have core competence and where it makes sense to enter.

As you know, we have a healthy balance sheet and we will make sure that we invest with prudence. Our international strategy will continue. We have made significant progress and it is our aspiration that our international portfolio is at 30% of the overall pie. We have made good progress in the last two years. We have made some strategic moves and we will continue this focus. We will also focus on completing the product portfolio in the B2C business and make sure that this business grows as well. Like I said earlier, this is a very aggressive goal that we have set for ourselves and I am sure that the teams, with the teams that we have and with the macroeconomic indicators that we are seeing now, we will strive to be 2 billion in fiscal year 30. Thank you.

Chairman

We will now move to the question and answer session and I will now request the operator to invite the speaker shareholders

one by one. I will take all the questions and then we will answer them at the end.

Moderator

Thank you, sir. Speaker shareholders who have registered themselves earlier will be allowed to speak one by one to ask questions or express their views. In the interest of time, we request you to restrict your question or comment to 3 minutes.

I now invite the first speaker shareholder Yusuf Yunus Rangwala to unmute his audio and video and ask the question or give comments.

Yusuf Yunus Rangwala

Very good afternoon, sir. First, I am thankful to our Kirloskar Group and its team. Sir, I don't want ask anything to your chairman. Sir, I just want to know the order and total number of staff. You have given a division of Rs. 6. That is very excellent. The entire Kirloskar Group takes care of our shareholders. What is your opinion about the division? And madam, who is the head of the company, I would like to thank the madam, who is doing a great job for our company. Thank you very much. I also got your annual copy. Thank you for that. Annual copy is around 250 pages. We are having around 6-7 plants. If possible, please make your factories visit. It is possible nearby. Can you arrange a factory in the month of October? Here, there is a small flower, Can we arrange a factory in the month of October? Pholo ki kushbu, kaleo ki bhar, aur Kirloskar ka saath hume sha rahe hai sir. This is our 19th AGM after 6 years we are completing 25 years, so what are the plans in your mind for celebration. Sir please keep one get together in Mumbai for shareholders. I am supporting this video conference sir. Thank you very much. Pholo ki kushbu, kaleo ki bhar, aur Kirloskar ka saath hume sha rahe hai sir. Jai Hind, Jai

Maharashtra, Vande Mataram. Wishing you a very happy Independence Day sir. Jai Hind sir. Jai Hind.

Moderator

Thank you for your question. Speaker shareholders **Mr. Satish Jayantilal Shah** and Mr. Manoj Kumar Gupta are not connected in the meeting.

So, as all the speakers have finished speaking, I request the Chairman to answer the question raised.

Chairman

Mr. Rangwala didn't ask any questions, but just to follow up on what he said, thank you very much for your best wishes to all the directors and to the company. And yes, we will request the company secretary to get in touch and organize a plant visit whenever it is convenient to you. So thanks again for joining the meeting.

So I will now move to the last part of the meeting. That's the remote e-voting period commenced on 5th August 2024 at 9 a.m. and ended on 7th August 2024 at 5 p.m. Indian Standard Time. The facility for e-voting is available to those members who are present at the AGM and have not cast the votes by remote e-voting.

Mrs. Manasi Paradkar, Practicing Company Secretary has been appointed as the scrutinizer to scrutinize the e-voting process in a fair and transparent manner and to provide a report thereof. The scrutiniser's report will be submitted to the stock exchanges within two working days from the conclusion of the Annual General Meeting and will also be uploaded on the website of the company, BSE Ltd and the National Stock Exchange of India Ltd. In conclusion, I am grateful to all the shareholders for taking the initiative to join the meeting through video conferencing facility. I

wish you all and your family members good health and a safe future. Proceedings of the Annual General Meeting will conclude at the end of the e-voting period. With your permission, the members of the Board of Directors will log off now from the AGM.

Thank you very much.

Moderator

Requesting to all the members, participating in the AGM and who have not casted their vote or yet to cast their vote, kindly visit e-Voting Portal of NSDL. The E-Voting facility will be active for 30 minutes from now. Thank you.

Moderator

The Dear members, as instructed by the scrutinizer, request all the members participating in the AGM and who have not casted their vote get to cast their vote in the remaining period of 10 minutes.

Moderator

Dear members, as advised by the scrutinizer, the time for e-voting has elapsed and they are of the view that all the members who are participating in the Annual General Meeting have been given adequate time and opportunity to vote at the AGM and this concludes that the proceeding of AGM.

Thank you all for participating in the AGM and E-Voting.