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July 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/181 dated July 19, 2025; we inform that the Conference Call for Investors and Analysts was held on Wednesday, July 23, 2025 at 4:00 p.m. (IST) to discuss on the Unaudited Financial Results of the Company for the quarter ended June 30, 2025.

The Transcript of the Conference Call is enclosed and is available on the website of the Company viz. [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)

You are requested to take the same on record.

Thanking you,  
Yours faithfully,  
For Kirloskar Pneumatic Company Limited

Jitendra R. Shah  
Company Secretary  
Membership No. 17243

**Kirloskar Pneumatic Company Limited**

A Kirloskar Group Company

Regd. Office: Plot No. 1, Hadapsar Industrial Estate, Hadapsar,  
Pune, Maharashtra 411013  
Tel: +91 (20) 26727000  
Fax: +91 (20) 26870297  
Email: [sec@kirloskar.com](mailto:sec@kirloskar.com) | Website: [www.kirloskarpneumatic.com](http://www.kirloskarpneumatic.com)  
CIN: L29120PN1974PLC110307



**“Kirloskar Pneumatic Company Limited Q1 FY '26  
Earnings Conference Call”**

**July 23, 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 the Kirloskar Pneumatic Company Limited Q1 FY '26 Earnings Conference Call hosted by Antique Stock Broking Limited.

As a reminder, all participants' 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 '\*' and 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 Limited. Thank you, and over to you, sir.

**Amit Shah:** Thank you, Nidhi. Good afternoon, everyone. On behalf of Antique Stock Broking Limited, I welcome you all to 1Q FY '26 Post 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, and Mr. Ramesh Birajdar – Chief Financial Officer of the Company.

I would request Mr. Srinivasan to give us the opening remarks, post which we can open the floor for Q&A. Over to you, sir.

**K. Srinivasan:** Thank you for joining the call today. I know many of you are disappointed with the results. And I owe it to all of you to explain the results and to assure you that things are not as bad as it looks.

On this call, I have with me Mr. Ramesh Birajdar – Chief Financial Officer, and Mr. Jitendra Shah – the Company Secretary.

Before we proceed with the business update, let me ask Mr. Jitendra Shah to read out the disclaimer statement. Jitendra?

**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 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 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 judgment 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 discussion. Thank you.

**K. Srinivasan:**

Thank you, Jitendra. Now let me proceed with the business updates.

Financial Year F '26 started on a sedate note with distractions on the various fronts. We had global challenges with tariffs, with wars, strikes, and changing political and trade policies. The whole landscape was confusing.

In all this rapidly transforming situation, we remain focused on executing the orders on hand, picking orders selectively that would allow us a definite execution cycle and working on the various projects to in-house manufacture as well as to bring new products to the market. And I will share some of this during this talk.

It was a period to demonstrate the steely resolve to build a robust business model that can handle the BANI world, Brittle, Anxious, Non-linear and Incomprehensible. Historically, the financial year always starts slowly. And this year was even slower. Order finalization, inspection and clearances to dispatch were all impacted due to site availability as well as other distractions.

However, this has still started to pick up. As we speak, we are seeing a larger number of dispatches leaving our factories. We are confident that we will catch up on the planned numbers gradually, improving in Q2 and definitely coming to plan by Q3.

We have won several orders for Tezcatlipoca, and we expect this to be the first Rs. 100 crore order booking of a new product during this year. This is some kind of a record, and this gives us confidence that our new product scale-up will all happen as planned.

Tezcatlipoca packages are started seeing strong traction, not only in the traditional areas of cold chains and ice plant, but also in industrial refrigeration packages. We will do at least several large packages of this even during this year.

We continue to work on in-house manufacture as well as in filing IPs for design and for new products, and this process continues right through.

CAPEX execution is continuing as planned with capability building as the key thrust. We will complete the planned CAPEX of about Rs. 100 crores during this year. The lost foam casting plant at Nashik is under trial production, and this will meet the intricate casting needs of the Tyche semi-hermetic compressor that we launched this quarter. This is being built at Saswad. That is our plant near Pune.

We also commissioned the Janus range of specialty motors, and this will be built in the Saswad plant for use on the Tyche compressors and other specialty applications. The Company focused in these testing times to ensure that the capital is used efficiently.

The net working capital of the Company was below 12% of sales for the first time. The cash flow that we released during the 1st Quarter was over Rs. 100 crores. This clearly brings out that there was no push sales by us, and it was business as usual.

**Now let us discuss the business by product line:**

The clear star of the 1st Quarter was the Tezcatlipoca centrifugal compressors. We started winning not only big orders but repeat orders as well. We expect to hit the Rs. 100 crore mark during this year. Orders for the CO2 compressors as well as orders from cement plants have kept the reciprocating compressor business running smoothly.

The sale of standard screw compressors were, however, muted in a way, reflecting the lower offtake to general engineering applications.

**Refrigeration compressors and systems**

While the interest in Khione screw compressors for dairy, chemical plants picked up, they also started now offering these larger packages for the petroleum and oil and gas space.

This is a major step forward, and we would see packages getting completed during this year. Order finalization, package inspection and clearance for the large refrigeration packages as well as for deliveries of a few critical inputs from overseas suppliers were affected. We see this easing over the next two quarters.

The ammonia reciprocating compressor for the cold chains and ice plants were chugging along as usual with no big swings one way or the other. However, we expect that this will improve dramatically with the increased sale of Tyche compressors during the next quarters as the consumption market in the commercial refrigeration space continues to look good and will pick up even further going forward.

**Process gas compression systems:**

This segment is seeing a global churn of a very significant proportion, and we expect to benefit from this going forward. However, Q1 was perhaps the bottom of the curve in terms of sales and order booking. A couple of major orders continue to allude to us on account of this uncertainty. During the course of last quarter, we were on the verge of picking up some very large orders in this space, but they all held up on account of uncertainty in this political situation.

However, we see a huge demand for CNG packages from several geographies as the energy basket shifts to natural gas across the globe to meet growing energy needs quickly. There is an ongoing finalization of packages for biogas and hydrogen. We have picked up several orders in this space. We, however, see a low pace of execution in this going forward as well.

#### **Outlook for Q2 F '26**

The uncertainty in the global economic landscape is expected to continue at least for the next quarter. This would mean slower finalization and execution of orders. However, the structural changes that are underway are all positive to us. A significant growth in natural gas usage across the globe, strong demand for refrigeration in processing, storage and commercial space in India and the thrust in local manufacturing in key sectors all bode well for meeting our year's target as well as continuing on our aspirational journey of growth and margins.

While we did have a poor start in Q1 and several of you have informed us about your disappointment, let's assure you, structurally, nothing has got worse. Things are on a slow track for the 1st Quarter, may pick up in second gradually, and we should be back to our planned numbers definitely by Q3. The changes that have happened would only impact us positively as we go forward.

Now I am going to request Ramesh to take you through with the numbers. Ramesh?

**Ramesh Birajdar:**

Good evening, everyone. The results of Q1 FY '26 have been posted on BSE and NSE website for your view. The presentation and detailed income statement showing these results have been also uploaded on our Company's website.

#### **Let me now summarize the Q1 performance of FY '26:**

The Q1 sales held at Rs. 272 crores, almost matching last year's level and setting the stage to accelerate the growth in the coming quarters.

Other income for Q1 FY '26 rose to Rs. 8.2 crores, up from Rs. 4.44 crores in Q1 FY '25, contributing to total income of Rs. 282.2 crores this quarter against Rs. 279.7 crores in Q1 FY '25. The increase in other incomes was driven by higher earnings on investment, dividend and other miscellaneous recoveries.

Material cost to sales in the current period stands at 47.2%, reflecting 1.7% improvement from Q1 of previous year was at 48.9%. This enhancement is attributed to more favorable product mix and in-house manufacturing of select components.

Employee-related expenses stood at Rs. 49 crores in the current quarter, up from Rs. 43.1 crore in Q1 of previous year. This increase reflects a modest salary revision implemented at the start of the year and addition of new manpower in Q1.

Financial charges are paid to banks for services not related to any borrowing. The Company has no loans, neither term loans, nor working capital loans, and it is a debt-free Company.

Depreciation for the current quarter stood at Rs. 7.2 crore, down from Rs. 7.8 crore in Q1 of previous year, reflecting a depreciation trend aligned with the pattern of asset additions.

Other expenses comprising both fixed and variable costs stood at 21% of the sales in Q1 of the current year versus 20.8% in Q1 of previous year. Expenditure levels remained largely stable with no significant variation during the quarter.

EBITDA for Q1 rose to Rs. 44.1 crores, contributing to 15.7% to total income, margins were at 15.6%, that is Rs. 43.7 crores in Q1 of prior year.

Profit before tax for Q1 increased to Rs. 36.8 crores with margin of 13.1%, up from 12.8%, that is Rs. 35.9 crore in the same quarter last year, supported by improved operational efficiencies and disciplined cost management.

Profit after tax grew to Rs. 28.1 crores at the rate of 10%, while it was Rs. 26.9 crores in previous year at the rate of 9.6%. Company has issued 16,100 equity shares during Q1 under employee stock option scheme. Consequently, the paid-up share capital increased to Rs. 12.98 crores from Rs. 12.96 crores at the start of the year.

Basic earnings per share improved to Rs. 4.33 per share in Q1 compared to Rs. 4.15 in Q1 of previous year.

With over 89% of revenue coming from the Compression segment, it remains the only reportable segment as of now. The Company has maintained the segment profitability at 19.1% in Q1 in the current year as well as in the previous year, which is directionally in the range of 18% to 20%.

Capital employed in the Compression segment decreased by Rs. 98 crores to Rs. 235.6 crores compared to Rs. 336.6 crores at the beginning of the year.

New order booking during Q1 was close to Rs. 365 crores. As a result, the Company has order book of Rs. 1,725 crores as on 1st July '25, while Rs. 1,625 crores at the beginning of the year.

We were holding RoadRailer asset at a written down value of Rs. 5.9 crores for the disposal. We have since sold part of this at Rs. 1.95 crores and there is no further write-down or loss on account of RoadRailer assets. Wherever necessary, figures from the previous year have been regrouped, readjusted to align the current reporting.

We also published the consolidated income statement with our newly acquired Systems and Components (India) Private Limited and comparable financial results will be available only after completion of a full year in the reporting cycle.

Now, this forum is open for discussion with our esteemed investors.

**K. Srinivasan:** Thanks, Ramesh.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashish Kumar from Ampersand Capital Investment Advisors. Please go ahead.

**Ashish Kumar:** I have two questions. First is, are we changing our aspirational target of Rs. 2,000 crores this year with similar kind of margins as last year? And second question is last year, Q2 was a very high base. We had around (+50%) sales growth and around 22% margin. So, how do we see Q2 of this year in terms of growth Y-o-Y?

**K. Srinivasan:** So, coming to the final year's target, we are not changing it as of now. We still believe we should get at least 18% plus growth over last year's number. That means we should be very near 2,000. We are not calling it down at all. Hopefully, we should see a scale up from Q2 onwards.

Now, coming to Q2, we believe that we should be at least doing near about Rs. 500 crores. So, that should take us very near to a 10% growth at Q2 level compared to the last year. Margins would also be more or less same.

You would have seen in the 1st Quarter, operating ratios have not really changed. Our EBIT margin, our cash generation. We have not changed anything in the business model. Except that the volume of sales and order booking have declined, nothing else has actually changed. So, we will try and catch up.

**Moderator:** Thank you. The next question is from the line of Amit Anwani from PL Capital.

**Amit Anwani:** Hi, sir. This is Amit Anwani from PL Capital. Thanks for the opportunity. First question, on the, you said delay in finalization as well as Q1 being soft. So, it is possible for you to elaborate, is there any component supply chain restrictions, which is leading this disruption currently? And what gives us confidence that we will be able to recover gradually and be on plan in the next 6 months?

**K. Srinivasan:** Now, as far as the delay in execution, it is not coming out of any component that somebody imports and that's not come. That is not true. We continue to have challenges getting the Howden compressors, and that's not only Howden for us. It is also true with a lot of others who are importing compressor parts, etc., from Europe.

This has become some kind of a structural issue. It is not a denial as much as a delay. And they are challenged all of them. Whether it is us or any of our competitors who import from Europe, all of us are challenged by the companies in Europe going through a structural challenge in terms of their own supply chain.

So, this is something that the industry is battling. It is not a denial of anything, restrictions, etc. It is just a structural delay. So, whatever we planned for Q1, most of it should go out in Q2 and Q3, we should be okay by that time.

**Amit Anwani:** And this is pertaining to gas and refrigeration both?

**K. Srinivasan:** At the moment, our refrigeration compressors alone come from Howden and that's U.K., Europe. Rest of them don't come from Europe. So, we are quite okay. We make them here. And this is also an opportunity.

I did mention in my opening call, that it also gives us the opportunity now to use in some application, not in everything, the Khione compressors, which is our own patented design. And probably we will start delivering smaller, less competitive, less, let's say, technically challenged projects using these compressors. And that also gives us a chance to scale up our internal manufacturing. We will see that happening in Q3, Q4.

**Amit Anwani:** Are there any plans to, like, mitigate this risk in the future since I think last year also, this happened with respect to supplies from Howden?

**K. Srinivasan:** That question is what I answered by saying that Khione is going to come in at the smaller end of the packages. It will gradually scale up.

**Amit Anwani:** Second question on Tezcatlipoca, you highlighted that we will be using this in industrial packages also. So, the Rs. 100 crore target this year is only for products or including the packages? So, more clarity on what sizes in packages you are using? And you talked about refrigeration and oil and gas both. So, some color on Tezcatlipoca usage in packages.

**K. Srinivasan:** That is a pretty difficult question to answer. Let me answer like this. Tezcatlipoca is a centrifugal compressor primarily used for air compression. These are standard air compressors used by the metal industry, the textile industry and several engineering industries, which needs large volume of air at moderate pressures.

Now, this is scaling up. We are executing larger numbers now and we will probably book a Rs. 100 crore order this year. We may not execute all the Rs. 100 crore but a significant part of it will also get executed during the year. So, those are the standard air compressors.

Now coming to packages, refrigeration packages largely run with Howden compressors if it is for the oil and gas sector, petroleum complexes, ammonia terminals, etc. This is where the

challenge of deliveries or delayed deliveries will play a role. But packages that are built using Khione and others, which are built by us, will happen in an accelerated manner to compensate for our challenges in having the larger Howden packages going out.

As far as the gas packages are concerned, the larger packages, finalization has been the challenge. It is not a delivery issue. Finalization is a challenge because the oil sector is the one which is seeing the largest churn across the world. You hear every day about what oil can come where, where it can go, where the refining happens, etc. So, there is a large, let's say, political economic challenge around the oil sector, and that is seeing a lot of churn.

This is where some of those big orders that we are supposed to get, some in India, some from the MENA region are all getting deferred or put on hold. It is also true for execution. This is where the big challenge is, and that is why I said this, probably the cycle is bottoming out, but we are really at the bottom as we talk of the 1st Quarter.

**Amit Anwani:** Sir, you highlighted about the huge demand for CNG for several geographies outside. And last year, we did a very good export number of Rs. 124 crores. So, are we seeing the contribution from export going up for FY '26? And if you could elaborate more on, will it be increased CNG-related products for us in the global markets? Any color on this?

**K. Srinivasan:** So, I did mention in the opening comment that the oil and gas sector is seeing a big change. And the large part of the change is since oil has become more of a difficult commodity to move around, set up refineries, taking time, etc., more of the energy basket across the globe is getting met on an immediate basis using natural gas.

Natural gas moves across sea as LNG. Otherwise, it moves in gas pipelines, and that is where our compressors get to be used. This is a global phenomenon. We picked up significant orders last year for exports. As we speak, we have orders further to execute. We are picking up new areas, new geographies, which are all asking for urgent requirement of CNG compressors. We hope to benefit from this as we go forward.

**Amit Anwani:** Sir, my last question on Tyche compressors. Any revenue target for this year? And which user industries you are getting traction, particularly for this compressor?

**K. Srinivasan:** Tyche is a semi-hermetic compressor. It replaces what is currently imported from Europe. Today, all the commercial refrigeration space, which is the cold rooms in a restaurant, the ice boxes, the display panels, a whole lot of things where commercial refrigeration is required are all met by the semi-hermetic compressors imported from Europe mostly, some from Japan. They are not 100% imported.

We have launched the Tyche compressor completely made by us. There is no imported part in it. The casting is a lost foam casting from our own foundry in Nashik. The motor is a Janus motor built at our own plant in Saswad. They are all integral in one piece. That is why it is

called semi-hermetic. And this compressor has been tested and launched in an alpha. That is a small controlled area. We will scale up in Q2 onwards.

The size of this market in India could be anywhere up to 2,000 compressors, which are being imported. So, that is a fairly large number. Pure compressor business could be anywhere between Rs. 300 crores to Rs. 500 crores. Packages included, this will become a much larger market and business.

**Moderator:**

Thank you. The next question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

**Priyank Chheda:**

Hi, sir. Heartening to see the way you are building up the organization and one of that way is to launch new products, expand the addressable size. So, my question is, what would be the sales contribution that you would be targeting from the products that you would have launched in last 2, 3 years or since you have joined? How that sales has reached in terms of any size number that you would like to call out going ahead? What would be that target? And what would be as a percentage of sales or maybe if you want to call it out as, which will be from the new product launches?

**K. Srinivasan:**

Thank you for your question. I will reframe this a little bit so that it is more relevant to the business context. The packages that we build using imported compressors used to represent almost about 50% of our business, 5 years back. Today, that has gone way below 25%. Rest of it is built almost entirely by our own products, our compressors, our packaging, and this is scaling up and even getting bigger and better.

So, that is the change that we wanted to see that we become less dependent on imported compressors. And that is moving well. We eventually should come to a stage where the imported compressors, and it is very relevant that imported still continues because these are all API-compliant compressors where even the Chinese still import for critical areas. And there is no global market to have another Company making it.

So, these are maybe the total world requirement would be about 500 to 700 compressors. So, it is good that one or two companies make it and we all consume it. But our dependence on that business, we would like to see it go down to less than 20%. We have almost got it down to about, to get it down to 25% this year, we will take it down further over the period of time. That is, all the rest is all being built by us in India.

**Priyank Chheda:**

So, would that get reflected in terms of improved gross margin and EBITDA margin structurally? I am not asking for a year or two. Structurally, how do we see, as we get into more in-house manufacturing of compressors and the whole of the packages, where would we settle down in terms of margins or value addition that we do?

**K. Srinivasan:** I think Ramesh has been explaining it well. See, in the first immediate phase of growth, our margin targets are to take it between 18% to 20% and stay around that, but to scale up in terms of volume and take market share. We don't want, see, it is a trade-off. If you do too aggressive margin targeting, then you would ensure that your scale up is slower and then you are able to indigenize much lower. So, we have to keep that in mind. So, we are targeting 20-20. Top line growth around 20% CAGR, margin EBITDA around 20%.

**Priyank Chheda:** And one last question on the screw compressors, wherein our market share is slightly lesser versus the available TAM. And I know that there are 3 sub-segments within that, which is oil, oil-free, portable. So, how are we positioning in each of these segments, if you can explain, wherein how do we, what are the actions that we are taking to scale up the market share within each of the segments?

**K. Srinivasan:** So, you are kind when you say our market share is low. We are almost insignificant. The two large players in India probably dominate this industry. We have under 5% or even less. So, we have a full range. We don't have the oil-free. We have the oil-flooded screws. We are not very big in the portables that is used in mining, water well. We are largely in the industrial area and in specialty screw compressors.

We did launch the ARiA range of the low-cost compressors. It didn't scale up as much as we expected it. We probably will relaunch it during the year with some changes in the way we have been putting it to the market. And we will try and build this business. There are quite a few other modifications and relaunches coming up in the screw space.

It is a huge opportunity. But with all the technology and investments that we have made over the last 5 years, we have not met our own internal aspirational targets in this space. We will try and do better going forward.

**Priyank Chheda:** Sorry, if I can squeeze in one more question. On the refrigeration segment, and I reconcile that this market size would be somewhere around near, near \$1 billion, which is divided between industrial and commercial. We have Khione packages. We have launched new Tyche compressors also.

So, in terms of available product gaps or available products, are we addressing all of the market and now only execution that has to be done or there are more such new products that we need to fill in terms of addressing the market?

**K. Srinivasan:** The refrigeration compressor business as a whole, not just the compressor, including the packages and the whole refrigeration system per se is a much bigger market. It includes 3 buckets. It is the industrial, the commercial and the comfort.

The biggest piece, obviously, is comfort. Comfort alone would import into India about 1.4 crore compressors every year. And that is what is all under the white line goods, the air

conditioning, the refrigerators and the whole lot of things that we do, and we are not in that space at all.

We are primarily in industrial and in getting into parts of the commercial refrigeration. Commercial, we just have got now launched the Khione about 2 years back. We are now getting bigger with the Tyche launch, which is a semi-hermetic.

Again, to start with, semi-hermetic, we are launching only the recip. We have to come up with a semi-hermetic screw. We had to come up with a semi-hermetic centrifugal. So, I think we have still got a long, long way to go before we can take the market.

The only good thing about this is almost entirely everything is imported. Not one compressor in this space is made in India today. Both industrial, commercial and comfort, everything is imported. So, this is a virgin space for us to scale up and grow. We are building it up slowly.

**Moderator:** Thank you. The next question is from the line of Mihir Manohar from Carnelian Capital. Please go ahead.

**Mihir Manohar:** Sir, I wanted to understand you mentioned second quarter, you expect to have Rs. 500 crores kind of revenue. So, does it mean that there is a large package which you did not, I mean, which is sitting in inventory and you expect that to get shipped or that to go out of factory in second quarter? Is there any spillover from 1Q to 2Q?

**K. Srinivasan:** See, it is not just one or two packages. A whole lot of things are happening. Some are moving out, some are continuing to be worked on. Some deliveries are still to be coming in. So, I think it is not just one package story. We have estimated that we should do around Rs. 500 crores in the second quarter. Order booking, we still have a lot. That is why I said, we are still keeping a bigger number for the third and fourth quarter.

**Mihir Manohar:** What would be the mix of products versus projects, let's say, for order book, which is there as of now, Rs. 1,725 crores? And when I say order book one year back, roughly Rs. 1,680 crores. So, what is the product's proportion as of now versus what was the, let's say, one year back?

**K. Srinivasan:** The product this year, we said we will go, when I say product, it includes service and spares as well. Packages, the large packages as what we call as projects, I keep it separate. We were 60-40 the other way. We hopefully should get to a 70-30 at least anywhere between 65 or 70-30 in favor of the equipment and whatever we call as the non-project orders.

**Mihir Manohar:** So, as of now, it is 65%. Last year, it was 60%.

**K. Srinivasan:** Yes, yes. We are trying to get bigger in that. Like I told in the beginning, we are trying to take it up to 80% over the next 1 or 2 years.

- Mihir Manohar:** Because last quarter, one of the arguments for the lower order book and for us despite Rs. 2,000 crores revenue was that our product's proportion was a higher number and that is where we were expecting Rs. 2,000 crores of revenue in FY '26.
- K. Srinivasan:** I am not sure I heard you well. Can you please repeat it?
- Mihir Manohar:** Yes, sure. So, I mean the argument was that our products as a proportion is going up and that is where our order book reported number, which is there, that is getting more short cycle versus the earlier number being more of a long cycle.
- K. Srinivasan:** Absolutely. So, in the transition phase, you will see that our order book doesn't look as big as it used to be earlier because they are running at much shorter cycles, but this will also catch up. We will normalize it in the next 1 or 2 quarters because then you will still see the growth.
- When we started the quarter, we were sitting with an order book of Rs. 1,725 crores. At the beginning of this quarter, we started with Rs. 1,625 crores. So, that is about 6% higher than this year, we are at Rs. 1,725 crores, as on 1st of July, right. So, we really want it, but we need to get it up even higher. Then only we will be able to execute bigger numbers.
- Mihir Manohar:** In the order book, what are the number of booster compressors and number of mother compressors?
- K. Srinivasan:** That is a tough question. I won't know the exact numbers. All I know is that we have both booster and mother stations. Last year, combined, we did about 200 plus. This year, we are hoping to do at least 250 plus. Let's see.
- Mihir Manohar:** And 80% would be booster in this?
- K. Srinivasan:** I wouldn't have that as a number. How much it will be, 60% to 70% boosters, even less.
- Ramesh Birajdar:** Less than that.
- K. Srinivasan:** Less than that. So, you take it for the moment as 50-50.
- Mihir Manohar:** Sorry, sir.
- K. Srinivasan:** Take it as 50-50 for the moment. I may be wrong a little bit out of line with this. The total number is roughly about 200 is what we did. And I think we did about 50-50.
- Mihir Manohar:** And just last question was on the employee cost. So, when I see sequentially Q-o-Q, our employee costs have gone up from Rs. 45 crores to Rs. 49 crores. Is there any wage hike or the number of employees have gone up?

- Ramesh Birajdar:** Yes. This employee merit increase or the correction we did from the 1st April and additional manpower where we are targeting to achieve the sales, aspiration sales of Rs. 2,000 crores. And with that reference, we hired the additional manpower and overall the increment percentage is in the range of 10% and the rest is on account of additional manpower.
- Moderator:** Thank you. The next question is from the line of CA Garvit Goyal from Nvest Analytics Advisory. Please go ahead.
- CA Garvit Goyal:** Sir, my first question is on Q2 itself. You mentioned Rs. 500 crore target that we are looking at in Q2. What is the number of operating profit margin you mentioned?
- K. Srinivasan:** I think on the margins, I think Ramesh has been saying our margin targets would remain within the range of 18% to 20%. So, let's keep it there. We will have up and down a little bit, one quarter going up to 21%, 22%, one quarter staying at 19%, but we will stay within this range for the moment.
- CA Garvit Goyal:** That is for full year, right?
- K. Srinivasan:** Yes.
- CA Garvit Goyal:** 18% to 20%.
- K. Srinivasan:** Same.
- CA Garvit Goyal:** And sir, in your annual report, we are mentioning like this Rs. 2,000 crore targets as a medium-term target. So, given the challenges in Q1, do you foresee these issues continuing? And should we expect any revisions to earlier guidance going ahead?
- K. Srinivasan:** See, we have talked about this in the beginning as well. This year's target was to get to the Rs. 2,000 crore mark. We are still confident that we should get to it or as near of that as possible. See, we said we should get even 18% growth, we will be very near this number.
- We are targeting a CAGR growth of about 20% for a reasonably long period of time, and that is what we are working. The market gives us the kind of opportunity. So, like we keep saying 20-20, top line growth of 20% and a margin of about 20%, EBITDA margin.
- CA Garvit Goyal:** And in last con call, you highlighted like some sector-specific slowdown in oil and gas and biogas. So, how do you see, do you see any sign of recovery in these sectors as well?
- K. Srinivasan:** Oil and gas, I explained quite a bit. Oil part of it is a little uncertain due to the various changes happening across the globe. Gas part seems to be the way out for many economies to quickly get the energy needs met. So, gas is happening across the world, and we see more opportunities for us in the gas space. The whole sector, as for us, we said it has hit the real

bottom in the 1st Quarter, which should only get better from going forward. That is as far as the oil and gas sector is concerned.

The second question you asked on the biogas side. Biogas is still a lot of excitement and talk about it and projects and hundreds of quotes going out every day, every week, at least, and some finalization also happening. But actual number of gas projects that are getting installed and where we are putting in our compressors and commissioning them, there is still very few. And that is what is worrying us. It will take time.

**CA Garvit Goyal:** And what about the hydrogen space, sir?

**K. Srinivasan:** Hydrogen space is an opposite of it. In the same, there also we have a lot of interest, projects, finalization and some commissioning has also happened. We have to deliver some more projects yet. Our compressors come from PDC of USA in this case, but packages are built here.

Here, the challenge for industry is the use case is still a little undefined. People have hydrogen available, and they don't know how to use it. There is only 2 proven process to use, hydrogen either in the diesel refining or in the hydrogenation process for vegetable oil, etc., Vanaspati and all that stuff. So, there is a use case challenge.

In the case of biogas, there is no use case challenge. It is opposite, generation challenge. How do you generate biogas from the biowaste? So, we have two opposite challenges in both this and the sum total is, it is bringing down the actual execution.

**CA Garvit Goyal:** And lastly, on the order inflow situation. So, what kind of situation are you seeing based on the current conversation with your end customers? And going by that, I am not asking for the precise number, but what is the ballpark number for closing order book do we target by the end of this year?

**K. Srinivasan:** This is the most difficult question to answer because, like I keep saying, the kind of quotes going out, the kind of discussion happening, this is, nothing has come down. Everybody is still talking about orders. Everybody is talking of even issuing letter of intent, everything. We can talk about it only when it gets into a final firm order with advance.

So, it is still something which is very fluid. 1st Quarter has been not good at all. Like I said, many things which were all hanging around didn't actually get consummated into a firm order with an advance. So, consequently, we will not take it as an order. So, there are challenges that are there in this space because of all the uncertainty. Hopefully, it will clear up in the next quarter or so.

**Moderator:** Thank you. The next question is from the line of Rohan from Envision Capital. Please go ahead.

**Rohan:** So, sir, sorry, I am hopping back on the same oil-free screw compressor point again. So, just wanted to understand when we relaunch and when we try to recalibrate our strategy. So, what would be we doing differently this time to successfully penetrate this category? One.

And second, sir, how big is the addressable market that we can, in a medium term, in 3 to 5 years, we can probably get into in this segment? So, this was the first part. And second, sir, just on the order book. So, last 2 quarters, you have seen order book slightly muted. So, just your take on that.

**K. Srinivasan:** So, the question you asked on oil-free screw compressor. We have not launched so far an oil-free compressor. We are working on this, but we have to look at a way to address this market with a variant which is quite different from what is available in the Indian market today.

Indian market, we have what is called today as oil-free or all with water and some of them are water jacketed. So, we will have to see what we will come up with this. We have not launched a product for the oil-free market.

But if you talk of screw compressor as a whole, this I have explained in the beginning, we are still a very small player. We have several new moves that are coming up. We have a very good product.

I mean, you all know that when we had this big COVID crisis, we are the only Company that could deliver almost about 700 plus compressors in such a short period that we could deliver 0.5 million liters of oxygen per hour across 15 states in this country to keep the COVID crisis under control.

So, we have the capability. We have the product. But there are challenges in the market in terms of competitiveness with the large number of players, particularly two very strong entrenched players. So, we will address this increasingly with several strategic moves. We will talk about it as we go forward.

Now as far as the order book, what you said, we have already explained that, yes, there has been a real bottom end when we talk of the last quarter when the order booking was really at the lowest point. Largely, this is coming out of the oil and gas sector. We believe it has bottomed out, and we should start seeing this going up from Q2 onwards. The proof actually is when I put out my Q2 numbers and say this is the order we have booked. So, you have to bear with us for a quarter, and then we will be able to explain it even better.

**Moderator:** Thank you. The next question is from the line of Rucheeta Kadge from iWealth. Please go ahead.

**Rucheeta Kadge:** Sir, my question is pertaining to the refrigeration segment. So, since you have spoken about the Howden compressors wherein we are facing some kind of supply chain issue, so how much percentage of our order book currently has these kind of compressors?

**K. Srinivasan:** I explained the total packages, which is both Howden and Ariel, which is really what comes for the gas systems combined, is roughly about 25% to 30% for the total turnover. Howden would be about half and Ariel would be about half.

**Rucheeta Kadge:** And by when would this issue settle down?

**K. Srinivasan:** That is a real tough one because like I said, see, it is not a question of just these names that I mentioned. There are other competitors of mine who do have their parent companies in Europe, and they are getting compressors from there. And we are also helping a couple of them to package and even those compressors are not coming.

So, this supply chain issue in Europe is not specific to Howden. It is with everybody. And that is coming out of the way their old entire supply chain in Europe is being re-oriented, I would say, because they are struggling with their own supply chain. Quite a few of them were getting passed out of Eastern Europe, maybe from Russia and all of them are now struggling. They also have challenges with China, etc. So, there is a rebalancing or a reinvention of the supply chain in Europe, and that is hurting all of them.

**Rucheeta Kadge:** So, sir, if this does not de-escalate, how much do you expect like whatever targets that we have for the year, how much can that get impacted by?

**K. Srinivasan:** So, this is a relatively easier question. So, I will answer this better. See, what we have done in the meanwhile, like I explained, this also gives us an opportunity to try and convince some of our customers to use the Khione compressors wherever it is possible.

So, we are trying to put Khione compressors in smaller packages at least to start with. And that will take away some of the uncertainty coming out of any supply chain disruption. We still target to keep to the numbers that we have set up in the beginning of the year. We don't expect to be away from those numbers very much.

**Moderator:** Thank you. The next question is from the line of Balasubramanian from Arihant Capital Limited. Please go ahead.

**Balasubramanian:** Sir, Tyche is the only semi-hermetic compressor made in India. How do we look at pricing power between us and German and Chinese imports?

**K. Srinivasan:** Tyche competes against European compressors because there is no Chinese imports of any significance in this space. This is largely served by compressors imported from Europe. They today currently have sales offices in India. They import them in large numbers.

You can go through the HS codes, you will know the name of these companies, and they are selling them to the assemblers or whoever it is in India. Tyche would be a package builder. Tyche would be going head on against this, and we expect to scale up very quickly.

**Balasubramanian:** Sir, on that refrigeration compressor side, how does the integration of Systems & Components (India) Private Limited, how does it enhance Kirloskar's capabilities in pharma and chemical side? And are there any synergies in margins or customer acquisition side?

**K. Srinivasan:** So, Systems & Components (India) Private Limited actually package smaller refrigeration packages for chemical, pharma and other industry. They use compressors other than Kirloskar compressors. They take compressors from Chinese, Japanese and others and package it.

We are not stopped, but we will gradually replace those compressors with Kirloskar compressors, Khione and other things. So, that is how we see an opportunity to enter the packaging market, which is currently not serviced by us at all. So, that is what Systems and Components' role is going to be.

The 1st Quarter has been brutal. They lost money simply because they completed a hydrocarbon project for which in our system, as soon as a package is shipped and the order is invoiced, we booked the entire LD as a cost immediately, though we had a chance of recovering some of it later, and we have done the same with them as well. So, they have taken a hit in the 1st Quarter in terms of number. Hope to get better going forward.

**Balasubramanian:** Yes, sir. Sir, especially on fertilizer and chemical side, we have seen a larger demand for large reciprocating compressors. Is there any cyclical or structural demand in this sector?

**K. Srinivasan:** You would have been reading there is a disruption in the fertilizer industry of significance availability, etcetera. The ammonia terminals have all come in and our compressor refrigeration packages are all more or less delivered. There are a few that are going out still.

So, there is a certain amount of uncertainty around this industry as well in terms of execution. There is no intent, less intent in terms of packages or projects, but the execution is still a little bit out of gear. Hopefully, we should have all of them running during the year.

**Moderator:** Thank you. The next question is from the line of Harshil Shethia from Singularity AMC. Please go ahead.

**Harshil Shethia:** Sir, can you explain a bit more in detail the commercial refrigeration segment for Tyche and how many, you obviously told that it is currently totally imported. What is the pricing difference between our compressor and our European compressor as of today also?

**K. Srinivasan:** So, the commercial refrigeration space is anything that is used in, let's say, in the restaurants, in the display cabinets, in the reefers, in ice boxes, ice rooms, a whole lot of things are all seen

as commercial refrigeration space. They start from something like as small as a 15 kilowatt small compressor going up to about 100-kilowatt compressor. Most of them are actually in the box itself.

They are a very small thing that you can connect up and the ice plant or the builders of these rooms buy these compressors and do all the other things themselves. That is why it is still largely served by imports. These compressors all are imported by the sales offices of the European companies and they distribute it to the whatever, ice room builders or safety box builders, etc., in India.

The compressor alone, about 2,000 of them are sold in a year. The packages are a much bigger. So, the compressor business could be about Rs. 500 crores. That is what I said. Ticket size could be anywhere from Rs. 3 lakhs to about Rs. 10 lakhs, Rs. 12 lakhs.

**Harshil Shethia:** And so how premium would be the competitor's price? The European guys would be?

**K. Srinivasan:** No, I can't really give you a business strategy in terms of how we want to price it because it is still WIP. But definitely, we will price it to start with at least much more competitively compared to imports.

**Harshil Shethia:** And so, is it margin accretive from day one basis?

**K. Srinivasan:** See, we explained that whenever we launch a new product, initially, the margins would not be where we would like it to be. But on average, as business modeling, we will get it to the range between 18% to 20%.

**Moderator:** Thank you. The next question is from the line of Eshwar Arumugam from ithought PMS. Please go ahead.

**Eshwar Arumugam:** So, most of the questions I had were answered. So, one of the questions I have is in CNG station installations, the commentary in the last few quarters from us has been that the other station installations have been not as much as daughter stations. But this quarter, since we are saying that 50-50, is there any change in how CGDs are approaching station installations? Like are they seeing lesser lifetime cost with mother station installations or something like that?

**K. Srinivasan:** No, I think I should explain this better now. The number of mother stations being installed is significantly lower than the daughter stations. The boosters, as we call the daughter station, the Calana in our brand, is a very, very small part of our business. But for the general market, we don't participate in all the booster activities. We take a few. We don't take a lot. We only concentrate more on taking the mother stations.

So, our sale could be around 50-50, but that is not an indication of what is actually being allotted or installed by the oil and gas marketing companies. They would sell maybe 80% would be boosters and only about 20% could be the mother stations.

**Eshwar Arumugam:** Sir, do you see them moving more towards mother stations? Once the daughter station gets completed, will they be converted into mother stations, maybe like 3, 4 years down the line?

**K. Srinivasan:** I can give you the reality. I can give you my wish. So, the reality is I don't think it is going to happen for quite some time because all of them have a geographic area coverage mandates given, and they would all find the shortcut of simply putting daughter stations to comply with the coverage.

My wish is always that since it is a really suboptimal solution, it doesn't make money for us. It doesn't make money for the oil companies. It doesn't make money for anybody. Eventually, the pipelines would come and with that, the mother stations will come. So, that is my wish and prayer, but the reality, obviously, is not there yet.

**Eshwar Arumugam:** And another question I had is one of our domestic competitors from Tamil Nadu, they have also launched a variant to compete against the Chinese imports like we have launched Aria. Have you evaluated that product? And how does that product compare with ours? What is our right to win in this particular segment?

**K. Srinivasan:** In the Chinese, if you want to go after the 30,000-odd compressors that come from China, the buyer actually is a guy who looks at the ticket size. It has to be the lowest priced, and that is what he looks at when he buys it. But having bought it, he then expect that it should be as good as any of the other good compressors that the brand builds, be it my colleagues from South or us as Kirloskar. So there, there is always this expectation differentiation that will come up.

At the time of buying, it has to be competitive against the Chinese. At the time of usage and service, they expect it to be another Kirloskar compressor. So, this is the challenge that we are facing. That is why I said we will have to relaunch this with a better understanding of the expectation as well as the pricing. This is the challenge that all of us will face.

**Moderator:** Thank you. The next question is from the line of Devesh Kasliwal from Antique Stock Broking. Please go ahead.

**Devesh Kasliwal:** So, just wanted to ask on the total addressable market currently after the past 2 years and the launch of all the 3 new variants of products that came through. So, like, obviously, for the gas packages, it will be almost the same. But for air and refrigeration, how much of the addressable market has increased? And what is the current size for us?

**K. Srinivasan:** It's a bit of a difficult question. I will have to answer it in multiple guesses. The air compressor business in India alone is anywhere between Rs. 5,000 crore to Rs. 7,000 crore at least. So, that is the air compressor part.

The refrigeration compressor compression systems combined, if I include only industrial and commercial, could be anywhere up to Rs. 4,000 crores or Rs. 4,000 crores to Rs. 5,000 crores. I have left out the comfort.

In the gas compressor compression systems, yes, there are nobody buys compressors alone. You have to buy the whole system. That is a business. It could be anywhere good year, bad year because it is usually driven by CAPEX, could be anywhere between Rs. 3,000 crores to Rs. 5,000 crores.

This includes the AMCs. This includes the upkeep and service because in the gas stations, India has approximately about 8,000 CNG stations could be mother, daughter stations. And all of them, almost all of them run on what is called as an operating and maintenance contracts. So, that includes the sale and service.

So, we are in a fairly good industry. I mean, we are in an industry which has got a lot of headroom for Indian companies to invest and grow.

**Devesh Kasliwal:** And the incremental part compared to 2 years back with Khione, Aria, Tezcatlipoca as well as the new variant that you have launched right now?

**K. Srinivasan:** We continue to, like I keep saying as we file about 40-odd IPRs every year, part of it is process, part of it is newer products and designs. So, you will have more and more launches coming in. It is not that it is going to end with these 4 or 5. There are a lot more coming in. The addressable market is about this, and we will have to address most of it which are currently being met by imports by manufacturers in India.

**Devesh Kasliwal:** Sir, I will frame it in a different way. So, what is the targeted rate at which our addressable market is growing with the launch of new equipments?

**K. Srinivasan:** So, that is a little easy one. So, we will target to grow 20% CAGR for quite some time because that is the headroom that we are creating with these new launches every year.

**Devesh Kasliwal:** 20%, okay. Thank you so much for this clarity.

**Moderator:** Thank you. The next question is from the line of Manish Goyal from Thinqwise Wealth Managers LLP. Please go ahead.

**Manish Goyal:** Sir, I would just like to continue from the previous participation. So, like in refrigeration segment, you mentioned the market size is Rs. 4,000 crores to Rs. 5,000 crores. So, with

launch of Khione compressors and moving to compression package and now launching Tyche compressors and with acquisition of Systems & Components (India) Private Limited, so would it be like we will be able to address the large part of the market or still there are product gaps which we need to fill up, if you can give us that perspective, number one.

And number two, now with so much of focus on refrigeration, can it become the largest revenue contributor in probably next couple of years?

**K. Srinivasan:**

So, I will answer the last question first. We gave a split between air, refrigeration and gas for the last year-and-a-half of 20-40-40. That means we did scale up our refrigeration and scale down our gas. That is what we are saying for this year as well. But this may change again.

You see, like I keep saying, I believe gas has bottomed out. So, if you start suddenly seeing more gas getting organized, then again, the gas will go back to 45 and refrigeration would become maybe 35 at that stage. So, this would be dynamic. So, I would leave it broadly there. I wouldn't change it.

Now as far as what part of it we will address with these compressors, this is just one small part. There are several more compressors required. Even in the semi-hermetic, we will have to come with a lot many versions. We will have to have this scroll, we will have to have this screw, we will have to have the centrifugal. So, there is a lot more work to do on addressing multiple niches.

So of course, you have to have a compressor for the reefers or the refrigerated trucks. That is another model that we have to make. So, it is not that you have one product, and it will address everything. So, there is a continuous requirement to keep coming up with newer versions, newer products to address all the market. And that is what the Company is working on.

**Manish Goyal:**

And sir, like can we also address opportunity for defense ships as we have seen a lot of ordering has happened in recent past and in a few years back, we have supplied some refrigeration packages?

**K. Srinivasan:**

I will address this. We are supplying refrigeration, which we call it as HVAC in the case of defense, heating, ventilating and air conditioning systems. We won't get into details of what all is there in this because there is a certain level of secrecy. They are not just refrigeration systems. There are other involved in this. We are supplying for the Navy.

We also have some systems that it is not refrigeration, but it is more on the air side for the Air Force and Army. So, I will leave it at that. I don't want to get too much into detail, but the whole defense-related business is very important and small for us.

**Manish Goyal:**

And sir, on the backward integration, like at Nashik, we have probably set up forging plant, now recently castings, and we have also been doing fabrication and now launched motors. So,

how do you see like in the next couple of years, how much can it probably meet the internal requirement and probably what kind of cost savings we can see, sir?

**K. Srinivasan:**

So, I will explain it in 2 parts. First, a small correction. The motor plant is not in Nashik. That is at Saswad. So, now what are we doing in terms of backward integration of manufacturing? The first phase of manufacturing has been always to set up unique manufacturing capabilities. These are not very large capacities, capabilities that will allow us to produce competitive and unique products for our requirement.

For example, in a casting, we have been making castings within KPCL as well as the group for more than 40 years. But the lost foam casting, specifically for machine tools is a unique thing that we have set up. So, it is a smaller plant to start with, prove the concept and scale up to meet our requirement and eventually also to supply our competitors and others. That is the way we go.

So, all our investments of new capability creating in terms of backward integration are to start with for our requirement to improve our cost competitiveness, offer something unique to our customers and eventually try and scale it up and make it unique for our competitors as well, offer it to everybody. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, we will take this as the last question for today. I would now like to hand the conference over to the management for closing comments.

**K. Srinivasan:**

So, let me thank all of you who participated. I know, like I said in the beginning that this is not a quarter that was in line with our expectation. But having said it, I must also say that in terms of the effort and work that is going on, it still continues to give us the confidence that we will try and get to as near the number as we have started the year with. And going forward, things can only get better.

We are not seeing any structural change or anything that is happening that will impact us in any serious manner, either for the year or for the long term. So, with that reassurance, I would like to say, hope to see you all again next quarter with better numbers and smiling faces. Thank you all for participating.

**Ramesh Birajdar:**

Thank you.

**Moderator:**

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