



29th August, 2016

SRIKALAHASTHI PIPES LIMITED
ANNUAL GENERAL MEETING
CHAIRMAN'S SPEECH

Dear Shareholders,

I have great pleasure in extending you all a warm welcome to the 24th Annual General Meeting of your Company.

Fiscal 2016 was yet another year of remarkable achievements for your Company in terms of surpassing the previous year's record by registering highest ever gross revenue and pre-tax profit. Your company has achieved gross operating revenue of Rs.1,177.67 Crs during the year as against Rs.1,123.04 Crs in the previous year.

During the year under review, your company has successfully achieved 100% of its rated capacity of Ductile Iron Pipe Plant, resulting in increased production of Ductile Iron Pipes by about 55,965 MT registering an increase of about 33% over FY 2014-15. Consequently, the Ductile Iron Pipes revenue grew by 19.48% to Rs.995.08 Crores from Rs.832.86 Crores in FY 2014-15, which has significantly improved the overall performance of the company.

Besides significant increase in the volumes of Ductile Iron Pipes, the cost reduction measures undertaken by the Company like reduction of coke consumption in MBF and HSD oil in Ductile Iron Pipe Plant facilitated the Company in maintaining lower cost of production. Further, better operational efficiencies, lower input cost and lower finance cost has improved the over all performance of the company, thus achieving a pre-tax profit of Rs.214.68 Crores in the FY 2015-16 as against Rs.119.42 Crores reported in the FY 2014-15, registering an increase of about 80% over the previous FY.



The Board of Directors of your Company, has recommended a dividend of 50% to the shareholders, which is the highest ever payout in the history of your Company.

During the year under review, your Company has initiated yet another capital expenditure programme entailing an investment of Rs.100 Crores towards up-gradation /modification of Blast Furnace which includes installation of Pulverized Coal Injection (PCI) and Bell Less Top equipment facilities, capacity expansion of DI Pipe Plant including installation of new spinning machine and additional finishing line. These facilities are likely to be commissioned during 3rd quarter of the FY 2016-17.

Upon the successful completion of CAPEX Programme of Rs.100 cores under implementation, the production capacity of Ductile Iron Pipes shall increase from 2,25,000 TPA to 3,00,000 TPA. Further, the cost saving measures like Pulverized Coal Injection facility in MBF and fuel saving measures in Ductile Iron Pipe Plant would help the Company to remain low cost manufacturer and thus have competitive edge in the industry.

Your Company is putting up a double walled corrugated (DWC) pipe plant to meet the growing demand of pipes required for sewerage and drainage.

As a further measure of cost reduction initiatives and as part of its constant attempt to achieve self-reliance in sourcing major and critical essential materials, your Company has planned to set up a Ferro Alloys Plant with an outlay of Rs.55 Crores to meet the requirement of Ferro Silicon and Ferro Manganese in domestic and overseas markets, besides catering captive requirement of the Company in respect of Ferro Silicon. This additional facility would help the Company in achieving higher revenues, in addition to maintaining



lower cost of production. This facility will be commissioned during second quarter of 2017-18 and would be funded out of internal accruals.

The execution of orders worth Rs.1151 Cores for supply of pipes bagged by your company for the prestigious Telengana Water Project “Mission Bhageerath” is continuing as per schedule. With the continued focus of the Govt. on water supply and sewerage infrastructure development, Urban & rural development projects, coupled with use of Ductile Iron Pipe in the non conventional sector like irrigation schemes will ensure regular business and the company is hopeful of maintaining its growth.

It has been the constant endeavour of your Company to minimise the environmental impact of its operations through adoption of sustainable practices and continuous improvement in environmental performance. It continues to focus on operational excellence aimed at resource and energy efficiency, along with recovery, reuse and recycling of waste to minimise the ecological footprint of the organisation.

Your Company strongly believes in recognizing people as the primary source of competitiveness, and continues to focus on people development by leveraging technology and developing a continuously learning human resource base to unleash their potential and fulfil their aspirations thereby keep high the morale and motivation of all levels of employees of your Company.

Before I conclude, on behalf of the Board of Directors of your Company, I wish to convey earnest thanks to all the stakeholders – shareholders, employees, vendors, government, regulators, bankers, auditors, legal advisors, and communities— for their continued support and encouragement. This motivates us to excel in all our pursuits and constant endeavour to create value for you.



I thank you all once again and offer my best wishes for a prosperous future.

CHAIRMAN

Rachagunneri
29th August, 2016