Moderator: Ladies and Gentlemen, Good Afternoon. Thank you for standing by. Welcome to Kirloskar Brothers Limited Fourth Quarter and Financial Year 2014-15 Earnings Call. Joining us today in this conference room are the Chairman and Managing Director - Mr. Sanjay Kirloskar, Executive Director - Mr. Jayant Sapre, Vice President Finance - Mr. Umesh Shastry and Company Secretary - Mr. Sandeep Phadnis. Mr. Umesh Shastry will take us through the results highlights for the period ending March 2015. All participants are requested to refer the presentation available on the company website www.kirloskarpumps.com. As a gentle reminder, during the duration of the presentation, all participants are in '**listen only mode**'. There will be an opportunity to ask questions at the end of the presentation. If you wish to ask a question please press * star and 1 on your telephone. Please be advised that this conference is being recorded today. I will now hand over the conference to Mr. Umesh Shastry. Over to you sir.

Management: Good afternoon Ladies and Gentlemen and welcome to the Fourth Quarter results and Annual results Earnings Call of KBL. Before I start with the presentation, I would just like to invite your attention to disclaimer given in slide -2 of the presentation, which was loaded about an hour back on our website, which I am sure some of you would have definitely seen by now. I start with the overall company-wide highlights. The sluggishness in the economy continued in Quarter IV also and we saw that there were a lot of liquidity issues, which continued to affect our sales in Quarter IV. A lot of customers also had delays in inspections and dispatch clearances, because of which we had inventory stuck up at the Plants and because of which some of the sales that we had envisaged would materialize did not actually happen. As KBL we continued our focus on selective sales depending upon the customer's financial position in the sense that we made the sales only after we got the money from the customers and we made sure that we recovered the money before actual dispatches took place from the plants. From the project's business perspective our focus on the closure of the old projects as well as recovery of the old retention money continued as has been going on for the last couple of years and we also worked upon trying to improve the internal efficiency at our plants so that our dispatches could improve and we could have better quality and reliability moving out of our plants. In slide-4, I now move on to the sector highlights starting with Irrigation Sector. We received major orders for two packages; the Yettinhole Package and Pettiseema Lift Irrigation Scheme. This was in Andhra Pradesh and Telangana. We were able to close six sites during the quarter, so there has been some movement as far as site closure is concerned. Even though the work has recommenced at old sites at AP and Telangana, the sites where no work has started has unfortunately remained as it is. So, those sites continue to remain on a situation where absolutely no work has been moving for years as all of you have been aware of. The Water Resource Management Sector had orders coming in from Pune Municipal Corporation for Bhama Project from UP Jal Nigam and the Guwahati Municipal Development Authority. We also received international orders from BMA Thailand and from the Genting Project Malaysia. We were able to close four sites during the quarter in the Water Resource Management Sector as well. In the Power Sector, we saw major orders coming from NTPC for the Gadarwara Thermal Power Project. We also had Horizontal Split Case, End suction and Vertical turbine pumps orders for the ITER project. The CW Systems Equipment

Package for the Darlipali STPP of the NTPC Limited coming in during the quarter. In the Power Sector also we were able to close three sites during this quarter. Our Gas, Oil and Defence Sector saw successful shipment of three vertical pumps of Linde Engineering for the Exxon Mobil project in the USA. We also received major orders from Bulgaria and repeat order from Linde Germany. We also received a prestigious order from the Defence Sector for the Water Mist Project for the fire-fighting systems. We successfully commissioned our LLC pumps at the Chambal Fertilizer at Kota. In the Industry Sector we saw major orders coming in from a variety of customers who are listed there in the presentation. We also took a free trial of our newly launched pump known as '**Romak**', which was successfully completed. In the Customer Support and Services segment, we achieved about 20% plus sales growth during the year as compared to the earlier year. Our Building and Construction sectors saw the focus on the HYPN business which we have been talking about for the last couple of quarters resulting in about 40 sets being sold in Quarter IV alone. We also received order from the Delhi Metrorail Phase III Project. In the Distribution Sector we had online sales starting from e-Commerce portal known as PumpKart and we achieved about 10% plus sales growth in the Distribution Sector as well compared to the previous year despite the stiff situation in the market. We appointed about 44 distributors, 88 dealers and about 2,000 plus retailers during the year for the distribution business for the dealer business. Moving on to the factory level highlights; we launched the **i-CAN pump series** in the plant. We also launched a project known as the "**Lakshya-90**". This was mainly for delivery improvement at the factory. The LLC product obtained the India designed certificate from the Government of India for our Kirloskarwadi plant. We also have the largest ever Split-case pump developed for Linde Germany and we also saw development & supply of 16 megawatts **Francis Turbine pump** from Kirloskarwadi. In addition we developed import substitute Water Jet pump for Marine Application also in the plant during the quarter. The Kondhapuri or the Valves unit saw 10 numbers of large sizes 2600 millimeter Butterfly Valves dispatched during the quarter. We also had delegates from South Africa visiting us during the plant and after they had a look at the plant we saw our first order coming from them subsequently. We also had the BIS marking approval for our 700 mm to 900 mm Sluice Valves obtained during this quarter. Moving on to our three plants which deal with the distribution business or the dealer business, the Dewas plant received the first prize in the Kirloskar Group Energy Conservation competition at large manufacturing units. We also received an order for the best innovative project in the ENCON competition. The DMRC order was executed from Dewas for DB coupled set and we also developed the open well submersible pumps in-house during the quarter. Our Kaniyur plant near Coimbatore received the "Award for Talent Management" by Africa Best Brand Employer Awards 2014. We also received the first prize in the Kirloskar Group ENCON Competition under small manufacturing units. The Sanand plant located near Ahmedabad executed international orders for Nepal and South Africa. We also completed the prototype assembly and testing of our new product – which is 4" eco "NEMA" water filled pump. If you go to slide - 9 you will see the company-wise pending orders. You will find that as of now for the fourth quarter ending March 15 our total pending orders stand at about 1,501crores, which is more or less same if you see the last four quarters, but if you see the orders which we have received in Quarter IV on a standalone basis it has improved to 532 crores. As compared to the previous three quarters, this is the highest order we have received. Similarly if you look at the orders received for the consolidated Order Book we have 682 crores of orders received during this quarter as compared to the earlier quarters. The pending orders in hand on a consolidated basis stands at over 2,000 at about 2,030 crores and I would again like to remind you that from the Irrigation Sector, the 395 crores of orders which had not commenced, which were excluded from our last presentation have continued to be excluded in this presentation as well for an apple-to-apple comparison. Moving on to the financial highlights, our Quarter IV sales actually increased by about 12% compared to the Quarter IV sales for previous year. However, the total sales are down by 8% compared to the previous year. This is mainly due to the lower sales of the project sectors and the reasons for this are the continued market sluggishness, the liquidity problems in the market because of which we were not receiving money and because of which we were compelled not to dispatch. Further, KBL was very selective in taking orders for the project business and despite the fact that there were several tenders floated, many of them were with unfavorable payment terms where KBL chose not to participate. So total revenue from operations for the year is 1,626 crores on a standalone basis as compared to 1,760 crores last year, which is a fall of about 8%. But the good news is that the Product Sector sales actually increased by 12% compared to last year moving up from about 1,005 crores to 1,124 crores. However the Project Sector sales; drops from 726 crores to 478 crores, which is by about 34% for the reasons I have stated a little earlier. The other thing is that the composite material cost as a percentage of sales has also declined from 67.3% to 65.2%. In the current year there has been over a 2% decrease in the material cost on a YOY basis. Our profit before tax on a standalone basis is just under 6 crores as compared to a PBT of 70 crores in the previous financial year. The major reasons for this drop in PBT is of course one is the fall in the turnover by about 8%. There was an impact of high depreciation because of the revised rates as per the new Company Law. The impact on the profit including the additional CAPEX, which we did during the year, was about 15 crores of additional depreciation. We had a strategy planning exercise which took place with certain consultants from outside and certain one-time expenses incurred on the strategy planning exercise which was for looking ahead into the future was about 14 crores of consultancy charges. We also had higher provisioning on accounts receivables, because we made a change in policy for provisioning on the accounts receivable. Hitherto, we were only providing for debtors once the period exceeded three years, but now we have changed the policy and we have started providing for debtors for the project business even one to two years and two to three years, because of which there was a higher provisioning on account receivables. Our ERE also went up by about 18 crores compared to last year. Half of it was actually attributed to wage agreements, which we carried out at all our plants during the quarter. On the Balance Sheet side, we had a 56 crores rise in Inventory. This was mainly in finished goods and WIP and this was as stated earlier. Because of delays and dispatch clearances and inspections from some customers, we also had a dispatch hold on account of non-receipt of money from some customers and a few customers who were supposed to open L/Cs did not open the L/Cs as a result of which we did not dispatch the material, but continued to hold it in the factory, which resulted into an increase in the FG inventory. Our total receivables including retentions now stand at 726 crores as of March'15 as compared to 701 crores in March'14. This is mainly because of the higher sales of February and March, which are sitting in the receivables as on March'15, but all these are recoverable in Q1 of FY 16. During the year we actually recovered about 82 crores of money from the retentions, but during the year the retentions generated were also 34 crores because of the movements in the projects. The net fall as a result was about 48 crores in the retention debtors as compared to the last year. Our borrowings are at 238 crores as compared to 224 crores in the last year. We had a CAPEX of about 33 crores. The remaining pressure on working capital throughout the year, because of lower recovery also led to the borrowing at this level of 238 crores. If you look at the consolidated highlights from the financial perspective on slide -13, we find that the consolidated turnover marginally rose by about 1% from 2,690 crores in the previous year to 2,728 crores in the current year. This is despite the 8% drop in the KBL standalone turnover. Our domestic subsidiaries companies' turnover actually rose from 302 crores to 445 crores which is a whopping rise of about 47%. The overseas subsidiary companies saw an increase in turnover from 882 crores to 975 crores which is about 10% rise. The PBT of the domestic subsidiaries is 22 crores this year as compared to a loss of 17 crores in the previous year. Our international subsidiaries made a profit of about 47 crores as against a profit of 52 crores in the previous year. While this drop is mainly on account of write-off of goodwill in our group restructuring exercise which we did at South Africa, because of which the book profit actually reduced by about 8 crores. Otherwise the PBT would have been 47 plus 8 – 55 crores as compared to 52 crores in the previous year. Our group borrowings now stand at about 355 crores as against 297 crores in the previous year. This is mainly due to rise in CAPEX both at KBL level as well as in our SPP pumps facility. Slide 14 shows our Five Year Financial on a standalone basis where you see the movement from FY11 to FY15. The figures are given for turnover which you can see as well. Here, you will also find the total assets which were about 1,092 crores in FY11 down to 1,035 now. If you take that trend at the net current assets they are down from 626 crores so we are back to about 483 crores now. Our investment is about 233 crores. These are mainly subsidiary companies. The next fixed assets have not moved very much from 299 crores in FY11 to about 319 crores in FY15. Our shareholder funds currently stand at 796 crores in FY15. The reserves are about 780 crores and the borrowings are 239 crores. If you take a look at the EBDITA, the EBDITA stands at 97 crores in FY15 as compared to 145 in the previous year down to 5.9%. The PBT is at only at 6 crores as I mentioned little earlier is at about 0.3% and the PAT is at 9 crores because of default tax asset being created so it is higher than the PBT, which is at 0.5%. But if you look at the cash profit as compared to 82 crores in FY 14 it is 58 crores now. So, despite the fact that the PBT has dropped from 70 crores to 6 crores, the cash profit has not dropped so significantly from 82 crores - it is 58 crores, which is mainly because the PBT has reduced because of non cash related items. The EPS is currently at about 1.1 with a cash running for share at 7.3. The Board of Directors today has recommended a dividend of 25% which is of course subject to the approval of the shareholders in the AGM, which results in about a 4 crore dividend payout. The Market Cap is about 1,528 crores today and our turnover for employees remains flat at 0.6 crores or at the end of the last four years. The consolidated financials see the turnover moving out to2,728 to 2,690. Here, the net current assets have actually gone up from 739 to about 783 crores. The Net Fixed Assets stand at about 520 crores because of which a little bit of borrowings have also gone up in order to procure the fixed assets. The EBDITA against 211 crores in the previous year is at 208 crores at 7.6%. The PBT is at 63 crores at 2.3% and here in fact you'll find that the Cash Profit has actually increased from 120 crores to 140 crores, because again a loss of the PBT is because of non cash related items. The Shareholders Fund stand at 1,012 crores with reserves at about 996 crores and borrowing is about 355 crores. Slide- 20 shows the consolidated accounts by company if you see this you will find that the first row shows that Kirloskar Brothers numbers from Total Income, PBT, PAT and the Return on Capital employed followed by all the subsidiary companies below that. The Kirloskar Brothers International as I have already discussed the KBL results with you earlier. I will just run you quickly through the subsidiary company results. The Kirloskar Brother International BV which houses all our international companies has seen an increase in income from 882 to 975 crores. The PBT is 47 crores as compared to 52 crores as I mentioned earlier mainly because of the Goodwill. The tax is at 36 crores against 37 crores. The Kolhapur Steel Limited has an increased turnover from 23 crores to 31 crores on a YOY basis. There was a reduction in losses from 15 crores in the previous year to 10 crores in the current year. Kirloskar Corrocoat saw almost doubling of its income – from 37 to 72 crores and the Profit Before Tax also went up from 8 crores to 15 crores. The return on capital employed for Kirloskar Corrocoat is about 157% now as you can see. Kirloskar Systech Limited which is not only a systems engineering, but also our IT vertical had an increase in income from 3 crores to 20 crores. The PBT also moved up from 5 crores – last year it was in lakhs. The Karad Projects and Motors Limited which comprises of the erstwhile KCEL or the project division and the motor division sees a combined increase of revenue from 202 crores to 246 crores, but if you look at the motor division itself; the revenue increase is 194 to 243. Similarly if you take a look at the PBT; last year this had a loss of 7 crores – this year combined the division has made a profit of 3 crores, because the motor division has increased its profit from 10 crores to 19 crores. With the project division losses slightly reducing from 17 crores to 16 cores. The joint venture company Kirloskar Ebara Pumps where our share is 45%, our share has seen income up from say 38 crores to 76 crores. And last year we had a loss of 3 crores here. This year our share is about 8 crores profit in this company. Total consolidated KBL as a result sees a total income of 2,745 and it is 2,703 with a PBT of 63 against 105 in the previous year and a PAT of 45 against 65 in the previous year. The next slide, slide- 21 shows the Balance Sheet of the consolidated accounts where you will again see the networths and the borrowings by company. I will not go into in detail over here. All the details are available for you to see in case you have any questions, you can definitely ask us at a later stage. Slide - 22 has the net current assets, fixed assets, investments and total assets by company. Again, over here all the details are given by each and every subsidiary company so you can go through the same and again we will be glad to answer any questions if you have any of them. With this I come to the end of my presentation. We'll be glad to answer any questions that you people might have on the same so I hand over back to the operator.

Moderator: Thank you sir. Ladies and Gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your push button phone.

First question from Mr. Balchandran from Bhatiawal.

Mr. Balchandran: Good evening sir. Congratulations for good results. Regarding quarterly results on a standalone basis I would like to know, in Product Segment we grew by around 26% in Quarter IV. So, is there any good execution or any large order we did or it was comparatively better demand on the product side.

Management: It was primarily because of the better demand. I don't think there was any universally one large big ticket item or anything of that sort. It was basically that the factory's dispatch is also a lot better and we were able to dispatch more.

Mr. Balchandran: Any particular industry or sector or specifically all over the Product Segment.

Management: No, it was primarily all. Distribution Sector grew, Industry sector grew, Building and Construction grew, CSS grew and GOD also grew so it was all the five sectors which witnessed this.

Mr. Balchandran: So what kind of scenario you see in Product Segment over next year in domestic side?

Management: You know every time you ask us to make this prediction and every time we say we estimate about 10 to 15% increase, but it also depends on the overall situation in the markets. Last year also we had told you it would be about 10 to 15% increase. We did manage to do a 12% increase, which considering the situation in the market I think it was very good, but the one thing I would like to tell you is that there is continuous pressure on price so even though there may be rise as far as turnover concerned, maintaining the profitability is something which is very difficult and liquidity, because we would definitely not like to compromise on our payment terms from the perspective of increasing our revenue as we have always been telling you in the past. So, the market might grow at a phenomenal rate, but we will definitely grow at a rate at which we have a risk appetite for and which we will be able to ensure that the collections also come and factory is also able to deliver.

Mr. Balchandran: This unseasonal rains which has affected many farmers; do we see effect on our product sales because of these things or will it be marginal?

Management: There has been a slight decrease in the distribution segment because we were anticipating higher sales in March which did not happen. April sales till date also we find that what we had actually anticipated is a little less than what we had anticipated.

Mr. Balchandran: Okay. On the consol level means when we see a subsidy level we really grew at very good rate. Whatever the lower profitability there was on the standalone was compensated by our subsidy. Largely might be because of SPP pumps in Kirloskar Brothers International. Do we expect that thing to continue mean like do we expect the profitability and the serious growth means is there the demand scenario intact on those subsidies?

Management: As far as SPP is concerned you are aware that SPP is highly dependent on the Oil and Gas sector and all of you are aware of what the situation is today as far as that is concerned. So, you know from the perspective of SPP we are definitely trying to see how the other segments which we are able to attack and which we are able to grow, but the Oil and Gas segment may be a bit of a dampener which may cause the results not necessarily moving in the same direction. Enquiry levels have definitely dropped.

Mr. Balchandran: On the profitability front, means will we be able to maintain the profitability in percentage terms?

Management: It's a question of leveraging of the fixed cost. In fact turnover drops by any chance, because if you don't get the order there will be certain fixed costs which we will not be able to cover. To that extent there maybe a drop, but we are definitely trying everything to make sure how we can mitigate this number one; to see that revenue really does not drop by venturing into other areas. Number two; to see how we will be able to decrease costs at out level in case we are not able to increase the revenue, because finally our endeavor always is to make maximum profits and maximum cash. So, we will see how best we can work around the situation that prevails.

Mr. Balchandran: One last question, one or two years back as we were saying that our longer term orders are around 750 crores, but now when we saw it on the presentation, we say that 395 crores is on the stagnant side and we are excluded. 350 crores has started execution, but by when you see that 350 crores will get over and if any background on provisioning front you can give?

Management: Again at the cost of repeatition, we would like these projects to be completed yesterday. We have always wanted to complete them as fast as possible. Again, we've been telling you that many of the projects have been stuck not because we don't want to proceed, but because of situations there at the project site it is like site not available, land not available, and still farmer agitation, power supply not available. All kinds of issues. Even though we would like these projects to be completed as quickly as possible, all these external circumstances will really determine when we are actually able to execute these projects and come out of it. So, though our endeavor would be to come out of it fast all these other issues will prevail, which makes it very difficult to tell you that we will be able to complete in this quarter or that quarter or this month. So, all I can say is we would like to complete at the earliest provided the client gives us all the things that we need in order to make sure that the site is fully installed and commissioned.

Mr. Balchandran: But can we expect this way that if all the policy related issues get resolved and things started getting resolved then our execution on the project site will improve?

Management: Theoretically yes.

Mr. Balchandran: Okay sir, I will come back for any further questions.

Management: Sure.

Moderator: Our next question Mr. Nilesh from Technoshares. Please go ahead sir.

Mr. Nilesh: Good afternoon sir. Umeshji, thank you for taking my question.

Management: Good afternoon.

Mr. Nilesh: The question is mainly on the Standalone Slide. The slide is saying that we have 1500 crore orders pending. Out of that can I get a breakup how much is the product orders and how much is the project?

Management: See, the first three rows are - Irrigation, Water and Power are the three Project Sectors and the remaining are the Product Sectors.

Mr. Nilesh: Okay. And within those first three what percentage would be the product and what percentage would be the project?

Management : We normally don’t get into those details, because this is a combination of the pumps, these electromechanical items as well as the civil…now there is hardly any civil left in that, but pumps would roughly be about 25% of the value of the top three.

Mr. Nilesh: Have we taken any orders in project side during last year, because our endeavor is not to take any project orders?

Management: No. Our endeavor is not to take project orders where the payment terms are unfavorable to us, but we do have some orders which we have taken in the three sectors where we found that the payment terms were suitable as well as for which we had taken those orders. The total value of those orders will not be very large. They will probably be about 200 odd crores.

Mr. Nilesh: So, if I look at 750 crores, 189 and 324 so this is about 1200 crores right?

Management: Right.

Mr. Nilesh: So, out of 1200 crores we say that 200 crores of orders are with favorable terms and another 1,000 crores are old orders which we are still continuing – is that so? I am understanding correct?

Management: I won’t say only 200. 200 are what we have received in the last year. In addition to that there would be another about 200 odd crores of orders which we have received in the year before that and the year before that with favorable payment terms. So, I would roughly say that approximately about 500 crores of orders would be with good payment terms and reasonable payment terms. The remaining 700 crores or the still erstwhile old orders which are still with unfavorable payment terms.

Mr. Nilesh: And that is the one which you are saying that you don't know when these 700 crores would get completed?

Management: Absolutely.

Mr. Nilesh: So, are we still incurring losses in those 700 crores worth of orders?

Management: Many of them yes for the simple reason because they have been pulling on for 6-7-8 years and we are still not able to close them for various reasons like I said earlier about the sites still not being fully available for commissioning of those pumps at those sites.

Mr. Nilesh: One more on the standalone numbers – if you see product sales shown in the slide is 1,124 crores and Project Sector sales is 478 crores?

Management: Correct.

Moderator: Mr. Nilesh's call is disconnected from the call. The next question is from Mr. Manish. Please go ahead.

Management : Please ensure that Nilesh gets connected again.

Mr. Manish: Good afternoon. Sir, I just wanted to get some understanding as to the order inflow which has been very strong in this quarter at 529 crores on our standalone basis I think. So, if you can probably give some insight as to what has been driving that and how do you see that going forward.

Management: Actually, 532 crores which we received in this Quarter IV have two big orders which we got for the project business in the Power sector actually. I think the total value of both these order put together would be roughly about 55 crores. So, the rest of it is regular orders which we keep getting.

Mr. Manish: So, even if we exclude these 55 crores of orders of Power Sector basically you are trying to say that most of the segments are contributing to the inflows?

Management: Distribution Sector as you know January, February, March, April, May; these five months are the season months as such so normally the order inflow does increase during these five months.

Mr. Manish: So, is it fair to assume that we have been gaining market share in the distribution segment and is market also growing or like how do we read it?

Management: No, market is definitely growing and I think our share is also growing. It is the combination of both the factors.

Mr. Manish: In project's business as we mentioned that certain old projects have started related to Andhra Pradesh so as on date have we made whatever provisions probably anticipated losses which we envisaged, have the required provisions been taken into account?

Management: Completely taken into account. In fact that is why you will see that the difference between the book profit and the cash profit, because most of them are book adjustments. So, we have made a provisioning for all these possible exigencies as we see them happening.

Mr. Manish: So for the current year what were the losses in the project's business for the entire year sir?

Management: You mean to say out of the 6 crore profit what is the loss in the Project Sector – is that your question?

Mr. Manish: Yes, basically the full years results, how much basically is the loss, because last year roughly we had 58 crores of losses in the Projects business so what are the losses in the current year?

Management : Actually its increased pretty much 112 crores so actually it is the Product Sector which made about a 118 crores of profit and about a 112 crores of losses in the Project Sectors, which result in this combined our total PBT about 5.5 crores.

Mr. Manish: Going forward how do we see this in terms of like as no doubt we have taken provisions wherever possible. So, do we expect that in the coming years the losses in the projects business to decline?

Management : See, if you had listened to Mr. Nilesh Joshi a little earlier; in that 1200 cores of project sector orders still about 700 odd crores of orders which are the old legacy orders which we are continuing to…which we have to go ahead and complete. So, there will be some bleeding going ahead on those orders as we continue to move with them. So, definitely there will continue to be a bleeding. There should be a reduction in the losses on the Project Sectors moving forward, but we don't think we will be in any position to come out of the situation where we have profits coming from the project sectors. We anticipate even in the next year there will be losses in the Project Sector.

Mr. Manish: Coming back to your point in terms of the losses 112 crores so out of that how much would be say cash loss and how much would be the provision?

Management: I would probably say about roughly 25% would be non-cash and 75% would probably be cash losses.

Mr. Manish: So at least this 25% is something which probably…because maybe the old projects which were not starting have started and that may not recur?

Management: That's a definite possibility.

Mr. Manish: On the international front when we address the number for the standalone orders inflow and the consolidated what we see is that for subsidiaries the order inflow has actually declined for the entire year probably from…

Management: Mainly the Oil and Gas enquiries and orders have reduced pretty much.

Mr. Manish: Yes probably. Basically the number I am getting is roughly 1300 crores has declined to 1200 crores order inflow from overseas. So, most of it is pertaining to SPP. I believe Oil and Gas is a total revenue contribution to SPPs I believe 35% only right?

Management: Yes.

Mr. Manish: So, you mean to say that 35% is seeing significant fall?

Management: Yes almost.

Mr. Manish: Rest of what we have say from water and other projects; is that seeing any growth or that is also probably not seeing any growth?

Management: Marginal increase.

Mr. Manish: Also we have penetrated into US markets and we have probably acquired small company last year and SPP had setup operations in US also so is it possible that the growth in US markets can upset the decline in say, Oil and Gas markets in the current year?

Management: In the US also there is the dependence of oil and gas though it is much lesser in the UK. So, we will see how to grow that, but you must understand that the US is a much smaller operation than in UK.

Mr. Manish: Okay. So, there is a probability that SPP may see probably revenue pressure or decline in the current trend?

Management: Yes.

Mr. Manish: But what about other subsidiaries, because like particularly Kirloskar Ebara has turned around and Kirloskar Corrocoat has done extremely well so how do you see outlook for these subsidiaries and do you expect them to grow further?

Management: Yes steady growth.

Mr. Manish: Kirloskar Construction; now what is the status because this year also we have taken a provision of 17 crores so the two projects which were pending, should they probably have they got over or what is the status on that?

Management: There is still about 3 crores of billing to be done on these two projects, but we are unable to do it, because the sites are not available to us for completion of this revenue. So, we have written to both these customers and said that you should close these projects right now, because we are not in a position right now to complete the billing, because you have not enabled us to or given us those Sites that we can complete the work to be done. More than three or four years after the order was placed

Mr. Manish: So, going forward in FY16 this 17 crore loss number so it should technically decline, because only 3 crores of work is pending. So Kirloskar Construction, basically the project's business should see lower losses in the current year?

Management: Correct.

Mr. Manish: In this quarter on a standalone basis other expenses have jumped significantly from say to 99 crores so some of the results which were mentioned for lower PBT; is it that most of the provisions have been taken in the Quarter IV?

Management: Most of the provisions have been done in Quarter IV.

Mr. Manish: Can you give a number which has been taken in the Quarter IV particularly? The one time provisions which have been taken?

Management: It will mainly be provision for doubtful debts

Mr. Manish: 16 crores account receivable provision…is it entirely 16 crores has been taken in Quarter IV.

Management: No. Not entirely. Approximately about 6 crores have been taken in Quarter IV.

Mr. Manish: Okay and basically consultancy charge every quarter you have been taking.

Management: Exactly.

Mr. Manish: So will it repeat in following year say FY16?

Management: Could you repeat?

Mr. Manish: The consultancy related expenses on strategy planning, the 14 crores provision basically expense what you have incurred in the current year, and do you expect it to continue in FY16?

Management: In FY16 also we expect it to continue because we have engaged the consultants for this huge strategy planning activity, which are both the front end and the back end activity. The front activity is actually being completed in FY15 and we are institutionalizing it and doing a lot of work on the backend in FY16. So we will have a similar set of numbers on consultants in FY16 as well.

Mr. Manish: Thank you so much I will come back in the queue.

Management: Sure.

Moderator: Thank you for your questions sir. Next question is from Chinmay from Dalal and Broacha. Please go ahead sir.

Chinmay: For a standalone business what would be the broader sector wise revenue breakup?

Management: We normally you know disclose the revenue breakups by projects and products which is already part of the presentation. We normally do not give the individual sectoral details.

Chinmay: But products would be primarily distribution and building and construction industry?

Management: No other than water, power and irrigation which are the project business, all the other business we call it as the Products Business.

Chinmay: Ok, sir in Power Sector are we into boiler feeder pumps and condensate extraction pumps for a sub-critical and super-critical?

Management: Up to a certain size - yes.

Chinmay: What size sir?

Management: We do up to about 250 megawatt. Though for condensate extraction we go up to 800 megawatt. And circulating motor we go up to 800 megawatt.

Chinmay: What is the capacity utilization of Kirloskarvadi pumps now?

Management: Currently a little lower because the project business is down.

Chinmay: Currently what could it be?

Management: Around 60%, 55 to 60 %.

Chinmay: Sir, in Power Sector, orders are not coming so much are we seeing increased pricing pressure?

Management: Tremendous the pricing pressure is huge and the payment pressure is even worse.

Chinmay: This is from both, I mean the government side as well as the private or is it specifically government?

Management: It is pretty much universal.

Mr. Shastry: Private; there is pressure on price as well as payments. From government price is the main.

Chinmay: Okay, Thank you sir.

Moderator: Thank you for your question sir. The next question is from Mr. Balachander from Bhattiwal and Kadani. Please go ahead sir.

Mr. Balachander: Regarding SPP pumps would like to know especially after Oil and Gas which segment will be the major contributor in SPP pumps?

Management: The next major sector is actually Service, Water which includes water supply, desalination and sewage, industry and industrial fire.

Mr. Balachander: In our Indian business, in Water Resource Management if we see there is expectation that Ganga Action Plan may come into action and things might show good growth on the sewage pumps. How much potential you see on the Water Resource Management in pumps for you?

Management: You know when you look at the project size usually for pumping machinery the amount of business is about 1% of the total announced project.

Mr. Balachander: Ok, So it will be comparatively lower in order size.

Management: Because the civil work would take most of the value.

Mr. Balachander: Ok thank you sir.

Moderator: Thank you for your question sir. Participants please press * and 1 on your phone. The next question is from Mr. Manish from Enam Holding. Please go ahead.

Mr. Manish: Hello.

Management: Yes Manish.

Mr. Manish: On the currency side what is the impact for us because we have been operating in Europe as well as UK and with Euro depreciating significantly so how has been the impact on revenue as well as profits in the current year?

Management: Nothing you see, as you know the results are based on P&L and Balance Sheet based on the year end rates and the average rate pre-conversion is done into rupees. So you know whatever the rate is prevailing as on 31st December the balance sheet was converted at that rate. And for P&L based on the average rate for the entire year the P&L number are converted and that is the way in which it is always done.

Mr. Manish: So the impact of Euro depreciation will be actually felt now to us?

Management: I think we feel it more in the current year

Mr. Manish: Ok.

Management: Not so much in the last year as it will be felt in the current year.

Mr. Manish: Ok. Regarding Kirloskar Ebara because we have read somewhere that we have received significant orders in the current year so if you can elaborate that going forward however. Because there were certain orders which we have received from the international market also and basically for API pumps so if you can just throw some light as to how do you expect this to go forward?

Management: Kirloskar Ebara is slowly entering the international market, so we expect that more and more business. It will become more and more international and domestic will depend on the number of projects that are announced to where.

Mr. Manish: So international in terms of what would be say the revenue contribution and the order back log and how do you see that going forward?

Management : On the pump side because they make pumps as well as turbines so on the pump side where it is mainly the other businesses do not export much but about 20 to 22% is export business.

Mr. Manish: Okay. And this you expect to grow forward.

Management: This will grow because you have to understand that until about 2-3 years ago we were not allowed to export by our JV partners. This will grow.

Mr. Manish: Okay. Any plans to consolidate early holding in the - because we hold 45% through KBL so is there any plan to probably further increase or consolidate the stake in this company.

Management: Obviously it will depend on the Joint Venture partner as well. Going forward.

Mr. Manish: Okay and is it possible to give the order back log for this company? Kirloskar Ebara.

Management: I can try and find and send it across to you Manish.

Mr. Manish: Okay. Thanks.

Mr. Manish: How do you see outlook for the motors business in the current projects company?

Management: Motor business is fairly good and let us see how it goes forward.

Mr. Manish: Sure thank you so much.

Moderator: Thank you for your questions sir. Your last question is from Chinmay from Dalal and Broacha. Please go ahead sir.

Chinmay: This is a followup question sir. Distribution market how much, at what rate has it grown in the last 3 or 5 years?

Management: Currently the market share would be about 13 to 14% and we are 8% about 5 years back so we can say roughly about a percentage growth every year.

Chinmay: No, I am saying how has the market as a whole grown say last 5 years?

Management: You mean you want a figure like 1000 crores or 1500 crores, like that; I am not able to understand?

Chinmay: The market has been growing.

Management: The market has been growing a little slower

Management: Slower than last year because we are increasing market share.

Chinmay: So would have doubled in near 10% growth or 5% growth.

Management: 5 to 8%

Chinmay: 5 to 8% and last question sir, in your PBT you have mentioned that we have got 2x800 megawatts Gadarwada project order from NTPC that is what kind of pumps?

Management: Circulating water.

Chinmay: Thank you sir.

Moderator: Thank you sir at this time there are no further questions from the participants. I would like to transfer to Umesh Shastry for his conclusive remarks. Over to you.

Mr. Shastry: Thank you Ladies and Gentleman for listening into our conference and I hope we were able to provide you with the answers to whatever questions you had. Once again I would like to invite your attention to the disclaimers which we made as far as we forward looking statements are concerned, I wish you all a good evening and happy quarter and year ahead. Thank you.

Moderator: Ladies & Gentlemen, that concludes KBL's Earnings Call for today. Thank you for participating. You may all disconnect now.