

.Moderator: Ladies and Gentlemen, Good afternoon. Thank you for standing by and welcome to Kirloskar Brothers Limited, Fourth Quarter of Financial Year 2015-2016 Earnings Call. Joining us today in this conference room are the Chairman and Managing Director - Mr. Sanjay Kirloskar, Director - Mr. Alok Kirloskar, India Business Head - Mr. Anurag Vohra, Vice President-Finance-Mr. Chittaranjan Mate and Company Secretary - Mr. Sandeep Phadnis. Mr. Mate will take us through the results highlights for the period ending March, 2016. All participants are requested to refer the presentation available on the company website www.kirloskarpumps.com. As a gentle reminder during 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 * and 1 on your telephone. Please be advised that this conference is being recorded today. I will now hand over the conference over to Mr. Mate, over to you sir.

Mr. Mate: Thank you ma'am, good afternoon everyone. I would first request your attention to the disclaimer. I hope all of you have gone through the presentation which was loaded on website in the afternoon. The disclaimer says, these materials may contain forward looking statements regarding Kirloskar Brothers Limited, our corporate plans, future financial condition, future results of operations, future business plans and strategies. All such forward looking statements are based on our management's assumptions and beliefs in the light of information available to them at this time. These forward looking statements are by their nature subject to significant risks and uncertainties; and actual results, performance and achievements may be materially different from those expressed in such statements. Factors that may cause actual results, performance or achievements to differ from expectations include but not limited to regulatory changes, future levels of industry product supply, demand and pricing, weather and weather related impacts, wars and acts of terrorism, development and use of technology, act of competitors and other changes to business conditions. KBL undertakes no obligation to revise any such forward looking statements to reflect any changes in KBL's expectations with regard thereto or any change in circumstances or events after the date hereof. Now I invite your attention to company-wide highlights.

The first page, page number 3 of this presentation has given major achievements in last one year, mostly about last quarter. The second page, it gives you sector-wise highlights which are about Irrigation Sector, Water Sector and Power Sector. Also slide number 6 is giving highlights about two of our product sectors - Oil and Gas and Building and Construction. The next slide is about pending order position which includes Sector-wise pending order position as well as consolidated pending order position. Q4 financial highlights, revenue from operations was 1,656 crores as against 1,626 crores in the previous year. This is for a year. Product Sector sales during the year have increased by 9% but Project Sector sales have decreased by 16%. Composite material cost has marginally increased from 65.2% to 65.3%. Total expenditure has increased from 493 crores to 528 crores. This is without finance cost and depreciation. Finance cost has in fact come down to 37 crores from 41 crores. Profit before tax for the year was

6.4 crores as against 5.5 crores in the Financial Year 2014-2015. Profit for this quarter is 19 crores before tax. There is a marginal increase in bank borrowing but reduction in creditors.

On consolidated level, total income there is a drop of 4%. The reasons are given in slide number 10 of this presentation. Similarly on the same sheet, we have explained net result on consolidated operations. Slide number 11 gives an overview of last five years turnover for domestic business as well as exports, net current assets, net fixed assets. Next slide shows about own funds and borrowed funds for last five years. We have also explained various ratios on slide number 13 and slide number 14. Slide number 15, 16, 17 and 18 show profitability ratios and asset and liability positions for consolidated basis. Thank you. May I request you to have your questions please now?

Moderator: Certainly sir. Ladies and Gentlemen, we will now begin the question-answer session. If you have a question please press * and 1 on your push button phone and await your turn to ask the question when guided by the facilitator. We have a first question from Mr. Ranjith Shivram from Antique, please go ahead sir.

Mr. Ranjith Shivram : Hi sir, good evening. I would just like to have your outlook regarding the overseas subsidiaries, like how do you see the overall performance for the next year. Can we expect a turnaround in them?

Management: We will just give you an overview because we have different companies overseas. So, the US subsidiary did better than 2014, because you know we run our calendar year, so what you see in March is actually the result from January 15 to December 15. So the US did better in this calendar year than its previous calendar year i.e. 2014. Our European operations with our plant in Hengelo in Netherlands also did better in 2015 compared to 2014. Our Thai operation and our Middle Eastern operations also exceeded its results. The big issue was in our UK operation. The UK operation saw significant portion of its orders go on hold. Historically, as you know the UK operation alone used to generate about 55 crores or so in profit at a PBIT level, although the 'I' did not – there was not much 'I' because we did not have any debt. So from that perspective it was very hard because a huge amount the order went on hold. About 40% of the UK's order book comes from offshore Oil and Gas and a lot of that was on hold last year which is in Jan 2015 to December 2015 because of a lot of movement in oil prices and confusion in the oil industry. As of the new year which is January 2016 to December 2016 a lot of those orders have been released and we have received new orders or the new orders we have received rather at the end of 2015 did not go on hold, so for this year we have a full order book, but at the same time we are making a transition to move away from offshore towards Downstream and Desalination. That said, to answer your question the UK which is the biggest generator of profit will not do as well in this year which is 2016 as it did, let us say in 2014 because of the product mix. The offshore industry was very profitable for us. We were one of three suppliers worldwide and it is almost like a monopoly position in the North Sea. As you know North Sea prices are too expensive currently because North Sea breaks even at \$65 and we

are somewhere between 45 and 48, fluctuating as it is today. So from that perspective we do not believe profitability will rise that too let's say to 2013 or 2014 levels, but we do expect that it will not lose money, significantly lose money like it did last year. So we think at a net level we will try and beat, as KBI let us say we will try and beat 2014 numbers but it will be difficult, that said will be difficult. We also had last year an issue because of a company we acquired Rodelta. So Rodelta was a company that had gone into receivership which is the equivalent of BIFR we guess in India and we bought it out of receivership at which point its order book was down to zero because it is in receivership close to seven months. Which also meant ,we, bought at a very good price, but obviously we only had it for about four and a half months to the end of the year. So it had accumulated losses and those losses hurt our total number that you see for KBI. So it was together with the Rodelta losses and especially the UK losses which affected the overseas numbers, but all the other subsidiaries did well and we are expecting all the other subsidiaries to do well this year as well because this year our European operations already have the order book for the year at high operations, the South-East Asia already has its order book for the year. The US it is a little bit hard, but the US still feels it will meet its ideal operating plan order book for the year. The only concern for us currently still is the UK where we do have the order book but our concern like in 2015 is no one should put anything on hold because the orders we are executing even now are a lot of offshore orders and there's again a huge fluctuation, you do not know what any of these companies will do. That said, most of our orders are from large companies like BP, Chevron, ConocoPhillips, ExxonMobil. So we are hoping none of them goes bankrupt, so we believe that this year should be fine. We think the concern would be next year especially for the UK because the UK is the biggest contributor from a profit and revenue standpoint and we are making various transitions towards Downstream which is of course more comparative towards Desalination and other businesses that are similar to offshore. Some of the characteristics of the offshore business that we require is one is obviously single orders that are very large, orders that have a very large spare parts scale to them and pumps that are complex that require lot of commissioning support. So you know, we are looking at markets, one of them of course is deasalisation, other markets that can slowly replace the offshore industry or at least reduce the exposure to the offshore industry because we find that while even now the inquiries are strong, there is very slow conversion from inquiry to sales. Does that answer your question or have I missed something?

Mr.Ranjith Shivram: No, so probably we can look at at least the losses being lower and it will come back in a profitable way for the next year.

Management : Yes, we expect to be profitable, so when you say next year it is actually Jan 16 to December 16 for us.

Mr.Ranjith Shivram : Okay, thank you for that elaborate explanation and coming back to the standalone project business, how do you feel the overall scenario, is it still bleak or you are seeing some green shoots in the projects part of the standalone business?

Management : Number one, as you would have seen the projects business now contributes 25% of our revenue and that also is more and more products turnover. We have very few orders where we do civil work in piping and that is because the end customer, the first to have single point responsibility and he basically goes to an EPC contractor for delivery of the project. As has been explained earlier, what we are doing is we are quoting for our products with various stiff commercial terms and over a period of time customers who had moved away from us because of these stiff commercial terms are moving back to us and these are large companies, we do not want to take names but they have slowly but surely started coming back to us and as far as the market is concerned we see movements a lot more in irrigation where again Telangana wants to spend a lot of money, but we are quoting over there only our products, we do not want to get into long term issues, we would rather supply our products and be out of there in the space of a few months, like three months or less. We also see some movements on the power side where there seems to be consolidation and the urge to complete old projects, so some of the customers have come back and are talking to us and have started picking up some of the pumps that have been on order for some time. Nuclear power is not moving that fast, national thermal we are supplying equipment into a few of their projects, we think the projects that we do with Concrete Volute Pumps. In addition the overseas subsidiaries have also worked very closely with global EPC contractors and in the last few months KBL and Kirloskar Ebara together have been able to supply both circulating water, boiler feed and condensate extraction and all the different types of pumps overseas. The Water Sector continues to move very slowly and there again we are only taking orders for products and not doing complete projects.

Management : Just to add a little bit to that, if you divide the company into four businesses, we have a made to stock business which is our retail business, the small pump business. We have made to order business which is our pre-engineered business which is the smaller and mid-size products that go into chemical plants, steel plants, fertilizers, etc. Then we have a made to order business and the made to order business is completely engineered which are the pumps that used to go to or are still going into irrigation schemes, into power plants, into large water supply schemes and then we have a project business which is all the way, if you may you call it at the top which is the business that does the complete, at one time the complete civil and piping and system engineering and complete system integration and we think we are seeing a significant convergence or a reduction, convergence between our project business and our made to order business or made to engineer business where slowly that made to engineer business or made to order business is growing. Historically we did not have a project business, let us say 20 years ago we only had the made to order business and we felt the margin in the made to order business was low because the EPC company who did the project would squeeze us and so we decided to sort of move into the project business. Obviously we realized that the margins are harder when it comes to civil, etc and you are obviously heavily exposed to the government and changes in policies and that business which is why over time we have exited the project business and moved back down slowly into the made to engineer business or engineered business or made to order business, whatever you want to call it and again obviously because we are back in that business

we find that price pressure is still there, because now you are supplying engineered pumps to large EPC companies and they are negotiating with you, but the silver lining on that business has always been that the spare parts were very lucrative usually because they were specially engineered pumps in power stations or in water supply schemes which were running 24/7. So we think while the company has been reducing exposure to project business, as you are aware we still have a lot of historic projects which we are executing and lot of the historic projects still have – had fixed PVC, etc and there has been a lot of negotiation from the company side with the government to try and change that and add some level of flexibility where in some cases some governments have accepted that but the acceptance has been slow and as you are aware lot of losses have been incurred on that level of project business which as a company we are slowly exiting.

Mr.Ranjith Shivram : And finally is there any receivable risk in the current balance sheet or is it completely being provided for?

Management: We have been providing for every year based on scrutiny of our each account. So whatever we have shown as a receivable are good and whatever provisions are required are already provided by taking hit on profit and loss account.

Mr.Ranjith Shivram: So we need not expect any further provision going forward.

Management : Not known to us looking at the discussions with customer and current position.

Mr.Ranjith Shivram: Okay sir thank you, I will come back for further questions.

Moderator: Thank you for your question. Next question from Mr. Manish Goyal from Enam Holdings, please go ahead sir.

Mr. Manish Goyal: Very good afternoon. Sir, on the quite positive development on the boiler feed pump, nice to hear that we have developed and designed and supplied to Hyundai, so this is the development done at the KBL or it was along with the Kirloskar Ebara?

Management : Manish, this development was done together between KBL and Kirloskar Ebara. This was part of a KBL order with HDEC, which is Hyundai Engineering Construction Company. This is for a large power project in Abu Dhabi, so we supplied six large boiler feed pumps for very critical duties, for a 1,600 megawatt combined cycle power plant.

Mr. Manish Goyal: So, ideally going forward it will be KBL who will be continuing to pitch for the boiler feed pumps even in the domestic market?

Management : As you know the domestic market requires a lot of PTR, sub-requirements and as a strategy, as unfortunately we do not have very high self-esteem in India, so we have to supply all our innovative products outside India first to get PTR. So that has been our strategy and that is what we have done both for boiler feed, we have a couple of more orders like this that

we will execute in the overseas market, build the PTR and then sell it in India because it will not be that easy to sell it in India initially, as you know we did not have a PTR for this before which is – PTR is Proven Track Record which I am sure you are aware of.

Mr. Manish Goyal: Sure.

Management: So we have done this for the boiler feed pumps and we have done the same for our drive turbines which is the steam turbines from the Kirloskar Ebara side where also we have exported them before we supplied them inside India. So we feel that not yet, but we guess the fortunate thing is that there are no power plants coming up right now inside India or any new power plants which are moving at that pace.

Mr. Manish Goyal: No my point was that at least you will start getting qualified for...

Management : Absolutely, absolutely and it will be done together because KBL will make the main condensate pumps and cooling water pumps and Kirloskar Ebara will do the boiler feed pumps.

Mr. Manish Goyal: Okay, wonderful.

Management : To answer your question Manish, that power team, actually the marketing team looks at products offered by KBL, KEPL, Kirloskar Corrocoat, from all, we mean KBL joint ventures and subsidiaries present the united face to the customer. So we are able to give all the products that are required for a power station whether thermal, nuclear or combined cycle or whatever and work as one team and as far as design capability is concerned, we believe that we can make any product that is required in the power sector in our factory.

Mr. Manish Goyal: So just also wanted to get a sense with acquisition of Rodelta, so in terms of filling up the product gaps for API segment, how are we placed now going forward say in domestic as well as international market?

Management: You know Rodelta was I guess a very complementary company to Kirloskar Ebara. So all the missing, it was almost an exact fit to a jigsaw puzzle where all the products that were missing in Kirloskar Ebara were with Rodelta and these are both you know mainly a lot of the OH3, OH5, VS4, VS5, VS6 pumps which is the API designation for these pumps and Rodelta also has an approval with Statoil and with Shell and that is something we were trying to get on for KEPL, so that we can now get through Rodelta. So that was a good – from a customer perspective or customer access perspective is one side of it and product perspective is another side of it, which will help us onshore as well as offshore market. Right now with the prices of oil where they are we see the Downstream market slowly picking up, the fertilizers, the plastics, the polymers, the chemicals. So we see that there is movement there while of course there is movement on refineries but we expect a slowdown in refineries, as the price at the pump starts leveling out with the price of crude but of course as you are aware only 44% of all crude that is

sort of pumped goes for petroleum, the remaining goes for cosmetics and asphalt and chemicals and everything else. So that is why it is quite useful for us to ensure that we have a base on the petroleum derivative side.

Management: And the other thing Manish about Rodelta is that it started life as a Sulzer subsidiary and we were also licensees of Sulzer in the 60s. What we have known about Rodelta is there are certain product ranges that both KBL and Rodelta have, but looking at how Europe requirements have moved and Indian requirements have not moved but Indian requirements will move in that direction, we have the latest Sulzer designs for those product lines. So we do not really need to develop them again, certain ranges that we have we just use those drawings and meet either European or future Indian requirements from the design point of view.

Mr. Manish Goyal: So even all these products would be like a single point sales service even from say SPP as well UK operation has, so everything...

Management : Yeah, I mean some of them – we are selling some of them through SPP, of course as Rodelta. We are selling also we think in India now apart from the oil and gas range Rodelta as mentioned was a Sulzer company, so it came with the entire Sulzer paper and pulp range of pumps. So we are also introducing that in India for the paper and pulp market and in the South East Asia for the paper and pulp market. So the paper and pulp market requires quite a special technology product which was quite difficult to develop and of course again you need PTR for that. So this gives us a bit of shortcut into that market.

Mr. Manish Goyal: And just to clarify what you mentioned earlier that now lot of order book which was put on hold has started coming back again in the quarter 1 of the current calendar year, so that also includes the SPP UK or...

Management : We are mainly talking about SPP UK because SPP UK was the one that was most affected by offshore. None of the other companies have exposure like SPP UK to offshore. 40% of SPP UK's turnover comes from offshore and that is the largest division and when we say offshore it also affects us on the spare parts side because what has happened is that not only the offshore new order stops but also spare parts stopped and if you are not delivering offshore new orders then you are commissioning and your field service support also stops and our field service which is offshore field service is very lucrative because there are very few companies that can offer field services on offshore platforms. So it is not double Whammy but triple Whammy when the offshore market goes down.

Mr. Manish Goyal: So that is what, my next question was that what we have seen is that international revenues have gone down by 93-94 crores but your PBT has actually fallen by 63 crores, so I was just wondering that with just decline of 93 crores in revenue our PBT fall is significant, so is it that one of the reason is that your most profitable spares and after market services business has fallen and that has probably led to collapse in the profitability.

Management : Yeah, that affected us very badly on profitability because historically we mean SPP at one time, in fact up to maybe five, six years ago SPP was almost 80% Oil and Gas. In the last five years we sort of got it down from 80 to 40 and this year we are pushing it down again from 40 to 20 by diversifying in other areas. So, but what you are saying is absolutely right, offshore hit us on three levels, new products, field service and our spare parts. So it has hit us on three levels and of course what you are also seeing is a accumulated loss from Rodelta that came in for the last five months of operation, because of them having a completely empty order book when we got them.

Mr. Manish Goyal: Okay, so you are trying to say in the current year if we are able to come back to the revenue levels of CY 14 still on an overall basis we may not have the similar kind of margins due to change in revenue mix.

Management : Yes, that is what I said earlier as well that...

Mr. Manish Goyal: But it should be substantially better than what we have seen in last calendar year, right?

Management : Right, it will be better than last calendar year and also we will try and make it up because like we are one of three in offshore, we are one of three in transformer oil pumps also, so it is not just that we do not have any other products, it is just that historically Oil and Gas was such a big part of SPP and it was so focused that the other divisions were not as key but two years ago we put up a new plant for transformer oil pumps in the UK. So we have already started gaining traction across the world in that and in the last year we already brought that up from under 1% of turnover to close to 15-18% of turnover. So, we will keep pushing that to getting closer and closer to the – like an Oil and Gas business so that we have a power side because that of course goes into power transformers and traction transformers which are used in trains. So we have product groups like that, we of course have the industrial fire division which is the pumps that go into the large commercial complexes whereas in the industrial sites, so what we were just talking earlier, Downstream, so we can capture Downstream through that division and of course we have monopoly as you know in high rise buildings because of our patented multistage, multi-outlet products. So we are growing the other divisions as well, but at the same time the other divisions cannot generate a spare parts business like Oil and Gas, which is why we pushed Desalination as a new sector.

Mr. Manish Goyal: So how much spares used to contribute to the overall revenues for say the UK operations?

Management : Spares were as a percentage of turnover about 15% of turnover, but they were quite profitable, because spares as in most companies the RMSR ratio will be very low, right?

Mr. Manish Goyal: And just on the financials, what we see is that quarter 4 particularly and for the full year as a whole our other expenses have actually increased substantially and that is what

I probably see is the reason why our margins have been impacted, I am talking both from a standalone perspective as well as on a consolidated perspective. So are there any one-time provisions which have gone into this other expenses, if you can provide some details on it?

Management : As you said there are a few onetime provisions like write-offs but the major reason is whatever initiatives we have taken in last two years for restructuring the marketing department, for example engaging outside consultants, that is one of the main reasons.

Mr. Manish Goyal: So what would be that amount...

Management : Same as in coming years.

Mr. Manish Goyal: So this is not going to repeat in coming year...

Management : No, no.

Management : We think Manish this is the money that we spent with two strategic consultants to restructure the front end, one consultant to restructure the front end and one consultant to restructure the backend, so that is what you are saying.

Management : It is basically to integrate the entire organization.

Mr. Manish Goyal: I wanted to get a sense on what was the cost incurred on these onetime expenses.

Management : About 18 crores between the two of them.

Mr. Manish Goyal: 18 crores for the full year.

Management : Yeah.

Mr. Manish Goyal: And there may be any other expense related to provision related to bad debts and...

Management : Roughly 13 crores.

Mr. Manish Goyal: Okay and can you please provide the revenue in terms of how much was the product sales in Q4 and for the entire year?

Management : For the entire year as we mentioned earlier product sale was roughly 75% of our sale and project sale was 25%.

Management : Manish, we would only add over there that in project sale increasingly the product sale is getting to be higher and higher. Earlier the civil and piping which in projects division used to be in a few hundreds of crores, it has come down to double digit crores for the full year.

Mr. Manish Goyal: And on the domestic subsidiaries what I see is in Kirloskar Ebara the revenues have more or less been flat but your loss has jumped to 21 crores, a swing of 21 crores, so I am wondering why such a large swing on Kirloskar Ebara?

Management : Yeah, last year what has happened with Kirloskar Ebara is Elliot decided that they did not want to extend the license for steam turbines and so what had happened was in the previous year we had supplied a large number of steam turbines, drive turbines for the Reliance project and there were no orders for turbines because the bodies that recommend turbines to customers said, we mean the Indian consultancy firms said that we do not have proven track record and therefore we should not be given any order and suddenly a product line that had low material cost, the orders were zero as compared to 80 or 90 crores in the previous year. So while business increased and international business also increased we also had to face a situation where a very profitable product was no longer with us and the products that were with us which is the Downstream API pumps in an Indian market which became highly competitive because there are too many players and too few orders. Those orders were taken at high material costs and that is why you see turnover being almost very similar but the profitability not being there.

Management : But in the meantime Manish we have, as we knew this two years ago we started the development of our own API turbine and we have our own API like we talked to you earlier, we have our own API turbines, we exported them last year, a few of them obviously, very few, two years ago and we have now got the approval from certain agencies in India that recommend these turbines. So we are expecting that for the new year that we can start building up this order book again.

Mr. Manish Goyal: And I will just ask the last question, any pipeline building up on the LOC orders?

Management : No, not really. At the moment we have made offers but those are moving very slowly. Sorry, Vietnam which has come in we think, we have just received the advance, 10 million dollar order which will be executed over the next year and a half.

Mr. Manish Goyal: Sure, I will come back for more questions, thank you so much for all the answers.

Moderator: Thank you sir. We have a next question from Mr. Ritesh Shera from Lucky Investments, please go ahead sir.

Mr. Ritesh Shera: Sorry, I actually joined late, so maybe question must have got answered, just wanted to understand this 70-80 crore kind swing which is there on the consolidated number and which is coming out of subsidiaries, so first of all any one of's and second if you could give your reasoning and the outlook on the same and my second question is, you have been giving project and product breakup as 75:25, you are referring this on standalone basis or console?

Management : Standalone basis and product is 75 and project is 25, not the other way round.

Mr. Ritesh Shera: So this project 25 contribution to revenue, what is the corresponding contribution to EBITDA on the projects?

Management: In the negative.

Mr. Ritesh Shera: Can you quantify that negative?

Management: Because what is happening is we are coming towards the end of projects, so we are booking all the cost overruns that are taking place. So I will give you the figure, in the meantime we will answer the other questions.

Management: So you have asked about the overseas subsidiaries, we have just answered this question earlier, but had said that we have a couple of subsidiaries, one is in the US which is – and just so you are aware, the international subsidiaries run on a January through December calendar year unlike KBL in India which runs April through March. So, the subsidiaries like the one in the US for the year 2015 did better than 2014. In Europe similarly we did better in 2015 than in 2014, Thailand also we did better in 2015 compared to 2014 and so in the Middle East we did better in 2015 compared to 2014. Our biggest issue was in the UK and South Africa. The UK was the major issue because the UK business gets 40% of its total business of offshore Oil and Gas, whereas significant number of orders that went on hold last year which affected obviously the sales and in proportion or way more out of proportion rather on our profitability. I had mentioned earlier that SPP Pumps is one of the leaders in the offshore market, one of three companies worldwide for pumps for offshore platforms. So when orders go on hold or when there is a slowdown on the offshore side it hurts us very badly. Correspondingly when the market is doing well you can see the numbers yourself in 2013-2014. So that is what really hurt us.

Mr. Ritesh Shera: I heard this commentary then, so then can you quantify the swing on account of UK and Africa, the EBITDA level?

Management: The swing was about 6 million pounds.

Mr. Ritesh Shera: So that itself quantifies about 50 odd crores and second, you were referring in your comments on Rodelta and the accumulated losses, is there any quantification of that in the EBITDA?

Management: Yes, not in the number that is given before but there is an additional loss separate from that

Mr. Ritesh Shera: So what is that?

Management: It is maybe just slightly less than a million euros.

Mr. Ritesh Shera: So that is another 7-8 crores. Okay, can you give your outlook on this, do you foresee a swing back or there is any other assessment on these parts?

Management: No, we do not expect a swing back to 2014 number because as you know the Oil and Gas industry is in terrible shape right now, but what we did say for this year is the only orders that were on hold for last year have been released off hold and so our order book is available for this year and we are expecting to be profitable not at 2014 level but we are expecting to be quite profitable this year. The issue of course is for 2017 because again we will have a problem where the offshore industry is very sluggish right now. So we are as we said earlier moving into Downstream and moving into Desalination and of course areas like that it is very competitive because when you go Downstream you are not one of three, you are one of seven or one of eight. When you are in Desalination we do not have the 80-year old legacy of offshore, so you are a newer player. Of course we have PTR because we have similar products in similar situations, but not exactly in the same application. So, those are new areas we are getting into, we are also expanding our transformer oil business which is our specialty pumps that go into large transformer oil, sorry, into traction transformers and power transformers. So we are expanding all that. Of course those businesses will not generate the same level of spares that have been generated by the offshore business, so that is something that we have to keep in mind and they also may not generate the same level of field service that our offshore business generated because all this is onshore and the service rates are obviously not as lucrative onshore as they are on an offshore platform.

Mr. Ritesh Shera: Can you quantify the project business contribution at the EBITDA which was the earlier question and this pain point has been there for quite some time in the projects business, so if you could give your outlook there as to how do you see it over the next couple of years.

Management : You know the projects business, I do not think we give this number out at this level, but the projects business over a period of time what we have been doing is moving away from doing complete jobs on an EPC basis because we cannot do these projects business like other companies can and therefore we moved away from doing complete systems and are only supplying products to EPC contractors and I had explained a little earlier that basically what happens now is instead of us quoting for a system we are only quoting for these products and we are quoting them with very tight commercial terms, because we do not want to be stuck later on. We have also shown the EPC contractors that number one, the products are far better than anyone else's and number two that when they place an order on us they are able to complete the jobs much faster than anyone else because we coordinate very closely with them and we will supply the products when they are ready with their civil works and we will move out of there within a couple of months or three months at the most. So, while over a period of time the state governments with irrigation or city government, say water and Public Sector and Private Sector players in the power side are slowly – we can see some movement, we are no longer going to get these very large orders for complete systems where we get stuck for many years after that and we

are also, just for the information of everyone else, talking to the state governments wherever concerned to see how these project orders that we have received now almost close to a decade ago, how we can have movement again on them. As you are aware after Mr. YSR Reddy passed away, Andhra Pradesh has been in not a very happy state and while soon after there was very little movement and a lot of political issues before and after the bifurcation of the State there was very little happening over there. In the last few months we have been able to meet some people, we have been able to have some understanding on projects like Sripada Sagar, Rajiv Sagar, Indira Sagar to see what can be done with the equipment that has already been supplied and in one case which is Sripada Sagar the project has started moving again. In Rajiv Sagar and Indira Sagar the government is now considering different projects where this equipment can be used and we can be paid the rest of the money. Obviously everything has to be done properly, the pump station has to be built and everything else. So in some cases also we are trying to see whether these projects can be short closed so that we don't keep bleeding for much longer. So from nothing happening I can say that something has started happening as the state also realizes that these projects are needed and we are working closely with them to make sure that we can take these projects off our books.

Mr. Ritesh Shera: What are the value of this old residual backlog and the value of receivables on account of these projects?

Management : If you looked at page 7 of the presentation, something like 395 crores are excluded because nothing is moving on those projects and receivables are mainly retention are about 400 plus crores.

Mr. Ritesh Shera: Okay and my last question is can you tell us the utilization level across your assets?

Management: The Small Pumps business I would say is close to 60-65%. The Medium Pump business would be about 50-55% and the Large Pump business where we supply all these projects that would be about 40-45%.

Mr. Ritesh Shera: This covers both India and international.

Management: This covers mainly India; outside India manufacturing takes place in South Africa and in Britain and in the US. So US is quite high.

Management: We think the US right now is at possibly close to 65-70%. South Africa as we said earlier, we had issues in South Africa with obviously the mine strikes and all these other aspects, but we think currently it will be at about 40%. The UK is quite busy right now because as we said earlier the orders are taken off hold and we have a good portion of the order books of last year as well, so your utilization is possibly close to 80% or so but we would say that is a temporary phenomenon for this year. We are more interested in looking at what is the situation for 2017.

Mr. Ritesh Shera: So when you are referring to 395 crore as backlog which is not moving so these projects would not have got executed in FY16, is that the correct way to look at it?

Management: Yeah, nothing has moved...

Mr. Ritesh Shera: So no work on these projects.

Management: So this is the situation for a few years.

Mr. Ritesh Shera: And they sit in your backlog.

Management: And they sit in our backlog and though we ask the government to cancel the orders they are saying no wait for some time.

Mr. Ritesh Shera: But are there any operating costs associated with it?

Management: Actually nothing because we have not even started working on them or on engineering.

Mr. Ritesh Shera: So if there is a loss on or you are not making any EBITDA on the projects business which is a 25% contribution to your standalone revenues, they have to be projects other than these.

Management: Right and these projects I believe under the new government order they will come with price variation and everything else, if government wants to do them in the future.

Mr. Ritesh Shera: So even the projects where you are executing which must be three or five years old or three years old...

Management: Seven to eight years old.

Mr. Ritesh Shera: Okay, so whatever you are executing is also seven year old.

Management: Yeah.

Mr. Ritesh Shera: Which means you would not have taken any project order in the last three, four years?

Management: Yeah, more than that.

Mr. Ritesh Shera: Okay, thank you very much sir.

Management: From the year 2010 which now seems a long time ago, we stopped taking orders for irrigation at that time, so all the orders are from 2007-2008 and early 2009.

Mr. Ritesh Shera: It would be actually interesting if you could quantify at the EBITDA level what would be the loss.

Management: Yeah.

Mr. Ritesh Shera: If you can.

Management: It is quite significant, yeah.

Mr. Ritesh Shera: Okay, thank you sir.

Moderator: Thank you for your question sir. Next question from Mr. Kamlesh Kotak from Asian Markets, please go ahead.

Mr. Kamlesh Kotak: Hello, good afternoon sir. Sir, just wanted to check can you help us at least with the product and project breakup of the order book pending?

Management: If you go to slide 7 you will see that for the last four quarters from first quarter, second quarter, third quarter, fourth quarter we have listed out all the sectors that the company operates in, but the top three what we call project sector and the bottom eight are product sectors and as we explained earlier, even in the so called project sector most of the value is for products.

Mr. Kamlesh Kotak: So how much would be the products value from these projects?

Management: When we say products we mean our products because this also includes electromechanical. So currently what we do is take orders for electromechanical which is pump, motor or engines, panels, valves, things like this, cranes, traveling water screens, it is also mechanical and electromechanical stuff. So the breakup over there would be probably about 80% would be electromechanical.

Mr. Kamlesh Kotak: That includes pumps also, right?

Management: It includes pumps also and it depends on that project as to what percentage would be the pump portion, what percentage would be the motor portion. It depends on the value of – we mean whether if it is sea water then obviously the pump would be an exotic material. So we cannot give you a number as to exactly how that is.

Mr. Kamlesh Kotak: And rest 20% would be what sir?

Management: The other 20% may be some very little civil work which is within the pump station that they might ask us to do.

Management: We think this ratio is valid for water and power. We think irrigation there is still a lot of leftover historic legacy civil work. So that ratio will not be valid for irrigation, the 80:20 ratios.

Management: The product sectors have different delivery periods, if you are trying to build, what would be the turnover from there. Our distribution business actually has very little orders on hand at any moment in time and therefore we do not show it over here though that is our

biggest single sector. So, that whatever, these are pumps that go into homes or go into farms, whatever is delivered, whatever is ordered goes out in the same month and that is about 40% of our turnover.

Mr. Kamlesh Kotak: And what would be the timeline roughly for these three main project verticals for the execution like irrigation, water and power?

Management: It depends, but we would say that it would be beyond six months to a year after getting the order.

Mr. Kamlesh Kotak: Second thing, coming to the exports you mentioned that exports have grown by 8%, so any comment on that, any products, any verticals, any geographies that has been and how the trend has been...

Management: We would like to clarify that KBL shows exports, those exports are normally either components or engineered products, so one or the other end of the spectrum, it does not actually make the products in between because those are made at the plants overseas. So the rise was due to large power plant projects that we bagged in America for Sasol, for a refinery in America, for ExxonMobil plant in America through Linde and for a couple more fertilizer plants in America. So that is where the large rise came from. We also got a lot of orders in Italy with a company that supplies steel equipment and also with a large EPC contractor Tecnicas Reunidas in Spain. So that is where the large engineered pumps went and then the components went to the overseas plants, mainly to the American plant and the South East Asian which is Thai plant.

Mr. Kamlesh Kotak: Sir, coming to the subsidiaries, how much is the revenue booked at Rodelta for this year, when you say one million euro loss what revenue is that?

Management: This year's projected revenue for Rodelta is about 6.5 million euros.

Mr. Kamlesh Kotak: You say 2016, is it?

Management: Yeah, calendar year 2016.

Mr. Kamlesh Kotak: How much was it last year sir?

Management: Less than a million.

Management: Yeah barely anything because we got the company out of as we said out of receivership which is equivalent of BIFR, so we had zero order-book. We think, if we are not mistaken it was 775,000 Euros because all that we could gather at that time was spare parts order book. So that is how it started but our target for this year as we said is 6.5 million euros.

Mr. Kamlesh Kotak: And this could be at reasonably good margins?

Management: We expect so; it is going mainly for Downstream petrochemicals.

Mr. Kamlesh Kotak: Thirdly what would be our revenue for spare parts out of the total revenue, if you can share with me?

Management: When you say total you mean worldwide or you mean India?

Mr. Kamlesh Kotak: Yeah both, India and worldwide if you can help me with both.

Management: About 8% in India.

Mr. Kamlesh Kotak: And console?

Management: About the same, maybe together it could be about 12% but we think it should be about that, because lot of the revenue – this year we, mean the coming this year the revenues were lower because the high value offshore spares were not being bought by the offshore companies because they were just running the equipment without any maintenance.

Mr. Kamlesh Kotak: So you said 12% overall which must be, you must have had last year.

Management: The year before is much higher, yes. It was 18 if we are not mistaken.

Mr. Kamlesh Kotak: And how much would be the order book for SPP vis-à-vis last year?

Management : When you say order book, so order book opening January 2016 was 30% higher than order book opening January 2015, but that said, that can be a little misleading because like we said to you a lot of orders went on hold in 2015, so those just carried on into 2016. So we mean if you remove all that we would say possibly 10-12% higher than 2015 opening order book and like we said to you my main concern if you are looking, forward looking is 2017.

Mr. Kamlesh Kotak Okay, where you have an issue on visibility in terms of new orders coming in.

Management: Exactly.

Mr. Kamlesh Kotak: Finally sir, over the last three-four years we have moved almost from product project ratio from 55-60% to 75%, but still our margins have still being in the same single digit range, so when you see that thing to change, you may not give the actual number but how you see that numbers to change in the next one to two years, what is your sense on that sir?

Management: Let us just give a small background. Like we mentioned we are almost four businesses in one business and which we explained earlier. We have the made to stock business, the made to order business, the made to engineer business or completely engineered business and we have the project business. The reason we went into project business back in the day is because the made to engineered business is under a lot of pressure on margin because EPC companies would squeeze us and of course we did make money from spare parts but that money came a little bit later, it did not come at that point of sale. Today we are caught in a situation

where the project business as we are closing in and finishing towards the end, where 80s and late 90% completion levels, we are obviously incurring lot of overrun losses which are very, very significant and at the same time for the engineered business we are still under tight pressure because that is the nature of that business. So you know there are two businesses out of four which are – or rather one business out of four which is contributing very, very negatively and the next business out of let us say three which is giving low margins and then it is the remaining two businesses that are giving you all the margins. So, effectively there is a lot of negating effect across all the businesses which is not giving a clear picture what is really happening in the company, but as you can see if you look at the rate of growth, if you look at the last few years you will see the product business has grown very significantly on a year to year compounded ratio which is above 20% a year. So there has been a lot of effort gone in growing the product business because that obviously gives us cash flow and that gives us margin and it ensures that at the end of the day you still see a profit even after all the money that the project business loses.

Management: And basically what we are trying to ensure is the balance sheet gets stronger year by year, so that is the main thing that is driving us at the moment that how do you ensure that number one, we do not want to lose our reputation by running away from any projects, so we are ensuring that every single project is completed to the customer's satisfaction. There are a lot of issues in completing some of them but we are working closely with the customers understanding that they also might have some issues and in many cases even acquisition of land has not taken place yet, but once we have made that commitment we have to complete that commitment. The other thing that we are seeing is how you make sure that the company's balance sheet becomes stronger year by year. This year I think because of some of the losses we have not been able to reduce the loan funds from banks as much as we would have liked. We think it has increased a little bit by about 20 crores, but overall we are very confident about the strategy that we are following and we will continue to grow the product business because we see a market, we see customers wanting products from KBL and therefore we are growing that, we are bringing out new products but we also have to complete the old ones and that we will do and make sure that the confidence that customers have in the company does not go away.

Management: We also think that if you look at the growth of the product business which is 20% on a compounded rate, as you are well aware and as you are following many companies that 20% is not the growth of the Indian market. So there is a significant amount of market share we are taking away from other people, while we are trying to grow that business. So there is obviously a lot of effort going in that business to ensure that we negate all the losses that the project business is throwing on to the company.

Mr. Kamlesh Kotak: Sure, so that is what exactly sir I was making the point that if we are growing at 20% with a decent margin and still our margins remain same which means that the losses on project business must have widened significantly.

Management: They are about the same for the last few years.

Mr. Kamlesh Kotak: Then sir out of 1570 crore of order book how much would be those old projects which we still have a loss making kind of a proposition?

Management: The old orders, the total – we are trying to see where you have got that 1570 number from, 1570 Q4...

Mr. Kamlesh Kotak: That is right.

Management: Which is the total number of orders, so you just look at the up three which is irrigation, water resource management and power, we would say that in irrigation, water is all totally in the last two or three years, the irrigation is much older and power is from 2010-2011.

Mr. Kamlesh Kotak: So that is most of the losses are from irrigation, is it?

Management: Most of the losses are from irrigation and power.

Mr. Kamlesh Kotak: Okay, alright. Okay sir, thank you very much.

Moderator: Thank you sir. Due to time constraint we would not be able to take more questions. I would now like to hand the conference back to Mr. Mate, over to you sir.

Mr. Mate: Okay, thank you. Thank you for attending this meeting and showing interest in results of KBL. Thank you.

Management: Thank you.

Moderator: Ladies and Gentlemen, that concludes KBL's earnings call for today. Thank you for your participation, you may all disconnect now. Thank you.