

**Kirloskar Brothers Ltd**  
**Conference Call**  
**30 July, 2013**

**Moderator:** Ladies and Gentlemen, Good Afternoon. Thank you for standing by and welcome to Kirloskar Brothers Ltd. first quarter 2013-2014 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's Secretary Mr. Sandeep Phadnis. Mr. Umesh Shastry will take us to the result's highlights for the period ending June 2013. All participants are requested to refer to the presentation available on the company website, [www.kirloskarpumps.com](http://www.kirloskarpumps.com). As a gentle reminder, during the duration of the presentation all participants are in a listen-only mode. There will be an opportunity to ask question at the end of the presentation. If you wish to ask a question, please press \* and 1 on your telephone, please be advised as this conference is being recorded today. I will now hand the conference to Mr. Umesh Shastry. Over to you, Sir.

**Umesh Shastry:** Good Afternoon, Ladies and Gentlemen. Welcome to the Quarter1 earnings call for Kirloskar Brothers. As usual, I will run you through the presentation that we have already loaded on our website and I invite your attention to our disclaimer on Page 2 before I proceed quickly through the presentation. This time I will run through the presentation a little fast, so that we will have more time for Question and Answer session subsequently. I will start with the overall companywide highlights; you know the way overall Indian economy has been progressing over the last few quarters. A similar situation probably prevailed in quarter 1 and because of all the bearish under currents the revenue and profitability of KBL has also been affected just like probably the rest of the industry and the rest of the economy as a whole. However, improving the quality of our balance sheet continued to be our main financial agenda as we have been pursuing for the last about 8 Quarters and we continue to focus on the same. Of course focussing on selective sales also depending upon the collections continues because as we have always been mentioning our billing is dependent upon our collection and we are actually invoicing only if the money for the sales that we are going to do comes in from the customers. For the project business, the closure of the old project and recovery of the old retention money also continues because that is what is going to drive our working capital improvement and lastly I would also like to inform all of you that the merger of Hematic Motors Pvt Ltd with Kirloskar Construction and Engineers Ltd. which was initially approved by the Bombay High Court has also now been approved by the Madras High Court and the necessary procedural formalities are under way for the subsequent steps as far as this merger is concerned. A quick look at the Sector highlights, for irrigation sector, The SSNL project we achieved the contractual completion at the end of June and also commenced contractual O&M for a period of six months beginning 1<sup>st</sup> July. We also completed the successful testing of our first in house designed metallic volume pump for the Kaleshwaram project. As far as the water sector was concerned, the main thing that happened in this quarter was collection of some retention money from The Bangalore Water Supply Sewerage Board. Moving onto power sector, the significant achievement was signing of an agreement with SNC Lavalin in Canada, a major contractor for supplier of choice for sourcing pumps for all their global projects. And we also commissioned a couple of important pumps in some of the projects whose names are listed in our presentation. the Gas, Oil and Defence sector for the ONGC platforms for which the

dispatches have happened, the work is progressing as planned and we also received orders for this sector from Lindhe, Germany and from Mazagaon Dockyard during the first quarter of the current financial year. Regarding the industry sector, it was a bit slow but we continued our efforts in promoting and showcasing our products and positioning ourselves as a process pump manufacturer. This is something that we have been telling you in the past and we continue this particular effort. The building and construction sector had approvals from major HVAC consultants for variable speed pumping system and as we mentioned in the last quarter, focus on replacement business in this particular business vertical also continued in this quarter. The distribution sector or dealer business, the synchronised manufacturing distribution system which we spoke about has been implemented. It is running pretty well and we also appointed about twenty new dealers during this quarter of the financial year. The spares business of the customer service and support business vertical had the authorised refurbishment centre opening up at Surat in addition to the ARCs which we have already established, which we had spoken about in our last couple of earnings calls. And we are closely working with Tata Steel for refurbishment of their pumps installed at their Jamshedpur facility. Moving over to the factory, we had some major dispatches from the Kirloskarvadi factory for Lindhe, for the Coast Guard and for BGR whose details are given in the presentation that we have loaded on the website. The Dewas, Shirval and Coimbatore factories, we had delegates from International and Regional Offices visiting Dewas and Shirval during the quarter and we also had a very successful project of Mahila Mission 20 which was completed at the Coimbatore plant. The Sanand plant the production and dispatches are going on as scheduled and as planned. As you know, the last quarter of the previous financial year is actually when the moment of real gain sort of gathered at this particular plant. Moving on to our valves plant, Kondhapuri plant, we got the ISO: 50001 certification during the quarter. U/I qualification was also, the testing was successfully completed for a few gate valves whose dimensions were given in the presentation, and we also developed a new product for our butter fly valves in the Quarter. The next slide shows the company wide pending orders and you will see that the total pending orders are currently at the end of the first quarter of June, stand at Rs. 1,958 crores which is down from Rs. 2,101 Crores that is the end of March. But you will find that the product sectors orders are you know, more or less in line barring the gas oil and defence, where we had the ONGC order which was lying at the end of Quarter 4, which was dispatched in Quarter1 of the current financial year. If you look at the orders received during this quarter you will find that we received 278 Crores worth of orders during the quarter on a standalone basis and on the consolidated basis, we received about 485 Crores of orders during Quarter1. And the total pending orders on hand on consolidated basis stand at 2,521 Crores against 2,637 Crores as at the end of March 2013.

A quick look at the highlights of the Q1 stand alone financials, there is a reduction in borrowing by about Rs. 11 Crores as compared to March, but if look at year on year basis the borrowings have been dropped by 82 Crores as compared to June 2012. We generated about 14 Crores of cash in this quarter as compared to 5 Crores of the Quarter1 of the previous financial year which excluding the Income Tax refund of 35 Crores because including the Income Tax refund which we received last year the cash generation was 40 Crores, but purely operational cash generation was 5 Crores and this year it has moved up to 14 Crores. There was a net reduction in retention debtors by about Rs. 8 Crores during the Quarter. The revenue from operations was about 426 Crores which is about a 4% fall as compared to 442 Crores in Q1 of the last financial year, and as usual we continue to be

selective with our orders on execution the manufacture products total revenue has now gone up to 60% of the sales as against 56% in Quarter1 of the previous financial year. The profit before tax is lower at 5 Crores as compared to 11 Crores in the previous year. This is mainly because of a higher booking of 2 crores of notional loss, forex loss in the foreign currency borrowings because of the huge rupee depreciation which has been felt right across the industry. And also, we had a lower sale in the industry sector and the spares business verticals as compared to the previous year which led to a reduction in both the revenue as well as the profitability for this particular Quarter. The standalone numbers are shown in the chart on slide 12 in the presentation where you will see the total income is at 427 Crores with a PBT of 5 Crores and a cash profit of about 12 Crores as compared to the previous year's quarter which had 17 Crores of cash profit and about 11 Crores of PBT. As in percentage terms consequently of course, the also 3 percentages stand lower than previous year because of the drop as far as the profitability is concerned.

The balance sheet on the standalone basis show that the total assets are 1,039 Crores as compared to 1,102 Crores in June'12. It is about 8 Crores lower than March'13, the gross current assets are about 1,493 Crores as compared to 1,504 Crores in June'12. The gross current liability is on a little higher at 997 crores. the net current assets stands at 496 Crores which is more or less the same as we stood on March'13 and the borrowings like I said in the beginning are down from 268 Crores to 257 Crores but if you look at the 3 Quarters, you will find in June'11 there were 457 Crores which came down to 339 Crores in June'12 and which has now come down to 257 Cores. So the emphasis on the working capital improvement and reduction in borrowings can be seen from this number. On a consolidated basis, our total income for the quarter end at June'13 is Rs.707 Crores as compared to 617 Crores as compared in the previous Quarter. But the profit before tax is lower at 2 Crores as compared to 23 Crores in the previous quarter. This is mainly due to booking of certain LDs in SPP, UK, as well as provision for obsolescence in Inventory which has also been made in our foreign subsidiaries and the fact that our two Indian subsidiary which are Kirloskar Corrocoat and Kolhapur Steel Limited in the current quarter did not do as well as they had done in the previous quarter, also because of the recession that is prevailing in the economy. And naturally, consequent to that, the ratio also are showing a corresponding drop because of the reduction in the profitability numbers.

The balance sheet on the consolidated basis shows total assets of about 1,341 Crores, gross current assets of 2,116 Crores. over here, you will find that there has been an increase in the gross current assets and in the total assets as compared to the position of March. This is because of increase in both debtors and inventory at our foreign subsidiaries, but this we believe is only a temporary aberration, this is not going to be a permanent fixture going forward and moving on a quarter and quarter basis, we believe that there is going to be a reduction in both the inventories and the debtors numbers because of which you will find both the gross current assets as well as the net current assets going down on consolidated basis as we move ahead. The borrowings have gone up primarily because of funding which was required for our plant which we inaugurated in the USA as well as you know, the debtors and inventory increased, which took place on the International and subsidiaries which was mainly in SPP, UK.

That is all we have as far as the slides are concerned, like I said, we ran through these slides very quickly and now we will throw open the floor for any questions that you may have. Thank you very much.

**Moderator:** Certainly Sir. Ladies and Gentleman, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your request, you may do so, by pressing 1 on you telephone. Ladies and Gentleman, to ask a question, please press \* and 1 on your phone. We have our first question from Mr. Balchandra Shinde from Batlivala and Karani, please go ahead.

**Balchandra Shinde:** Hello Sir, good afternoon. Sir, as per the order intake slide in our presentation, our order intake for products is declining continuously for last 4-5 quarters. Is it a matter of concern for us or how we look at it?

**Management:** You know if you look at the product sector, mainly from Industry, Building Construction, Distribution and Customer Support and Service, you will find the orders are more or less flat, they have not really declined very much. The decline is coming only in Gas, Oil and Defence where we had the major order of ONGC and the Gas, Oil and Defence business is anyway a lumpy kind of business where you will have an order board which will have its peak and troughs. So, we do not believe that this is something really to worry about and one more thing I want to highlight is, you know we have buy to it, or rather we are working on improving our delivery and cycle time also going ahead at the plants so because of that the order board now, which will stand at any given point on time, will not necessarily you know, we had a very high levels for this product sectors because we would be churning out these products from the factories, fairly quickly as compared to the delivery period that we had in the past.

**Balchandra Shinde:** So, how much change will be there in cycle time for these products?

**Management:** Well, in Dewas, anything that is ordered today is delivered in two to three weeks maximum.

**Management:** Which used to be, about five to six weeks earlier.

**Balchandra Shinde:** Ok.

**Management:** Ahmedabad as well as Coimbatore plants have geared up and they are delivering very fast. and even in Vadi, the cycle time has been reduced because the capacity has gone up. So today, usually about delivery say within ten to twelve weeks, you know, very comfortably delivering around in eight week's time.

**Balchandra Shinde:** So, on an average, how much delivery period we can consider for these product segments.

**Management:** Well as I said, Dewas's two weeks is going to be standard. But you can try and make it shorter and about eight weeks for Vadi, standard products know, because it is a very large pump knows, so obviously then it will take a longer time. But I would say about 60-70% of the products will be delivered in eight weeks.

**Balchandra Shinde:** In this quarter, how much project segment revenue was? I mean what kind of growth it was?

**Management:** Actually, the project revenue fell as compared to the quarter 1 of the previous year by about 10-12 Crores. and if you look at the composition of the product, product vs the projects, we had about 39% sales coming in from projects and quarter 1 of the last year and 61% from products. This year it was 38% in projects and 62% from products.

**Balchandra Shinde:** Ok. And Sir about the stagnant order means legacy orders which we have in project segment. Were we able to execute some of the orders this time or we have not executed at all, anything from the longer..

**Management:** No, there has been a reduction or there has been some execution in irrigation as well as in the power space. Though you know, in the power we were not able to complete the POC, revenue recognition but there has been a little bit of movement and in Irrigation we are definitely working on you know, trying to quickly execute and close those orders where the customers also is, like we mentioned last time, you know reciprocating the need to get that project completed, so that, hand in hand, we are you know working together to see how quickly we can get those orders executed.

**Balchandra Shinde:** Ok. And Sir comparatively, what kind of growth you see in product segment and project segments, in next two years, especially in product segment when there is a slower investment cycle around this year?

**Management:** See despite the slower investment cycle, you know, though we did not grow in quarter 1, we still are, you know, feel that we should be able to go about 10-12% in the product sectors definitely in the quarters going ahead. And project sectors, as we have always been saying, it is very difficult for us to say whether there is going to be a growth or a fall or it is going to remain flat. We are there in order to complete the projects with the customer but it completely depends upon the money being received from the customer as well as the eagerness of the customer to get the project completed.

**Balchandra Shinde:** And Sir, lastly about the project segments means like as we know that this long orders which we yet to be executed, when we see those kind of orders going out of our total order book and see a purely a good order on our books.

**Management:** You know, it is very difficult to answer that question because Umesh has explained I think twice already, we bill only when a customer is ready to pay, so it depends actually on the customer and we are trying to see how best we can work together so that both of us do not suffer.

**Balchandra Shinde:** Ok, means like we cannot get away with these orders so we have to execute or there are some orders where we can get away by the execution, out of the total order books.

**Management:** See we are talking to different customers and you know each customer is different so whatever is best for both of us, we will do.

**Balchandra Shinde:** Ok, thank you very much Sir.

**Moderator:** Thank you Sir. We have our next question from Mr. Manish Goyal from Enam Holdings, over to you Sir.

**Manish Goyal:** Yeah, very good afternoon Sir. Sir, on the subsidiary side, if you can highlight, believe the, at overall subsidiary levels we have seen losses in the current quarter so at SPP, UK, what was the nature of the LD provision and what was the amount and if you can just run through how subsidiaries have done.

**Management:** Ok Manish, firstly I would like to say this performance is for the first quarter of the you know, rather, as far as subsidiaries are concerned, they have a different period as compared to us, so, yes the foreign subsidiaries so you know, they are one quarter behind us, so when we declare our June results, the consolidated picture shows the result shows of Jan to March for a foreign subsidiaries. Ok, now Jan to March for a foreign subsidiary is, was just the first quarter of the year and in the first quarter of the year, though we saw momentum in the two small international subsidiaries, which was Kirloskar Brothers Europe and Kirloskar Brothers Thailand, we did not see that kind of momentum in SPP pumps. the momentum in SPP pumps actually began probably, in May or as far as the calendar month was concerned. So you know, you will see a different picture when we probably present our consolidated results in the next earnings call because that will reflect the June end picture. But at the same time, I would like to tell you that the quarter April to June has been much better for SPP than the earlier quarter, so we believe that this quarter of Jan to March was an aberration and some of the LD provisions etc. has been made based on a prudence because of the fact that you know, we said it is better to make a provision right now and once we collect the money from the customer then we will account it as an income occurring to us. So you know, provisions are made more on a prudence basis and we are still talking to those customers to see whether those LDs could probably be released and we are hopeful that, we would probably be able to succeed on that.

**Management:** But is it, this LD provision SPP is related to project nature of our business or it is product only?

**Management:** It is a product. It is regular fire-fighting pumps sets which were packages which were dispatched.

**Manish Goyal:** And what was the amount Sir, roughly?

**Management:** About 250,000 pounds.

**Manish Goyal:** Ok and how was the performance of Kirloskar Construction and Hematic Motors in the quarter 1 of the current year?

**Management:** Kirloskar Constructions as we have been saying is focusing on completing those two old projects, unfortunately, in those two projects also we did not see any reciprocation from the customer or eagerness to be able to close those projects, so there was only a 2 crore sale which was made by Kirloskar Constructions in the first quarter of the year so though we would like to get out of these projects very fast and we are hopeful that by September, we will be able to come out of it. The way things are going now, you know, we will be , do not know as to when the projects will get completed because the customers are not showing the necessary interest to pay us the old dues also and also have these projects moving forward. As far as, Hematic Motors was concerned, well, you know the picture is generally with the rest of the companies. It is more or less in line with what happened in the previous year but there was no earth shattering you know, jump or growth or anything from that perspective.

**Manish Goyal:** So Hematic Motors, roughly 60-70% sales happened to Kirloskar Brothers operations?

**Management:** Yes.

**Manish Goyal:** Ok so overall... and in the standalone, other expenses were higher so what was the reason, were there any project related provisions done in the other aspects of quarter 1 in standalone.

**Management:** Yes we also in the standalone had some provisions for LDs which were made along with the ForEx portion, when did to other expenses because as you know the ForEx is broken up with the finance cost and other expenses both. so the portion of it goes to other expenses.

**Manish Goyal:** But how much was LD provision?

**Management:** LD provision which we made was roughly to the tune of about 4 crores, which is about normal, which is not exceptional.

**Manish Goyal:** Ok and in projects, this quarter what were the losses booked in the projects, in the current quarter roughly?

**Management:** I will tell you; roughly we booked about 15 crores of losses in our projects.

**Manish Goyal:** But this 15 crore does not include 4 crore on the account of LD?

**Management:** It does, it does. You know since it is not the project, it is accounted for in the project sector as a loss.

**Manish Goyal:** Ok. And if you can just highlight on the Industry growth trends what we are seeing because quarter 1 was subdued so just wanted to get a sense that what do we see the current trends and going forward?

**Management:** See, the Industry sector is very flat. In fact, Industry trend, ok, in general, I believe the other company, some companies are also having very many problems, they believe, that some of them are closing their regional offices and so on so I do not think the picture is any different for the other pump industries.

**Management:** But you know Manish, I would like to add one thing to what Mr. Sapre said. Our Industry, Business Vertical and Spares business Vertical did not do as planned or, like the previous year. But Buildings Construction Business Vertical and the Distribution Business Vertical, it has grown in line with what we had planned. so you know, over there we did do better than what economy of the rest of the market probably did.

**Manish Goyal:** Ok fine I will come back, thanks a lot for all the answers.

**Management:** Sure.

**Moderator:** Thank you Sir. We have our next question from Mr. Mahantesh from Finquest Securities, Mr. Mahantesh over to you Sir.

**Mahantesh:** Good afternoon Sir. Sir it is near to break up of sales in terms of pumps and direct to consumers and projects.

**Management:** I am not sure whether you have attended our earlier earnings call but normally this information, we normally do not disclose. And we have already told The Financial Analyst before that because of the fact that you know, it would be information which would be easily available to our competitors, we normally do not give this kind of dissection, anywhere either in a presentation or during our earnings calls.

**Mahantesh:** Ok Sir and broadly over the past three years, can you just highlight, the per sales, Sir. How much it was around?

**Management:** I did not understand the question can you please repeat.

**Mahantesh:** I mean in the last three years what were the project sales, sales for the projects.

**Management:** Project Sales?

**Mahantesh:** Yeah.

**Management:** See project sales I, if you I mean compared to last year, the last quarter that is FY13 I said that we are down by about 10 crores, but the project Sales have been coming down year on year, right I do not think exactly the March numbers have been available with me but we have been seeing this declining trend in Project Sales mainly because of the fact that we have not been billing because of the collection issues, that I point number1 and point number2 is also the customers have not shown an eagerness in many cases for getting their projects executed. So definitely the ratio of the project business as compared to the overall business of the company is coming down you know, Quarter-on-Quarter, year-on-year and like I mentioned a little earlier in this current quarter we had 38% revenue coming from Projects and 62% coming in from products and about 3 years back probably we had about reverse position where had something like 60-65% sales coming in from Projects and about 35% sales coming in from products. So in a period of three years we have seen this scenarios completely go the other way.

**Mahantesh:** Ok, in ballpark FY13 can we assume that it was 38% projects and 62% products?

**Management:** Yes, I think it was, you are right.

**Mahantesh:** Ok, sir. Sir and can you just tell me the receivables from the projects sales at end of FY13 or at the end of this quarter.

**Management:** Only from Projects?

**Mahantesh:** Yeah only from projects.

**Management:** Well I do not have that number readily right now maybe you know if you can just shoot me a mail or something, I will give you that number because I do not have that exactly available separately for projects with me right now, though of course the total figure is available and it is yeah majority I think it would be from projects. See the total receivables I can tell you it is about currently 286 crores.

**Mahantesh:** Ok, at the end of Q1 FY14?



**Management:** Q1 FY14, yes. This thing in the previous year was 250 crores in Q1 FY12 and at end of March was 285 crores, so March vis-à-vis June, it is more or less the same.

**Mahantesh:** Yeah that is true sir, just wanted to know the receivables from projects, how much total 286 crores, how much does receivables from projects sales come into.

**Management:** That is what I am saying, majority of it, like you know probably 80% of this would be projects hardly 20% would be from products because product sectors distribution is on cash and carry and for the other product sectors these days normally ranges between 30 and 45, so you know we would hardly have one month sitting there. The rest of it is all the project sector sales only, receivables only.

**Mahantesh:** Ok, sir. I mean, you mean in case of products 100% of revenue would be booking at time of supply or I mean how is that, at the time of erection or operation, how is that?

**Management:** Again your question is not very clear to me.

**Mahantesh:** I just wanted to know the nature of billing now I mean in your case, within terms of projects, with terms of products. How do you bill in case of products and....

**Management:** No, projects are naturally running bill based on completion of the project, the product so is the direct billing and direct collection.

**Mahantesh:** I mean when it is supplied from the factory, then only you book it and at retail level it will be sold.

**Management:** No, naturally when it is build it is as a sale so there is no such thing as a transfer from factory to regional office or you know. It is a direct sale that takes place because most of our sales are at its factory.

**Mahantesh:** Ok, I mean as it shifts out from factory it will be booked into sale.

**Management:** Yeah, unless it is you know regional office has asked for a stock transfer, and there it is stock transferred therein subsequently you know bill.

**Mahantesh:** Ok, at the time of supply you will be recognised the revenue that is what.

**Management:** Yeah, as per the accounting standard whatever is to be done we do accordingly.

**Mahantesh:** Ok, sir actually like when compared to your nearest compared to Jyothi which I said higher debtor days there but they have lower debtor days in terms of purchase, right I think? Or is it.

**Management:** Yeah compared to Jyothi definitely we would be better as far as debtors management is concerned.

**Mahantesh:** I mean any particular reasons for that, I mean how just you understand the dynamics of the industry.

**Management:** We do not know on what basis Jyothi conducts its business.

**Mahantesh:** Ok, you know on the bargaining front you might be having a better bargaining power.

**Management:** No, we are very firm with our credit terms with our customer's first product and business we would not like to do business which does not suit the credit terms you know that we are....

**Mahantesh:** Ok. And one more thing in the latest quarter the incremental expense in, I mean other expenses and also like the purchase of finishing goods was valued at LD and the FOREX losses.

**Management:** What FOREX and LD.

**Mahantesh:** Ok, FOREX sir how much sir, can you just repeat again.

**Management:** The FOREX the total loss which was booked in for FOREX during the quarter was to the extent of 10 crores.

**Mahantesh:** And 15 Cores from project losses you mean?

**Management:** 15 crores from what?

**Mahantesh:** Project losses, just now you mentioned in the previous question.

**Management:** Yeah that is part of you know, it does not go only into the other expenses, it goes everywhere you know I mean. You are asking about the other expenses portion you know, you are mixing intra project losses, so I think, probably you should get the fundas of line item to be cleared.

**Mahantesh:** No, sir I just wanted to understand the year on year comparison like in terms of, switching in terms of purchase of finished goods, Q-on-Q from 11% of sale to 17% and even the other expenses of short term from 11% of sales to 17%. Just wanted to know inspite of reduction in cost of goods sold from 59% to 51% of sales, so I mean what like where it was impacted?

**Management:** The other expenses I told you the two big reasons, the one is the FOREX and one is the LD expenses part.

**Mahantesh:** Ok, LD how much sir? 4 crores?

**Management:** 4 crores, that is right. So that was the FOREX part which I told you and the other question was regarding what purchase of finished goods?

**Mahantesh:** Yeah.

**Management:** No, what exactly was the question.

**Mahantesh:** No, it has been shot of, right. I mean otherwise if you have to combine together in for cost of goods sold together with you take it as COGS, or how is that?

**Management:** This stock in trade which was basically the trading items which were purchased for execution of our projects. So that is why whatever projects which we executed

during the quarter had a higher level of trading component which was into the project execution. And as far as you see the purchase and stock in trade high.

**Mahantesh:** Ok, sir entering the same so.....

**Management:** Yeah.

**Mahantesh:** And even the employ hike Q-on-Q was slightly up, I mean that was nothing.

**Management:** Employee expenses, no last year was 359 crores and this year it is Rs. 367 crores. So, I mean there is an inflation there is an employee...

**Mahantesh:** No, I was talking about Q-on-Q it was 348 crores right, at the end of March, I mean last Quarter.

**Management:** Yes, but you know we normally give our pay rises in the new financial years, so you know we...

**Mahantesh:** Ok, thank you very much Sir.

**Moderator:** Thank you sir. We have our next question from Mr. Kamlesh Kotak from Asian Market, Mr. Kamlesh please go ahead.

**Kamlesh Kotak:** Hello, good afternoon sir. Sir just wanted to have some more colour on the segmental trend in terms of execution, ordering and the pipeline.

**Management:** I would say that as far as the projects are concerned we are being very selective with orders and whatever our terms are commercial terms because the only orders that we take and as we have said earlier we try and ensure that every order that we take the project side is cash positive throughout its cycle. On execution I think also we have said that we execute or go towards completion of the order looking at the cash flow and this is for not only new orders but also for existing orders and on the product side each sector has its own selecting orders, most of them we have tried to put on cash and carry and as Mr. Sapre explained the execution times have got too shorter because of the changes that have been made in the factory.

**Kamlesh Kotak:** Sir my question was more pertaining to the three key segments: power, water resource and irrigation, how you see the execution is it having some traction in some pockets or all across three, you see the slowdown happening because of the Macro issue and how the pipeline for this three segments in particular.

**Management:** We are very-very selective only where we see that the customer is to pay us the money then only we are executing these orders otherwise, you know the execution does not happen and that is why you see the slowdown in all the ..

**Management:** You are aware of the situation in power sector, so in the irrigation sector, the problem that Andhra Pradesh Government is having has definitely affected the irrigation department. And some of the water supply projects also in Andhra are suffering because of that. so we are very-very careful in executing. Just because the orders are there we are not executing unless and until we know that there is money available for disbursement.

**Kamlesh Kotak:** No Sir, then the incremental orders are coming from any specific pockets out of these?

**Management:** Power is very-very poor. Irrigation, we look at possibilities like maybe, Gujarat and other places, we have some new inquiries that are coming up. Water sectors we keep on getting some orders for products from these Municipal Corporation but they are quoting very selectively if they need our payment terms and then only they are taking this or they are quoting for this.

**Kamlesh Kotak:** And do you see enough of pipeline going forward maybe, for the coming two three quarters? or there also you see some ..

**Management:** Power we do not see much improvement.

**Kamlesh Kotak:** That is right.

**Management:** Water maybe, see inquiry level you know off and on coming on and irrigation absolutely flat.

**Kamlesh Kotak:** Ok, so in that case, that good also has concern our visibility for the year ahead, I mean, in terms of FY15 also getting diluted. Yes the orders coming in are also a t a very slow pace. And any specific pocket in export markets, which are looking up or in the traction in any pockets.

**Management:** Export market is steady, nothing exciting happening because as you can see that even Europe is going through a very dull period. The Americas, we have seen some movements so there is a very steady what you call business that is happening. But, nothing exciting.

**Kamlesh Kotak:** And Sir out of the total order book, how much you will rate a slow moving orders?

**Management:** Irrigation, you know, as we have mentioned in the past that approximately about 700-800 crores at tight and other than that we have probably say, another 200-300 crores would be slow, so maybe about you know, 1000-1100 crores worth of order would be slow moving in this order board approximately 1950 which we have.

**Kamlesh Kotak:** Ok and those would mainly would be from power Sir?

**Management:** Yes, the power would be you about 100, 150 and the remaining would all be in irrigation because water as such is not moving slowly so there is no problem as far as water sector orders go.

**Kamlesh Kotak:** Ok and Sir lastly, how is the competitive intensity with the kind of orders not coming in, so how you see that, any pressure on the margins in terms of the intensity or the increasing.....

**Management:** Not much business are coming so the pressure on margins, I mean our sector we just do not see any inquiries coming you know, when NTPC is not releasing any new tenders, the private sectors you know what they are, their conditions and many of them are now are putting up their power plants to say, so pressure would come only if there are inquiries coming in and we have decided that we will do the project business in a certain

manner and we are joining hands with many EPC contractors making sure that we give them the quality product that you know, we expect certain payment terms in margin and if we do not get that we are happy not to do that.

**Management:** Yeah.

**Kamlesh Kotak:** Ok and any major amount of funding or any financial support to the subsidiaries which are significant over the last one quarter we have done?

**Management:** No additional loans or borrowings or anything has been done in this quarter.

**Kamlesh Kotak:** All right, ok Sir, many thanks.

**Moderator:** Thank you Sir. We have our next question from Mr. Mahesh Bendre from Quantum Securities, Mr. Mahesh, please go ahead.

**Mahesh Bendre:** Hi Sir, our International subsidiary has been doing a really impressive performance over the last two years in terms of growth and profitability. Being the largest pump company in UK, how are we placed in terms of growth in those Geographies? And so we have entered in US market where we have commenced a manufacturing facility last year and even USA seeing greater investment in Oil and Gas, especially on sales, gas side. I guess we have a technology and pumping solutions for all the Oil and Gas operations. So how do you see International Operations taking place over a next 2-3 years?

**Management:** I guess, you could not catch the people you wanted to catch after the AGM. So thank you for the letter that you have sent. Things are looking up, but let us understand that we are a part of global environment and that things are going to go up and down. Most of the sales of SPP, I do not believe are in the UK and they are able to grow around the world and I think America is a case in point. We opened our subsidiary in America or SPP opened its subsidiary in America by I think about six years ago and slowly but surely they entered the fire fighting team market for which they are known, and then they have looked at entering into other different sectors, so like you said Oil and Gas is a tremendous opportunity and the SPP addresses that quite well and price of oil staying up, I think we can expect SPP to continue to do well as exploration continues to happen.

**Mahesh Bendre:** But Sir, in US market, our base is very small and opportunity is very high so do you think a rapid growth for our..

**Management:** We will be giving you a point of information, our US base in USA is larger than the US's biggest company's base in India.

**Management:** But total pump size for US market is..

**Management:** It is a huge market and I think what they have done, what SPP has done in the last six years is highly creditable because in the preferred sector that they operate which is fire-fighting for Oil and Gas, I believe they have something like 16% or 17% market share which is not bad if you look at you know, the big players that are operating over there.

**Mahesh Bendre:** Sure, Sir on the product side, we that the pump business has been growing consistently for the last many quarters. Are there any plans on augmenting, you know, for the manufacturing capacity because we have two new manufacturing facilities at

Coimbatore and other in Gujarat so have not been the utilisation and are there any plans of further adding capacity?

**Management:** See both Ahmadabad and Coimbatore still have a lot capacity available which will, will see us for the next 3-4 years and we have growth plans and the capacities have been, they built according to our growth plan for next 3-4 years and they are also augmenting, you know, we are doing some changes in our Dewas plant which will also increase the, so the Distribution Business will continue to grow at about 15-20% and this entire business is cash and carry, Coimbatore factory is without much of a capital investment, they will be able to re-structure our manufacturing lines and capacities have been really in some cases doubled, some case it has gone to two and a half times so the investment is not necessary, so we have done the R&D.

**Mahesh Bendre:** So what could be the utilisation in our manufacturing factories now?

**Management:** At the end of the year, the last three months, the utilisation go to 70%, 75%, 80%, maybe, one month it might even go to 90%. But overall, maybe, 65%, 60% something.

**Mahesh Bendre:** And Sir last question....

**Management:** I think that was there on Umesh Shastry's presentation for Mahila Mission-20 and that relates to our Coimbatore plant, you know, it is an all women plant and they have taken up the production level in a way that some, making a pump, they now make a pump every 20 seconds, so this is like, some things like this are happening all across. Mr. Sapre explained that without much investment in Kirloskarvadi also the output can be increased. So these activities are going on.

**Mahesh Bendre:** Sure and Sir last question, the order inflow for this current quarter for standalone operation is around 278 crores compared to 400 crores last year, so has the situation become so tight that the order inflows has shown a de-growth or we are going to selectively for the projects.

**Management:** Actually, you know it is a combination of two three things because normally in quarter 1, we normally do have an order inflow which is not very significant. It you know, slowly moves up to quarter 3 to quarter 4, the second thing is, this year the quarter itself for the entire economy as such has been so poor that you know, naturally the recessionary conditions have affected the order inflows well and thirdly of course, like you said we have in selective as far as our orders are concerned and taken the order as per our payment terms and our margins, so combination of all these three has led to the total orders of about 2820 crores.

**Mahesh Bendre:** Sir, last one question, I mean given what is happening in the last two three weeks, liquidity tightening and there is a possibility of interest rates going up, do you think situation will become further tight for business environment as such?

**Management:** Actually, you guys as the analyst, probably in the best position to give us an answer to this question rather than getting an answer from us. It is like we will be glad to hear from you, you know as to what..

**Management:** You are the you know, we ground realities at you very well, I mean..

**Mahesh Bendre:** We only suffer later.

**Management:** No but with number of companies you are analysing at you know, with the number of companies whose assessment you do, you will be definitely be aware of the situation and I dont think we would be anywhere different from what the rest of the country of rest of the companies are doing. But yes, you know our focus, our efforts are marketing, you know, having seminars, collaborations and these kind of things we will continue to do because that is the only way in which we can see ourselves, pushing our products business going forward.

**Mahesh Bendre:** Sure, thank you Sir.

**Management:** Thank you, welcome.

**Moderator:** Thank you Sir. We have our last question from Mr. Neerav from Motilal Oswal. Mr. Neerav, please go ahead Sir.

**Neeraj:** Good afternoon Sir, Sir my query pertains to the dealer number that we have, would it be possible for you to help me with the exact number of dealers or dealer points that we have a this point of time and the same number last year?

**Management:** Now, you will be surprised that for our retail, dealers are about 350 for our Dewas business and maybe about 75 to 80 for Kirloskarvadi. But the retail; points we have, is about 12000 and our target is to take them to 15000 by end of this year.

**Neeraj:** Thank you very much Sir, my query has been answered.

**Moderator:** Thank you Sir. I would now like to handover the conference back to Mr. Umesh Shastry for his concluding remark, over to you Sir.

**Umesh Shastri:** Thank you, Ladies and Gentleman for listening into our Q1 earnings call. Have a pleasant evening and we hope that we have good quarters going ahead. Thank you very much.

**Moderator:** Thank you Sir. Ladies and Gentleman, that concludes KBL's earnings call for today. Thank you for participating, you may all disconnect now. Thank you.