"Kirloskar Brothers Limited Q1 FY-23 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Kirloskar Brothers Limited Q1 FY23 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjay Kirloskar – Chairman and Managing Director at Kirloskar Brothers Limited. Thank you and over to you sir.

Sanjay Kirloskar: Thank you. Good afternoon, everyone. And I would like to thank you for joining us today to discuss the financial results for quarter one of fiscal year 23. I hope all of you have had the opportunity to go through our financial results. The investor release and investor presentation, which have been uploaded on the stock exchange as well as on our company website.

Our company witnessed a healthy revenue growth which was driven by improved product mix and pickup in demand in key international geographies as well as the domestic market. The growth in domestic markets was driven by B2C pumps. On a consolidated basis, the revenue grew by 25% on a year-on-year basis. EBITDA, PAT grew by 13% and 31% on year-on-year basis for Q1 fiscal year 23, respectively. This performance has been delivered despite the numerous challenges in the business environment in terms of multiple geopolitical conflicts, a sustained upward trajectory and some input costs and volatility in exchange rates. We believe that this is a testimony of the company's brand equity, diversified presence across the products and geographies and strong fundamentals. However, inflationary pressure on key input cost and constant depreciation of currencies against the US dollar have impacted margins and profitability. The company has taken multiple price hikes to partially mitigate this impact. We are also closely monitoring all macroeconomic events and do not expect any significant impact on the business operations. Despite these issues, we have continued to build momentum in order inflow which are driven by oil and gas, marine and defense, industry and building and construction.

Consolidated order book, as of 30th of June, stood at approximately 2611 crores, which does not include made to stock business, which contributes approximately 50% to the standalone revenue. The order book position is expected to accelerate further on account of recovery in CAPEX across geographies, with improved demand from the oil and gas sector due to the recent spikes in the prices. I now request Alok Kirloskar, Managing Director of Kirloskar Brothers International B V to share his thoughts on the performance of the International Business.

Alok Kirloskar: Thank you. For the international business operations, the US, UK, Thailand and South Africa continue to do well in terms of operational efficiencies. Forex losses, which are mainly unrealized and mark to market losses impacted the profitability of international businesses, though at the operational level most of the international businesses registered healthy year-on-year growth. This is coupled with strong order inflow across the geographies. Apart from the growing order book, the company's focus continues to remain on growing the spares, services and subscription platform businesses. The base business continues to remain affected and is expected to witness some recovery in FY23. But we're still going through some restructuring times. The international order book stood at 747 crores, robust growth of 42% year-on-year along with an improvement in the product mix. With this let me invite Ms. Rama Kirloskar, Joint Managing Director of KBL and MD Kirloskar Brothers Limited to take you through the performance of domestic subsidiaries.

Rama Kirloskar: Thank you Alok. In the domestic business operations. Small pumps business witnessed momentum along with other verticals such as industrials and other CAPEX driven sectors. The company's pump production also increased by 103% year-on-year in line with growth and demand especially for small pumps. The company is focusing on multiple marketing and branding programs along with increased dealer and distributor engagement to further grow the small pumps business as you already know that the company is continuously investing in R&D and various technologies and remains the foremost pumps company to launch innovative products and services. The company has now accelerated authorized pump set original equipment manufacturers that is APOEM program, which is aimed towards reducing the turnaround time significantly from the existing three to five weeks to 12 hours to two weeks.

The company has witnessed an initial success in terms of TAT reduction and reduction in supply chain cost along with improved distributor commitment and engagement. The company endeavors to further accelerate this program which we believe would disrupt how the pump industry operates in India and be a key catalyst to drive growth in the made to order business, domestic business.

Now coming to the domestic subsidiaries and JVs. Karad Projects and Motors Limited KPML continued its healthy growth phase. KPML's revenues grew by 65% while its PBT grew by 74%. Various initiatives are already underway to turn around The Kolhapur Steel Limited, which is now witnessing growth in production and revenue. With this, let me invite Mr. Chittaranjan Mate, our CFO for the financial performance highlights.

Chittaranjan Mate: Thank you Rama. The company reported a resilient set of performance, with topline growing by 25% year-on-year while EBITDA and PAT grew by 13% and 31% respectively. EBITDA margins stood at 6.1% slightly lower than our expectation mainly on account of higher unrealized MTM losses at the international subsidiaries and higher input costs. On a standalone basis revenues stood at Rs. 542 crores as compared to Rs. 397 crores, a growth of 37% year-on-year. This contributed approximately 70% to the consolidated revenue. EBITDA was at Rs. 31 crores a growth of 46% year-on-year. While EBITDA margin stood largely stable at 5.7%. PAT for Q1 FY23 stood at Rs. 8.1 crores, a growth of 45% year-on-year. That is all from our side. We can now begin the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Akash Mehta from Capaz Investments. Please go ahead.

Akash Mehta: Had a couple of questions, first one on the order book part can you just bifurcate 2611 crores order book between made to order and engineer to order?

Management: Can you please repeat?

Akash Mehta: So, I just wanted to know the bifurcation in our order book between made to order and engineer to order, the total 2611 crores.

Management: If you are talking about order book, it is ~~mid~~ made to order and engineered to order. The made to stock does not come in order board, but if you go sector wise, you would see particularly irrigation and water and project would contain some made to order and ~~to~~ engineered to order.

Akash Mehta: Okay. And just one question, can you explain why have we taken this impairment for TKSL during the quarter?

Management: Last year we took it at the end of the year. This year we felt it might be better to take it quarterly, from the beginning, just to be conservative.

Rama Kirloskar: So, just to clarify your first question, irrigation, water, power, marine and defense and ESD, they are mainly, engineered to order, and made to order are the rest.

Management: About 1200 crores would be engineered to order.

Management: So some are 50:50.

Moderator: Thank you. The next question is from the line of Atul Kothari from Progwell Securities. Please go ahead.

Atul Kothari: Sir, I have a couple of questions. So first of all, we have closed two EPC projects during the quarter. So what are the order value for these two projects?

Rama Kirloskar: Can you repeat your question, you were not clear?

Atul Kothari: Sure. We have closed two EPC projects during the quarter. So what was the order value of these two projects?

Management: We didn't understand what you were saying two something projects?

Atul Kothari: Yes, there were two EPC projects during the quarter which we have closed. So what is the order value for these two projects?

Management: We'll get back to you before the end of the session.

Atul Kothari: And sir, also can you basically give explanation how many projects are pending as far as our EPC vertical is concerned?

Rama Kirloskar: There are around 59 projects pending.

Atul Kothari: Okay. And just a last question, what was the contribution of made to stock pumps plus standalone business during the quarter?

Management: We mentioned that it is a little more than 50%.

Management: Yes. Also turnaround time we'll need to stock pump are obviously different. So some of it could come in June quarter also.

Moderator: Thank you. The next question is from the line of Renjith Sivaram from Mahindra Mutual Fund. Please go ahead.

Renjith Sivaram: One thing which last quarter, which you had highlighted is that you have taken price hike and most of the impact of this price hike will get visible in Q1. But still we are not seeing that kind of an impact in our margins. So, why is that despite the price hike our margins are not improving?

Management: What we had said was, margins are impacted for the large pumps and these large pump orders tend to have delivery times of 12 months to 18 months. And that is they're quoted even earlier. So, this is what has impacted the results in the first quarter.

Renjith Sivaram: So, then when can we see this margins normalizing and all the commodity prices have cooled off. So probably from 2Q onwards can we assume that the margins can normalize?

Management: Since it is a forward looking statement, I will still hesitate and give you an answer I believe that we will be out of this by Q3.

Renjith Sivaram: Okay. But won't we benefit from this reduction in commodity prices?

Management: Because we mentioned earlier that very often these large pumps, the delivery terms tend to be on the shorter side at eight months and longer side at 18 months very often we have to obviously plan and buy materials and given that a lot of these orders have come in earlier as material prices were going up of course we expedited some of the purchases only because there was no such as quick movement going up and it just kept going up for a while that there was a good amount of material bought in earlier to execute these orders to avoid any continued hike. So while maybe some orders would get a benefit from the lower material cost as it come down definitely there is still some orders in our pipeline which are being executed which still have the old materials which have already been procured.

Management: You have seen the downward trend started from June it was not for throughout the quarter.

Renjith Sivaram: Okay. So in the small pump segment can we assume that there can be an immediate impact because there at least it will be like more of short cycle right for the small pumps business?

Rama Kirloskar: Yes, we should see a positive impact.

Renjith Sivaram: Okay. And we are hearing a lot of these HTP, ETP and water irrigation kind of tender order intake, execution from the larger project guide. So are you also seeing an influx in terms of orders for pumps from these EPC contractors, is that something?

Management: We are seeing inflow of orders for large pumps from EPC contractor.

Renjith Sivaram: Okay. And even the HTP, ETP side also?

Management: Yes, sewage treatment plan, you're talking about HTP and ETP, right?

Renjith Sivaram: Yes.

Management: Yes.

Renjith Sivaram: And irrigation also we are seeing?

Management: Yes.

Renjith Sivaram: Okay. And sir there is one worry that now the oil prices are gradually coming down. So is that something which can impact us or we are completely hedged in terms of oil price moment in our overseas operations?

Management: You mean in terms of order intake, or you mean just in terms of our operations and the cost of operations because of the oil price?

Renjith Sivaram: Yes, because oil prices impacted our overseas growth in a big way in the past. So now it has come down, so is that something which we have to be worried about, or you believe that we are kind of hedged regarding oil prices?

Management: Overseas, we have of course diversified away from oil especially after we had many difficult year in 15, 16, 17, in our main company SPP. So, we don't see that such an issue at the moment. But that said, the number of projects continue to be quite large in the international markets in terms of inquiries. At the moment, we're not yet seeing a slowdown, but you never know where it goes, but as it stands today there are still quite a number of inquiries in the market, at the current prices.

Renjith Sivaram: And MNC, Overseas PAT week, this quarter when we see there is a profit booking from the subsidiaries booking so which portion of that business has been profitable and where do you see some more challenges, in the overseas PAT?

Management: As we've shown almost every company is profitable. And our Dutch company in the first quarter is breakeven. And I'm saying that in the context after adjusting for the Forex losses, because in our UK company, all the Forex is hedged. So it's only a mark to market loss. But if I talk about operationally, and the presentation has the numbers both with and without the Forex impact, and I'm just talking, since I'm talking operationally, I will just highlight operationally that the UK company and most of the other subsidiaries are looking a lot better. These continue to have challenge in the Dutch company, which is just at breakeven and even that after a lot of effort so, that's the area where we will continue to have some trouble. The other companies, we're slowly seeing the mix improving and the order book as I mentioned earlier is quite strong. So, we expect that should ensure that we are in a better position going forward.

Moderator: Thank you. The next question is from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Sir, after the fall in price for raw materials for B2C pumps how is the trade channel reacting to it, are we retaining some kind of fall in raw materials or how is that interplaying?

Rama Kirloskar: Are you asking about the impact of the price increase on the channel?

Devansh Nigotia: Yes, even on the demand outlook and even for the gross margins on standard pumps, considering after June the raw material prices have corrected so, are we passing on the prices to the trade channel or are we holding up and there might be some improvement in gross margin?

Management: So, we have not done any price increase as far as our pumps are concerned. So and there has been no reduction. And the channel has been taking it quite well. So we've not had that issue as of now.

Devansh Nigotia: Okay. And if you can just give an outlook on residential pumps as well as water agri pumps.

Rama Kirloskar: Yes, so this covers industrial as well as agricultural, from the small pumps business.

Management: If you are asking about the building and construction site which is our small and medium pump businesses, the order board has increased over there and we've seen good growth in that part of the business.

Management: Investor release under building and construction and under industry, those are our like mentioned our medium sized industrial products, which are categorized as industry and building construction. And you can see the order book from last year to this year in the investor release.

Devansh Nigotia: Okay. So even residential pumps which are B2C and sold through channel we classify over them over here?

Management: No, only the B2B pumps that are sold to developers and the group of firefighting or for the big booster packages or HVAC packages come under building construction.

Devansh Nigotia: Okay. And if we look at the order flow, overall for the company so, that has kind of stagnated. So, if you can just share a perspective on the demand outlook for X B2C pumps, how the demand scenario is there currently?

Management: Which business are you talking about right now?

Devansh Nigotia: KRBL standalone if I look at the order to see 524 moved to 624, 721 and kind of the order flow was slightly weaker this quarter.

Management: The order you see are excluding the retail business. There is no B2C orders in that, as I mentioned earlier the way the market has increased. But in these businesses, you probably want to compare 524 to 596 and within that, someone earlier asked the question about water and your those government's projects and those are a little longer gestation, but generally speaking the market is quite buoyant at the moment and at least in the private sector, you can see in terms of industry, which is broken up for you or building construction, the market seems to be quite a lot stronger than it was last year, first quarter. And in fact it is stronger than Q4 also, if you see in the case of –industry or building construction and of course even in the case of power for us, The shortfall is coming in on the government side which is normally irrigation or water projects and as someone mentioned earlier, they just a lot of them has been floated with EPC right now. So hopefully they will be, the EPC will be tendering very soon for other components like pumps.

Moderator: Thank you. The next question is from the line of Sanjay Kumar from ithought PMS. Please go ahead.

Sanjay Kumar: Just an extension to one of the previous question. So, let me make it more pointed. So BMC gave out almost 26,000, 28,000 crores of orders to EPC players, for all the seven HTP plants, roughly say 100 MLD sewage treatment plants will cost say 1000 crores. What would be the share of pumps in that package and these EPC players wouldn't have bid for it without making inquiries for pumps. So, it's not in the order book, it's not reflecting in the order book here. Are we at least seeing inquiries from these EPC players who won these orders?

Management: So, we are one of the biggest players in the EPC, WTP and HTP area, we are getting inquiries but the question that you asked, I have answered many times earlier in any large project the pump tends to be between 1% to 1.5% value of the total value. If you are talking about 1000 crore project, you will understand, I am sure you know that there will be piping, there will be civil construction and it depends on how big the job is, from where they're taking the water and how far they are taking it away. The total electromechanical which includes the electrical and the switchgear and everything else, if you add that to the pump it would be about 2%. So 1000 crore order board could be 20 crore for pumps for electromechanical would be 20 to 25 crore and for pumps, maybe between 10 to 15 crores.

Sanjay Kumar: And valves will also be a similar figure?

Management: Valves will also be in that mechanical part.

Sanjay Kumar: Okay, got it. And a second question is more technical I know we are into centrifugal pumps but since there is a CAPEX cycle play with CAPEX picking up or more and more oil wells –being drilled, would the positive displacement pump see more demand rather than a centrifugal pump, I just wanted to understand from a technical perspective?

Management: Historically, there's two types of pumps, centrifugal pumps and positive displacement pumps. So positive displacement is gear pump, piston pumps, the high pressure pumps. The total market for pumps has been defined by the European DIF, industry forum. They say that the total pump market is $66 billion globally. And as I've been watching this grow from about 23, since I am quite old now. But historically, and even now it is one third positive displacement pump and two thirds centrifugal pumps. So centrifugal pumps today would be 44, 45 billion out of this 66 billion.

Sanjay Kumar: Okay. Are we looking at any kind of acquisitions for cost and displacement pumps to get into that market or will continue to stay away?

Management: I cannot share anything like that. If we have it or if we don't have it.

Sanjay Kumar: Sorry?

Management: I said I can't give you this kind of information if we have it or even if we don't have it.

Sanjay Kumar: Okay. And third, so we do have a JV with Ebara. And do we share technology or get technology from them because going through their annual report, and they're already talking about pumps for delivering hydrogen. So anything on that regard are we working on it or anything on the pipeline, down the line it's not an immediate thing it's a long term perspective will be helpful.

Management: So, I will talk to you first about Kirloskar Ebara which Rama runs. And there actually the technology input first came in 1988, 89, which was for API 610 platform for the sixth edition. The entire work that has been done to take it to the twelfth edition has been done in India. Kirloskar Ebara is completely on its own to design and manufacture API pump. And they have been doing that they are selling their pumps globally, and winning orders against the Ebara Corporation as well. So Ebara Corporation continues to be a joint venture partner. As far as the KBL and it's subsidiaries, mainly its subsidiaries are doing, I will ask Alok to speak to you about that.

Alok Kirloskar: In terms of sustainable solutions, a lot of the sustainable solutions were engineered at our Dutch company ~~to~~ Rodelta. And one of them is hydrogen, hydrogen pumps which you mentioned. We work closely with Shell and we work with them first on biofuels project, which was the Shell lead to green project where we supplied pumps. And while I can't name the project name, we have worked with them and are supplying them even for hydrogen pumps, because that's the next generation of pumps that are in the pipeline. So, we have the technology, and we have the support of both large players in this market as well as ~~not~~ lot supplying into the global market, not just into the Indian market. So, we are there for that sustainable technology. In addition to that, we have another sustainable technology since we are on that topic, of fish friendly pumps. So we have also supplied this into the Dutch market. And we have our first product already installed, already operational, which are pumps that can pump fish, which are normally installed in rivers without killing them. And the test is basically whether they are alive after three days. So that's another sustainable technology. It's part of all the R&D we do at our overseas R&D facilities. And one of them is in the Netherlands where we do all the new kinds of research on these kinds of products.

Sanjay Kumar: Very interesting sir, thanks for that. So if our PSUs which are already talking about hydrogen and setting up Hydrogen units. So we are already ready with the technology and we just have to be a bit for it?

Management: Yes, we will be supplying the technology because usually we have to first get a PTR in a foreign country, and then come to India because most Indian companies will ask us for our PTR, which is proven track record. So we're preparing for that.

Moderator: Thank you. The next question is from the line of Bhagyesh Kagalkar from HDFC Mutual Fund. Please go ahead.

Bhagyesh Kagalkar: Sir, this is the query regarding see the Telangana government had commissioned one of a very huge Kaleshwaram lift irrigation project. But the Godavari is so intense this time, so there is a huge damage, but then there's a talk of the motor pumps itself in the lift irrigation project of 1500 crores odd maybe replace or should be replaced. So, is there an opportunity for us basically?

Management: With this project, we did not participate in the original tender.

Bhagyesh Kagalkar: It was very long ago.

Management: It was not very long ago, it was one, two or three years ago. And all these pumps actually, because they are metallic volute pumps are deep inside the ground, they have their, you have to excavate a lot of ground and keep them underground. I know we ourselves have done some metallic volute pumps, but we made sure that there's enough flood protection, so you won't hear of our pumps having this issue that they have been flooded or whatever. They will, since there was a requirement for these pumps. We are aware that they went underwater. We are aware that the motors also went underwater, but we are not part of this scheme. I guess to someone else's benefit. Before someone asked the question, there was an earlier question about the two projects that were closed, it was Kottayam and Varanasi, Kottayam was I believe what we call power project it was balance of one. So the order value for Kottayam was nine crores and for Varanasi was 17 crores. Closure was about 26 crores. These were the two projects.

Bhagyesh Kagalkar: Just one query from my side on the drip irrigation projects. Maharashtra also new government is talking of diverting the excess water from the Western Vaitarna to Marathwada and Koyna basin into Marathwada. So, these are again the lift irrigation project opportunities for us, am I right sir?

Management: For supplying pumps, yes.

Bhagyesh Kagalkar: Okay, but you will bid for it provided the receivables and other things satisfy your criteria?

Management: Yes, we are very selective with projects we want to be in, one is the customers have money, number two that we will get our money on time. And number three that, when we first started these projects that was more than 20 years ago, we were given the opportunity to improve on the project. And I am very proud that when we were given that opportunity, not only were we able to save a lot of CAPEX, but also OPEX. And that's where our technology comes in. And in the first large project that we did which was Sardar Sarovar Narmada Nigam, patented syphon breaking system led to the loading of about 200 crores of rupees on the next competitor who happen to be from Europe. Another project that we did in Andhra Pradesh, again in 2003 was Godavari Lift Irrigation Project which was designed by a very well-known consultancy, and we're very happy that at that time the people allowed us to give our own design and we were the only ones with that design. All the other civil contractors quoted as they were asked to, and we were able to remove three pumping stations out of seven that were recommended by the consultant. And this led to not only the project cost coming down with the project getting done earlier, because the land acquisition was much reduced. And we looked at it from that angle as well. So, I don't know if it is just a standard lift irrigation project where people have to quote and become L1, I don't think you'll see us directly participating in that. And whoever gets it I know will approach us for the pumps. And again over here we are selective and we have our own commercial terms.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: So sir, if you can throw some light on how the situation in the South Africa and Thailand business that would be helpful.

Management: So can you repeat exactly, you just want to know about the business?

Anurag Patil: If you can just update about how's the demand scenario and operational challenges we are expecting there?

Management: Okay. If you see the quarter numbers, they put out in the analysts presentation. And I just think we have a number that excludes the Forex because the Forex obviously confuses from the operational result. So, they have done better compared to the past, if you look at both of them, and we expect that the demand situation will continue over there. As it stands today, let me start with South Africa. We've been saying for some time that we are pushing for a stronger services business, and South Africa is the one now closest to our objective of 50:50. So they are coming close to reaching 50% services. They have done this by signing framework agreements, service agreements, is with some large companies, mining companies, power companies in South Africa. And so now they have some amount of fixed income that comes in from that.

Separately, the other income, as it stands, has continued to grow and the numbers year to date still are better than previous year. Similarly, in Thailand they also have now got a more better base business. Thailand, if you know the business we started from scratch. And really, we were struggling to get base business, we used to get good projects some years, and then it was very lumpy, up and down. But now last two years we really managed to get a base business, for which ~~not that~~ we have been working on for last few years. But I would say that the results have been coming in the last two years of work done in the past, and slowly the base business has grown to where the business itself is able to cross the breakeven points. So, that's positive on both the Thai business as well as the South African business. The Thai business is more product oriented they still don't have that much service, I'd say the services is maybe 5% of the total business. So that's an area that they have to work on and they have a similar target like we do for the rest of the international companies of 50% service business. So, as they stabilize we will look to them to grow that other business as well. Is there anything else you want to know specific?

Anurag Patil: No, that was helpful. And just on the international business as whole, any major supply chain challenges you're anticipating in the next couple of quarters due to all these geopolitical issues, etc.?

Management: We've said this in the past and we are saying it now again, that we do have a large number of supply chain issues in the international business. I will say that maybe, if you look at the Forex corrected graph, the numbers are a lot better than last year, but that is only because the order inflow has been strong. And so while we have had heavy supply chain issues, we are still able to get some or the order out and that's allowed the numbers to improve, but there still in quite a lot of disruption in engines, especially the FM UL engines, there continues to be disruption in motors and also controllers which are very important for a lot of a fire pumps. So there is still a lot of disruption. We are hoping that, in this quarter and the last quarter this slowly eases out so that we are able to really start executing the backlog position. But, yes there still continue to be supply chain issues.

Moderator: Thank you. The next question is from the line of Sachin Shah from SS Securities. Please go ahead.

Sachin Shah: There are a couple of questions from my end. My first question is, how much provision and write off can we expect in FY23?

Management: Can you ask all your question?

Sachin Shah: We have couple of more, what is the revenue contribution from service, maintenance and digital platform to our console revenue and my third question is, can we expect international subsidiaries to make profit in FY 23. These are my three questions.

Management: As far as the provisions and write offs for the whole projects are concerned we don't have any further provisions and write offs that we can foresee, whatever needed to be done we have that. The only, hit that we are taking just now which we have taken in the first quarter is The Kolhapur Steel impairment. At The Kolhapur Steel, Rama and her group are working very hard. And has been mentioned earlier, we have said that the turnover at The Kolhapur Steel is now witnessing both growth in production as well as revenue. And we are hopeful of turning around this business by the end of the year.

Sachin Shah: Okay. And my second question is, revenue contribution.

Management: Sorry, and the next question is international subsidiaries.

Management: One more of contribution of service, maintenance and digital?

Management: So, are you asking about service maintenance digital for the group or for the international companies?

Sachin Shah: On the console revenue.

Management: Okay. We don't give that number exactly at the moment. But I would say in general I'll just give indicative number it's still in the single digits. So it's not anything significant as it stands. On the international companies, as of now without the Forex impact, which is anyway mark to market, the company is already profitable. And we expect based on the order books, that they should be in a better position going forward. That said, I guess the only dominant factor is I don't know how much the US dollar will continue to get stronger. But if you ask me on an operational level, I would say yes, we expect them to be profitable. If you ask me, with Forex it's hard for me to say because I don't know what the level of Forex would be because already we've seen that close to £2 million of M2M losses have been accumulated in a very short duration because of the dollar rising price significantly.

Management: And it's a low double-digit number for revenue contribution from service, maintenance and the subscription.

Management: Excluding the foreign companies, its higher outside.

Moderator: Thank you. The next question is from the line of Nilesh Doshi from GL Capital. Please go ahead.

Nilesh Doshi: Just few questions, you said you have taken any impairment on Kolhapur Steel in this current quarter?

Management: Yes.

Nilesh Doshi: How much that is?

Management: About 41 million, it's there in the accounts that have been put on the website.

Nilesh Doshi: So about four crore has been taken the write off?

Management: Yes.

Nilesh Doshi: Okay, that goes out of EBITDA. Second is from KBL what was the export in Q1 from KBL?

Management: We don't give such numbers.

Nilesh Doshi: No, I am just asking a percentage or whatever it is.

Management: We'll try and get it for you.

Nilesh Doshi: No, why I am asking is, I am trying to understand is that out of 540 crore revenue how much would be the revenue which would have come from off the shelf pumps that is our building pumps or farm water pumps. So out of 540 crore how much would have been those off the shelf pump and how much would have been the designed or tailor made pumps?

Management: Which number when you say 540, which number?

Nilesh Doshi: Out of 540 pure KBL standalone?

Management: We do not disclose.

Nilesh Doshi: I am just trying to understand because trying to figure out that why the EBITDA is less, if it would have been of the shelf pumps then we understand that what impacts the EBITDA margin.

Management: In our presentation we have shown made to stock, made to **o**rder etc., so roughly made to stock is around 50% plus minus something.

Nilesh Doshi: But typically, as I understand from you in the past that Q1 is typically 80% of made to stock?

Management: No.

Nilesh Doshi: Before the rain starts, monsoon starts we typically sell more of those pumps?

Management: No.

Nilesh Doshi: So can I take that ratio is stable throughout the year?

Management: By and large yes, it fluctuates to some extent, the range you can say around half of the sale comes from made to stock.

Nilesh Doshi: Throughout the year, all four quarters?

Management: Yes, roughly.

Management: It will always be above 50, but it can go a little higher than that. 10%, 12% higher depending on the quarter.

Nilesh Doshi: Okay. And currently how do you see the demand in that side?

Management: On the small pump side?

Nilesh Doshi: Yes.

Rama Kirloskar: The demand is quite healthy actually.

Nilesh Doshi: Not the process.

Rama Kirloskar: It's not the process, detailed off the shelf concept we are talking.

Management: Retail pumps.

Rama Kirloskar: As far as we are concerned it's healthy.

Nilesh Doshi: Better than last year right?

Management: Yes.

Moderator: Thank you. The next question is from the line of Riya Verma from NR Securities. Please go ahead. As there is no response from the current participant, I have muted the line. As there are no further questions from the participants, I now hand the conference over to Ms. Rama Kirloskar for closing comments.

Rama Kirloskar: Thank you all for joining us on this call. For any queries please feel free to reach out to us or our Investor Relations consultants SGA. Thank you.

Management: Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Kirloskar Brothers Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.