# Kirloskar Brothers Limited

## Q1 FY 24 Earnings Conference Call

## August 02, 2023

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**MANAGEMENT:** **MR. SANJAY KIRLOSKAR – CHAIRMAN AND MANAGING DIRECTOR – KIRLOSKAR BROTHERS LIMITED**
**MR. ALOK KIRLOSKAR – NON-EXECUTIVE AND NON-INDEPENDENT DIRECTOR, AND MANAGING DIRECTOR KIRLOSKAR BROTHERS INTERNATIONAL B.V.**
**MS. RAMA KIRLOSKAR – JOINT MANAGING DIRECTOR AND MANAGING DIRECTOR OF KIRLOSKAR EBARA PUMPS LIMITED**
**MR. CHITTARANJAN MATE – CHIEF FINANCIAL OFFICER – KIRLOSKAR BROTHERS LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Kirloskar Brothers Limited Q1 FY '24 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 the date of this call. These statements are not the 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.

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I now hand the conference over to Mr. Sanjay Kirloskar, Chairman and Managing Director, for opening remarks. Thank you, and over to you, sir.

**Sanjay Kirloskar:** Thank you. Good afternoon, everyone. On behalf of Kirloskar Brothers, I'd like to extend a very warm welcome to everyone for joining us on our call today. I hope you've had the opportunity to go through the financial results and investor presentation, which have already been uploaded on the Stock Exchanges and the company's website.

Happy to report that during the quarter, our consolidated revenues grew by about 14.7% to about close to INR900 crores, and EBITDA grew by about 140% to about INR115 crores with EBITDA margin of 12.8%, an increase of 671 basis points. This is a testament to our efforts to improve the product mix, increase operating leverage and reduce input costs. The domestic business grew by about 3.8% and the international business grew by 27.7%.

In addition to the sustained momentum of demand and made-to-order and engineered-to-order pumps and our made-to-stock orders also increased, we anticipate the growth momentum will continue in the forthcoming quarters due to the robust order book. As for the quarter ended, we witnessed a consistent upward trajectory in the consolidated order book as well at INR3,020 crores, a growth of about 15.7% year-on-year.

I now request both Alok and Rama to speak about the performance of our businesses. Alok?

**Alok Kirloskar:** Yes. Thank you. I'm pleased to report that the international business, which we may refer to as KBIBV witnessed a growth of 27.7% over Q1 FY '23. Most of the international subsidiaries witnessed a healthy growth on the top line along with an expansion in operating profit margin. This was mainly on account of the company's efforts to offer value-added services, niche products, along with creating sustainable cash-generating business streams.

SPP Pumps U.K. has a global presence serving customers in different regions. And the focus is on innovation, product development and customer service to maintain its competitive edge in the market. In this business, we focus mainly on fire pumps for industrial plants, fire pumps for commercial buildings and as well as oil and gas. In addition to this, we focus on pumps for water utilities and for chemical markets as well as the service business.

In the U.S., we cater to commercial real estate side of the business with focus on fire and water again. As highlighted here, there is no service business in the U.S. entity. In the Dutch market, we did witness good traction on the revenue side. Here, our focus remains on turning around the Dutch operations, further diversifying the order book by creating more daily businesses around distribution and services and continue growing our share of framework contracts in the service business.

Our Dutch entity will be launching unique and innovative products, which are focused on the Benelux region. We believe this value proposition will be a growth driver for turning around this business, along with various cost-cutting initiatives, which we have already progressed in.

On our South African business, service side is performing well. Our South African business has major service contracts in the power and mining sector. In addition to this, we have a lot of product sales into both the mining and distribution sectors as well as chemical sectors. Overall, the business continues to do well on the operational and financial side.

In our Thai business, we're focusing on replicating the model similar to India with distribution. Here our focus areas continue to be on building in commercial markets, fire markets and chemical and industrial markets. Our endeavour is to increase the services portion of this business as well. We anticipate the increased investment in energy sectors and advances in pump technology will drive demand for pumps and have a positive effect on the global pumps market. In the future years, this will benefit KBL and our international subsidiaries.

Additionally, the international businesses, investment services and framework contracts, there are currently over 100 active framework contracts across all operations. We will continue our efforts to expand this business where we have implemented AI, AR as well as our 3D printer giving us some advantages.

Our strategies and top priorities are geared towards fortifying our offering, enhancing our geographic presence and expanding our market share, focusing heavily on our smart and innovative solution and establishing new benchmarks for product innovation, efficiency dependability and sustainability, which we hope will drive sustainable cash flows and profitability. With this, let me invite Ms. Rama Kirloskar, Joint Managing Director, KBL and MD of Kirloskar Ebara Pumps Limited to take you through the performance of the domestic subsidiaries.

**Rama Kirloskar:** Thank you, Alok. The company's domestic operations witnessed good traction driven by product mix. Our company's made-to-stock pumps which cater to the agricultural, housing and industrial range maintained robust growth. We also continued to witness a healthy order inflow, which is reflected in our order book.

The EBITDA margins expanded mainly on account of operating leverage, continued focus on cost rationalization and process optimization. Now coming to the domestic subsidiaries and JVs, the Kolhapur Steel Limited, we are experiencing good traction and the main focus is on acquiring new customers. We have been successful in onboarding new customers and the 52% year-on-year revenue growth for the quarter is a strong indicator of the company's progress and market acceptance.

As far as Karad Projects and Motors Limited, we're targeting year-on-year growth for the small pump business as well as to our APOEMs, which are large businesses for us. For Kirloskar Ebara Pumps Limited, KEPL continues to have a healthy order book of around INR451 crores for this year and will continue its growth trajectory. With this, let me invite Mr. Chittaranjan Mate, our CFO for the financial performance highlights.

**Chittaranjan Mate:** Good afternoon. Let me start with consolidated financial performance highlights first. For Q1 FY '24, net revenue from operations grew by 14.7% year-on-year to INR899.5 crores. EBITDA grew by 140% year-on-year to INR115.5 crores, while EBITDA margin expanded by 671 basis points to 12.8%. Profit after tax grew considerably by 310% year-on-year to INR63.6 crores.

Now coming to stand-alone performance, for Q1 '24, net revenues from operations grew by 7.2% year-on-year to INR581.2 crores. EBITDA grew by 90.6% year-on-year to INR58.9 crores, while EBITDA margin expanded by 440 basis points to 10.1%. Profit after tax grew considerably by 321% year-on-year to INR33.7 crores. This is all from our side. We can now begin question-and-answer session. Thank you.

**Moderator:** We will now begin with the question-and-answer session. The first question is from the line of Kunal Sheth from B&K.

**Kunal Sheth:** My first question is pertaining to the international subsidiaries. There we had a great performance, about 28% kind of top-line growth and 17% margin. I see in your investor presentation, that is largely driven by uptick in both SPP UK and USA, both in terms of revenue and profitability. So if you can elaborate little more in terms of what is changing there and how sustainable that is?

**Alok Kirloskar:** I think like we have mentioned the last few times, in the US business we have a much higher level of automation that has been put through and the number of people that we operate the business on is quite few and we have a very good ratio in terms of revenue per person. So really cost reduction over there is one area that has helped get us a better performance.

Of course on the back of a slightly better amount of sales, because we see that as I mentioned last time, we have also launched many new products in the US business and a lot of those products which are mainly in the fire segment, especially in the data centre segment have done reasonably well and we have very specialized product there which is very well accepted by the majors like Google, AWS as well as Microsoft. So I would say that is a few areas, few reasons why the US business has done better.

The UK business, like we have mentioned, we have been trying to change the mix of the UK business. We have a little bit more mix coming from the services side of the business and little less from the side which has to do with the bigger pumps, especially in the oil and gas sectors which typically are large in revenue, but are low on margins. So I would say the mix is little bit more favourable in the UK business and that's really why we are showing the numbers that we are. I hope that answers your question.

**Kunal Sheth:** My second question is pertaining to the domestic market. You know the domestic market has seen a slightly slower growth, 9% top line during this quarter and even when I see the order book accretion has been 6%, about INR19 billion and you know, order book accretion in the domestic market has been slightly slow in terms of you know, in that 6-7% growth range for the last 2-3 quarters. So anything that you can point out in the domestic market is the market slowing down or is it largely driven by the made-to-order pumps and therefore growth will come back? Slight flavour on the domestic market would be helpful.

**Rama Kirloskar:** So to answer that question, we believe it is in line with the growth in the market currently. I believe the growth is around 6-7%. I don't believe that they slow down. In fact, the industrial market is booming currently. We are seeing a lot of orders. So we do believe it is in line with the general growth.

**Kunal Sheth:** Okay. And so, but what should be the steady state growth that one can assume in the domestic market from a medium-term perspective? Yes, I'll repeat that question. Yes, what should be the steady state growth one should assume in domestic market in that case?

**Sanjay Kirloskar:** I don't know whether we can make you a statement like that looking forward, but I think we will grow faster than the economy.

**Moderator:** The next question is from the line of Renjith Sivaram from Mahindra Mutual Fund.

**Renjith Sivaram:** After a long time, we have seen three consecutive quarters of good performance from us. So do you really see that it's for real that this turnaround is much more sustainable compared to the previous time when we...

**Moderator:** Sivaram, I am very sorry to interrupt but we can’t hear you very clearly.

**Renjith Sivaram:** So my question is that after a long time, we are seeing this sustainable kind of performance for three consecutive quarters. Are you seeing that this is more of a kind of the new normal for us or you feel that there is still some kind of a one-off in these kind of results? Is it a steady-state kind of a performance going forward from this? Just to get some clarity on that.

**Sanjay Kirloskar:** I mean, you were still echoing, but from what I understand, you said this is the third quarter which is showing growth and is it sustainable? And I'll answer on that basis. And you also wanted to know whether there was a one-off or something like that. I can only assure you that there was no one-off, like we had pointed out a few quarters ago. We hope that it is sustainable. I cannot make any definitive statement as usual. We've refrained from making forward-looking statements.

**Renjith Sivaram:** Okay. And which portion of the economy you are seeing the good demand? If you can point out at least a couple of segments. I know that you are more broad-based, but is there any particular segment where you are seeing some good traction?

**Sanjay Kirloskar:** We normally don't give information segment-wise. I think we give far more information than most companies do. I've seen, whether it is local or global players, they basically report only one segment, which is fluid handling machinery. And having said that, the B2B segment is something that has got good traction.

**Moderator:** The next question is from the line of Varun Bang from Bryanston Investments.

**Varun Bang:** Alok, our customer base in services and framework contracts is growing rapidly. So in the medium to long term, what cross-selling opportunities do you see here, both in terms of converting the customer base, I mean, some of the customers to using our products, because some of these customers would have global presence, how are we getting entry into other plants of these customers? Can you share some insights?

**Alok Kirloskar:** Thank you for the question. I just want to correct the perception. I mean, we've talked a lot about services, but services account in the UK only for 37% to 38% of revenues. It's a large chunk, but the remaining is all products. So it is obviously a products company selling products, like I mentioned earlier, in water supply, firefighting, oil and gas, chemical, industrial, and those are our key focus areas for the remaining 60-odd percent. So we are still a products company.

And you know, when we do services, we do services with two objectives. One is repair refurbishment of other people's pumps, as you're aware, when we manage the sites. But of course, very often, when there's a total replacement, we will ensure that our product goes in as a replacement in there. The other areas that we also work on are upgradation of efficiencies, because one of the areas that we also are focusing on is carbon is net zero, as well as how to make not just ourselves, but also our customers more sustainable.

And repair, refurbishment and upgradation of efficiency, most importantly, is something that ticks the boxes for our customers as well and you know, ensure that they are more green, because they are using the existing products and the existing products are being made far more efficient, which is in line with the efficiency standards that are there in the industry today and not maybe what they were like when the product was installed 20 or 10 years ago. So, I would say we are doing cross selling. That's part of the process.

You know, we do, obviously, the majority of our sale is product sale. But at the same time, we are looking for opportunities of one is, you know, what kinds of other streams we can get out of this. So, you know, one of the streams that we always explore with customers is whether we can install the pump and whether we can share on the energy saving.

So, you know, that's another example of a different kind of cross selling that we're doing. It's not just a product sale, but it's a new kind of annuity income sale. So, there are a few things that we are trying all the time with customers you know, how to become sticky, because really, services is one of our objectives is to become more and more sticky. I hope that answers your question.

**Varun Bang:** Yes. And I think we've been doing a lot of innovation, efficiency of the pump. And there is also a lot of consciousness around what quality we are offering. And there are a lot of features also that we offer with our product. So, do we think we have been able to get desired level of pricing in the overseas market? How do you think the brand perception and the pricing is evolving vis-a-vis competition?

**Alok Kirloskar:** Mr. Malhotra, I mean, it's a difficult question because, you know, on one side, we have a recognized brand, which is SPP, as a European brand. And by the same time, SPP historically has been a niche brand. I mean, SPP is only known for fire pumps. And we are really trying to extend the recognizability of that brand into other areas, you know, like water, like you know, chemicals, because as a Western brand, it's easier for us to, you know, push that brand across. So maybe in the Western countries, yes, we have a decent amount of traction in that area and we get a good premium. I mean, because in the UK market, we sell on total cost of ownership.

Usually, we can get up to 20% premium, because the products are far more efficient. But more importantly, they can maintain their efficiency. And we've shown this to the UK water utilities, not over one or two years, but over 12 or 13 or 14 years now, with various studies. So we are able to command that additional price because of the fact that we can maintain efficiencies, not just give high efficiencies.

Coming to Southeast Asia is really, you know, where our problems are, because you know, we are, like I said, we're trying to create more like what we have in India, a distribution network. And creating a distribution network requires stocking of pumps, it requires distributors to hold our pumps. And that's really where, you know, we feel that we hold, it's a little bit of an uphill task, because like I said, SPP, historically known for fire pumps. KBL is an Indian brand. So there's a little bit of less acceptability over there.

And you know, we are competing against the big Western brands, and many of them are known for their full-service product suite. And distributors are willing to hold them in stock, because they are obviously approved by customers for all those applications, not just the applications like fire or you know whatever, they are approved for everything. So it's easier to get a distributor to stock them.

So I would say that's, you know, wherever we are going for the distribution model, which we have to go for if we want more and more penetration, there is a task because we have to get the products approved with huge number of customers, only then will distributors hold it in stock. And so it's a process. And that's really where we're going through that process.

We did that in America and that's how, you know, our American model is distribution-oriented. But again, as you know, we are mainly doing it for fire, and distributors are holding stock for fire. But, you know, we do need to extend it if we want product category by product category, application by application slowly, because you know, as you know, we don't have hugely deep pockets. We need to do it slowly, and we need to do it sensibly. So that's really what we're doing. I hope I've answered your question.

**Moderator:** The next question is from Amit Shah from Nuvama Institutional Equities.

**Amit Shah:** So there were two things which I wanted to know was one, I mean, post-COVID, the China as a country is sort of having a bad name, and we are seeing the country struggling with exports. So one, is exports, I mean, negative sentiment for China? Is it helping us in any way in getting more export orders? One, and also what I would like to know is, how far are we comfortable with, you know, commodity prices in the sense that if commodity prices move up, I mean, is the market good enough for us to increase the prices?

Or if at all commodity prices move down, I mean, do we think we have a strong brand where we cannot reduce the prices and even get better margins going ahead? And just one more thing, what kind of capacity utilization are we running at? So, I mean, if the market grows substantially, I mean, how geared are we to, you know, get further production going?

**Sanjay Kirloskar:** Okay. You know, we've really never had any competition, as a company, not had competition with China. Even in Southeast Asia, our products are perceived to be far superior to the Chinese products. And especially when you go to firms which need a lot of interaction with the customer, our superior English language skills as a country have ensured that we never faced competition with China.

As far as commodity prices are concerned, you know, we are, I think, selling more on quality than anything else, because I think we've mentioned many times in this call that in our B2C business, we are the only ones who can sell our products. We are the highest in price, and we are able to get a premium compared to the competition and we are the only ones who sell without giving any credit.

So yes, last year, we were hurt by the sudden rise in commodity prices. But I think now the processes have been improved so that we do not have such an issue. We are watching the China situation carefully, because China is also trying to reboot its economy. But we believe that it will still take some time, because once China reboots its economy, you don't know what's going to happen to commodity prices. But we, as a company, are getting prepared for that.

Your last question, I believe, was on capacity utilization. And that continues to be between 60 and 70 percent. We have a continuous program for de-bottlenecking modernization. That is why you don't see us having sudden spurts in capex.

**Moderator:** The next question is from the line of Devansh Nigotia from SIMPL.

**Devansh Nigotia:** Sir, in B2C, if you can help us with the split in terms of on-the-ground demand in agricultural pumps and residential pumps, how is it? And now that the commodities have softened, so can you help us understand how much gross margins were impacted last year and the benefit we can see this year?

**Rama Kirloskar:** Unfortunately, we don't disclose this information. We don't disclose the sector-wise margins, nor the split between agri-domestic and industrial.

**Devansh Nigotia:** My question was, how is the demand, on-the-ground demand, shaping up and our outlook for the sale? I'm not asking in terms of sales mix.

**Rama Kirloskar:** No, the demand is picking up. We don't see an issue there.

**Devansh Nigotia:** Okay. And in terms of competitive intensity, since the demand is better than last year, is the fall in the prices more than the raw material fall? How is that shaping up?

**Rama Kirloskar:** No, there isn't any fall in prices, and the competitive landscape is as usual. There has been no change.

**Devansh Nigotia:** In case of domestic B2B pumps, how has the year been? And can you just give a direction on oil and gas, and a few other sectors?

**Rama Kirloskar:** Right. So, in general, the oil and gas sector has picked up. There has been a lot of orders that we have bagged for both Kirloskar Ebara as well as KBL. And actually, if you notice that there's been a huge demand. However, we do believe that in terms of the number of steel vendors, that's really not enough to cater to the huge demand that that sector has today, which is why one of the reasons why we see a degrowth in Kirloskar Ebara sales is because the steel manufacturers have been really full in their capacity, and there have been a lot of delays in dispatches from their side, which is why a lot of our consignments have not gone out this quarter.

But that should go out in Q2. So yes, to answer your question, demand is good, but there is an issue with generally the supply chain in India. We do believe that there are not enough qualified sub-vendors, not the pump vendors, but the sub-companies to the pump vendors.

**Devansh Nigotia:** Is it forging capacities we meant?

**Rama Kirloskar:** No, this is steel systems, mechanical steels and steel plants.

**Moderator:** The next question is from Sunil Kothari from Unique PMS.

**Sunil Kothari:** Sir, first question to Sanjay Bhai. Largely, sir, we hear from like this Torrent Power has announced, this pump storage hydropower, then NHPC also spoken about that. Then some days back, we had our commercial advertisement about flood control in Thailand and the possibility by our product. So combining this, if you can talk about the opportunity and possibilities, how feasible these are things. Second question to Alok is on this interest in the subsidiaries.

If you remove consolidated numbers from standalone, then other expenses substantially reduced compared to last year of Rs. 80 crores, current quarter it is Rs. 60 crores, quarter 4 it was Rs. 68. So these are the sustainable numbers or what has changed, if you can talk about this. And to the Alok only, this subscription model, we are talking about a very big opportunity for customer, the benefits to customer.

So if you can quantify and make us understand how it will benefit customer in terms of if they move to this subscription platform. And just last question to Rama. There is a very good demand of motors, that is what we are hearing from other motor manufacturers. So what about this Karad Projects capability and capacity? Are we announcing our capability and capacity? Some talk on this will be really helpful.

**Sanjay Kirloskar:** So I'll take the first and the last question. And I think Alok will take the questions in between. Thank you for coming back again. We appreciate the fact that you were there yesterday in the AGM. A large pump storage scheme, I think, we introduced what we call metallic volute pumps sometime about 15-16 years ago. And as you go larger, they have reversible turbines.

With the requirement in India, earlier being smaller pumps, we have developed a range of up to 30 megawatts. Whereas these pump storage schemes actually require pumps of 100 plus megawatts. And while we believe we are capable, we are always asked, where is your proven track record?

Now, if India hasn't had requirements of such pumps earlier, we cannot provide a proven track record. And we are therefore trying to see how we can still deliver. Maybe we will grow our sizes. The capability is there, but I guess it's not having supplied earlier that hurts us. Many customers over the years, for the last 8 years, have trusted us to make products of all kinds for the first time in India.

And while we have gone up to 30 megawatts, I think, and I can understand their situation as well, we will need to build trust to go beyond 30 megawatts. That's as far as pump storage schemes are concerned. We are talking to a few people, but let's see where that goes.

As far as Karad Projects and Motors are concerned, I think you would be aware that it was Kirloskar Brothers that made the first motor in India in 1940. And in 1946, we promoted two different companies. One was Kirloskar Electric, and the other one was Kirloskar Oil Engines, to which we divested these two businesses. And in both these areas, in return for certain promises that they made, we divested these two businesses.

And the commitment from Kirloskar Brothers was that we will not get into the electrical business, I believe, or motor business. We have stayed true to that. We have been working with Kirloskar Electric. And over the years, you may be aware that Kirloskar Brothers, in between, made the hermetic compressors, which were driven by motors. Those motors were made by what is now KPML.

Similarly, for our monoblock pumps, we also require extended shaft motors. Again, with Kirloskar Electric, we said that we will work together. And this was done together with Kirloskar Electric. So, you know, the capacity is there. We have an arrangement with Kirloskar Electric that wherever there's captive requirements of Kirloskar Brothers, those will be supplied by KPML.

And therefore, KPML makes all kinds of motors for KBL, including EE4 and EE5 motors, which we have now introduced in our domestic and agricultural and industrial pumps. And we also make, in KPML, the motors that are required for canned motor pumps that we make. So that is as far as...

**Sunil Kothari:** But, sir, we never really come to the market. I mean, it's only for internal consumption?

**Sanjay Kirloskar:** It is for internal consumption.

**Moderator:** The next question is from the line of Jainam Ghelani from Svan Investments.

**Jainam Ghelani:** So, our order book is of 3,000 crores. Over what time period is it executable?

**Alok Kirloskar:** It depends on the pump type. As we've explained earlier, the order to stock business is not included in this order book. Because that is delivered month-on-month, this is actually mainly Kirloskarvadi Factory and the international businesses. And it depends on the pumps. Some pumps will be delivered within three to four months, and some might be delivered over 12 to 18 months.

**Jainam Ghelani:** Okay. From an international business, what percentage of revenue would be from services? And do we have any services revenue from a domestic business?

**Alok Kirloskar:** Actually, we don't share that breakup. I mean, I did share it for SPP earlier, but we don't share it for the group. You mentioned that. I just answered the question Mr. Kothari asked me, because I didn't answer his question. You know, he asked me why the expenses have reduced significantly compared to last year. And it's not that the expenses have reduced significantly. But last year, we had a mark-to-market forex loss of Rs. 16.4 crores, which is not there now. So, that was the answer to his question.

**Moderator:** The next question is from Khadija Mantri from Share Khan.

**Khadija Mantri:** Sir, I wanted to know what are the type of pumps that we deliver for oil and gas sector? Like, what are the applications of these pumps in oil and gas upstream-downstream industry?

**Rama Kirloskar:** Exactly, which pumps are we talking about?

**Khadija Mantri:** Oil & Gas sector

**Rama Kirloskar:** Yes. So, these are American Petroleum Institute certified pumps. And it can be both API or non-API. So, KBL supplies the non-API. Kirloskar Ebara, Rodelta, and SPP supply the API. KBL supplies downstream. SPP UK offshore or upstream. And Rodelta is midstream.

**Alok Kirloskar:** So, I mean, if you want the type of API, we supply BB2, BB3, BB4, BB5, and VS4, VS5, OH3, and OH5, and OH2. So, those are the categories within API that we supply. And non-API is ISO 5199.

**Khadija Mantri:** And also, I just have a question. I just wanted to understand this Kirloskarvadi. Is this our main manufacturing plant for pumps? And also, where do we procure our steel casting for pumps?

**Rama Kirloskar:** See, our made-to-order and engineered-to-order range comes from Kirloskarvadi. And our made-to-stock comes from Dewas, Sanand, and Kaniyur plants. We have three captive foundries in Kirloskarvadi that's steel, cast iron, non-ferrous, and as well as replicast, which is essentially steel. And TKSL gives very large steel grade castings.

**Moderator:** The next question is from the line of Manish Goyal from ThinkWise Wealth Managers.

**Manish Goyal:** And just a few questions first to Alok. On the international, you did mention about the improvement in the revenue front and the margins. So Alok, we would just like to know that how sustainable is this in terms of probably we take a near to medium term, especially in US operation. This quarter, we have seen 15% EBITDA margin and UK also improving. So, just want to know that. And also want to clarify that is there any restatement of numbers for US and

UK subsidiary for Q1 FY23? Basically, when I probably saw the numbers this time, there has been some change at US numbers and UK. Basically, US has increased and UK has been reduced. That was one.

And then second question is on the subsidiary data when it is presented in the annual report. The intergroup elimination line item shows positive EBITDA of Rs. 7 crores and PAT of Rs. 9 crores positive. So, maybe Mr. Mate can clarify that.

Second question on the nuclear pump as to what is the status on the tender for the fleet ordering? Like we had supplied the boiler feed pumps as a development order. So, how is it performing and any feedback on that? And then we were also looking for a development order for primary heat transport pump. So, have we got it? And how do we see it going forward? And how big can be this opportunity for the fleet?

**Alok Kirloskar:** Mr. Goyal, the second part of your first question where you mentioned the change in the numbers, I'm not sure I understand what change has been made. But I'll answer the first part, which is America and the UK. I mean, it's hard for me to give you whether it will be 15.5, because that will be a forward-looking statement. But what we are seeing is that we are all making efforts, as we've said before, to get the margins going in the right direction.

And the real focus really is in the UK at the moment to get that in the right direction as well. The US business is dependent on distribution, like I said. And that generally has a range in which it operates. One of the reasons why we've seen a little bit of a jump in the US numbers is because the supply chain disruptions that were there before were eased out a little bit. And a lot of the suppliers were able to supply for the original lead times. So, that also helped up the revenues because of that change. And obviously, with that, there was some level of operating leverage. But I would say that we are obviously making an effort to ensure that we are able to grow and sustain in all areas.

**Manish Goyal:** And in the US, we're probably seeing some stress on the commercial real estate part. So, probably the kind of revenues that we are seeing, I just want to know that like how is the pipeline for the US?

**Alok Kirloskar:** What is the pipeline? The pipeline in the US is quite strong at the moment. And as you know, there are many initiatives going on in the US, including the Inflation Reduction Act. So, because of that also, there are investments in the US at the moment. As you know, we are focused on fire pumps and municipal water and commercial real estate pumps. So, while there are investments in many areas, we are very focused in these areas. So, we don't necessarily get the benefit from everything. But we will try our best to get the benefits in these segments that we operate and where we're getting penetration.

**Sanjay Kirloskar:** As far as the nuclear side of the business, I think the last time I have informed you that KBL has delivered the pumps, which was fully indigenously designed and manufactured for the first time in the country for a large nuclear power plant. This has been delivered to NPCIL. I don't believe it's commissioned yet. And on the primary heat transfer pump, I had informed earlier as well that we had received the development order.

We had kept it on hold for certain reasons which were also disclosed earlier. But now, we are moving full speed ahead to ensure that this pump will be fully made in India. As we have again mentioned earlier, the primary and the secondary heat transfer pumps for the fast breeder's reactor at Kalpakkam, the 500-megawatt pumps, were again fully indigenously designed, developed and manufactured by KBL a few years ago. So, we believe that this should not be a problem.

**Manish Goyal:** But sir, what would be the opportunity? Like, what is the status on the tender for the fleet order?

**Sanjay Kirloskar:** There was one order that they had released in Haryana. Then I understand they are moving ahead with some more orders and they are working with large EPC contractors, who will be placing the orders for the pump.

**Moderator:** The next question is from the line of Mehul Panjuani from 40Cents.

**Mehul Panjuani:** Thank you for the opportunity, sir. I have one question, because Mr. Alok was answering to one of the earlier questions. There are some pumps which are being utilized by companies like Microsoft, Google. So can you please throw some light on this? I mean, what are the utilities of these pumps out there and what are these pumps actually?

**Alok Kirloskar:** So, these pumps are mainly, like I mentioned, going into data centres. And a lot of data centres, especially Google, AWS and Microsoft, have our fire pumps. Definitely a lot in America, but also, I think, almost most of the ones in Europe as well. So, that's what I mentioned, that they are used in data centres.

**Mehul Panjuani:** Is there any standardization like how we have for oil and gas API pumps?

**Alok Kirloskar:** Yes, there's a level of standardization for these pumps. And that's really why we're able to get them in good numbers, because usually they are designed, the data centres are designed by big engineering companies, people like Arabs and all these guys. And so, the specification is sort of put through them, usually, or they sort of come up with the specification.

**Mehul Panjuani:** How long KBL has been manufacturing fire pumps? Has it been, like, this is early or it's a very recent addition?

**Sanjay Kirloskar:** We've been making firefighting pumps since the 1970s. In fact, at that time in India, there was a standard called Tariff Advisory Committee, TAC. And they had a standard. Over a period of years, that standard has gotten diluted. And now people ask for all kinds of standards. Being a global player, KBL and SPP qualify to almost every global standard that's possible. And about a decade ago, KBL was the first pump company in India to have FMUL approval for its firefighting, the factory as well as its products.

**Mehul Panjuani:** And I was going through the transcript for the last quarter. And , to many of those questions, you know, the management has answered that, you know, the last 10 years, the company has moved mainly from EPC to products, focusing more on products. So, can you please throw some light on this? You know, how the company has envisaged that this was the way to go? And what was the strategy behind this? Because, you know, it's a complete transformation in the company.

**Sanjay Kirloskar:** I think the rest of them may get bored. But we realized that when we started going into this business in a big way of EPC contracting, that we were running short of money. And after some time, it got to be that you had to get a new order so that you could get the advance so that you could pay your bills. And that is why I think around 2008 or 2009, we decided that we would stop getting new orders for the EPC business.

And we actually have delivered more than 12, 13 years ago. But there are various reasons why these projects got commissioned or the pumps got installed slowly, the projects got commissioned slowly, more to do with the fronts being made available by the end customers. And therefore, we decided that we would get into products in a big way. We have, I think we make the largest number of products in the country. Our products are appreciated by customers not only in India, but all over the world.

And I've said this also before that in our business, we are the only company that designs in India and manufactures in India for the world. So when our products are accepted around the world, because they meet global standards, whether of quality or performance, or delivery, we make some of the most efficient pumps in the world. I think we've spoken earlier about our lowest lifecycle cost pump, which were developed jointly with SPP sometime in 2006 or 2007.

That product was very quickly appreciated in Britain. And I'm happy to tell you that we have over a 70% market share in Britain with the private water companies. And increasingly, it's getting popular in India. So the reason for making that change was the fact that working capital, we required more and more. The debtors ballooned, WIP ballooned and we were not very comfortable with that. So that's why we made the change.

**Moderator:** The next question is from the line of Ajay Surya from Niveshaay.

**Ajay Surya:** Yes, so my question is more on the solar pump side. So how are you seeing demand? Are we catering to a new solar system?

**Sanjay Kirloskar:** Before Rama was born, actually, we got into the solar pump business in 1986. We were the first ones to introduce these products in the country.

**Rama Kirloskar:** So we continue to supply to system integrators. We don't directly deal with state departments. I think we've mentioned this on our previous calls as well.

**Ajay Surya:** Because government has come out with Kusum Yojana, so are we seeing a boost in demand from that side of policy announcement or as well demand on solar pumps?

**Rama Kirloskar:** I would say the demand is as usual. It's the same as it's been for the last few years.

**Sanjay Kirloskar:** And that's probably because we work with a lot of system integrators. We get our money for our pumps as they are delivered. We do not have to wait for whatever issues the other companies need to wait, the ones who are in who do integration.

**Moderator:** The next question is from the line of Kunal Sheth from B&K.

**Kunal Sheth:** Sir, I just wanted to check, you know, in our annual report, in other expenses, we have a legal expense, a large expense, about Rs. 67 crores in last year's annual report, and that has been recurring. So what is that pertaining to, and is it likely to, you know, go down over the next few years?

**Chittaranjan Mate:** First thing, Mr. Kunal, I would like to clarify that if you have seen the figure in annual report, it is legal and professional and consultancy fees. Right. They are not legal expenses. Right. It's a mix of various things. And the breakup of that, we cannot disclose here, because that is a matter of subjudice.

**Kunal Sheth:** But large part of it will be professional and other things, and not legal, would that be right to assume?

**Chittaranjan Mate:** Yes, the major portion is professional and consultancy fees.

**Kunal Sheth:** And, sir, lastly, on margins, sir, both on the standalone and consolidated, I know you have answered it in a certain way, but would it fair to assume that whatever, you know, hard work that they have put in over the last few years in terms of cost and product mix, you know, the current level of margins are sustainable?

**Chittaranjan Mate:** Current level margins do not have any extraordinary items.

**Kunal Sheth:** So would it be fair to assume that these margins are sustainable?

**Rama Kirloskar:** We will try our best.

**Sanjay Kirloskar:** I think we have always mentioned that, you know, we don't like making forward-looking statements. The only guidance I would give is, please remember what we have said earlier, all of you look at quarterly statements, look at the way the company performs from quarter-to-quarter, first quarter, second quarter, third quarter, fourth quarter, you will see that there is a certain way that the company performs. And beyond that, I will not be able to say anything.

And the other thing is, you know, we had an EGM a few months ago that was requisitioned by Kirloskar Industries. At that time, the company had put out an explanatory statement. There is a lot of answers to many questions over there, and that would help you understand the situation.

**Moderator:** The next question is from the line of Niraj Thacker from Profit Tantra Financial Services.

**Niraj Thacker:** My question is for Alok sir. Sir, since we have a good portion of services business, is it possible to share how much cash flow we would have generated last year or current quarter? Just to throw some light on that, how much cash flow would have been generated.

**Alok Kirloskar:** Actually, sorry, you know, earlier also I mentioned, we do not break it up by segment like this. Nor do we report the percentage of the cash flows. But I did mention it in the case of SPP what it was, but usually we do not break it up and identify it separately.

**Niraj Thacker:** And sir, one more thing. Since this data centre fire pumps, now India is also seeing a lot of traction in data centres. So, do we have any opportunity as a company to supply pumps in India also in so many data centres?

**Alok Kirloskar:** We are already supplying pumps to India to the same three entities which I mentioned. Because the pumps are already approved for the entire group.

**Niraj Thacker:** Okay. And sir, any major capex or any new acquisitions in mind in abroad? Any major capex is planned for the current year, sir?

**Sanjay Kirloskar:** I do not believe we can make such a statement. Thank you.

**Moderator:** Due to time constraints, we will have to take that as the last question. I would now like to hand the conference back to Ms. Rama Kirloskar for closing comments.

**Rama Kirloskar:** I would like to state that we will continue to pursue a multidimensional approach to create value in order to consolidate our market position, increase profitability, thereby unleashing stakeholders. And having established the groundwork for our transformation, we are enhancing our competitiveness and achieving sustainable growth going forward. Thank you for all your wishes and for joining the call. If you have any queries, please do get in touch with one of us or with Strategic Growth Advisor, our Investor Relations partner. Thank you.

**Moderator:** Thank you very much. On behalf of Kirloskar Brothers Limited, this concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.