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"Kirloskar Brothers Limited Q4 FY'24 Earnings Conference Call"

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Moderator: Ladies And Gentlemen, Good Day and Welcome to Kirloskar Brothers Limited Q4 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 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. Should you need assistance during this 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 of Kirloskar Brothers Limited. Thank you and over to you, Mr. Kirloskar.

Sanjay Kirloskar: Good afternoon, everyone. On behalf of Kirloskar Brothers Limited, I extend a very warm welcome to all who are joining us on this call today.

I hope you've had an opportunity to go through our "Financial Results" and "Investor Presentation," which has been uploaded on the stock exchanges and on the company's website.

On this call with me, I have Mr. Alok Kirloskar, Managing Director, Kirloskar Brothers International B.V.; Ms. Rama Kirloskar, Joint Managing Director, KBL and Managing Director, Kirloskar Ebara Pumps Limited; Mr. Chittaranjan Mate, Senior Vice President, Finance, Mr. Ravish Mittal, our new CFO, Mr. Devang Trivedi, our Company Secretary and Strategic Growth Advisors, our investor relations advisor.

Before I start my comments, I would like to brief you about a few Developments at Kirloskar Brothers. To start with, I am pleased to inform you that the Board of Directors has recommended a final dividend for the year of Rs.6 per equity share of face value Rs.2 which is about 300% of face value.

We are also pleased to inform you that based on recommendations of the Nominations and Remuneration Committee and consideration of the Board of Directors of the company, Mr. Ravish Mittal has been appointed as CFO of the company w.e.f. today. Mr. Mittal is a qualified chartered accountant and has completed education from IIM Bangalore. He is a Fellow Member of the Institute of Directors India and London. He has work experience of over 28-years in the field of Finance, Strategic Evaluation, Risk Analysis, Treasury and FOREX Management and

Investor Relations among other things. He's been working with Kirloskar Brothers Limited since July last year as Vice President, Finance.

I would also like to place on record my sincere appreciation for the excellent work done by Mr. Mate in his role as CFO. He's been a strong pillar of our organization and has played an important role in taking KBL to where it has reached today. I would take this opportunity to thank him on behalf of everyone, including the Board of Directors for his dedication and service to Kirloskar Brothers Limited. He will continue as a senior management employee with the company as Senior Vice President, Finance.

Talking about our "Q4 and FY'24 Performance," let me begin with Domestic Business:

For Q4, we achieved year-on-year growth of 13.3% to Rs.899.7 crores and a growth of 7.1% for Fiscal Year '24 to Rs.2,720 crores for the full year. This is a result of the sustained demand that we have received for our made-to-order and engineered-to-order products. Additionally, there has been a notable increase in make-the-stock orders, which has contributed to our overall growth trajectory. With a keen focus on our business prospects supported by our robust order book, we are optimistic regarding our future growth prospects. We expect to achieve double-digit revenue growth in FY'25 compared to FY'24 in our domestic business. As of March '24, the value of our standalone pending orders stands at Rs.1,826 crores. We are experiencing a sequential uptick in the marine and defense, building and construction and industry segment.

Our international business has made substantial investments in services, which is a high margin business and is evident in the numerous framework contracts currently active across all our subsidiaries worldwide.

For Fiscal Year '24, I am pleased to share that our key subsidiaries, SPP UK and SPP USA, reported growth of 10.2% and 18.1% respectively. We expect international business to show respectable growth in Fiscal Year '25 compared to Fiscal Year '24. This is on the back of our sustained efforts to innovate new products and expand in new geographies along with increase in market share in existing products. Our consolidated pending order book stands at Rs.2,999 crores.

With this, let me invite "Mr. Ravish Mittal, our CFO to discuss the Financial Performance Highlights."

Ravish Mittal: Thank you, CMD sir, for the warm welcome. Good afternoon, everyone.

Let me share the Onsolidated Financial Performance Highlights with everyone present in the meeting:

Our net revenue from operations in Q4 of Fiscal Year '24 grew by 9%, which is year-on-year to Rs.1,224 crores, and our net revenue from operations for the full Fiscal Year of '24 grew by 7% and I am very happy to announce that we have crossed the Rs.4,000 crores mark, we have reached Rs.4001 crores for the Fiscal Year '24.

On the EBITDA front, our Q4 EBITDA grew by 44% on a year-to-year basis to Rs.228 crores and our EBITDA margin for Q4 also grew from 14.1% to 18.6%, which is nearly 450 basis points growth, and our EBITDA for the full Fiscal Year of '24 grew by 36% year-on-year to Rs.578 crores, and the overall EBITDA margin for the full Fiscal Year of '24 grew from 11.4% of last year to 14.5% this year, which is nearly 310 basis points growth.

When it comes to profit after tax, our PAT for the Q4 grew by 52%, which is to Rs.153 crores and our PAT for FY'24 Fiscal Year grew by 48% to Rs.350 crores, margin is nearly 250 basis points rise compared to the last year.

This is the Key Highlight Results from our side, and we can now begin the question-answer session. Thank you, everyone.

Moderator: We'll now begin the question-and-answer session. First question is from the line of Sunil Kothari from Unique PMS. Please go ahead.

Sunil Kothari: Congratulation to you and your team for such a remarkable performance. The way you are explaining in the past about the improvement in profitability, removing lower margin business which is now clearly reflecting in the performance. My question is I think your opening remarks give some hint about the growth also, which is we were asking always for revenue growth. So, hopefully, we'll start at KBL and Karad Projects and Motors Limited also, because we have grown substantially during Q4. So, if you talk a little bit without giving any numbers qualitatively what is enhancing this growth numbers at KBL standalone and Karad Projects and Motors Limited?

Rama Kirloskar: Good afternoon, Mr. Kothari. So, nice to hear from you. Hope you are doing well. So, to answer your first question, from Kirloskarvadi, as we had mentioned earlier, we've made some investments in consolidation of our store. So, we are working on a project there and enhancing operational efficiency. And that store essentially came online in end of Q3, really able to enhance the sales and the turnover from that plant in that last quarter essentially because of operational efficiency and essentially that would be a sustainable growth, which we should see in the future as well.

Sunil Kothari: So, we talk about some on the slide #38, debottlenecking and cost optimization across subsidiaries. So, would you comment on how this debottlenecking will help us to enhance our capability and capacity? You would not like to give a number, but this debottlenecking will be enough for next 2-3 years growth whatever we are planning, what type of cost optimization is possible if qualitatively you talk more will be really helpful?

Sanjay Kirloskar: If we talk about debottlenecking, over the years, we've invested in various types of machinery, and whenever all of you have asked about what is the CAPEX, we say that basically we are going to modernize and we are also going to bottleneck. And what has happened over the years has been that as our engineers have worked on various individual machines, the capabilities and capacities of those machines have grown, but they may not have grown in a balanced way, in the sense that the first machine, for example, might do 100, the second one might do 120, the third one might do 80. So, in that manner, amongst a few machines, then we would like to see what is the highest capability of the machine in that line, and then ensure that all the machines go towards that number. Now, something like this has been done in our small pumps business, we look at unit flow where there's very little inventory between stations or between machines and that is what now we are trying to do to ensure that, look at each and every line in Kirloskarvadi and ensure that all the machines have a balanced capacity at the highest number. It might in some cases involve getting a machine, but in other cases it might be ensuring that some operations from one machine are moved to the other or things like that or showing that each machine is operational all the time. Sometimes you may need to keep some machines on another shift. As we've told you earlier, we work in two shifts, but sometimes now we may need to operate some machines on three shifts. So, these are the activities which we believe will in addition to buying new machines as per the CAPEX plan will improve the situation. Also, like Rama has also mentioned that we have put up the megastore. Similarly, last year as you are aware we also put up the high-pressure molding line for the small pumps. So, over a period of time, we are slowly but surely increasing the capability of our factories to produce in greater numbers, but at the same time looking at how much we put in CAPEX year-on-year. I hope that answers your question.

Rama Kirloskar: Mr. Kothari, your question about KPML, essentially the last quarter, we did see a lot more demand from our small pumps business. And as you know, KPML supplies our small pumps sector with all the motors. So, that's one of the reasons why the production numbers and the dispatch numbers of KPML were enhanced in the last quarter because those motors were essentially sold to KBL.

Moderator: Next question is from the line of Renjith Sivaram from Mahindra Manulife Mutual fund. Please go ahead.

Renjith Sivaram: So, just wanted to understand this piece here. The standalone EBITDA margins have been very good. So, is there any one-time impact on these margins?

Sanjay Kirloskar: No, there is no one-time impact because when we have one-time impact like we did, I think in the third quarter of last year we had reported it and there is no exceptional item I think throughout the year there is no exceptional item.

Renjith Sivaram: Like is this kind of sustainable kind of margins or you believe that there are certain orders which had helped us to show this kind of margins?

Sanjay Kirloskar: This is basically what we are saying is improved operational efficiency. The product mix improvement has also been there. And since you are one person who always ask me, there is no nuclear business from us in this year.

Renjith Sivaram: Because my understanding is whether these kind of sustainable margins, whether it's kind of like, was there any special specific order which we are executing?

Sanjay Kirloskar: If you look at the company's performance historically, the highest sales and the margins are in the Q4. So, we expect that the company's performance will continue to improve, but you should look at what has been happening quarter-on-quarter for the last few years. So, I don't think it will follow any different trend.

Renjith Sivaram: Regarding this overseas business, what is the overall outlook that you foresee, is there any headwind or any tailwind, how should we read that?

Alok Kirloskar: I think the consolidated backlog is there with you along with the domestic backlog separately. So, you can see the backlog position of the overseas business. We usually assume between January and July for book-and-bill business because business that we will book in the same year, and the business as you will see has gone up, the order backlog position. So, I think from visibility side, it will give you a picture of where the business is headed. Do you have any other specific questions? I mean there's always changes as you know with the number of wars going on right now, there's always a variety of changes happening in the market, but at least there is some visibility which is positive.

Renjith Sivaram: We hear that there's a lot more investment that can happen in the oil and gas space. So, are you also upbeat on that prospect or you don't see any major change in that?

Alok Kirloskar: I've mentioned to you before also, I think when we spoke the first time that in 2014, about 65% of our international business came from oil and gas. Last year, new products new products in oil and gas contributed I think under 7% or 8%. So, we've made an effort towards being and targeting green applications, non-oil and gas applications and at the same time as you will appreciate, because you'd be tracking many companies in the petrochemical space, petrochemical margins tend to be higher. So, given that we were growing the other businesses, we've also looked to see how to bring margins to the same level in the other businesses, which slowly is coming to fruition. But that said, we haven't exited the petrochemical sector, we are still strong there, we are known there, our brand is strong there, and as you would be aware where many floating LNG projects as well as LNG projects going on, and we continue to get good fair share of the enquiries and we are still booking a good number of orders in that sector going forward.

Moderator: Next question is from the line of Manish Goyal from Thinqwise Wealth Managers. Please go ahead.

Manish Goyal: A couple of questions. One, continuing on the previous question on the margin front, maybe if you can give us a perspective that we were implementing APOEM model, so how has been the adoption of that with the dealers and how is it also helping us on the margin improvement, balance sheet improvement, and where does this get reflected in terms of our stock-to-order, make-to-order, how has it been changing in the breakup what we did in our revenue. The second question is Mr. Sanjay Kirloskar did mention that international sales will look better in FY'25, but FY'24 was quite weak in terms of growth rate; it has grown 6% for the full year and for the Q4, the sales were down 18%. So, is it that some of the large orders which were getting delayed are still not delivered? What is the quantum of the orders? And even the order inflow has been weak in the current quarter. So, maybe if you can give us perspective on international business? So, these are the two questions. And then I have a follow up in terms of what is the direct export from India and how is it growing? And what is the services and aftermarket revenue component in standalone and consolidated business? And how our digital initiatives helping this our aftermarket and services business to grow?

Alok Kirloskar: I'll answer the first one which you asked about APOEM model. I think we've been discussing it and our first APOEM was put up in 2011, but it's been a journey for us to move forward and get not just the market but also the company, in line with what we were envisioning when we put up the APOEM concept. I'll just mention it because there will be other people on the call. I know we've had other calls before, so you'll probably be a little bit aware of the concept, but APOEM concept is where we sell the bare industrial pumps to our APOEM who are the large dealers. They have made investments in terms of doing some trimming of impellers, so a little bit of the customization as well as testing, which is very important because now after doing the customizations they can test the pumps locally. We have APOEM in the north, East, West and the South. So, he asked about APOEM. So, before getting into the answer, I just thought for the sake of the other participants had mentioned what the APOEM concept was. I mentioned that we put up the first APOEM in 2011, and it was a little slower in terms of the pickup that we were expecting because the concept of an APOEM was that we would sell him an industrial pump. So, this is mainly only for industrial pumps. The APOEM would trim the impeller and do the customizations and then he would test it because he'd also invested in a testing facility and we have five APOEMs in India, North, East, West, and South zone. I think Manish asked the question about APOEM which I was trying to answer, but before answering it, I think I need to give the background of an APOEM so people are clear what APOEM means. So, we started this concept in 2011. The APOEM, the idea was that we could supply an APOEM in industrial pump because this is mainly for industrial pumps. The APOEM could trim the impeller, he could add the motor or engine and he could test it. So, the APOEM also made investments in testing of our equipment and after that he could dispatch it. The idea was that he would hold a lot of thousands of these pumps in stock and the delivery period would be, for us what was maybe 16 to 20 weeks would probably be for him right down to a week, sometimes less than a week, up to a maximum of two weeks. And this was the overall concept. The effect of this is that lot of the traded items like the motor, the base plate, the coupling, that are normally fitted on the pump and supplied by us and which are normally a bought-out for us and usually sit in inventory for us, would basically be done by the APOEM, so that would reduce the amount of WIP on our books, reduce the inventory in our books, and the APOEM would hold that and he would sell the pump. The other side was that the APOEM would pay us upfront for the pumps as soon as they were dispatched, so it was converted to a cash-and-carry business on the industrial side. So, this is the overall concept. The upside was that we get our pumps in the field, our pumps are stocked in large volumes, they come in large bulk orders to our plant. So, what was a made-to-order product becomes a made-to-stock product. And so there's better balancing in the plant for this kind of industrial business. Cash comes upfront. So, these were the positives. The downside was that of course, traded items go away. So, the revenue number starts coming down because all the traded item goes away. But of course, the upside of traded items going away is that material cost also goes down, because you can't make the same amount of margin on traded items as you do on your own product. So, that was the concept. We now have five APOEMs. They're doing very well. The market has picked up and on the inside of the organization also our people have understood that just pushing the top line is not important. Obviously, we want cash flow, we want profitability, we want better material cost, and lower inventory. And now that both inside and outside, they're both aligned. We see that over the last two years, three years, these numbers have gone up very fast. And given that it's also in a way in line with a lot of industrial investments and we are able to deliver at a very short notice from the APOEMs, these together have seen to give us a very good rise in the APOEM. So, that is the big positive in APOEM and it's also allowed like I said earlier, a lot of the MTO, the type of business or made-to-order type of business to become converted into a made-to-stock business which is very important from us to a plant management point of view. So, these are the few points. Does that answer your question, Manish?

Manish Goyal: Yes, Alok. I just wanted to get a sense that how does it reflect in terms of contribution for APOEMs and where does it get reflected and where does it get manufactured?

Alok Kirloskar: It gets manufactured in the Kirloskarvadi plant. It gets reflected in made-to-stock and of course part of it doesn't need to order, but lot of it doesn't need to stock. The other thing I think is reflected in margins to lower MSR ratios, lower material cost.

Moderator: The next question is from the line of Varun Bang from Bandhan Life Insurance. Please go ahead.

Varun Bang: Just two, three questions. Firstly, how should we look at our journey in diversifying our product portfolio in the international market? And simultaneously, we would also need to develop the aftersales network in the newer markets that we enter. So, how should we look at our journey here? And so we'll be looking at acquisitions to get access to the network as well as customers. So, which focus on UK and U.S. market if you can share some details here?

Alok Kirloskar: There are two different questions really for us. US market is a good way to talk about it. When we entered the US market, obviously as you'd expect, we were not a known brand. the US has pump manufacturers who have been around for 80, 90, 100 years and like we have in India an established dealer network with dealers who've been with them for two or three generations and so venturing into that market was very difficult. It's one of the reasons why we decided to go with fire pumps and fire pumps in the US market was useful, because fire pumps, #1, have almost no spare requirement, they have no real requirement for service. And why I say spares is because a lot of the dealers of other products did not want to shift to us because they have a concern that they would lose the historic spares of the current principle they had. And so we had a little bit more traction on fire pumps and we started with various dealers who we are able to move over on fire pumps and get penetration on fire pumps. And that's how we started entering the market and that's how we enter most markets. We enter them looking at one niche area. And once we get strong in that niche, we widen a little bit and we add a little bit more. So, like in the US market, the next step was adding water and pumps for water supply. And so these are the pumps added through our company, SyncroFlo. So, establishing that route-to-market really is extremely important. In the case of SyncroFlo, that was an acquisition that we did, it was done at a very, very low price. But the real objective of that acquisition was to get route-to-market. So, to answer your point, yes, we do look at sometimes acquisition, but mainly look at route-to-market because we already have a lot of the products between SPP and KBL and so there's not any real need to buy a company for products. But we do need to sometimes look at ways to get into markets. In the international market, we are very niche in different countries. We don't cater to the entire basket that we have. In America, mainly it's water and fire. In the UK it's water, fire, oil and gas and chemicals. The other business that we've really added in services, and I think I mentioned that earlier that oil and gas was at one time 65% of our revenue and now it's under 7% or 8% and that's because we've moved into services as a business. Today, we have over 110 framework contracts with companies and framework contracts are only contracts we consider a framework if they're for three years or five years. And here we manage all the pumps on Petronas platforms or Shell platforms or BP platforms, different kinds of platforms that we've been given the framework, as well as chemicals like INEOS in the UK and large water companies. So, in most of the water companies in the UK, we have an exclusive framework with except Thames water which is non-exclusive. So, overtime that's also become a very large share of our business because we're doing this across the world and through services also we are able to now install our products by replacing a lot of the competitors' products because the service contracts are not just for our pumps, they're for all pumps at that site. Does that answer your question? I know that your question had a lot of factors. I tried to see if it's possible to summarize it.

Varun Bang: That's a very good explanation. Just one more thing on the framework contract, how should we think about the margin profile of the framework contract and how do we price it and what is the cost to service these contracts and do we have lower margins initially and then subsequently they move up, if you can just share some perspective on that?

Alok Kirloskar: So, on average, our framework contract tend to be about two times the gross margins of our product business for the international business and they don't start off low and go high. We usually take over the site and our objective is to look at repair, refurbishment and now recently we've added upgradation. So, usually we'll go and not look at an old pump and we'll look to upgrade the efficiency of that old pump. So, if it was operating, I am just throwing a number at you, 70% we'll look to make it 75%, 80% and then we'll work out a new agreement of what that additional efficiency enhancement should mean to the customer and to us as an additional payment. So, I would say that we have a base contract and that's based on the customer saying that we have so many pumps, we make a plan of all those pumps and we say that in year one, year two and year three, we will make changes to these pumps. So, that way we have predictability and he has predictability for his budgeting requirement. And so there's a fixed amount. Because the objective for us was really that we need to be able to predict and we need to have visibility on revenues out of services. And obviously, if we know the revenues, we have a general idea about the margins. So, that is really how they operate. Does that answer your question or have I missed out something?

Varun Bang: I think that answers my question. And just one last question on innovation. If you can share some insights on how we manage innovation, how large is our team and where do we source technology from, so basically, where do we get feeds for innovation and as well as on the digital initiatives, if you can share, how are we able to imbibe these changes?

Sanjay Kirloskar: In fact, we have a group called "iMission" where we come out with new ideas and we get quite a few patents all the time. And this is based on whether it's just on the product side or whether it is the digital side, I think for the last few years we've been talking about our KirloSmart device, which is an IoT device, we've talked about augmented reality, virtual reality, we've talked about AI, we've talked about 3D printing. So, as an Indian MNC, we can only stay in business outside the country, if we are on par with global MNCs, large competitors that we have based in Europe and America. We launch more than 100 products every year just in edge, our small pumps business. We've launched a new, I think in the last time we said, we've launched our DBxe model of industrial pump, and now also for building and construction, a new range of inline pumps. Our N-section pump actually are the only ones in the world that meet the European MEI norm of 0.7, the index meeting efficiency with an index of 0.7. In fact, I heard that one of our European competitors is now going to upgrade N-series to be able to match our pumps. So, innovation is the only way we can stay in the same space as our global competitors, and therefore, you can rest assure that we will continue to do this, launch many new products every year and also ensure that we are not found lacking on the digital side. Mr. Manish Goyal had one question I believe why the Q4 revenues internationally came down. I think in our presentation we have mentioned that on Slide #7 basically to say that, there were two places where the sales did not go as we had expected where I think some engines are to come for some two projects, two large projects and about seven projects which were expected to go out, and in Thailand I think large CVP order concrete volute pump order I think two sessions ago in not the last investor call, but the call before we said that we had received the order for concrete volute pumps for pest control and we were the only one in the world to get a repeat order for the city of Bangkok. Those pumps were delivered, but we were waiting to get confirmed irrevocable letter of credit from the end customer. So, about 150 million Thai baht we held back from dispatching, that has now happened in April because it took until early April to get the commercial terms exactly as we wanted and therefore in early April, we made that step. So, I think with those two items, there is a growth over the quarter, but it would have been reflected in the last quarter, but now it will get reflected in the first quarter.

Moderator: Next question is from the line of Akshay from Axis Securities. Please go ahead.

Akshay: My first question is on the raw material prices. So, in the last quarter it was softened. So, how do we see that in FY'25 so have we increase our prices as well?

Sanjay Kirloskar: Can you please repeat what you said about raw material?

Akshay: So, how are the raw material price trend in the first quarter?

Sanjay Kirloskar: No, the raw material price trend for us is the same as anyone else who is buying pig iron, copper, etc., It's quite stable throughout the quarter from what I understand.

Akshay: Also, are we increasing sizes on a high residential pumps, and industrial pumps side?

Sanjay Kirloskar: We haven't had price rises. There's a product mix improvement.

Rama Kirloskar: But there were no price hikes last year for residential pump.

Moderator: Next question is from the line of Ishita Lodha from Svan Investments. Please go ahead.

Ishita Lodha: My question is, what has been the capacity utilization for TKSL of FY'24 and what is the breakeven capacity? What is the revenue potential that you can get from TKSL as well and when this is achieved what could be the margin potential? And what are the factors that can drive this profitability? Is this just a capacity utilization increase or better pricing terms can also help you?

Sanjay Kirloskar: We try to keep our capacity utilization at around 70% looking at the forecasted demand. If there is any extra demand, we can always meet that and this is done through either running in.

Sanjay Kirloskar: Could you repeat your question? I think I went on the wrong track.

Rama Kirloskar: Is this for the Kolhapur steel that you are asking questions about.

Ishita Lodha: Yes.

Sanjay Kirloskar: So, Kolhapur steel also has been operating. It depends on the kind of castings that we make and the metallurgy of the casting. And there also I think it was about 200 tons per month is the capacity maximum.

Chittaranjan Mate: But that is done with all stainless steel, it's profitable.

Moderator: Next question is from the line of Saurabh from Sarasa Capital. Please go ahead.

Saurabh: I wanted to understand about the solar pumps opportunity for Kirloskar Brothers? I understand that you are not directly dealing with the state governments, you are selling it to the system integrators. But how big is the opportunity for you?

Sanjay Kirloskar: The opportunity for us is large, because the government's program is large, but we said that earlier also, we follow our own commercial terms and we ensure that we are paid for our equipment before it leaves the factory. So, obviously, we will not get all the orders with that kind of commercial terms, but we protect the company by taking orders on those. I would say that we delivered tens of thousands of pumps for solar every year.

Saurabh: Is only because of the payment terms that we don't directly participate or are there any other reasons?

Sanjay Kirloskar: It's the payment terms. I don't really want to get into that, but we've had experiences with state governments earlier and based on that we will not do business. If you look at our competitor who is in this business, debtors are 178 days and you compare that with us. I think our business models are different. And I mean, those business models probably suit him and these this business model suits us.

Saurabh: We won't be much aggressive towards solar pumps, it only goes through what our system integrated channels?

Sanjay Kirloskar: No, we work through the integrators, yes, and we work with the commercial terms like I mentioned. And we have a large network of integrators in everything.

Moderator: Next question is from the line of Ashwani Sharma from Emkay Global. Please go ahead.

Ashwani Sharma: Two questions from my side. First is the bookkeeping questions. Do we have any breakup in terms of standard pumps and make-to-order pumps?

Sanjay Kirloskar: I think the break up, it's about 50:50 I think. It's there in the presentation. I'll just tell you which slide it is on. Slide #14.

Ashwani Sharma: What was the contribution of services in the FY'24 revenue?

Sanjay Kirloskar: We don't disclose the sector wise performance.

Ashwani Sharma: I was talking about products and services. What was the services contribution?

Sanjay Kirloskar: We don't disclose that.

Ashwani Sharma: Second question is on the new opportunities, especially from green hydrogen and then NPCIL, the small and modular reactors which they're talking about. Do we have product portfolio to explore opportunities in these new areas?

Sanjay Kirloskar: Yes, we do have product portfolio for the new areas. In fact, I think last time also I had mentioned that we've developed boiler feed pumps for the 700 MW, we're in the process of developing the primary heat transport pumps as well as other primary circuit pumps are being developed. The small modular reactor, I think if you look at what is happening around the globe, I think only Westinghouse has a working model and still under approval. There are orders for that from GBN, which is Great Britain Nuclear, which I don't think will be delivered in the next seven or eight years. Only the modular reactors as the military version with everyone who makes their own nuclear submarine. So, that's basically US, China, Russia, they have their own nuclear submarines. So, they have developed certain types of pumps for the nuclear submarine, whereas we are concerned, we believe that we can develop such pumps if they are required and as and when they are required for the small modular reactors on what are called land based reactors, but the design will have to be approved.

Alok Kirloskar: On green hydrogen, we already have orders from HIVC complex in New York City, which is one of the biggest areas where green hydrogen is going to be produced as per the kingdom. So, that's an area that we're already working on. We already worked with Shell, in this particular case with Shell, Rodelta as a partner with them and they are the strategic suppliers for a lot of the projects, both the biodiesel as well as the green hydrogen. So, there are quite a few opportunities. We have the product range. And that's an area that we are promoting with the key process owners, people like air products and many others.

Moderator: Next question is from the line of Anisha Walia from Girik Capital. Please go ahead.

Anisha Walia: So, my question is that so in this year we have seen this margin improvement because of product mix change as well as operating efficiency, and our margins have reached in line with our peer also. So, my question is in the next year, do you see further scope for this continuing and lead to more margin improvement?

Sanjay Kirloskar: My belief is if commodity prices stay stable and with the orders that are coming in, we believe that we will be able to maintain these kind of margins and hopefully improve on them as well.

Anisha Walia: My second question is you also alluded to growing in the double-digits in the standalone business and also the order book in international is also higher in double-digits versus the last year. So, my question is, in this year, we grew at close to 7% in the consolidated revenues. So, what will lead to double-digit revenue growth in the next year despite the fact that the order book is up by only around 4% at the consolidated level. So, would be great to know if something did not work out well in this year, but that will get changed in the FY'25?

Sanjay Kirloskar: We are very happy to see the enquiry letters. Our hit ratio is better than before. And the fact remains that some of the bottlenecks in the plant I think they've been taken care of by the mega stores as far as incoming logistics and as far as the small pump business is concerned, there's no visibility for you in the order booking because as made-to-stock, we deliver exactly everything in the same month. So, we are quite happy to see the way things are moving ahead and I am sure we will be able to meet your expectation.

Anisha Walia: Last question is just on bookkeeping, sir. Other income in this quarter was higher than last three quarters average of around Rs. 7 to Rs. 8 crores and in this quarter we did around Rs. 36 crores. So, if you could help to understand what lead to that?

Ravish Mittal: So, in terms of other income, we have some income from our current investments and also there is a FOREX gain, it was not there in the last year. So, we have a FOREX gain from our international entities and the investment income that these are the two contributors.

Moderator: Next question is from the line of Harshal from Renaissance Investment Managers. Please go ahead.

Harshal: How do you see the demand environment as of today looking that the elections are going on?

Sanjay Kirloskar: Is that a short term or a long term question?

Harshal: In the near term, say six months, eight months.

Sanjay Kirloskar: How do I see the demand? Well, quite a large portion of our customers have already factored in what is going to happen. We don't see any fall or anything like that.

Harshal: So, our enquiries are the same way as it was two months back or three months back?

Sanjay Kirloskar: Yes, enquiry levels are the same.

Moderator: Next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: So, my first question is to Alok. Given this context that our order inflow has been in the range for the last five, six quarters. This is for KBIBV specifically. Any comments on the demand side there? And second is I mean we have a large presence outside and in the presentation we speak about leveraging localized global presence, right. And I believe in the past couple of years we used to do a lot of firefighting, solving a lot of operational issues, which seems to be behind us.

So, one, how do we move forward from here and anything on the internal part which is yet to be solved for?

Alok Kirloskar: I think the order book position like you said is already visible. I think the order book is stronger this year same time compared to last year same time. We expect obviously the number of inquiries also seems reasonably strong. Someone asked me earlier for oil and gas. And while obviously oil and gas exposures reduce, obviously, the number of opportunities is rising and so we see opportunities there and that's an area also that we are well positioned and so we will look to take the benefit of that while things are around because as you know it's usually a five year cycle that goes through boom and bust at least from an international point of view. So, five or seven years, depending on the situation. So, I would say that really it does look interesting. At the same time as you know, many countries are now becoming a little bit more nationalistic. America has put in something called Build America, Buy America Act (BABA) which is a new thing that they've introduced. And if companies want to take advantage of the Inflation Reduction Act, which they've instituted, that give all kinds of benefits to companies, then they have to buy products that are complying to BABA. So, obviously our products are made in America and we have the Made in USA Stamp on the products. So, we are compliant in that area. So, we make all the products in America. So, we're complying in that area. Similarly, our products are meeting carbon border adjustment mechanism rules within Europe. As you know that's a new non-tariff barrier that's been put into Europe and it started, but it's not being enforced till next year. So, it will come into effect from next year, when they'll actually charge the duties. Right now, they're just making the notings of which goods are coming in and what level of carbon there is in there. So, I would say that from that point of view, we hope that if these rules are enforced effectively by all these countries, then we are, as we've always said, in the trading blocks in terms of place where they're located, we believe they're located in the right area. So, we should hopefully be able to take advantage of local demand and probably then expand into new sector. And to your point, yes, we start in some sectors, and we add new sectors. And we are also looking on the operation side to further streamline. While the UK plant and US plant are more streamlined, I think there's a unique issue of an engine supplier not supplying, but that's not to do with us, we need to do with a large engine supplier who's not supplied 1,360 liter 5,000 horsepower engines and many of them are close to a year late. But internally our operations are much more streamlined. But the same concept because we have a lot of digitization on the shop floors in the UK, the same concepts we're rolling out into other areas, we already rolled out into America last year and we will roll those out into Thailand and the Dutch plant this year. So, from that point of view, we hope that that same level of synchronization will happen in those areas. Does that answer your question?

Pratik Kothari: Yes, it has. My second question is on margins. I think we have come a long way from what we used to do 2-3 years back and I believe we have an aspiration which is higher, and I believe operational efficiency will be an ongoing journey, it's more of a journey than a destination. So, if you can talk about what else is left in terms of capturing, anything that we are working on or is it just now stronger growth which will now start reflecting in EBITDA margin?

Alok Kirloskar: Yes, I think a lot of the work is being done as a regular process. Like you said, it's more a journey than a single thing. And so various improvements are being made, but obviously, as you would expect for operating leverage, as the volume starts going up, we get a lot better benefit from it. So, that's definitely a feedback.

Moderator: Ladies and gentlemen, due to time constraints that will be the last question. I will now hand the conference over to Ms. Rama Kirloskar for closing comments.

Rama Kirloskar: I would like to thank all of you for your kind words and good wishes. I want to emphasize that KBL has strategically invested in ground-breaking digital ventures such as AR, VR, AI, Internet of Things and 3D printing over the past decade. These investments not only sharpen our technological edge but also enhance revenue streams within our services. We take great pride in being the sole company to design and manufacture our products in India, catering to global customers with unparalleled quality, performance and punctuality. Our reputation for producing efficient pumps and our dedication to innovation and quality remain integral to our global business. Moving forward, we remain committed to a multifaceted approach to value creation, aiming to strengthen our market position whose profitability and maximize our potential thereby delivering value to stakeholders. We're in the process of laying the foundation for our transformation, for bolstering competitiveness and achieving sustainable growth. Thank you for joining the call. If you have any further enquiries, please get in touch with any of us or with Strategic Growth Advisors, our investor relations partner. Thank you.

Moderator: On behalf of Kirloskar Brothers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.