



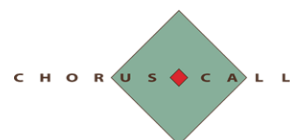
Enriching Lives

**“Kirloskar Brothers Limited  
Q2 FY '25 Earnings Conference Call”  
October 30, 2024**

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th October 2024 will prevail.



Enriching Lives



**MANAGEMENT: MR. SANJAY KIRLOSKAR – CHAIRMAN AND  
MANAGING DIRECTOR – KIRLOSKAR BROTHERS  
LIMITED  
MR. ALOK KIRLOSKAR – MANAGING DIRECTOR,  
KIRLOSKAR BROTHERS INTERNATIONAL B.V.  
MS. RAMA KIRLOSKAR – JOINT MANAGING DIRECTOR  
– KIRLOSKAR BROTHERS AND MANAGING DIRECTOR –  
KIRLOSKAR EBARA PUMPS LIMITED  
MR. RAVISH MITTAL – CHIEF FINANCIAL OFFICER –  
KIRLOSKAR BROTHERS LIMITED**



**Moderator:**

Ladies and gentlemen, good day, and welcome to Kirloskar Brothers Limited Q2 FY '25 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 involves 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 star then zero 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 from Kirloskar Brothers Limited. Thank you, and over to you, sir.

**Sanjay Kirloskar:**

Thank you. Good afternoon, everyone. On behalf of Kirloskar Brothers Limited, I extend a very warm welcome to everyone joining us on our call today. I hope you've had an opportunity to go through the financial results and the investor presentation, which have been uploaded on the stock exchanges and on the company's website.

On this call, I have Mr. Alok Kirloskar, Managing Director, Kirloskar Brothers International B.V.; Ms. Rama Kirloskar, JMD, Kirloskar Brothers and MD Kirloskar Ebara Pumps Limited; Mr. Ravish Mittal, our CFO; and Strategic Growth Advisors, our Investor Relations Advisors.

Let me begin my remarks by giving some business highlights. I'm pleased to report that during the quarter, consolidated revenues grew by 13.4% to Rs.1,036 crores on a year-on-year basis. And for H1 fiscal year '25, consolidated revenues grew by 14% to Rs.2,067 crores.

This increase underscores the strong demand for our products and services across various segments, both domestically and internationally. EBITDA for the quarter grew by 61% on a year-on-year basis to Rs.156 crores with EBITDA margin of 15.1%, an increase of approximately 450 basis points year-on-year.

EBITDA for H1 fiscal year '25 grew by 33% to Rs.283 crores with an EBITDA margin of 13.7%, an increase of approximately 200 basis points. I'd like to highlight that EBITDA margin expansion was on the back of strong performance in domestic business, cost control initiatives and softening of key material costs.

Let's begin with an overview of our stand-alone domestic business performance. For Q2 fiscal year '25, we achieved a year-on-year growth of 15% with total revenue reaching Rs.841 crores. This robust growth was primarily driven by strong demand for our Made to Stock, Made to Order and Engineered to Order products, operationalization of high-pressure molding lines at our Dewas factory and operational efficiency improvements in Kirloskarvadi Factory have contributed to this growth.

During the quarter, we launched a new product, the indigenously manufactured submersible turbine pump for fuel station applications and 13 new models for our small pump business for dewatering, solar and water transfer applications.



Our solid order book and strategic focus on business opportunities position us well for continued success. We are maintaining our guidance for double-digit revenue growth in fiscal year '25 compared to fiscal year '24 for our stand-alone business. As of September '24, our stand-alone pending orders amount to Rs.1,877 crores, reflecting a strong pipeline.

Furthermore, we are seeing sequential growth across several key segments, including building and construction and industrial sectors. On the international business, for the quarter, we reported year-on-year growth of 12%. Our key subsidiary, SPP Pumps UK experienced strong growth of 42% year-on-year on account of robust order book execution.

We saw a decline in the revenue of SPP USA and Kirloskar Brothers Thailand, which was due to delays in order execution caused by supply chain issues. These orders are expected to be fulfilled in the coming quarters with a keen focus on our business prospects, supported by the robust order book, we are optimistic regarding our future growth prospects.

Our overseas spending order book stood at Rs.1,103 crores. With this, let me invite Mr. Ravish Mittal, our CFO, to discuss financial performance highlights.

**Ravish Mittal:**

Thank you, CMD, sir. Thanks for the warm welcome. Good afternoon, everyone. Let me start with our consolidated financial performance highlights. So, on a revenue front, our net revenue from operations for quarter 2 of this fiscal '25 grew by 13.4% year-on-year to Rs.1,036 crores. And for the first half of the year, the net revenue from operations grew by 14% year-on-year to Rs.2,067 crores. Similarly, on the EBITDA front, our EBITDA for quarter 2 grew by 61.1% year-on-year to Rs.156 crores.

While our EBITDA margins for quarter 2 FY '25 stood at 15.1%, which is an increase of 450 basis points from quarter 2 of last year, which is 10.6%. For first half of the year, EBITDA grew by 33.3% year-on-year to Rs.283 crores. While our EBITDA margin for first half of the year stood at 13.7%, which is an increase of 200 basis points over the last year, which stands at 11.7%.

We saw improvements in our EBITDA margin on account of softening of the raw material prices, adoption of various cost-saving measures at various plants and operating leverage, which has played due to improved volume. In terms of our profit after tax, our PAT for quarter 2 grew by 90% year-on-year to Rs.97 crores. And for the first half of the fiscal year, the PAT grew by 41.8% year-on-year to Rs.162 crores.

Overall, PAT as a percentage of revenue improved from 5.6% to 9.3% in quarter 2 and similarly, for first half of the year, it improved from 6.3% to 7.9%. These are the financial results. That is all from our side. We are now open to begin the question-and-answer session.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Manish Goyal from ThinQwise Wealth Managers, LLP. Please go ahead.

**Manish Goyal:**

First of all, congratulations on a very good set of numbers and, especially very strong free cash flow generation, what we are seeing.



Sir, I have a few questions. First, on the stand-alone, I just would like to know like on our strategy of AP-OEMs, how much of our revenue contribution would be coming from AP-OEMs? And how is it improving? And is it because of this contribution, we are seeing gross margin improvement, how much can be attributed to the same?

And on stand-alone numbers, as per cash flow statement, we see that in the first half, we have done provisions of nearly Rs.21 crores versus Rs.8 crores. So what is it pertaining it to? And how do we see it going forward? Again, on the cash flow like we have seen a significant decline in receivables from Rs.470 crores in March to Rs.303 crores in September, which is a quite commendable decline. So maybe if you can give us a perspective like is it due to some historical receivables, which we have got retention money or what if you can throw some light? And how do we see it going forward?

On international business, sir, in opening remarks, you did mention that still SPP UK and Thailand continue to see supply chain challenges. So like what is the quantum of revenues, which are getting probably delayed because we have been hearing this for last couple of quarters. And also probably when I look at the presentation the SPP UK seems to have actually recovered in terms of revenue and profit, while US operations have seen a decline and Thailand continues to be quite volatile on a quarterly basis. So if you can throw some light on all these regions.

And are we seeing revenue mix improvement with higher revenue contribution from services business and how much does it contribute now? I have a couple of more. Consolidation fees other income jumped from in quarter from Rs.2 crores to Rs.14 crores. And if you look at first half from Rs.8 crores to Rs.30 crores. So what is it pertaining to that particular jump?

And last question on Kirloskar Ebara, no doubt still if you look at first half share of profit from contribution it seems to be still struggling as far as profit booking is concerned. So if you can throw some light in terms of how do we see it going forward?

**Sanjay Kirloskar**

Thank you, Manish. Thank you for your good wishes as well. Normally, we don't give any breakup of sector-wise or these kind of sales. So I'm sorry that, that policy will continue. But I think you will understand because it's been explained a lot many times earlier that we are in this AP-OEMs basically to ensure that our products are available much faster in the market than we can deliver. And we have possibly the strongest dealership organization. People who've been with us for generation who invest in our products because of the strong demand that is there for our products.

And they are able to convert that into very quick sales for us. So for what we are doing is we are going back towards making pumps and making pumps as you know the material costs when we make our own products will be much lower. And that is why you see a lot of changes that are taking place with regard to gross margin improvement, reduction in working capital, etc.

And the other things that we have done we explained that in Dewas also, we've put in that high pressure molding line to make more castings within. There are improvements in operational efficiency in both Kirloskarvadi as well as the three plants of our small pump business. So with



that, I think what I'll do is since there were questions on international business Kirloskar Ebara as well as financial questions, I will first ask Ravish, who is sitting in front of me to clear up all the numbers that we can give and then I'll ask Alok and Rama to talk about all the questions that you have asked.

**Ravish Mittal:**

So Mr. Manoj, you asked about the other income increase. This is essentially our treasury income. As you can see in our investor presentation, we have now a significant improvement in our current investment and the cash position. So both in domestic business as well as internationally also. So there's basically nothing exceptional other than the treasury income which has grown significantly compared to the last year.

**Manish Goyal:**

And on the provision sir in the cash flow, we see that provision for doubtful debts has increased from Rs.21 crores?

**Ravish Mittal:**

These provisions are part of the normal IndAS ECL provisioning which we typically do on our project sector. So wherever we have a long-drawn project where the execution and commissioning is also involved. We do have a very conservative provisioning in terms of all our receivables which are there. Of course, there is nothing which is on a risk. Only there are some delays in terms of final conclusion of the project at the customer end. So that's the provisioning which we have of Rs.20 crores in our H1 results.

**Manish Goyal:**

And on the receivables, sir?

**Sanjay Kirloskar**

If I could just explain that. There are quite a few old projects that are open. And from time to time, we are asked to come and complete some part or the other. And then we have spend the invoice and the money has to be paid and if there is a delay which goes beyond the company's accounting policy then the provisions are made. The money is all safe, it is just delayed.

**Manish Goyal:**

And on the receivables, sir, the improvement from Rs.470 crores to INR303 crores?

**Ravish Mittal:**

If you would have seen, there is typically a spike in our sales, especially in quarter 4 and the receivables drop is mainly all the collections which were from the March quarter and the subsequent quarters. So in terms of collection we have been very regular in terms of all our receivables outstanding. And that's the reason you'll see a large receivables collection particularly in quarter 2 and first half of the year.

**Sanjay Kirloskar**

I hope you are happy with the number of days of receivables. Yes, Alok, if you could step in

**Alok Kirloskar:**

Nice to speak to you again, Mr. Goyal. It's been some time. I will just answer one quick point on your AP-OEMs. I have said it before, but I think you -- because you attend most of our calls you will know, but maybe just for the benefit of others. I think the AP-OEM model was made mainly to help our working capital and cash flow management as well as delivery on time.



And as you know the dealers stock the large industrial products. They pay us upfront for that stock. So there's no credit term really, long credit term for that. And because we're not doing any packaging of motors anything else the WIP shrink significantly because there's no trading revenues, which also improves our RMSP ratio, raw material to sales price ratio and delivery time is very quick which is a change in how we address the market. So I think all those together really help us achieve quite a few objectives.

Going to our international business, which you asked two specific questions. On SPP Inc, we've had a few supply chain issues around engines. But I would say a lot of it this time on SPP Inc is mainly due to the U.S. election. A lot of finalizations were delayed and are still delayed and a lot of jobs are being deferred by customers in terms of delayed deliveries. I don't think that they don't want it, they are just moving a little slower during this election time and I'm hoping that once it's done, it will move faster.

But obviously, the general expectation of our customer is that they've mentioned, many large -- very large customers is whatever the outcome is the other party is not going to let go so easily. So there will be some confusion for some time after that. And that's why they are all sort of pacing themselves for that outcome what they're sort of banking on. So I would say that's really where we've seen some slowness in the U.S. revenues.

The UK revenue like you said yes they have caught up, but we have not yet dispatched all the locked up revenues from the delayed supply chain. We are hoping that we will release some of it in these quarters like we said even last quarter. We were hoping this last quarter, we are saying that the next two quarters we will start releasing this and that's really what we're doing. As you can see this quarter, we've caught up a little bit and we're hoping that we can continue on that trend for SPP UK. So that we can be back on track to where we ought to be.

On Thailand, I think that is the third question. Yes, it is still volatile in terms of sales. Second quarter saw good sales because of a large EMA project, which is a storm water project. It is the second repeat job we got for storm water management for the City of Bangkok. And that really helps because that is a big job of concrete volute pumps. But they have some volatility right now because probably unlike the other companies as you know for SPP UK and South Africa, as an example there's a big service base that has grown over the last few years which is probably one of the other questions.

And some of the other companies have a strong distribution base like America, which has a very big distribution base and also like India, where we have a strong distribution base through our channel partners. In Southeast Asia, we're still building that like we've been saying and the traction was a little slower than expected, but that really causes volatility for us because then when big projects go out, it causes the revenue to move up and down. While the baseline -- our objective really is to get the baseline stronger with both distribution and service in Southeast Asia.

So I would say that is our objective. Unfortunately, we have not yet achieved that, but we are moving in that direction like we have done in other geographies like US or Europe or South Africa. I think I've said this before, and so I'll say this again, so it's not something new. We



normally only declare the service revenue for the UK and we've said that it's been growing from 30 and closing on to now the high 30s percentages in the UK turnover. So that's really how the service revenue is growing and we are getting many opportunities in service also with the introduction of AI and a lot of water companies also approaching us for doing AI management of the demand recognition of how they operate their facilities.

So we've got the RFQs from some water companies in the UK who are now interested as a new service in addition to our management service that we provide for the firm. Does that answer all your questions?

**Manish Goyal:** Yes. The last one may be on Kirloskar Ebara, if...

**Rama Kirloskar:** Am I audible Manish. Good afternoon.

**Manish Goyal:** Yes. Very good afternoon.

**Rama Kirloskar:** As far as Kirloskar Ebara is concerned as I mentioned last time we had some very large orders and because of those incoterms we actually dispatched it at the end of October. So even though we got plant dispatch we were not able to actually realize a lot of those sales. So we should see that in Q3. So I think by the end of Q3, this should be in the positive.

**Manish Goyal:** And how is the order book at Ebara?

**Rama Kirloskar:** Order book is quite healthy. It's around -- it's between, I believe between just say around Rs.300 crores and Rs.350 crores. And sorry, your gross margin improvement that you had asked for KBL that's mainly due to our improved sales and the operational efficiency improvements that we have done at KOV and Dewas and we've also seen healthy growth in all three business verticals, Made to Stock, Made to Order and Engineered to Order divisions.

**Manish Goyal:** Okay. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Raj Shah from Enam AMC. Please go ahead.

**Raj Shah:** Sorry for the trouble. So my question was regarding the employee cost. In the standalone results, employee costs have reduced by say 2.5% from Rs.88 crores to Rs.86 crores. And even in consolidated results employee costs have risen by just 5%. So my question was apart from the operating leverage benefit, what steps are we taking to incrementally save employee costs?

**Rama Kirloskar:** To optimize what was the last part?

**Raj Shah:** Yes. Incrementally employee costs are lower. So what steps are we taking over here?

**Rama Kirloskar:** Well, we have been grooming a lot of the younger part of the management to take on more senior roles. We're also doing a lot of multi skilling in the organization that has really helped to ensure that with the same manpower, you're able to get more productivity. So those are really some of the steps that we have taken to optimize our manpower costs. And in a lot of areas, specifically in the plant we have also opted for a lot of automation. So there has been some redundancy.



- Raj Shah:** Okay. Got it.
- Alok Kirloskar:** We have also deployed a system which we've developed internally for our software system for managing the times and routing times across our facilities. And this has also helped us get a better picture of the actual requirement of various people, people across different tasks within the factory. So this has also helped us rationalize the requirement of people better.
- Raj Shah:** This is in the Indian operations or overseas as well?
- Alok Kirloskar:** This is -- we first started this in the overseas operations. This is fully deployed in most of the overseas operations.
- Raj Shah:** Okay. Because in standalone, employee costs have reduced when I see Y-o-Y terms. So that's why this question.
- Moderator:** Thank you, sir. The next question is from the line of Nitin Shakhder from Green Capital Single Family Office. Please go ahead.
- Nitin Shakhder:** Hi. This is Nitin Shakhder from the Green Capital Single Family Office. Congratulations to the management on the steady set of numbers. My question is in regards to Kirloskar Ebara Pumps. Obviously, the order book is healthy at about Rs.340 crores and traction of revenues increasing as we speak every year.
- But I just want to get a sense of is there any new product profile in terms of steam turbines that the company is initiating or any new industries where the company sees a lot more traction from, for example, nuclear reactors and heat transformers there or any certain geographies. Has it moved back to India in terms of order book or are you seeing more traction from outside? Thank you.
- Rama Kirloskar:** Good afternoon. Thank you for your question. So, we do see quite a bit of traction from both India and export markets, specifically Southeast Asia, the Middle East, also from Canada, USA, that region, we are seeing quite a few inquiries flowing from these areas. New areas that we have launched products for. As you know, this is not just a product you can launch. You need proven track record for it. So, after you develop a new product, you need to supply it to a customer, have around 8,000 hours of operation after which. Some of the new areas we are looking at is fertilizer segment, carbonate and ammonia applications.
- We have recently supplied to Assam Biorefinery as well new titanium pumps which is a new metallurgy for us and IOCL Panipat. I believe they have a new kind of facility there with new configurations that they've done with LanzaTech for again bio-refinery. So, these are some of the new areas that we see that will pick up in the future.
- Also, I'm not sure whether you read, but we have also now executed one of the longest pipeline projects for Numaligarh Refinery, around 16 pump packages of BB3, essentially going from Paradip port to NRL refinery. We've also done the second stretch from NRL to Oil India, which is already supplied but in the process of being commissioned. So, these are new areas. And of





course, these are all milestone projects because this will open up new opportunities for the company in the future because we would have proven track record now.

**Nitin Shakhder:** So, anything related to nuclear reactors in terms of fast reactors or in terms of your heat transformer compressors there, any technology which you think the government is pushing on nuclear reactors which is related to your area of expertise?

**Rama Kirloskar:** Right. So Kirloskar Ebara essentially specializes in API pumps and steam turbines. We don't make compressors. So, it's only pumps and turbines as of now. And we do give a lot of steam turbines in oil and gas applications as well. As far as the nuclear part is concerned, I'll have a new CMD answer that question.

**Sanjay Kirloskar:** Yes. For nuclear power plants, actually, we make a whole range of pumps and valves right from the primary circuit to the secondary circuit. So, the secondary circuit is very close to what it is in thermal power plant. And we've seen some action power plants, that's coal fired power plant as well. But otherwise, we are -- like I've said earlier, we're in the process of developing the primary heat transfer pumps for the 800-megawatt nuclear reactors.

We've through -- along with Kirloskar Ebara already made the main boiler feed pumps for 800 megawatt for the fleet reactors. And the rest of the reactor pumps that are required are already developed or under development.

**Rama Kirloskar:** So, for nuclear, essentially, Kirloskar Ebara and KBL work together because they have complementary product ranges and they can give the package together.

**Nitin Shakhder:** Okay. Great, great. Thank you and Happy Diwali to the Kirloskar family. And that's all from my end.

**Sanjay Kirloskar:** Last thing I'd like to say is even -- I mean this is pressurized heavy water reactors, but we are capable of developing all kinds of pumps for the light water reactors as well.

**Nitin Shakhder:** Okay. Got it. Thank you.

**Moderator:** Thank you, sir. The next question is from the line of Sani Vishe from Axis Securities. Please go ahead.

**Sani Vishe:** Yes. So, congratulations to everyone in the management. I think the efforts that we have been taking on technology front and cost-control seem to be reflecting in the results now. But I'm sure we have, in past, supported by favorable raw-material prices this quarter as the gross margins have also improved. So, would you be able to quantify how much of the overall improvement in margin came from the raw-material prices? And in case, the raw-material prices rise in future, do we see the margins reverting back at least by some extent?

**Sanjay Kirloskar:** Could you repeat your question, because we couldn't hear -- I couldn't, and talk a little slowly.

**Sani Vishe:** Okay. Sure. So, what I'm trying to understand is that, the margin improvement that has happened at EBITDA level has also been supported by softening of raw-material prices. So, I would like to understand what percentage of or what proportion of the margin improvement is driven by



the raw-material prices. And if the raw-material prices increase in future, do we see the margins reverting back to maybe Q1 level or closer to Q1 level in future?

**Ravish Mittal:**

Yes. So, essentially, it's a mix. It's not only the softening of raw-material prices, it's also the price increases which the market has accepted. There has been some softening of raw-material prices, especially in the steel and we are being able to -- order-on-order basis, to negotiate the prices with our customers and pass-on the increases.

So, even in future also, in case there are commodity prices going headway, we would be in a position to negotiate the contracts with the customers and pass-on these increases in case it happens. And essentially, the EBITDA margin, besides the cost-control initiatives, the rest is basically the contribution of price increases and the material prices softening put together.

**Sani Vishe:**

Okay. So, can we say the current margin levels are sustainable, at least to some extent in near future?

**Sanjay Kirloskar:**

Yes, we believe that they are sustainable.

**Ravish Mittal:**

Yes.

**Sani Vishe:**

Okay. Thank you.

**Moderator:**

Thank you, sir. The next question is from the line of Pratik Kothari from Unique AMC. Please go ahead.

**Pratik Kothari:**

Hi, good afternoon and thank you. So, first question again on margins. And I believe, I mean, we have been making this attempt to kind of improve our efficiencies for a while and we are seeing those numbers now. And then, also this journey, I believe, I mean, this is more of a journey than a destination. So, if you can just talk about where are we in this journey, how much have we achieved? Is there something more that we can do?

**Ravish Mittal:**

We have a very healthy order book position. So, in terms of growth in the subsequent quarters, as CMD sir mentioned in his initial speech that we are looking at a double-digit growth in the current financial year.

**Pratik Kothari:**

Sorry, my question was on efficiencies and productivity improvement. We have seen quite some happening over the last few quarters or maybe even a couple of years. So, just wanted to understand in this journey of improvement, where are we, have we achieved most of the low-hanging fruits? Is there more we can do?

**Sanjay Kirloskar:**

Yes, there is definitely more that can be done. We believe that we are at the beginning of this journey and operational efficiencies can be further improved.

**Pratik Kothari:**

Correct. And sir, both on India's side and internationally, if you can talk about the demand scenario, how are things on ground in terms of inquiry pipeline, where are we seeing and some qualitative aspect of how are things panning out on ground?

**Sanjay Kirloskar:**

Alok, you want to start with the international side first?



**Alok Kirloskar:**

Yes. I can start with international. Yes, I mean, if you look at our two major markets, as I've always said, for international, for KBIBV, 85% of our business comes from the European and UK markets. And the US market, as I mentioned earlier, when I was speaking to Mr. Goyal, there is, of course, a little slowdown at the moment because of the general election situation.

Also, some markets that have been quite buoyant, especially the data center market where we supply both the fire pumps as well as the cooling system pumps and booster packages, have seen a little bit of slow movement, because while there is obviously a directional strength there, I think, as of now, a lot of the data centers which have been built are not yet fully occupied, and they're going through the process of getting occupied.

So, I would say, there is a little bit -- it's a little slower than what it was probably at the start of the year. But generally, I think, the customers at least in our regions there are still generally upbeat. So, I think that as we cross the quarter, we should be able to move in a stronger position, because we do have a strong market position. We have a strong dealer network and distributor network, which we've built over the last many years. So, from that point of view, I think, it's quite positive once we get back into the trends, so to say.

The UK and European market is, as you know, is not the most buoyant market, but we have developed different kinds of businesses where we've made progress. One is the services business and the other is the water business. And there is a big push across Europe and the UK for resilient schemes for water. And as many of you in the financial industry would have heard after the Thames Water debacle, there is again a push from the UK government towards getting more out of the subsidies, they give to the private water companies.

And what is starting now, which is called Asset Management Program 8, AMP8, it's supposed to be one of the largest programs done till date. They've targeted about \$18 billion of spend in AMP8, which is a five-year cycle in the UK and the government has put a lot of pressure on all the companies to invest in all kinds of schemes. And a lot of that is towards clear-water schemes.

So, we expect that we should get our fair share of that, because on the clear-water side, till now, we've had a very strong market share of over 80% for pumps. Of course, this scheme is a total capex, pumps is only part of it. But pumps have been a strong area because of our lowest life-cycle cost pumps, which have been appreciated by the UK water industry for not just high-efficiency, but maintenance at a high-efficiency and we've demonstrated that over 15 years that we're able to maintain those high efficiencies.

So, I would say that there are a couple of things, bright spots within the economy and we are present in many of those. And like I said, water is one of them, data centers is another one of them. There are some new industrial areas like investments in hydrogen and areas like that, where, again, we have references with both Shell as well as with BP and others.

So, we have engaged in those areas wherever there is new investment happening, even though the overall economy is not the most buoyant. So, I would say that those are areas that we can grow. And of course, our services business, we continue to invest in. So, we do see more penetration in that in the European area.



In South Africa, we have continued to invest in services and products, and we do see a recovery in the South African market much to our surprise, because historically, it's been quite stagnant. But it's very positive that there is investments happening there, and hopefully, that they will do a lot better compared to where we were, but the business itself has improved margins in South Africa as you would have seen in the numbers, and that's mainly driven by product mix.

Southeast Asia, I would say, is a little -- it's not as buoyant, but we are making penetrations into key markets, one of them, of course, being palm-oil and the other also, in Southeast Asia, is data centers, because there is a huge requirement for data centers in Southeast Asia as well as -- well, it's not the same region, the Middle East. And we are looking at all these wherever we have a strong product portfolio to enter and get a good penetration in.

So, I would say, I don't want to keep talking too long, but I would say, those are the key areas that we have focused on and we do see potential in these markets that can deliver the growth that we expect.

**Sanjay Kirloskar:**

So, if I can talk about India and I'll go sector-by-sector, we're seeing good demand coming in and good requirement -- inquiry funnel for water as well as irrigation. The Company is making, again, a very large number of big pumps.

Another area that we see is the demand for our IoT devices, especially in the irrigation sector, where it is very easy to monitor pumps that are at remote places on your phone and understand the health, understand how they are working, understand if there are going to be any issues. So, this is one area where our IoT device is working well.

Power is the other area. And for India, I think, we need to put up a large number of power stations for base-load generation. Not so much renew -- I mean, renewable is also going to be there, but for base-load power generation, it's both -- right now, I think, the coal-fired power plants are coming in. We've -- like I've mentioned last-time, we received some orders. We expect to receive more orders going forward. Oil and gas, Rama explained a little bit, but that, again, we are sitting on a good order board as well as a good inquiry funnel.

Marine and defense, historically, has not been a large sector for us, but increasingly, as with the Atmanirbhar program and the defense needs increasing, we are being called upon to deliver more and more products into that sector. It tends to be a little lumpy, because it goes with different vessels and when the vessels are launched, but I'm happy that there are going to be many vessels in the future that will only have pumps made by us, all the different types of pumps made by KBL.

Industry sector, I mean, everything from steel to sugar, these tend to be operating on different cycles. So, there's always demand, there's always inquiries from whether it's steel, whether it's pharmaceuticals, whether it's sugar, whether it's -- I mean, coal mines also, we supply through this sector. Something or the other is happening and this sector keeps on growing.

Building and construction, again, it's not just the apartment buildings that are coming up. Our building and construction sector caters to almost all kinds of buildings that come up. So, whether they are malls, whether they are airports, railway stations, hospitals, apartment buildings, office



buildings, all of them need HVAC, fire-fighting, as well as utility pumps and we are happy that, again, over here, we are able to supply our IoT devices, especially on the fire side.

And we are together with SPP, we are the possibly the largest fire-fighting pump company in the world. We -- as you know, KBL and SPP have multi-stage multi-outlet pumps, which are the only ones in the world that are approved by Factory Mutual. So, there is a global demand for these products.

With the wide population, we are able to have a good after-sales business as well. And our valves business also continues to grow with a good inquiry level and good order book. So, I hope I've explained where we stand as far as inquiries are concerned. I'd say, we are optimistic about the future.

**Pratik Kothari:**

Correct. Great. Thank you so much. Sir, last one, just a clarification on this provisions which we made. So, these are those older projects which we had taken-up some, 10, 15 years back, right? There's nothing new that we are executing or something that we are doing?

**Sanjay Kirloskar:**

Something or the other happens and they want -- a civil front opens up, they ask us to come and do something and then we do that, or they get something ready from one of their contractors and our pumps need to be commissioned or installed and commissioned and therefore we do that and then wait for the payment. Most of the time we get the payments quickly. Sometimes, and there are large payments, they tend to delay.

**Pratik Kothari:**

And sir, just further on what you mentioned about this India demand and the inquiry pipeline that we have. So, if we look at the last five, six quarters, our order inflow quarterly has been about, Rs.800-odd crores, Rs.900-odd crores here or there. So, in terms of what you're seeing on ground, it seems like the best is yet to come? I mean this numbers which have been stagnant for a while should change materially?

**Sanjay Kirloskar:**

Yes, I think all of us believe that our country is on the right path and going towards greater and greater development. And as one of the major players in our industry, we expect to be there, playing an ever-increasing -- getting an ever-increasing share of the market.

**Pratik Kothari:**

Great. Thank you and all the best, sir. Thank you.

**Moderator:**

Thank you, sir. The next question is from the line of Himanshu Upadhyay from BugleRock PMS. Please go ahead.

**Himanshu Upadhyay:**

Yes. Hi, good afternoon. This question is to Rama. Can you give some idea of what drives the revenue for made to order segment? And the made to order segment is completely from AP-OEMs. And do you think the product mix what we have currently will remain stable in future also, because of what we have seen in last 4, 5 years from 2021? So -- and will that business be also much better margin business as it is -- would be lesser competitive than engineered to order? Some thoughts on that business, made to order.

**Rama Kirloskar:**

So, essentially -- are you talking about the made to order or made to stock business, because...



- Himanshu Upadhyay:** No, made to order. I'm talking about made to order business.
- Rama Kirloskar:** Made to order?
- Himanshu Upadhyay:** Yes.
- Ravish Mittal:** So, our -- see the order board, which we have reflected in our investor presentation is entirely consist of made to order business. So, it has a very healthy order book. And as CMD sir explained, I mean, sector by sector, we have a good traction in all the sectors in India in the made to order.
- Sanjay Kirloskar:** There is no made to stock order board that we show, because...
- Himanshu Upadhyay:** No, what I am saying is, this Slide 15, okay, where we see that from made to order has been around 26% to 27%, okay. And the made to stock is 50%. So, the -- we think the product mix will remain similar in future? And the made to order is completely from AP-OEMs business, or -- business-driven by AP-OEMs for us. Would that be the right understanding?
- Ravish Mittal:** Yes. So, currently, our made to stock business constitute of 50% of the business and rest is made to order and engineered to order. And the ratio currently remains at the same level.
- Alok Kirloskar:** I'll just add one point maybe to help your understanding. Actually, the AP-OEM business used to be made to order and the -- and it has been converted to made to stock, because the objective is that if it's possible to move made to order into made to stock, then there is better working capital cycles and probably we can also support the customer with quicker delivery, because a made to order business is not the same as an engineered to order business. A made to order business is based on a product that we have in our product family and there is a minor change to it for the duty condition.
- So, the objective is to see how much you can move from made to order into made to stock, because that helps quicker deliveries for a customer in a steel plant or cement plant or a pharma plant. Does that put that in perspective for you?
- Himanshu Upadhyay:** Yes, it is very helpful. And will the margins be better in the made to order than, let's say, made to stock or engineered to order, which would -- because in engineered, it would be always -- bidding business. And made to stock, again, the retail competition is higher. Would that be the case or the margins remain similar to engineered to order and made to stock?
- Sanjay Kirloskar:** What, our intention is to improve the margins wherever we can. And we will do that as you -- and we have been doing that. So, just to clarify, made to stock is like you're buying off-the-shelf. Made to order is where that off-the-shelf comes in different colors with different ceiling, with different kinds of bearing, with different kinds of material. So, that is made to order. And engineered to order are those very large pumps, where every customer wants something different.
- Rama Kirloskar:** So, I -- let me just answer this question. I think your original question was, will the proportion of made to order and engineered to order remain the same going forward, right? So, let's not talk



about made to stock at all, because those are off-the-shelf products. Made to order, engineered to order completely depends on the product mix of the sectors, all the B2B sectors and the B2G sectors, right?

So, if you have some very large customized products, maybe water irrigation, maybe nuclear, maybe some oil and gas, you'll have a higher engineered to order proportion, whereas if you have more industrial, building and construction or any of the others, then you'll have more made to order. Does that answer your question? It really depends on the product mix of the sectors.

**Himanshu Upadhyay:** Okay. Yes. That is helpful.

**Rama Kirloskar:** Yes.

**Himanshu Upadhyay:** And one thing. We stated last call that there have been supply-chain challenges on the Ebara side, okay, because of the vendors have to be approved by EIL for oil and gas segment. So, are those challenges continuing or is there any way out? And in such cases, are we losing also business or how are the competitors and us be -- seeing the market and growth in that business?

**Rama Kirloskar:** Those challenges will continue to be there for oil and gas, because we are restricted with the kind of suppliers that we can use. So, those continue to be there and those will be there globally, because all of these are monopolistic global suppliers. So, that's one of the reasons why some of our dispatches were delayed, which is why we didn't get the sales realization.

**Himanshu Upadhyay:** Okay. Thank you from my side.

**Moderator:** Thank you, sir. The next question is from the line of Aayush Rathi from Aditya Birla Money. Please go ahead.

**Aayush Rathi:** Hi, thanks for taking my question. And first of all, congratulations on a good set of numbers. So, most of my questions have already been answered. So, Alok sir, you mentioned about the U.K. government taking significant steps in the water market and they are pushing a lot of private companies as well. Sir, could you throw some more light on it, like what kind of opportunity can we see from that?

**Alok Kirloskar:** So, like I said, the program is called Asset Management Program or Period rather, and it's given to all U.K. companies. As you know, they are private, but the government gives a subsidy to them. Unfortunately, a lot of private equities were taking the money out as dividends and that created problems with Thames Water and others as you may have read in the newspaper. Since then, the government now has become very strict with these companies.

And at the moment, we are starting AMP8 cycle, which starts from 2025 to 2030. The government has allocated 88 billion pounds for AMP8 and different companies are announcing what investment they're going to be doing. This includes pipelines, it includes underground pipelines, all kinds of things, but the objective of AMP8 really is movement and distribution and treatment of clear-water as against dirty water.



So, I mean, in water, there are two segments. One is clean-water and one is dirty water, which is sewage and all those kinds of things. But the focus on AMP8 from -- what is visible from the papers today is that it's meant for clean-water. So, that means we'll be mainly selling surface pumps for these applications and they'll be bigger sized-pumps, because they normally for cross-country transportation of water or for pumps in the treatment of water.

So, I would say that we have opportunity in all these areas. To give you exact number, it will be difficult right now, because as I said, AMP8 starts in 2025. This -- right now, the RFQs are being floated by different water companies. As you know, every region in the U.K. has a different water company and each one of them is floating the RFQs now.

So, it's not yet clear what types of pumps we will supply, but mainly it will be pumps in it and obviously pump related systems to these projects. But these projects, as you know, are -- this is the total EPC value of these projects. So, it will go in phases and it will go into all the way to 2030, this program. So, does that answer your question or not yet?

**Aayush Rathi:** Yes, it does. I got it, in terms of broader level, what we are looking at. Thanks a lot. That's all.

**Alok Kirloskar:** Thanks.

**Moderator:** Thank you, sir. This was the last question. I would now like to hand the conference over to Ms. Rama Kirloskar for closing comments.

**Sanjay Kirloskar:** Rama wants me to say this. So, in conclusion, we are proud to be the only company designing and manufacturing our products in India for global customers. Known for producing some of the world's most efficient pumps, our commitment to quality and innovation drives our success. With our transformation well underway, we are building competitiveness and aiming for sustainable growth.

Thank you very much for joining this call. If you have any further queries, please get in touch with any of us or with Strategic Growth Advisors, our Investor Relations Partner. I'd like to end by wishing everyone a very Happy Diwali and a prosperous new year. 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.