Kirloskar Brothers Limited

Q3FY25 Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the Q3FY25 Kirloskar Brothers Limited Conference Call.

As a reminder, all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*', then '0' on your touchtone phone. Please note that this call is being recorded.

Please note this conference call may contain forward-looking statements about the Company which are based on the belief, opinions and expectations of the Company on date of this call. These statements are not guarantees of future performance and involve risk and uncertainties that are difficult to predict.

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 evening, everyone. On behalf of Kirloskar Brothers Limited, I extend a very warm welcome to everyone for joining us on our call today.

I hope you have had an opportunity to go through the Financial Results and the Investor Presentation, which have been uploaded on the Stock Exchanges and the Company's website.

On this call, I have with me Alok Kirloskar – Managing Director, KBI B.V.; Rama Kirloskar – Joint Managing Director, KBL and MD, Kirloskar Ebara Pumps Limited; and Mr. Ravish Mittal – our CFO, as well as Mr. Devang Trivedi – our Company Secretary. In addition, we have Strategic Growth Advisors, our Investor Relations Advisors on this call.

Let me begin my remarks by giving some business highlights.

I am pleased to report that during the quarter, consolidated revenues grew by 19% to Rs. 1,144 crores on year-on-year basis and for 9MFY25, consolidated revenues grew by 16% to Rs. 3,211 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 32% on YoY year-on-year basis to Rs. 183 crores with EBITDA margin of 16.0%, an increase of 170 basis points year-on-year.

EBITDA for 9MFY25 grew by 33%, Rs. 466 crores, with EBITDA margin of 14.5%, an increase of approximately 190 basis points. I would like to highlight that EBITDA margin expansion was on the back of our constant efforts to create operational efficiencies and good performance in the international business.

During the quarter, we witnessed strong order receipts in both domestic and overseas order book, which witnessed growth of 19% on year-on-year basis. On standalone domestic business performance for Q3 FY25, we have achieved a year-on-year growth of 3% with revenue from operations reaching Rs. 661 crores. In addition, our subsidiaries KCPL has registered a growth of 75% plus in the quarter, driven by new orders. And Karad Projects & Motors has registered a growth of 23% plus in a quarter driven by increase in exports business.

During the quarter, 50 new models were launched by the small pump business. A strong order book and strategic focus on business opportunities positions us well for continued success. We are maintaining our guidance for double digit revenue growth in FY25 compared to FY24 for our standalone business. As of December '24, our standalone pending orders amount to about Rs. 1,874 crores, which as usual excludes the small pumps order book, reflecting a strong pipeline. Furthermore, we are seeing sequential growth across several key segments, including building and construction and the industrial sectors.

On International business:

We have registered growth of 46% during the quarter and 23% during the nine months of this year. This growth is driven by growth in SPP UK and the Dutch entities on account of robust order book execution. SPP US business has seen good traction in data centers, fire and HVAC packages. With a keen focus on our business prospects supported by a robust order book, we are optimistic regarding our future growth prospects. Our overseas pending order book stood at Rs. 1,127 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 evening, everyone.

Let me share the "Consolidated Financial Results" for the Quarter and for Nine Months:

So on a revenue front:

Our net revenue from operations for the quarter has grown by 8.6% *(the correct percentage of growth is 18.6%)* on a year-on-year basis to Rs. 1,144 crores. And for the nine months basis, the net revenue from operations grew by 15.6% to Rs. 3,211 crores.

Now on the EBITDA front:

Our Quarter 3 revenue *(the correct word is EBITDA)* grew by 32.3% on year-on-year basis to Rs. 183 crores. While our EBITDA margin for Quarter 3 FY25 stood at 16%, which is essentially an increase of 170 basis points from the last year of Quarter 3. For nine months basis, our EBITDA grew by 32.9%, which is on year-on-year growth, to Rs. 466 crores. And our EBITDA margin for the nine months stood at 14.5% as a percentage to revenue, and which has an increase of 190 basis points from the last year of nine months.

In terms of our profit after tax, our PAT for the Quarter 3 grew by 43.9% year-on-year basis to Rs. 119 crores. And our 9 months PAT has grown by 42.7% year-on-year basis to Rs. 281 crores.

Now with this, I would like to open the session for question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on the touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take our first question from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Yes, hi, good evening and thank you, sir. So first on the international side, I mean, we are seeing the revenue, order inflow, all of them, I mean, doing really well. So if you can just highlight maybe the geography-wise, anything specific that I believe this quarter would be this past supply chain issues which are getting solved, but other than that, even our order inflow is very, very strong. So just what is happening there in the situation on ground, please.

Alok Kirloskar: Thank you, Mr. Kothari. This is Alok Kirloskar speaking. Can you hear me?

Pratik Kothari: Yes, sir.

Alok Kirloskar: So, yes, I think a lot of the growth has come out of the UK and then a little bit from the US and also the Dutch entities. I would say, like we said before, yes, there is some unwinding of some of the supply chain. But at the same time, we see the framework contracts holding the base of the business. While we see a resurgence on water, which is a focus for us, data centers, which is another focus for us. And the third is in new sectors, including areas like green steel, with the carbon border adjustment mechanism coming into effect from next year. A lot of steel companies in Europe are also looking to invest in green steel, which is based on hydrogen, which is where we have a good reference also in Sweden. So I would say these are a few areas that are picked up. In addition to this, I think slowly you also see oil and gas is picking up in terms of exploration side in the Middle East with large expansions from Qatar Energy, ADNOC, especially those two. And I would say that's an area that's interesting. We have a good traction there, as well as an uptick on the LNG projects in America, where again, there was clearance, then in the middle, it was blocked by the Biden administration, but it looks like it's again opened up after Mr.

Trump's come in power. I would say those are the few areas that have sort of supported the order book as well as the general execution of projects. Does that answer your question?

Pratik Kothari: Alok sir, in terms of profitability, we used to track this at the PBT level. Earlier, we had targets of 5%, 10%, 7%. I mean, I believe we achieved that this year and also last year. But how much more is left in terms of the efficiencies or either by increasing service share on the profitability parts of the international business?

Alok Kirloskar: I think when you look at the international business at a whole level, you would see that our Thai business is still not doing very well. So I would say that's an opportunity for us to enhance the numbers. Our Dutch business also, while it is better, obviously this year it's profitable, as you can see from the numbers. It is just marginally profitable. So I would say there is still opportunity there to do better. There are some other areas, like maybe in the US, where we have done a good level of optimization. So really now the additional margins can only come from operating leverage, which is growing the business now from where we are. And that's what we are focused on in that geography. In the UK, I think we still have a good amount of possibilities with the growth of services. And so in the UK, we are really driving hard on the service business, because that will change the margin profile. As you know, the margin for us is really all about the mix of products. Products and services, let me put it that way. Because the more products we sell, the margin starts deteriorating. So we have to manage that mix carefully.

Pratik Kothari: Correct. And so last one on the domestic side, our standalone business, if a similar comment on that, I mean, we didn't see much execution growth this quarter, and even our order inflow has been range bound for a while. So just if on things on ground, how are things?

Sanjay Kirloskar: As far as the domestic market is concerned, I've always said don't look at us quarter to quarter because we are made to stock, made to order, and engineered to order. So it is going to go up and down quarter to quarter. Like I said earlier in my speech, we are still committed to double digit revenue growth.

Ravish Mittal: And in terms of order book, I mean, if you really see in Quarter 3, we have almost 12% increase in the domestic order booking as well, which is likely to be executed in the fourth quarter.

Pratik Kothari: Correct, but Sanjay, some more colors, I mean, industry-wise on ground, deep water irrigation power, just, I mean, we do hear of some pickup, anecdotally, here and there, of the made-to, I mean, the customized or the engineered products, but how is it for us?

Sanjay Kirloskar: No, we are getting orders. We have got orders for power stations, water and irrigation, orders are coming in.

Ravish Mittal: And please bear in mind when you look at the order book, there's another part of the business which is a small pump business which is not forming part of the order book. So that is also doing really well. And that is off the shelf business so we don't add it on the pending order book.

Pratik Kothari: Thank you and all the best.

Moderator: Thank you. Before we take the next question, we'd like to remind participants to press '*' and '1' to ask a question. Next question is from the line of Sani Vishe from Axis Securities. Please go ahead.

Sani Vishe: Congratulations on the good results, sir. And thanks for taking my question. I just want to understand what is the CAPEX number for the 9 months and where do we expect to enter by FY25? And what are our plans at the broader level for FY26?

Sanjay Kirloskar: The CAPEX up to now is about Rs. 40 crores. We have always maintained that year on year, we will invest something equal to our depreciation because most of what we are doing is some modernization, some de-bottlenecking. So it normally reaches around Rs. 100 crores by the year end.

Sani Vishe: Any other expansion initiatives or something new that you are planning for FY26?

Sanjay Kirloskar: Any expansion initiative?

Sani Vishe: Yes, so I am not exactly expansion, but I am trying to understand whether we are planning to spend some significant amount on some new initiatives or something that will drive the growth further in FY26?

Sanjay Kirloskar: No, not at the moment.

Rama Kirloskar: We have been like this previous year.

Sani Vishe: Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, to ask a question, please press '*' and '1' on your phone. We will take our next question from the line of Ravi Shah from VRS Capital. Please go ahead.

Ravi Shah: Hi sir, am I audible? Thank you sir for the opportunity. So my first question would be on our EBITDA margin. So we have performed quite well over here. So are these margins sustainable or what kind of range should we look in the margin trends going forward for this?

Sanjay Kirloskar: I think what we have said is we will continue to improve all the time. So some quarters, like I gave the answer for the previous question, will be very high. Some quarters may not be as high. But we will continue to expand on our EBITDA margins.

Ravish Mittal: There's a continuous drive on the operating efficiency, so you will see those impacting the EBITDA margins improvement. That will continue.

Ravi Shah: Understood sir, thank you so much. So my next question will be on our domestic business. So it continues to face a bit of challenges and it's raising a few concerns. So could you provide some further insight or what are the factors contributing to the sluggishness within our domestic business? So any trends? Thank you.

Rama Kirloskar: You know, we believe that it's in line with the rest of the market and I think you need to look at the Company as a whole, not look at it from quarter to quarter because we are diversified across segments, so there is a hedge. There's not going to be a point where every segment in every geography is going to be doing well, but overall we will ensure that we do have those double digit groups. I think you need to see it as in its entirety. That's really the advantage of being diversified.

Ravi Shah: Understood. Thank you so much and all the best. Thank you.

Moderator: Thank you. Ladies and gentlemen, to ask a question, please press '*' and '1' on your phone. We will take our next question from the line of Rajvi Shah from Bright Securities. Please go ahead.

Rajvi Shah: Thank you for the opportunity. I just had two questions. The first one is, which sectors does the Company anticipate will drive future growth and which sectors could potentially impact the performance?

Sanjay Kirloskar: The sectors that could drive growth, I mean, we mentioned last time building and construction that continues to boom, where we are participating with our HVAC, HYPN, firefighting equipment. Industry, like we have always said, has different cycles for different segments, but there also, as far as we can see, our hit ratio is going up. Water and irrigation, earlier we used to be in the project business, now we supply large pumps and the order inflow continues. Then power is something that we are looking at. We have received orders in the last few months for thermal power stations, some very large pumps for thermal power stations which are being installed. And oil and gas, marine and defense, oil and gas for KBL and for marine and defense, they tend to be lumpy because they get orders from time to time. But with the investment that our government is making in defense, I am looking forward to good business in the future. And of course, retail continues to be having strong growth, as Mr. Mittal said.

Rajvi Shah: Okay, and sir any plans to get into solar pumps?

Rama Kirloskar: We do supply solar pumps to integrators. We don't work directly with the government. The terms and conditions are not conducive for doing business. They are not in line with how we would like to do business.

Moderator: Ma'am, I am sorry, can you come closer to the microphone please?

Rama Kirloskar: Participate, but we supply to integrators. We don't work directly with the government.

Sanjay Kirloskar: I think if I can expand on that, as you know, we have had issues working with state governments, especially in this earlier when we did our projects business. And when we looked at the risk factors for solar pump sets, we see that there are quite a few risks which extend for almost a decade, where the Company that gets the order has to supply the complete system, but the warranty also has to cover the entire system and its repairs for 5 years under component B of PM-KUSUM. The earnest money deposit is also to be placed for about 3% and that has to be replaced with performance bank guarantee, which is valid for 5 years. Installation and commissioning, joint survey to be conducted. Survey report to be given on a fortnightly basis, operations and maintenance, the built-in cost for O&M has to be there, and you have to provide the compulsory maintenance, comprehensive maintenance compulsorily for a period of 5 years from the date of commissioning of the individual system at the site, which could be anywhere in the state. Payment is also released month-wise based on you complying with various conditions, part of which is not in your hands, and or most of which is not in your hands. And 10% is to be given after completion of entire projects. So there are delays in collection of funds, very high debtor levels that you may see with companies that participate in this program. And on the other side, a lot of the vendors are small and medium scale, so you have to pay them as per the government's norms. They can also be liquidated damages on the value of delayed installation, up to 10% of the letter of award. So we have looked at this entire business and we felt that it's better to supply pumps for which you get paid immediately by the integrator rather than get involved in projects which go on for years. Does that answer the question?

Rajvi Shah: Yes, sir. Yes, that was really helpful. And just one more last question, if I can. Sir, on the international business, the consolidated revenue growth was well received and driven by SPP UK performance. Could you share insights on how it expects SPP UK to perform going forward?

Alok Kirloskar: I think that, as I mentioned earlier, some of the growth came a little later in the year because of supply chain points that were there earlier in the year. But that said, I think in line with the overall double-digit growth targets that the Company has taken, I think both international as well as domestic are looking at similar targets in terms of growth. Does that answer your question?

Rajvi Shah: Yes, sir, that was really helpful. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, to ask a question, please press '*' and '1' on your phone. We will take our next question from the line of Payal Shah from Billion Securities. Please go ahead.

Payal Shah: Yes, thank you so much for the opportunity. I have a few questions. First, it was a very good consolidated performance. Can you highlight what segment internationally helped this growth?

Alok Kirloskar: Outside we had mainly growth from SPP UK, some from SPP USA and also from the European entities. The growth, I mean, if I divided into segments, probably came from services, commercial building services, which is data centers and buildings and things like that. And the third area would be power, mainly power plants coming up in Eastern Europe and Turkey would be probably the overall segment that I would outline. Does that answer your question?

Payal Shah: My next question is, can you explain how does APOEM works?

Alok Kirloskar: So APOEM is focused on a few things. It basically takes our, the objective was to see how to get our made to order business as close as possible to made to stock. And in line with that, a strategy was drawn up with each APOEM based on the geography they are located in and the types of industries in those geographies to have a stock. And so generally our APOEMs, as we have said before, carry between 10,000 and 12,000 large pumps, which are industrial pumps in stock at any point in time. And these large pumps, as you know, are not sold just as pumps. Companies can't buy them just as pumps in terms of end users, because these pumps need something to drive them. So usually a motor or an engine, these have to be installed on a base plate, which is a fabrication, as well as many other accessories. So when you add all these accessories together, usually about 60% to, well, usually 60% is traded material. So what we did was over time, we moved that to the dealers where they add those motors and other things, the trade items basically. And from our point of view, that ensures that our working capital requirements are reduced, our RMSP ratios on sales are far better because they are only selling our own product. And the dealers are paying us upfront on all these transactions. So our cash balance is obviously a lot better because normally as you would imagine, if we sold to a Company directly, the payment terms could be anywhere from 60 to 90 days. So I would say those are the few factors that are changed. So what happens usually is that our revenue obviously goes down a little bit because we are not selling all the traded items, but the margins obviously should be better and working capital utilization is far better in this model. And on the customer side, what normally is a product that takes between 16 and 24 weeks to deliver, today we are able to deliver in the market between three days to one week. So it's a big game changer from the way how a customer sees it, because he doesn't have to wait that long anymore for these kinds of products. So I think that's in a nutshell how an APOEM works. Does it answer your question?

Payal Shah: Yes. Thank you so much for the elaborate answer. My last question is, have we faced any duties from USA? And if yes, then how are we mitigating the same?

Sanjay Kirloskar: Could you repeat that? There was an echo.

Payal Shah: So my last question is, have we faced any duties from USA? And if yes, how are we mitigating them?

Alok Kirloskar: No, we have not faced any duties in the USA because we add enough value in the USA for all our products to be certified as made in USA. So we are just hoping the duties go higher and higher.

Payal Shah: That's it for me.

Moderator: Thank you. Ladies and gentlemen, to ask a question, please press '*' and '1' on your phone. Next question is from the line of Manish Goyal from ThinQwise Wealth Managers. Please go ahead.

Manish Goyal: Thank you so much and congratulations on very good set of numbers on overall business. Couple of questions sir. First on the Alok specific to you on international exhibition. So with strong performance in this quarter, no doubt it's a seasonally best quarter. But now can we expect that we have a fair degree of normalization on supply chain and with a good order book on hand, the execution would get better. That was the first question. And second question on services, you mentioned that we have built a baseline business. So then should we understand that probably the revenue share in services business is improving on a steady state basis and it will probably continue the momentum and probably help to balance out on the margins as what we saw for the first 9 months. And would appreciate if you can share like what is the services revenue improvement we have seen in recent past. I know largely it is driven by UK and South Africa, but maybe if you can give some more perspective. I have a third question on small nuclear reactors on nuclear side where this budget had an announcement on large investments on development to the tune of Rs. 20,000 crores. So would we also actively look for some kind of a specific product development, any initiative which is obligated to take a lead over here. And my fourth question is for Rama on Kirloskar Ebara. Q3 did report a small profit. I believe there was some delayed executions which would have happened in Q3. But if you can give us what is the outlook and probably what is the revenue size we probably see in the current year and next year. Thank you.

Sanjay Kirloskar: Manish, can you hear me?

Manish Goyal: Yes sir.

Sanjay Kirloskar: I just wanted to clarify one thing. Alok is not Elon Musk who tells Mr. Trump what to do and what not to do. So normalization of supply chain, I don't think he can guarantee.

Manish Goyal: Yes, but like probably issues what we were facing in recent past, probably if execution has picked up in current quarter and if we believe that there is a fair degree of you see a normalization, then we probably see a lesser spike in the early revenue booking. That was the whole idea to get a perspective?

Alok Kirloskar: Yes, Manish, I'll just answer your two questions that you wanted for international. On the revenues, yes. I mean, like you said, we did have... One is that this is the fourth quarter for international. So as you mentioned, yes, it normally be a little bit stronger than the other quarter. And so a lot of the execution has taken, a decent amount of execution that may have not gone in a previous quarter would have gone in this quarter. Also at the same time, I would say that those delays that were happening on execution were relevant to oil and gas and large projects, which involved very large engine normally between 3500 horsepower to 5000 horsepower. So they are very large engines and there are very few suppliers, actually there are only two American and one German supplier that makes them and because there is less of a focus on oil and gas and everyone till now at least I mean of course now oil companies have made a complete U-turn and they are going back into oil and gas. But until now, everyone was focusing on projecting themselves as green. So they have not made CAPEX investments, which are the engine companies, in these large engines. But at the same time, as you would be aware, there are big expansions, like I mentioned Northfield project in QatarEnergy and the Luberef Project and Hail & Ghasha project in ADNOC, amongst many other projects coming up now in the Midwest and the Gulf states in America, like Louisiana and all those states. So I don't know whether that supply chain will normalize until these engine companies make the CAPEX. Because as of now, there are still only three of them and only two of them are operating normally, out of the three, which is one American and one German Company. So that's one of the issues I would say over there. So I cannot yet say that we won't have this up and down movement because that's supply chain issue still remains on those particular engines which are required for these large kinds of projects. So I hope I've answered your first question. If I have, then I'll move on to the second.

Manish Goyal: Yes, sure.

Alok Kirloskar: So the second was you said services. So yes, services as we have discussed also on last previous analyst call, they are multi-year contracts, either three year or five year. And the idea is just to keep getting more and more of them so that we keep building year-on-year and we can build a good base of these contracts in terms of like almost like annuity model. So that's really what we are doing. And that is to stabilize the base of absorb all the costs which are our fixed costs. And then we get with operating leverage on the products, we are able to sell all the products, which as you know, historically have been tighter on margin. So that's really the method that we are operating. Yes, the UK has, as I mentioned before, we are inching up from the old 38% higher towards 40%. And so South Africa, as you know, has moved up to 50%. But the other area that we are now focused on is Europe. So we started in Benelux. We have got our first contract with Brabant, which is a big water Company in the Benelux region. And we are targeting another three water companies in the Benelux region. Like in the UK, we have a framework, exclusive framework contract with every water Company except Thames Water, which is non-exclusive. Similarly, we are trying for the same in Benelux, which is Belgium, Luxembourg, and Netherlands, along with some chemical companies that we are trying to target now. Like we have as you know INEOS in UK. So we are targeting a few chemical companies also in Europe, or specifically the Benelux region, where we should look to get more penetration in services revenue. Does that answer your second question?

Sanjay Kirloskar: Your third question was, could you just repeat that?

Manish Goyal: It was regarding the nuclear small modular reactors where there were a lot of announcements in budget in terms of development. So maybe we are also willing to take any initiative for the relevant product development.

Sanjay Kirloskar: So nuclear small modular reactors, they've been spoken about for the last two years, I believe, right from the G20 declaration. And that seems to be the future going forward. But that being said, other than marine small modular reactors which are used to power aircraft carriers and submarines, there are only two working modular reactors, one in Russia and one in China. And you hear a lot from America, you heard about New Scale, you heard about all these tech bros investing hugely into small modular reactors, but nothing is working yet. They are making their investments. Each one, many people are trying different technologies, and therefore when they need money, they will make large announcements and ask for partners and ask for customers, etc., etc. That being said, KBL has pumps for light water. These all tend to be light water reactors. KBL has delivered all types of pumps for light water reactors as well in addition to the pumps that we have delivered for fast breeder reactors and pressurized heavy water reactors. So the product line is there. The product line is proven. The only issue is what is going to be the size because each size of nuclear reactor will need a certain size of pump and then that again will depend on how many pumps they want. Whether it's one pump, two pumps, five pumps. So that will finally decide the exact hydraulic performance of the pump. But otherwise, we are ready to deliver wherever small modular reactors need pump, we are ready to deliver such pumps. There are small modular reactor designs which don't need pumps as well, but I believe most people would want positive cooling to be done through light water. Does that answer your question?

Manish Goyal: Yes. Thank you.

Rama Kirloskar: Yes, good evening, Manish. Your question was about Kirloskar Ebara. So we have been taking some very complex jobs. And we have seen that the recent trend is that a lot of the sale happens in Q4. So we will be following the same trend even this year. And as you know, in the oil and gas business, there are only limited supply chain partners, so because of the limited vendors, there is a capacity constraint and that continues to be the case. So I hope that answers your question.

Manish Goyal: Yes, thank you so much.

Moderator: Thank you. We will take our next question from the line of Abhishek Jain from Investwell. Please go ahead.

Abhishek Jain: Sir, I've got, I need some updates about the US operation. How it has performed this quarter as compared to last year as well as the previous quarter during the year. Since we are basically more into fire pumps, so how it has performed and with the team being made in America, so how we are benefiting out of it. And is there any plan to introduce some other products other than fire pumps? And another one, the last one being right now, after a long time, the Company's into a, it seems like the Company's in a sweet spot. Like once again, the thermal power plants are coming into picture and oil and gas is being taken care of once again. It has been pushed. So how you see going forward for the next few years, how you see the Company?

Alok Kirloskar: Your first question was about SPP Inc. I think on page 8, SPP Inc. numbers are listed both for the quarter and for nine months. I won't go into the numbers specifically. But I would say that a few things that we are looking at for SPP Inc. is mainly, as you said, fire pumps is one aspect of it. The other part of SPP does which is part of SyncroFlo, which is a subsidiary of SPP Inc. in America, does the HVAC packages. I had mentioned also in our last call that we do HVAC packages for buildings and various things, but also for data centers. And we do a lot of them with Amazon, with whom we have a framework. So we have done quite a few with Amazon in America. We have also done with Meta in Singapore for the cooling of the data centers. And we have also developed products which are containerized and plug and play for data center cooling. So that's another area that we are really focused on because we do see that apart from people like Amazon and Facebook and Google, which is as your, Google and Microsoft, many other private equities also putting up data centers because the cash flow is like a utility business. And so there's a lot of focus from them and so there are many new players coming. So I would say that's another focus area for us. One is data center business, but another area is also municipal water. So we are also investing or rather picking up jobs for municipal water and that's a focus area for us in America. So these are the areas outside oil and gas and I think we do see a good number of opportunities in that. Like I mentioned, last quarter was a little bit slower because of the elections. I think last quarter also when we had the analyst call, people asked about America because they've had two slow quarters. But I think post elections, things seem a lot better in terms of people releasing orders again, since they know now that many of those policies in the areas where we are at least are still remaining consistent after Trump has come into power.

Abhishek Jain: Okay, can you tell me how much is the service revenue, the percentage wise?

Alok Kirloskar: We have never disclosed at KBI level. I think we only said the service revenue in the UK is normally 38% to 39% of the UK's revenue.

Moderator: Thank you. Ladies and gentlemen, to ask a question, please press '*' and '1' on your phone. We will take our next question from the line of Mayank Bhandari from Asian Market Securities. Please go ahead.

Mayank Bhandari: Just in order to understand a few things more about the categorization of product mix. How would you categorize made to stock cycle time and made to order cycle time of or engineered order cycle time taken months or maybe in I mean, how would you categorize these?

Sanjay Kirloskar: Mid to stock is delivered during the month as far as small pumps business is concerned. It might go to about a month and a half for the small and medium pumps. Made to order is about 2 to 3 months, 60 days to 90 days. An engineer to order may take 8 months to 18 months, depending on the complexity.

Mayank Bhandari: So in the overseas market, we particularly, we are only focused on made to order?

Sanjay Kirloskar: No. Retail is actually about 45% of our business, which comes from both the small pump plants as well as the small and medium pumps plant, or maybe closer to 50.

Mayank Bhandari: And the services part, I mean, just as you now disclosed the number, the proportion of the revenue from services, but would it be, will you be able to give us a better understanding on which markets would be having higher services revenue going forward, like in terms of there are, I mean, increased opportunity and installed base is increasing. So which end market could be much more lucrative in terms of services?

Sanjay Kirloskar: It is dependent on the customer, how he treats his equipment. So most engineering companies, pumps lose 1%-1.5% points of efficiency every year. So a good Company which wants to run its process efficiently would probably run, get service for their pumps within 3 to 5 years because otherwise the energy efficiency goes down. I am not talking about our pumps, I am talking about pumps in general. And I think earlier also I've mentioned that our LLC series of pumps, Lowest Lifecycle Cost series of pumps, actually maintains its efficiency for 10 years. Whatever people lose in one year, our LLC pumps lose in 10 years. So then customers decide whether they want to buy lowest life cycle cost pumps or standard pumps. The power sector basically would buy a lot of spare parts to keep the power station, the private sector power stations, not so much with the electricity boards. Similarly, like I said, industry does. Retail pumps from small and medium pumps may want to replace the pump rather than ask for service because the pumps range from 2000 to 5000 to 20,000. So it depends on the attitude of the end customer that he would ask for service. And some pumps, like firefighting pumps, may not need service because they run very little in a year. Other than inspection or making sure that everything is working, unless there is a fire, people will not turn on that fire pump at all.

Alok Kirloskar: Just to add a point, I think based on your question, when we today outside India at KBI B.V., we have about 120 odd service contracts. These service contracts are divided between water companies, mining companies, chemical companies, and petrochemical companies, which are exploration or refineries, which include offshore assets. And our service contract is not just for our pumps. It is for all the pumps on that particular site for which we have signed the contract. And we do repair, maintenance, upgradation, spare part management, everything for all the pumps, not just ours. So I just thought I would make that point because you are making a correlation between our installed base and the service revenue. There is not a correlation between those.

Abhishek Jain: Okay sir, thank you very much.

Moderator: Thank you. Ladies and gentlemen, to ask a question, please press '*' and '1' on your phone. We will take our next question from the line of Rabindranath Nayak from Sunidhi Securities. Please go ahead.

Rabindranath Nayak: Thank you sir, and congratulations for a good set of numbers, particularly from the international side. So I thank Alok for that, for the commendable initiative. So my question regarding this is we have booked the revenue that we keep coming in the standalone business. You can see it is sticky. It is very constantly growing. It is not growing very fast compared to the international revenue. So what is the short cycle order we have booked in this quarter and nine months and what it was in the last year in the same period. And particularly referring to these various dimensions that made to stock and made to order, I understand these are the sub-cycle orders. So how much revenue has come from this sort of order in the revenue? So another thing, the margin has dipped in this quarter. Is there any explanation to be made for this product mix to do the sub-cycle and long-cycle orders?

Sanjay Kirloskar: You know, one thing I would like to caution everyone, and I think Alok mentioned that, it was international businesses fourth quarter. Similarly, KBL's historic performance, if you see, I would suggest that everyone look at KBL's historic performance quarter-on-quarter, because that would give you a better idea of what happens actually in our industry. So look at it in that manner rather than any other manner.

Ravish Mittal: And essentially our made to stock business contribute both on SMPD pumps and retail pumps together around 45% to 50% and that's being a trend.

Rabindranath Nayak: Same trend as last year.

Ravish Mittal: Yes.

Rabindranath Nayak: So, you meant to say this is likely to continue in the future also, in the domestic market particularly?

Sanjay Kirloskar: We are following a historical trend and so that's what you should keep in mind and the quarters are for the international business, the calendar year is January to December and for the Indian business is April to March. So I think you should keep that in mind.

Rabindranath Nayak: And actually if I say the margin in this quarter, there is a drop in the sequential basis, so I am just asking what is the explanation you can make from the product size and the revenue? Sir, just a broad classification, broad explanation.

Ravish Mittal: I think margin also vary quarter on quarter. And as we discussed earlier, we are also doing a lot of operating efficiency activities. So that has a little bit impact. But essentially, it is not an indicator on a quarter to quarter basis. You have to look at holistically.

Rabindranath Nayak: I am just asking whether short cycle order is actually high margin.

Moderator: Sorry, can I use your handset mode please, your voice is not very clear.

Rabindranath Nayak: Hello, I am just asking whether the short cycle order has actually reduced that is why the margin has dipped or what is the explanation that one looks for?

Sanjay Kirloskar: We couldn't hear it properly?

Moderator: Hello, can I request you to use your handset mode, please?

Rabindranath Nayak: Hello, is it audible?

Moderator: Yes, please go ahead.

Rabindranath Nayak: So I am just asking whether the product makes in the short cycle and long cycle order. Is there any explanation for the margin dip in this quarter? So how should we look at it? Because if any in quarter the margin dips, then we should accept that this could be the reason. I am just asking. Very broad question. I am not going to detail.

Ravish Mittal: No, product mix is usually the same as being in earlier quarter. So the product mix is nothing specific in that manner to affect the margins. In fact, we have seen our, you know, we have a better control over our material costs.

Rabindranath Nayak: And sir, in nuclear sector, the thing you mentioned that if at all, where is the same proportion in the infrastructure sector, what you have mentioned in the past that a percentage of revenue should be our target in a total market size for us, whether we should expect that similar thing for nuclear sector as well, that is 2% of the total project cost or it is more than that?

Sanjay Kirloskar: No, you should expect about the same. 2% of the total project cost will be for pumps.

Rabindranath Nayak: Okay, sir. Thank you and all the best.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Ms. Rama Kirloskar for closing comments. Over to you.

Rama Kirloskar: Thank you for joining the call. If you have any further inquiries, please get in touch with Strategic Growth Advisors, our Investor Relations Partner. Thank you.

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