"Kirloskar Brothers Limited Q4 FY-25 Earnings Conference Call"

May 15, 2025

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Moderator: Ladies and gentlemen, good day, and welcome to Kirloskar Brothers Limited Q4 and FY '25 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company, which are based on 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 '*' 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, sir.

Sanjay Kirloskar: Good afternoon, 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 Investor Presentation, which have been uploaded on Stock Exchanges and on the Company's Website.

On this call, I have with me Alok Kirloskar – Managing Director, (Kirloskar Brothers International BV); Rama Kirloskar – Joint Managing Director (KBL) & MD (Kirloskar Ebara Pumps Limited); Bhavesh Chheda – our new CFO; and Mr. Devang Trivedi – our Company Secretary; and Strategic Growth Advisors, our Investor Relations Advisors.

First, I would like to brief you about a few developments at Kirloskar Brothers:

We are pleased to inform you that based on the recommendations of the Nomination and Remuneration Committee, and consideration of the Board of Directors of the Company, Mr. Bhavesh Chheda has been appointed as CFO of the Company with effect from 14, May 2025.

He is a qualified Chartered Accountant and has completed Executive Postgraduate Diploma in Business Management from Symbiosis Institute of Management. He brings with him 23 years of experience in finance, planning and analysis, risk management, treasury management, mergers and acquisitions, ERP implementation, and international subsidiary operations. He has worked with reputed organizations prior to joining our Company.

I would also like to place on record my sincere appreciation for the excellent work done by Mr. Mittal in his role as CFO earlier. I would like to take this opportunity to thank Ravish Mittal on behalf of everyone, including the Board of Directors of the Company for his dedication and Service.

Now let me begin my remarks on our performance for Q4 Fiscal Year '25 and the full-year performance:

I am pleased to report that for the Financial Year 2025, our consolidated revenues reached Rs. 4,492 crores, representing 12% growth on a year-on-year basis. This performance was driven by strong demand for our diverse range of products and services across multiple segments, reflecting our deep understanding of market needs, and our ability to adapt to the changing customer requirements.

Our growth was supported by sustained momentum in both domestic and international markets, where we have successfully captured new opportunities and expanded our footprint. This was further complemented by our ongoing focus on innovation, customer-centric solutions and operational excellence.

EBITDA for FY '25 grew at 18% on a year-on-year basis to Rs.681 crores with EBITDA margin of 15.2%. This improvement in our operating performance reflects the success of our ongoing efforts to drive operational efficiencies, streamline costs and optimize resource utilization across all our business verticals. For the year, we recorded good order inflows in both domestic and international markets, reflecting a year-on-year growth of 12%, amounting to Rs. 5,182 crores.

On standalone business performance for Fiscal Year '25:

We achieved year-on-year growth of 7% with revenue from operations reaching Rs. 2,901 crores. In addition, our subsidiaries, Kirloskar Corrocoat Private Limited registered a growth of 48% in Fiscal Year '25, driven by new orders from large customers. Karad Projects and Motors registered a growth of 13% in FY '25, driven by an increase in export business.

Our strong order book and strategic focus on business opportunities position us well for continued success. As of March '25, our standalone pending orders amount to Rs. 1,804 crores, excluding small pumps order book, reflecting a strong pipeline. Furthermore, we are seeing sequential growth across several key segments, including Building and Construction, industrial and power sectors.

On International business:

We have registered a growth of 21% in Fiscal Year '25. This growth is driven by growth in SPP U.K., the Dutch entity, and Kirloskar Brothers Thailand Limited on account of a robust order book execution.

SPP's U.S. business has seen good traction on 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. 1,208 crores.

Lastly, I would like to inform you that the Board of Directors has recommended a final dividend of Rs. 7 per equity share of face value Rs.2 i.e 350% of face value as against 300% in the last financial year.

With this, let me invite Mr. Bhavesh Chheda – CFO, to discuss the financial performance highlights.

Bhavesh Chheda: Thank you, Chairman. Thank you, sir, for this warm welcome. Good afternoon, everyone.

Let me start with the consolidated financial performance highlights:

On the revenue front:

The net revenue from operations for Q4 FY '25 stood at Rs. 1,281 crores as against INR Rs. 1,224 crores in the last year. And for full-year FY '25, the net revenue from the operation Rs. 4,492 crores as against Rs. 4,001 crores in FY '24 last year.

On the EBITDA front:

Our EBITDA for Q4 FY '25 was Rs. 215 crores as against Rs. 228 crores in Q4 last year. EBITDA margin for Q4 FY '25 stood at 16.8%. For FY '25, EBITDA was Rs. 681 crores as against Rs. 578 crores in FY '24. EBITDA margin for FY '25 stood at 15.2%.

On profit after tax front:

Our profit after tax for Q4 FY '25 was Rs. 138 crores. And for the full-year, it was Rs. 419 crores. That's it from our side.

Sanjay Kirloskar: Yes. We can now begin the question-and-answer session. Thank you.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. We have first question from the line of Sunil Kothari from Unique PMS. Please go ahead.

Sunil Kothari: Thank you sir, for the opportunity. Congratulations, Sanjay bhai, Rama and Alok and team for a really good performance during the year. Sir, my question is general, and very on a strategic way broadly, the way we work during last 5, 7 years to improve our profitability in international market, we have created solid foundation of services and framework contracts and all.

If we want to grow our market share in a global market, international market, what additional efforts we are taking, what we require to do? And how possible is it to double our market share during say next 3 to 5 years? Broadly, you can qualitatively talk on these things will be really helpful.

Sanjay Kirloskar: Okay. I think I will answer the question partly and then leave the rest to Alok and Rama to answer as well. In the last few years, we have come out with a very large number of new products, new products which are not only in the pump, in the field of hydraulics, but also electronics and IoT related. So these are the retail products which are made by our small pumps business. We have introduced hundreds of products in the last few years, which meet the BEE norms for 5-star and 4-star ratings.

As far as Kirloskarwadi products are concerned, I think what we have done in last year, we told you about 2 different series of pumps that have ecolabel. And we have also entered into new segments, one which is FGD pumps as well as certain pumps for strategic sectors.

So on the other side, with AR and VR, I think AR probably a Company that is at the cutting edge of technology as far as the product and service offering is concerned. I think Alok has spoken about framework contracts, which allow us to now look after total rigs that not only have our pumps, but everyone else's pumps. So the Service contracts that we are taking, which allow us to supply spare parts for all kinds of equipment.

There are opportunities because of AI that we see going forward, which is in the process of being implemented. Of course, the routes to market, that's the sales channel, that's all consistently being enhanced to give us new opportunities in different countries around the world.

So as far as products and technology is concerned, I think we are where we need to be. We have a full range of products right from half horsepower to, 1,000 horsepower. We also have a distribution network that is very strong in India. We are building a distribution network around the world.

And the opportunities are great. The opportunities which we see, I think I had mentioned this earlier as well, which is thermal power, which is seeing a new life where large number of orders are being placed on players like us, and the EPC contractors, whether thermal or nuclear, I think it will start moving up.

The urbanization that's taking place in India, where we have very good products through our Building and Construction sector. So the opportunities are tremendous. And I think we are looking at the future with a great deal of optimism.

Alok or Rama, if you would like to add?

Alok Kirloskar: I just to add, Sunil ji, as you mentioned, 5 years, probably you are seeing that from the last 5 years. But I think these things take some time. And I will probably give you 2 examples just to put it in context. Our APOEM program was launched in 2011. Actual traction, we only started getting maybe around 2018. And real benefits all of you are seeing in terms of change of MSR, which is Material to Sales Price Ratio, and things like that, in the more recent years. So it's more than a decade-long program, but the impact is only being visible now.

The same for framework contracts. Our first framework contract was signed in 2016. But until you get to critical mass, which probably happened maybe 3 years ago, it is not visible to you outside. And so I think these things take some time to build up and for them to be visible, and it's not necessarily 5 years. It's more like 10 years for a Company like ours, because they need to come to that size for it to be visible in the external market.

So I would start with that. But going forward, I think there are many opportunities for us. We are looking at developing the first Service market going forward in a more in-depth fashion, because we are in a market that is changing.

As you know, Europe is deindustrializing. U.K. is deindustrializing because of the net-zero program, which I think everyone, including 1 of our major customers, which is INEOS. So the billionaire, Jim Ratcliffe has said that because of net-zero, they are shuttering all the chemical plants, which is the INEOS plants in the U.K. I think he's put out an article about it, because the power costs are too high. And that's going to sort of go into other segments also, if the government doesn't change course.

But a framework contract, let's say, with INEOS, which we do have, if the plant shuts down, we don't have any benefits from it, even if you have the visibility in concept from a framework contract. So from that point of view, we are also looking at new geographies. We are looking at developing those framework contracts further to see what else we can do, not just pumps, but related rotating equipment, because now slowly, we are able to do all brands of pumps.

The next step really is to add other things like gearboxes, compressors, engines, everything that falls into rotating equipment, and that widens the scope for us.

The other is, like my father mentioned, distribution network. Distribution networks are important, and in areas like the U.S. and Southeast Asia, where they are more prevalent compared to Europe, because Europe historically for most manufacturers is more a direct sales methodology, but these 2 are more distribution oriented. So getting more penetration and developing the network like we have in India is really a focus for us going forward.

And I would say, the new technologies like green hydrogen is one area that we have broken into. And we also have something totally new, which, of course, I can't mention because we have signed the NDA for it, but it's not nuclear or anything like that. It's completely new technologies, which today we have the ability to demonstrate and customers believe us, because we are now in international markets. We are of that size.

We are handling their facilities and they trust us to be able to develop completely new kinds of technologies, which historically we could never do. Historically, as you know, most of the process owners or process developers were based in Europe, and they used either European or maybe American pumps and other equipment as part of their own R&D process when they are developing new technologies. And by default, those equipments became a part of the package.

Now I would say, for the first time in a long time, we are part of that process, where we are being asked to develop with them new applications, new technologies. So I would say, this is a big change, and this will allow us to develop traction going forward.

Sanjay Kirloskar: And I will hand it over to Rama. I don't want to add too many more things, because I am sure she has many more things to add.

Rama Kirloskar: Yes. Thanks, Alok. Just a few points I would like to talk about. One is we are doing a few improvements in our operations, specifically on the factory and foundry side to enhance productivity, and make the plants a lot more scalable than they are today. We are also rolling out a digital strategy that enhances our scalability through automation, and AI and AR tools that will really help the Company with analytics and scalability again.

And one other aspect would be KBL also looking at certain export markets that it wants to focus on for better market penetration. So I think all these factors combined are going to help us grow in the future. Thank you.

Sunil Kothari: Great. Very detailed and very explanatory. Thank you. And sir, last point is on the base we created, are you confident to achieve the numbers, whatever you are guiding for, and your aspiration is for current year? Near term, how you see your visibility? If you can talk domestic and international will be really helpful.

Sanjay Kirloskar: We have always mentioned that we see a very good order funnel, and we have a good hit ratio. So we're quite confident of achieving the numbers that we aspire to.

Sunil Kothari: Great sir. Good luck. Thanks a lot, sir.

Sanjay Kirloskar: Thank you.

Moderator: Thank you. We have our next question from the line of Sani Vishe from Axis Securities. Please go ahead.

Sani Vishe: Yes. Thanks for taking our question. And congratulations on a good FY '25 performance with the whole KBL team, and welcome to Mr. Chheda. Looking forward to meet you soon.

My question is we had a very good trend starting from Q2 of last year, the year that went past. And given that we had an expectation of a stronger performance than the 5% year-on-year growth in the revenue and the EBITDA decline. So could you just throw light whether this is a lack of momentum that we would see going ahead? Or do we think we will be able to recoup the growth that was going forward?

Sanjay Kirloskar: You started by saying that the year began on a good note and there was a certain slowdown, right? Is that what you said?

Sani Vishe: Yes. So I think particularly the Q4 EBITDA margin seems a little bit disappointing. So just wanted to understand, is it a temporary blip and we expect to continue on the same trends that was earlier?

Sanjay Kirloskar: Yes, because we have explained many times that we have 2 or 3 kinds of businesses, a made to order, made to stock and an engineered to order. And therefore, you shouldn't be looking at us from quarter-to-quarter. But if I could give a general sense of what we saw happening, there seems to have been some liquidity issues with customers. And also towards the end, we believe in cash and carry kind of business, including with small contractors who participate in JJM programs. So we will not deliver products if we are not sure of getting the money.

And we did see that in some of these programs, there were some issues and there were delayed payments to the contractors. We are seeing that slowly going back to normal, but we will continue with our policy of ensuring that we get paid for before we ship.

There was also another issue towards the end of the year that we do certain large pumps where we get free issue material, and that didn't show up on time. So I expect that this will go back to the margins that we had going forward.

Sani Vishe: And finally, if you could just touch upon how you see this U.S. tariff scenario that may positively or negatively impact us? That's from my side.

Sanjay Kirloskar: Alok, I think this was relating to U.S. tariffs.

Alok Kirloskar: Yes. It's hard to tell because we did have 1 consignment that went in when the tariff was in place, and we saw the net tariff had increased by 10%. I don't think it made a significant issue at that time. But I feel that because we mentioned to customers that we will pass the tariff on to them, because that's what our suppliers are doing to us. And that is not unique to us. That is what's happening across the market. But 10%, I guess, customers, they are not happy, but they may consider it. If it was 25% or 30%, then definitely, they are not going to absorb that kind of number.

But then as you know, it went on pause. So the issue is that, because the tariffs go on and off, on and off all the time, it's very hard to establish what the impact is. If there was some consistency, even by keeping a tariff, there will be some understanding of what the impact would be.

Sani Vishe: Okay. But can we expect some positive impact also, given that we have presence in U.S. itself?

Alok Kirloskar: Definitely. I that anyway is there a little bit right now, and that's what we're trying to assess, based on the Chinese tariffs. Because, as you know, one is that a lot of American companies themselves buy a lot of the parts from China. So obviously, most of our competitors are American companies.

So from that point of view, it could be beneficial. But because of changes even on the Chinese tariffs in that category, it's not yet clear to us. So I would say that we just need to wait for some time until there is some stability for me. I can't give you a clear answer because obviously, whatever answer I give, there will be some repercussion which you would expect.

So it's not even that clear to us, because it keeps changing all the time. But to answer your question, yes, if there was tariffs on India and if there was tariffs on China, and they were consistent, yes, that would help us.

Sani Vishe: Okay. Fair enough, sir. Thanks a lot.

Moderator: Thank you. We have our next question from the line of Akash from Dalal & Broacha. Please go ahead. Mr. Akash.

Akash: Yes. Thanks for the opportunity. Just one question from my side. I wanted to understand on the margin front. So is it like scope for margin expansion from the 15%, 16% that we do on a consolidated basis are at peak or can we still improve further on margins?

Yes, I will just add one more last piece. And what revenue growth we forecast for the next year?

Rama Kirloskar: Well, I believe that would be a forward-looking statement as my father has always said that we will strive to have that year-on-year growth. But as far as the margin improvement is concerned, there is scope for margin improvement. As I mentioned earlier, we are doing a lot of improvements at our plants to enhance productivity. So we hope to have margin improvement through these activities as well. I hope that answers your question.

Akash: Yes. Okay. So can we expect a significant change in margin trajectory? Can we go to 20%-plus in the next 3, 4 years?

Rama Kirloskar: We will try to do our best. I cannot promise any numbers.

Akash: But is it a possibility? I just wanted to understand.

Sanjay Kirloskar: Yes, there is a possibility. That what said that we are trying to reduce waste, improve operation, because we see a lot of scope for that.

Akash: Great. Thanks, sir.

Moderator: Thank you. We have a next question from the line of Raj Shah from Enam Holdings AMC. Please go ahead.

Raj Shah: Thank you. My first question was regarding the U.K. free trade agreement. I am not sure if this is already discussed. But the question was since we have a very large business in U.K., how will this benefit us?

Alok Kirloskar: I don't think it makes any difference. At least from our point of view, because we are not exporting people out of India into the U.K. or anywhere else, it's not really supportive. Probably, we were running IT operations, it might make it easier for us. But as we are not bringing people over from India here in large numbers, it's not really adding anything.

Raj Shah: Okay. Got it. Second question was there was a fall in receivable days in FY '25 balance sheet from 48 to 40 days. Just wanted to know what is the reason? And is it the new normal?

Sanjay Kirloskar: It's on account of better collection. We believe that top line is vanity, bottom line is sanity and cash flow is reality. So we will only do sales. We only recognize sales when we collect the money as a Company.

And it is our intention that we are able to collect all our receivables. We also believe that if our products are good, and acceptable to customers and better than anyone else, we can charge a premium, and we will get paid upfront. So our business model is to develop world-beating products, and to ensure that we only sell customers who can pay us who are good pay masters.

Raj Shah: Okay. Thank you very much, sir.

Sanjay Kirloskar: So I don't know how much lower it will go, but it will be our attempt. And you'll see that there's a consequential fall in creditors as well.

Bhavesh Chheda: So, on a consolidated basis, 124 days earlier, now it is 102 days.

Raj Shah: Thank you. Thank you very much, sir. That answers my question.

Moderator: Thank you. We have our next question from the line of Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: Yes, hi team. Thank you for giving me the opportunity. I have 2 questions. The first 1 is on order book, right? So if I look at your quarterly order book run rate for the past 8 quarters now, we are at Rs.1,800 crores of run rate. And, order book is something which is forward-looking. So is there some element of some of the revenues going towards APOEM, and hence not forming part of order book or is there a change in nature of order book in the sense that now the conversion of that order book into sales is much quicker than what it was 2 years back? How should one think about a flat quarterly order book let us say, for past 8 quarters now, I am talking about the domestic order book?

Sanjay Kirloskar: Yes. As you can see, the domestic order book is approximately the same. I think the number of orders has risen by 12% and therefore, the run rate is going up. We don't want to have a large order book because customers are getting more and more demanding and they like to receive their products earlier, number one. Number two, as we have explained earlier, the larger number of APOEMs also ensures that we supply bare pump and the value of a bare pump is less than that of a pump set. So it is both. The output has increased, and more bare pumps have been sold.

Prolin Nandu: Sure. That is clear. My second question is on the Service part, right. Now, 2 years back, in one of the Q4 FY '23 Conference Call, I think Alok mentioned that overall 20% of your revenue comes from Services and you have aspiration to probably take it to 50%. I think Alok was mentioning that more to do with the overseas business. So how should one think about the potential for domestic Service revenue? How big can it become, right, because obviously, there are some of the sales that we do not have a component of Services in them and also on this international part on Alok’s comment of aspiration of 50%, where are we in terms of that aspiration and what can be done further than what we have already done to probably increase the Services component in our consolidated revenue?

Rama Kirloskar: So I will start off by answering your question on domestic Service. So unlike the international market, the Indian market is still evolving as far as framework contracts and large long-term AMC contracts are concerned, so most of our revenue comes from your spares as well as your case-to-case Service orders that we received. The market for long-term framework contracts is still evolving and there is a lot that we can do, but we still don't see the kind of traction that we see in the international market for such long-term contracts.

Alok Kirloskar: Yes, I think my comment, if you look back, what I said was that 38% of our UK business comes from Services. And yes, at the overall international level, we are targeting 50%. We have got similar growth in South Africa, but as I have mentioned before, we have no Service business in Southeast Asia. So our focus really is to continue growing our Service business from UK, we are trying to get now Europe and Southeast Asia. These are two areas which we think we can build the Service business and to continue developing that we have internally developed our proprietary software called Colligo. And Colligo is a software that we are able to, as you know in Service, there is no standard time for the different tasks that you are doing because you don't know all the tasks that you will need to do and so what the software does which we have created it belongs to us, is that you can record all the actions required when you are making a quotation for a job. And using another software of ours called Phoenix, it measures what actual time is taken in the shop floor and it stores there and overtime it builds a library using AI. And going forward you are able to, every time you put you make a quotation of what repair is required on a particular job, it can take out the quotation and it gives you a Standard Time and the kind of operations required. So really the reason we created this is that if we want to scale the business and Service centers are in different locations in the world, we should be able to have a clear understanding and visibility of what we are doing there and how quickly and at what efficiency we are doing those tasks to repair those products. And that is why we have created the software. So I think that we should have scalability for that, and we are doing all the right things to create scalability. So I would say to answer your question that Europe and then Southeast Asia, those are the two markets that we are going to grow in the Service business.

Prolin Nandu: Great. Thank you for so much for the detailed answer. That is it from my side. I will join back in the queue. Thank you.

Sanjay Kirloskar: Yes. The only other thing I wanted to add to that was I think for the last few years, we have spoken about our IoT device, which helps in remote monitoring and predictive maintenance. That continues to get more and more popular as we are going forward. So we expect that we will be able to increase our Service revenues through these devices.

Prolin Nandu: Thanks a lot.

Moderator: Thank you. We have our next question from the line of Himanshu Upadhyay from BugleRock PMS. Please go ahead.

Himanshu Upadhyay: Yes. Hi, good afternoon. Sir, my first question was, can you give some idea on domestic operations, so for the year, we are seeing 7% growth, but what segments grow there, and which was slow moving businesses? In the press release, we have said on quarter wise, but for the year, if you can give some more idea it will be helpful to understand?

Rama Kirloskar: So I believe your question is answered in the leader highlight section of our report in the press release, so exactly which sectors grew and by how much percent.

Himanshu Upadhyay: No, it is for the quarter what it has said, sectors major highlight Q4 FY '25, but can you give some idea on year wise, for the full year, what you did it is Page #3, where you have given some tidbits, but what is the more structured way if you can give it will be helpful?

Sanjay Kirloskar: Yes, we have seen the growth in Service. We have seen growth along with Urbanization, Building and Construction segments, and we have also seen growth in the Industry segment. As far as the order board is concerned, we are happy with the way the power sector is progressing because there have been announcements of thermal power plants last year and some of them have started resulted in placement of order on the company. And Marine & Defense and Oil & Gas, I think those are sectors which are a little lumpy. And Oil & Gas has also grown quite well.

Rama Kirloskar: I think for Oil & Gas, you will have to look at the KBL sector along with the KPL Financial, because that would show you the true sector growth.

Himanshu Upadhyay: And for Small Pump business, what happened in the last year? Some thoughts will be helpful.

Rama Kirloskar: I am sorry. Can you speak up a little because you are very soft?

Himanshu Upadhyay: So what I was asking was on Small Pump business, can you give an idea of what happened in last year and the growth and the retail side of the business?

Rama Kirloskar: Yes. So overall, we have seen about a 7% growth in our Small Pump business. We have focused a lot on market penetration. There have been around 200 new products that we have launched, specifically energy efficient products with energy efficient motors, large submersible products going up to around 10-inch, oil filled submersible range. So there have been quite a few products we have introduced for certain markets that are our focus areas. And as far as our footprint is concerned, we have been focusing on our distributor network, our service network as well, including the sort of cost competitive products that we have launched in the last year. That is not exactly competing with the some of the other players in the market because the other players are essentially compromising quality for giving the kind of cost benefit, but we are able to actually give good quality products in a cost competitive manner, so that would be our USP. Specifically on the agricultural side, we have come up with a new range of economy models which we see a lot of traction in the rural markets.

Himanshu Upadhyay: And this question is to Alok. This Thailand, we saw significant improvement, in terms of revenue, but the margins have been very tepid for last 4-5 years. And what is your thought process on this business and longer term, what do you think is the potential size of this market where we are working?

Alok Kirloskar: Himanshu, I think that Southeast Asia is a very big market. One of the issues that are, maybe current issue like you mentioned that we are facing there is because a lot of American and European companies apart from of course Chinese companies, but a lot of American and European companies have plants in China. And as you appreciate, they have done this over many years where they have shut down their plants in France and Germany and other places and moved them to either India or China. And so what happened is overtime, they have become very competitive and they retain their Western European brands which have the Western European perception, and so in Southeast Asia, usually they sell their products from their Chinese plants. So the markets have been very competitive. But that said, even in that competition, like you said, the March, we were not in negative. So we are able to really get deeper penetration because that is something we have been trying to do for some time, and we are getting good traction there. And we are also looking at specific areas like I think I mentioned it last in palm oil. And we have got major breakthroughs in palm oil now, where we are supplying large number of pumps for this application because now these are specialized applications, pumping various kinds of chemicals also in the process. So our focus really is to continue building the distribution network within Southeast Asia and then to also focus on these kinds of special applications unique to Southeast Asia where we can get better realization because of criticality of the application. Does that answer your question?

Himanshu Upadhyay: Yes, thanks, Alok. Because the revenue line, if you look at it has been very volatile in last few years, so that was the reason for the query? Can we maintain that?

Alok Kirloskar: But I would say that because last year, not in this financial year, in the last financial year, we had a very big project that went through, which was the second repeat project for the storm water system for Bangkok, which I think we had advertised that we had won that job. So that was a very big project. So sometimes when we win these projects, it skews the numbers, but generally our focus is to make it remain a core product business and when I say project is still a regular product, but our focus is to make it more around industrial, building construction, water kind of business where the products are sold through distributors and some critical products are sold directly. So that is still our aim. But yes, we do have good presence in water jobs and sometimes these big water jobs come through every few years and that adds a little bit volatility in the numbers.

Himanshu Upadhyay: And can I ask one more question?

Sanjay Kirloskar: Yes, go ahead.

Himanshu Upadhyay: See, one of the places where we have done very good and exceptional work is on the cash flow conversion cycle. We are now nearly 80% of PAT to operating cash flow or operating cash flow PAT is around that. We have nearly Rs. 700 crores of cash on the balance sheet. Any thoughts on what type of opportunities you will be looking for business development? I am assuming that the type of business what we are doing will continue to do that type of business for the next 5-7 years and hence the conversion will remain around that level so that is what I am clearly assuming. Based on that assumption, I am asking this question that opportunities for cash utilization near future?

Sanjay Kirloskar: Well, there will be opportunities. We are looking at improvements in our operations. We are looking at improvements in our sales network, so obviously the Board is also seized of this matter and at the appropriate time we will take a decision.

Himanshu Upadhyay: But will we evaluate inorganic opportunities, or it will remain organic only?

Sanjay Kirloskar: Well, there are all kinds of options available, and all kinds of offers come to us, but at the appropriate time, we will do whatever is right for the company.

Himanshu Upadhyay: Thanks from my side.

Sanjay Kirloskar: Thank you.

Moderator: Thank you. We have our next question from the line of Khush from Nexemon PMS. Please go ahead.

Khush: Hi, sir. Thanks for the opportunity. Sir, just two questions. One, what is the average execution timeline on your order book, domestic and overseas? And second, what would be your CAPEX number for the next 2-3 years?

Rama Kirloskar: So for our Kirloskarvadi business, we have time goes anywhere from 16 weeks to 18 months. And for our Small Pump business, we don't show the order board because it gets executed within a week. As far as CAPEX is concerned, it will be in line with previous years.

Khush: Alright. And I know that we don't give particular numerical items?

Rama Kirloskar: CAPEX is around Rs. 100 crores that is what generally.

Khush: That is the maintenance CAPEX?

Rama Kirloskar: Yes.

Sanjay Kirloskar: We do maintenance CAPEX of about Rs. 100 crores, which includes debottlenecking, modernization, replacement and obviously when replacements happen, a few machines may go. So it is all those kind of activities to ensure that the plant is able to meet the expectations of the customer.

Khush: Right. And sir, I am aware that we are not giving particular guidance, but directionally if you can help us understand what kind of growth are we looking at for the company in the medium term?

Sanjay Kirloskar: I think we always have said that we will strive for double digit growth.

Khush: Alright. Thank you.

Sanjay Kirloskar: That hasn't changed.

Khush: Right.

Moderator: Thank you. We have our next question from the line of Tushar Gupta from Sagun Capital. Please go ahead.

Tushar Gupta: Thank you for the opportunity. Sir, I want to know about what is the industry growth rate in pumping segment or what we can expect in that and how much market share we are catering to?

Sanjay Kirloskar: So we believe we are in line with the growth in the industry as far as pumps are concerned and I would be very careful to mention that we do not supply systems because some companies are showing growth in systems, we supply pumps. And as far as we are concerned our market share we believe is around 15% on the retail side and as far as the small and medium pumps is concerned, it is around 24%-25% and as far as large pumps are concerned, we believe we are closer to 40%.

Tushar Gupta: Sir, what is the main --

Sanjay Kirloskar: And this is also only in centrifugal pumps, because pumps should also include the positive displacement pumps. Centrifugal pump is about 66% of the pump market and my percentages were for centrifugal pump.

Tushar Gupta: Sir, Thank you. Sir, one more question I want to ask. Sir, we are dealing in so many segments. So what is our major focus except pump?

Rama Kirloskar: We also make valves, hydro turbines, steam turbines, which is part of our portfolio, which sometimes is part of the pump package.

Tushar Gupta: So what sort of growth are we expecting from that segment?

Sanjay Kirloskar: I think something similar, though hydro turbine tends to be lumpy depends on State Government programs, so sometimes you will suddenly see a rise and then nothing might happen in the next year, so it is difficult to give a number for hydro turbines. Steam turbines, I think, we will grow in line with the Oil & Gas industry because our steam turbines are related to the API standard and valve normally grows at the same rate as pumps.

Tushar Gupta: Thank you, sir. Thank you so much.

Moderator: Thank you. We have our next question from the line of Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: Yes. Thank you once again for giving me the opportunity. My question is on margin. While you answered some part of it in the previous answer, my question was, we did a very big rejig at Kirloskarvadi, right where we had numerous units, we consolidated that, right. So just wanted to understand are the gains of any of these onetime rejigs already in the numbers or you see that there could be some more benefits which could come out of some of these one-time exercise that we have done on the cost side. Because the incremental margin is something which company can strive to continue to achieve and then there could be mix change also which could help margins, but is there anything onetime which is still left or gains of this change that you have made it Kirloskarvadi still left to be visible in the margin numbers?

Rama Kirloskar: Yes. So Kirloskarvadi is a very large plant. So what you mentioned earlier essentially relates to our megastore that we put up. The megastore essentially consolidated 30 raw material stores in the plant and that did help in productivity improvements at the plant, although it will continue to give a certain level of cost benefit in the future. However, actually 2 main rejig there are going to be the foundry and the factory which is still yet to be done.

Prolin Nandu: So Rama, can you just double click on each one of it as to what is the rejig that you are talking about and what is the timeline for this?

Rama Kirloskar: So essentially it is looking at streamlining of various parts of the plant and ensuring we have better material flow, better productivity. It is all going to be aimed at better productivity, but it is a very large plant, so it has to be done in phases.

Prolin Nandu: Any timelines as to when do you intend to start with this?

Rama Kirloskar: No, not as of now, but in the near future.

Prolin Nandu: Understood. Thank you so much.

Moderator: Thank you. The last question for today is from the line of Priyesh Babaria from Mahindra Manulife Mutual Funds. Please go ahead.

Priyesh Babaria: Hi, team. Good afternoon. So actually just one question with respect to, if you can give color on inquiry pipeline for the domestic market and also for the export market, sir?

Sanjay Kirloskar: So if I could tell you about that water and irrigation, I think the State Governments continue to invest in infrastructure for both water and irrigation and we continue to be a good player in that with orders from all kinds of EPC contractors. We have one product company that does not get into JV's or into consortiums. We supply equipment, yet because of our quality and the product performance we do get very large numbers of orders in water and irrigation. In today's press release, you can see the numbers of pumps that we have mentioned over there. As far as power is concerned, the outlook seems to be bright. Thermal power stations are being put up in large numbers. I understand that BHEL is full of orders. We hope to get orders from them as well. Industry, different sectors of industry grow at different rates, but we are present since we have a whole range of products, we have a whole range of materials that we offer them in. We are always one of the top players in that part. Building and Construction, I have always spoken about the urbanization that is taking place all across the country. We are big players on the firefighting side and increasingly on the HVAC and hydro-pneumatic side. We expect that to do well. Marine & Defense, again we supply both to the docks as well as on ships. And this is one sector that is slowly coming into its own; however, the orders still tend to be lumping. There is no daily business as Alok calls it, the orders are more project related where we supply our pumping equipment. As far as Oil & Gas is concerned, I think that is also growing quite well with all the announcements being made by the sector. So all in all, we are very positive about the way forward and we hope that we will be happy with the performance in the current year.

Priyesh Babaria: Thank you, sir. Are you experiencing in terms of let us say, order deferment, because couple of companies are actually experiencing the same given current uncertain environment, so are you experiencing this?

Sanjay Kirloskar: I didn't catch on to what you were saying.

Priyesh Babaria: So basically, order deferment, the delay from the client side in terms of giving the orders to you?

Sanjay Kirloskar: Yes, I had mentioned at the beginning itself that there are certain delays in placement of orders, but eventually they come.

Priyesh Babaria: Thank you. Thank you so much.

Sanjay Kirloskar: So I think that was the last question. I would like to thank everyone who is on the call for their good wishes and your interest in the company and hope to meet you again next quarter. Thank you.

Moderator: Thank you. I now hand the conference over to Ms. Rama Kirloskar for closing comments.

Rama Kirloskar: We would like to thank everyone for joining the call today. We hope we have given you a detailed overview of our business and also have answered your queries. Should you have any further clarifications, please feel free to reach out to SGA, our Investor Relations Advisor. Thank you.

Alok Kirloskar: Thank you.

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