



# KIRLOSKAR BROTHERS LIMITED

A Kirloskar Group Company

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June 01, 2022

**BSE Scrip Code – 500241)**  
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**(NSE Symbol - KIRLOSBROS)**  
**National Stock Exchange of India Ltd.,**  
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**Mumbai – 400 051**

Dear Sir/Madam,

**Sub: Transcript of Conference Call with Analysts / Investors on Audited Financial Results for the quarter and financial year ended 31<sup>st</sup> March, 2022**

**Ref: Regulation 30 & 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

This is in continuation of our letter dated 25<sup>th</sup> May 2022 giving intimation of the subject mentioned conference call and subsequently furnishing the weblink for accessing the Audio recording of the said conference call vide our letter dated 26<sup>th</sup> May, 2022.


In terms of the Regulation 30 and 46 read with Clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the subject referred Conference Call scheduled on 26<sup>th</sup> May, 2022 with Analysts / Investors on Audited Financial Results for the quarter and Financial Year ended 31<sup>st</sup> March, 2022.

Please note that the said transcript has also been uploaded on the website of the Company (<https://www.kirloskarpumps.com>) which can be accessed at the following link:

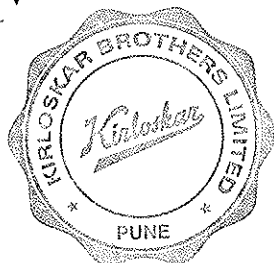
Weblink: <https://www.kirloskarpumps.com/investors/analyst-meeting-transcript/>

This is for your information and records.

Yours faithfully,  
For **KIRLOSKAR BROTHERS LIMITED**

  
**Devang Trivedi**  
Company Secretary

Encl: As above





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## “Kirloskar Brothers Limited Q4 FY-22 Earnings Conference Call”

**May 26, 2022**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 26, 2022 will prevail.



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



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**Moderator:** Ladies and gentlemen, Good day and welcome to Kirloskar Brothers Limited Q4 FY22 Earnings Conference Call. 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 operator 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 at Kirloskar Brothers Limited. Thank you and over to you, sir.

**Sanjay Kirloskar:** Thank you. Good morning, everyone and thank you for joining us today to discuss the financial results for Q4 as well as fiscal year 21-22. I hope everyone has had the opportunity to go through our financial results investor release and investor presentation, which have been uploaded on the stock exchange as well as our company’s website.

The Company continued to witness strong operational recovery across geographies and business segments in Q4 of FY22. On a consolidated basis, the revenue grew by 32% on a sequential basis, and by 11% on a year-on-year basis. EBITDA and PAT grew by 66% and 135% on year-on-year basis for Q4 FY22 respectively. Similarly, the EBITDA and PAT margins witnessed a healthy expansion. The company has reported a resilient performance despite facing multiple challenges in terms of higher input and fuel cost, ongoing geopolitical conflict and supply chain disruptions. However, consolidated performance was impacted on a year-on-year basis due to pandemic led slow down the supply chain disruptions which affected the performance of overseas entities. FY22, consolidated revenue and gross profit grew by 13% and 7% respectively. Inflationary pressure on raw material costs, product mix, and inventory not getting converted into sales impacted the gross and EBITDA margins in FY22. The volatility in commodity prices as well as other input cost is expected to taper off by the end of H1 FY23.

Our company has proactively undertaken multiple price hikes across the products to partially offset the impact. The company witnessed a healthy trajectory and inquiry generation during the entire year. Consolidated order book stood at Rs.2470 crore. This order book comfortably provides revenue visibility for a near and medium term. Please note that this order book does not include our retail pumps business which contributes approximately 50% towards standalone revenue. The momentum in order book is expected to continue in FY23, driven by a pickup in the private CAPEX cycle. An increased demand in higher oil and gas due to the recent price movement. The company is well on track to increase the share of high margin products and services, while reducing exposure towards low margin, lumpy and working capital, intensive EPC orders which account for close to 6% of revenues for FY22.

In the year 2007 our company had acquired the Kolhapur Steel’s Limited, the company manufacturing large steel castings for pumps as well as other products. It has been a useful source for castings required for our large pumps. This company has made profits and declared dividends in the past. It’s only in the last few years that it has incurred losses as recession in the



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capital goods industry, and more particularly in the power sector, brought down the demand for large pumps. KBL has undertaken various measures to augment its facilities and to bring new customers under its fold. Company management is confident about turning around the fortunes of this company. However, with a conservative accounting policy KBL has made a provision of Rs.251 million for impairment in the value of its investment in Kolhapur Steel Limited. This has brought down KBL's profit before tax. I will now request Mr. Alok Kirloskar, Managing Director Kirloskar Brothers International B V to share his thoughts on the performance of the international business.

**Alok Kirloskar:**

Thank you. In the international business our company, both South Africa and Thailand continued to do better on the operational front. However, the continued depreciation of the Thai baht during the whole year led to sharp Forex losses on Thai baht 14.69 million for FY22 which has impacted the EBITDA and profitability of the Thai business. The U.S. and UK businesses witnessed a slight degrowth on the top line due to ongoing geopolitical conflicts and supply chain disruptions. However, the company continued to focus on cost realization and increasing the penetration with a subscription platform which is our service business. The margins were still retain even with much lower sales if compared to previous years. The Dutch business is expected to witness recovery in FY23. Looking at the historical numbers, you will notice that it's had one of the lowest sales because of all sorts of disruptions and also little difficulty in moving orders towards sales because of various geopolitical issues. But even with the lowest sales year to date, the EBITDA margins have been while negative still in control compared to previous years, which reflects the much lower cost base in the Netherlands.

The international order book stands at 681 crores along with a healthy pickup in inquiry flow. The company is expecting strong traction oil and gas products driven by recent upward momentum in the crude oil prices. The company remains well positioned to leverage this opportunity underpinned by a wide spectrum of products in the oil and gas sector, as well as large framework contracts on the service side in the oil and gas sector. With this let me invite Ms. Rama Kirloskar, Jt. MD of KBL and MD KEPL to take you through the performance of domestic subsidiaries. Thank you.

**Rama Kirloskar:**

Thank you Alok. In the domestic markets, the company continued to witness strong recovery cross products, the company's strategically launched new products across geographies and product segments during the year. The company also continued to debottleneck its manufacturing facilities. The retail and agri pumps segment witnessed partial impact due to prolonged rain across the country along with subdued consumer sentiments due to multiple waves of COVID-19. However, improved consumer sentiments and expectation of a normal monsoon are expected to drive the recovery in the retail and agri pump segment in H1 FY23.

Now coming to the domestic subsidiaries and JVs. Karad Projects and Motors and Kirloskar Ebara Pumps Limited reported robust performance for FY22. KPML witnessed a robust 55%



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revenue growth and 82% PBT growth on a year-on-year basis for FY22. Similarly, KEPL witnessed a healthy year-on-year revenue growth of 22% and PBT growth of 34% in FY22. The Kolhapur Steel too witness growth in production and revenue. Multiple initiatives have been undertaken for the turnaround of the Kolhapur Steel Limited and we remain confident to make it profitable in the coming quarters. With this let me invite Mr. Chittaranjan Mate, our CFO for the financial performance highlights.

**Chittaranjan Mate:**

Thank you Rama. Good morning everyone. Now, let me first take you through quarterly financial results. The company continues to report excellent financial performance on a consolidated basis revenues stood at 954.4 crores a growth of 32% and 11% on sequential and year-on-year basis respectively. EBITDA and PAT stood at 98.3 crores and 47 crores which grew 66% and 135% on sequential basis respectively. Gross margin and EBITDA margins on a year-on-year basis were impacted due to reasons as mentioned by our CMD earlier. However, the company remains confident in improving its performance significantly going forward. On a standalone basis revenues stood at 762.8 crores compared to 641.8 crores a growth of 19% year-on-year. This contributed, approximately 80% of the total consolidated revenue, EBITDA was at 97.3 crore and EBITDA margin was at 12.8%. PAT for Q4 stood at 37.4 crore.

Now coming to FY22 financial highlights on a consolidated basis revenue stood at 3057.6 crores compared to 2716.5 crores, a growth of 13% year-on-year. EBITDA was at 238 crore as against 294 crore. PAT stood at 135 crores as compared to 182 crores. (This was wrongly mentioned as PAT, it should be read as PBT stood at 135 crores as compared to 182 crores) That is all from our side. We can now begin question-and-answer session. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Himanshu Upadhyay with O3 Capital. Please go ahead.

**Himanshu Upadhyay:**

See, I have one or two questions. The first was on the SPP side. Earlier the proportion of revenue from oil fields and not what's pretty significant for that company. What is the current exposure to oil and gas and again, offshore side and are we seeing increase, what we are hearing is the CAPEX, again improving on the offshore side. So are we getting increased orders and what is the outlook on that business. And currently, what is the size of share of that business in SPP?

**Alok Kirloskar:**

Thank you for that question. I remember back in 2012, 2013, when the company was really flying, oil and gas was about 65 to 68 sometimes even 70% of turnover. At the moment, the share of oil and gas, which includes everything is slightly under 20%, because as part of the diversification exercise, we have moved away from oil and gas. But that said, through those years we have retained the expertise, the people, the technology, we did not let go of that. And that was quite a heavy cost, but we were betting on the fact that, there wouldn't be a day when oil prices would come back up. So we retain the strength of being in the business. I've explained this in a previous call that one of the areas we diversified into was framework contracts. And



today we have three to five year framework contract depending on company but between three to five years with PETRONAS, with Shell, With Crystal or who took over Shell and British Gas assets, as well as many other newer players like Apache and Neptune, who are coming into the industry as the super major started selling off the assets. And a lot of the assets were taken over by the private equities. So, I would say there are two parts of this business now since your question is about oil and gas, we are today had exposure in offshore oil and gas through services which are through framework contracts and through products. Yes, we are seeing an uptake in the investment and CAPEX of oil and gas. But, I will also say it is nowhere close to the level that we have seen in 2012 and 2013 because there's still a concern from a lot of the players, super majors of having stranded assets, if they invented significantly, but they are investing there are a few projects coming online. And we are definitely part of them. And we've also bagged orders for quite a few of them. I would say that we are seeing more resurgence right now on the services side, because a lot of people upgrading the existing oil fields. And that's really where we are seeing some resurgence and a lot of the order book that we have booked in the earlier part of the year really is in that area. And to be fair we are reasonably happy with that because that tends to have better margins. Does that answer your question.

**Himanshu Upadhyay:**

Yes, one thing. What is the impact of raw material and are the service contracts yearly, and the spares is a separate part of those service contracts or the spares is included in those service contract?

**Alok Kirloskar:**

So the service contract is a three to five year contract. It is not really based on material prices, because our job is really to ensure uptime of the pumps on the platforms. So it is not, if you want to say it's not a fixed price contract if that's what you want to say, it is basically a contract that says we are exclusive and it is our responsibility to ensure uptime. So that's really where it comes in, so material cost really does not come into play. Spares is not part of this contract. Whatever we suggest as part of the services side of the business, the operators will buy those spares. Now some of the spares will come from us which are our own. Many of them are from our competitors and today we are offering that we will make those using our 3D printers So, we are making many of those spares and of course we give a guarantee for them because we know what your efficiencies will be. So, we handle the spares in that way, does that answer your question.

**Himanshu Upadhyay:**

Yes. And one thing on the domestic market and again on the power side, see we are seeing a significant amount of CAPEX in Europe and many other geographies on ways to heat power plants, even in India, we are seeing captive power plants, again starting to move because of large CAPEX which is happening on steel and which has been announced. One gap that we had in the product was boiler feed pumps and we were trying to fill that gap. What is the situation currently and are we focusing in power segment which is large for us, even in Europe and all those geographies where a lot of CAPEX is getting announced on even fossil fuel power plants or again we used to heat and all gas and all those.



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**Alok Kirloskar:**

I would say there are two parts of this question and we'll answer them separately one is whether we have a boiler feed pump and second is how active are we in domestic and international power business. So, to answer the part of how active we are, I would say that in India, there are projects that have been floated but they are still in very in inquiry stages as you also mentioned yourself, we are not yet at the order placement stage in many of them. On the international side, we see a large number of coal fire power plants combined cycle power plants coming up in the various stans, the Uzbekistan, Tajikistan. So we are involved, we are working with them through our Turkish companies, because normally Turkish EPC companies are the ones taking part in these contracts. And we are quite well positioned for many of these contracts because we have quite good relations with a lot of new large Turkish EPC companies. On the other side in South East Asia, we see such projects coming up in Thailand and Indonesia. Again, we are well positioned, we already bagged some projects for coal fire power plants over there. So, I would say outside India we are reasonably well prepared for these projects, inside India it is still very preliminary.

**Sanjay Kirloskar:**

I would just like to add two more points. One is that the Kirloskar Ebara makes the boiler feed pumps and for power we have had successes for boiler feed pumps, including our largest pump which was supplied through Hyundai Engineering to Mirfa power plant in the UAE. On the nuclear side also, a few years ago we announced that we had received a development order for boiler feed pump. That pump is the first and I'd like to emphasize that is the first totally designed and totally manufactured in India not using imported components or anything else. So that we expect to deliver, it's completed most of its test so this is part of that fleet order program. It has completed most of its tests and we expect that all the tests will be completed by each one this year.

**Himanshu Upadhyay:**

One thing sir. In between in terms of R&D, we were seeing R&D happening at the Kirloskar Brothers so segmental in 2012, 13, 14 on the boiler feed pump. So have we right now decided that everything and all sizes of boiler feed pumps will come through Kirloskar Ebara only and nothing will be made in Kirloskar Brothers Limited?

**Sanjay Kirloskar:**

We work closely with all the subsidiaries as well as joint ventures. So, wherever machinery is available, those kinds of pumps will be made there. The order for Mirfa was totally made in KEPL. It is tested in KBL because KBL has a large test facility capable of testing pumps up to six megawatts. Similarly, there was joint work done on R&D between KEPL and KBL. For the nuclear side, the order was taken by KBL because of the fact that KBL has been working with the Nuclear Power Corporation since the late 70s. And it will be delivered by KBL.

**Himanshu Upadhyay:**

Okay. One last question on Braybar pumps again, it was on the mining side. And it had a pretty decent market share in Africa and that's why it was acquired. What is the outlook on that business and are we seeing increased traction on that business also because commodity prices have gone or increased pretty dramatically, so what is the outlook on that company?



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**Alok Kirloskar:**

I would say that, that company is captured as you can see in the presentation and Braybar which is a South African entities which includes Braybar and SPP, you would probably see that the numbers are slowly looking better in the South African business. And that's really because, as we've been saying, we have been focusing on increasing our framework contracts, service contracts, and the international business has said we will take 50% as a target, 50% the business should come from service. And South Africa is the one closest at 50% mark. They're still in the 40s but they're closing it soon with large contracts with minds with people like Eskom who have mines, doing service contracts. So yes, we do see more traction in there. I would not say it's enormous because of the commodity prices going up. But, I would say that also it is basically the change in the profile of having a service business and doing this in water services as well as power plants as well as mines that's being reflected in the numbers. The other of course, is that the South African government has the broad base black empowered requirements. And at the moment, we are compliant and that's positive for the last few years, as you can see that's a benefit to be compliant to that.

**Moderator:**

Thank you very much. Our next question is from line of Sunil Kothari with Unique PMS. Please go ahead.

**Sunil Kothari:**

My question is to Mr. Sanjay Kirloskar. Sir broadly, I want to understand the larger picture. So looking at the global supply chain disruption, some disconnect or discomfort with supply from China, Western world slow, since many years stop minting, producing there in terms of this machinery, pumps and mechanical products. Do you see any larger opportunities for us as a Kirloskar Brothers and how prepared we are for that?

**Sanjay Kirloskar:**

Thank you, because the last few years have been going up and down. But if anything, I would say that, this company is quite well prepared for all the opportunities that come up all around the world. I like to say and I think I'm correct, that we are the only Indian company that designs pumps for global markets. And that the R&D is done, not only in India, but also in Europe, and the United Kingdom. Our presence in the United Kingdom, as well as Holland gives us the window into what's going on, in the developed Western market, the latest efficiency norms that are going to be coming up, the machinery directive that come up. And that helps us actually stay ahead and be able to offer products for global companies and for global markets. There was a sense that KBLs exports are mainly into Africa. But actually KBLs business, if you look at it, the largest business outside India is the United States, followed by Europe and our products are quite capable of being sold around the world, our customer if you look at our presentation, the list of global customers that we have also are Fortune 500 companies, which very few other Indian companies would have. So, I think we are well set with manufacturing or packaging facilities in different parts of the world, or in different parts of the world, in different trading blocs, our presence in America allows us to sell all not only in the U.S., even under the latest make by American policy which calls for over 55% local value addition but also in the United Kingdom, which is no longer part of EU, from Holland into the EU, South Africa into COMESA





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and Thailand into ASEAN. So, as far as KBL is concerned, the opportunities there were being able to gain market share, which we have been doing now, in the last two or three years.

As far as supply chain disruptions China, these are common for everyone. It's not necessarily only KBL. It has been the commodity price rises, and has affected us as we have said a little earlier during the call. And what I'll do is now, I will ask Alok to say a few more words beyond this.

**Alok Kirloskar:**

The only point I'll add is that, we are not so dependent on Chinese content in any of our companies, whether domestic or any of the international companies. So that's one aspect to consider. The other also is that, we have been changing the let's call it Western business versus our Eastern businesses, in terms of the CAPEX cycle and those business and OPEX cycle in those businesses, as you would imagine, the CAPEX that was invested in businesses are not the same level, except for of course some commodity and oil and gas type businesses in the recent past. And that's one of the reasons why we are pushing our western businesses to be more service oriented, where there is a higher CAPEX spend. And our eastern businesses, which is India, and of course South East Asia to be more product oriented, where there are CAPEX spent. So, I would say that really the general strategy and we are seeing slowly the benefits of that, because each business requires a baseline business. And outside India, I mean, SPP brand is a niche brand it's a brand known in Firefox, and we've sort of extended that brand into different areas. So, we want to build a brand overseas, like we have the Kirloskar brand in India. And to get that base level business and that level of acceptance, and when I say Kirloskar brand, I mean, one of our brands be it Kirloskar Oil, SPP, or it is SyncroFlo, or it's Braybar or its Rodelta, but we need that presence and we need to be able to attract that level of business like we can attract in India.

**Sanjay Kirloskar:**

And just to say a little bit more about China, there's very little that we import from China at all, and we also don't sell much into China, whatever we sell from India that is, whatever we sell into China either goes from our western factories, again but very little sales into China. And when we come to our customers, we don't have any Chinese competition for any of our products. We don't see them even in South East Asia. For any of the engineered products, I think the problem is the ability to speak the language at the moment, I'm sure China will get over it with the ability to understand the customer's requirements and deliver to that customer's requirements that's where they need to work.

**Sunil Kothari:**

Sir my second question is just comparing KSB with us, they are a local player basically multinational, but focus in India, we are a global player and focus. And they are talking about some better numbers in terms of growth, margin. We also done really good job during last four, five years to come back to double digit EBITDA margin last year 2021, consolidated level. And our aspiration is also to reach some mid teen numbers maybe midterm, maybe three year, four year, five year whatever. Do you feel now that trusts or that importance of getting better margin



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and better profitability, will be the highest priority and should we see those in near term to medium term. Would you like to comment in terms of EBITDA margin?

**Sanjay Kirloskar:**

I would not like to take names and compare companies. What I would say is, look at because we are more like KSB Germany, with the R&D costs and everything else, which the local KSB doesn't have to. We are also and hopefully you will see that, that our projects business is getting closed, step-by-step. So we are becoming more and more a product related company. Our turnover reflects that. But we still need to make some provisions every year and maybe Mr. Mate can tell you how much we've done this year. It's much lower than the previous years, but some provision had to be made. So we're doing that and step-by-step you can definitely in the next few years, look at us and KSB and see how we perform.

**Sunil Kothari:**

Great sir, congratulations and if Mr. Mate would like to comment on the provision we made or the possibility for current years 22-23?

**Chittaranjan Mate:**

I would like to say that for 21-22 we have made a provision of about 16 crores. And at least at present we do not anticipate any provision for 22-23 because as on the date, whatever our known such figures we have already provided.

**Sanjay Kirloskar:**

So, this used to be earlier about 60, 70 crores to lower and lower numbers, so last year was 16.

**Sunil Kothari:**

So, sir with since lower and lower provisioning also we are going towards the respectable margin but yet we deserve to be more so, would you like to comment that this 11%, 12% consolidated EBITDA margin is visible in a year or two or yet it's a distant?

**Sanjay Kirloskar:**

I totally agree with you, you will see that, as it is difficult to make any kind of prediction, especially now when there's a war going on in Western Europe, with all kinds of disruptions. The situation is too fluid, commodity prices going up and down. But we will try our best that I can assure you.

**Moderator:**

Thank you very much. Our next question is from the line of Bhagyesh Kagalkar with HDFC Mutual Funds. Please go ahead.

**Bhagyesh Kagalkar:**

Sir, this is regarding the financial numbers, this year we had a fall in cash generation from operations. The PBT was essentially so what is the outlook for the broadly for next two to three years, how do you control the savings and debt okay, you intend to repayments the balance sheet is far healthier than what it used to be. But still, this year has been sort of a negative reversing the trend. So, what do you feel in next two to three years essentially, the financial goals what the company has?



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**Chittaranjan Mate:** I would like to say that, you must have seen that over the last few years, our debts have gradually come down. And now our net debt is practically negative, the funds on hand, the current investments and cash and bank balance is more than our borrowing. And as we are coming out from project business, recovering all retentions and the security deposits and focusing on product business. Our working capital would definitely improve further year-on-year and we are keeping tabs on CAPEX. That way, whatever is the growth in every year what we are participating would need only some balancing CAPEX and some replacement but there is no any major CAPEX planned. So in normal circumstances, we expect financials and capital to improve further.

**Bhagyesh Kagalkar:** Okay. And sir my second question is to Mr. Kirloskar you mentioned the KSB, how the R&D work there, the local companies do not cost a little longer run you would like to be as good as them in parts with you maybe already essentially. But then what are the further investments needed to achieve that kind of a brand image in the industrial circles essentially. It is on CAPEX front or it is on R&D front if you take next five to 10 years view?

**Sanjay Kirloskar:** Are you talking India or overseas?

**Bhagyesh Kagalkar:** With whatever your mind tells you in India or overseas?

**Sanjay Kirloskar:** I don't think because the company continuously invest in CAPEX as well as other technologies that are there. If you go on the website today, you will see that KBL India has AR, VR, that's augmented reality, virtual reality, it has IoT pumps, which are controlled through the Internet of things. which KSB India doesn't have. Of course KSB Germany has it. So, these are the investments that KBL has made. KBL wants to be a global player and it already is to a certain extent, but in those areas, there's a lot of work which KSB Germany, I don't want to mention names, but which Indian companies which are subsidiaries of foreign companies will get on a platter. We also are looking at different product lines to get into as new opportunities come up, but we don't expect much CAPEX because we already have all the facilities internally. And I didn't bring up KSB, someone else brought it up.

**Bhagyesh Kagalkar:** Okay. Coming to the manpower issues, is there a shortage of good R&D engineers or good product engineers or say good talent in your manufacturing companies?

**Sanjay Kirloskar:** No, we don't have any issue with good R&D engineers, tell me which other Indian company has products which are bought by global majors. Finished product, I'm not talking components, which are designed to someone else's designs, which are made to someone else's designs, but is there any other Indian company that you know which sells to Bechtel, which sells to Alstom, Siemens, Marubeni, any South Korean EPC, into the water companies in Britain, even from India. So, I think Indians are as capable as any foreign designers it's only unfortunate that we don't accept that we are as good as foreigners. We've come across situations especially with certain large consultants or end customers and Indian ones who say where your proven track



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record is. And we say that yes, we are making it for the first time in the country, for many years, for decades actually, ever since the 1920s and 1930s this company has been making products for the first time in the country for the country. And it's unfortunate now that Indian companies ask for a proven track record. And in such cases, KBL and its subsidiaries associated companies have been able to get proven track record references from companies like Saudi Aramco, who have far more trust in us than an Indian company. And we have also a pool of designers. As we have mentioned earlier, in UK, in Netherlands, we work with various universities directly from here or from those companies. So, we are quite capable of recruiting people also from foreign nations, if we need anything. And as HDFC and if you're investing in companies, please do ask your wherever you invest, to ensure that they buy Indian goods. Indian designed goods and I would also like to add that in the last five years, eight of our products have received India design mark. This is something that was setup by the design groups in CII and NID, that's what they do.

**Moderator:** Thank you. Our next question is from the line of Devansh Nigotia with SIMPL. Please go ahead.

**Devansh Nigotia:** Sir there's a couple of questions. Sir one is, if you can just elaborate a bit more on how are the rise price through happening, the commodity inflation in B2B as well as our B2C pumps. If you could just help us understand.

**Sanjay Kirloskar:** Can you just repeat that question, because it was a little muffled?

**Devansh Nigotia:** How are the pass through is happening for the commodity inflation which is there right now. So how are the end customers in B2B, as well as the B2C part of the business responding to that?

**Alok Kirloskar:** Can we just repeat your question just for clarity, are you asking us how is the price rise happening to our B2C and B2B customers, is that your question?

**Devansh Nigotia:** How are the customers responding to it and how is the demand scenario shaping up, are we seeing the delays in projects because of such high inflation or so if you can just elaborate a bit more on how is it happening at the customers end?

**Sanjay Kirloskar:** In B2C we've been implementing price rises throughout the year, and all of them have been accepted. In B2B also we've had three price rises in this period, in the large project business, because there is a certain time that is required to manufacture the pump to get clarity even after you quote, it takes time to get the order. And then the pumps are also long lead time items. And the customer tends to be public sector or government. That is where it gets to be a little difficult to pass on the price rise, but we have not seen any problem in focusing on price rises in the other areas.



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- Devansh Nigotia:** Okay, and if you could just elaborate on the mix of agri pumps and residential pumps as a percentage of our total sales for this year. Also, if you can just share how has the demand scenario been this year and considering the demand of the fresh construction in real estate, how is that helping our residential pump scale up, are we seeing trying to scale up there or how we?
- Sanjay Kirloskar:** This is one area that we don't give breakups. Other than, if you see in the presentation there is some on order booking you will see that it is strong across the board.
- Devansh Nigotia:** Okay, but sir that is for the B2B business, that's not for the B2C business, it's not for residential pumps or the agricultural pumps?
- Sanjay Kirloskar:** We don't give those numbers.
- Devansh Nigotia:** Okay. And sir how is the demand scenario been this year for both the end segment?
- Sanjay Kirloskar:** For which segment?
- Devansh Nigotia:** Agricultural pumps and residential pumps?
- Rama Kirloskar:** So, for agri and residential because of the commodity prices, we do see price sensitivity amongst the customers. So, I will not say that if there is very high demand, but we should still see smooth growth over the years.
- Devansh Nigotia:** Okay. And in case of oil and gas, when we look at the order book break up that is probably less than 5% of the mix. So is it we are consciously not very aggressive in this segment or at the customer, and the CAPEX is still not happening in a big way you mentioned in some initial remarks that there is more of service demand and CAPEX demand. So how exactly are we shaped, prepared for this demand?
- Sanjay Kirloskar:** So oil and gas that you see in the presentation is I believe domestic that's part of the domestic business, 69 is the order book for Q4 FY22. So this is actually the utility part of the oil and gas segment. KEPL actually addresses the hardcore oil and gas segment and therefore I'll ask Rama to speak about this.
- Rama Kirloskar:** So, when you look at oil and gas you need to look at it as in its entirety and KEPL is mostly oil and gas, whether it is pumps or turbines, it caters to the American Petroleum Institute Certified Pumps, those are the ones that go into the refinery, and pumps the different types of crude oil. So we do see growth in that area as you know there are a lot of projects that have been coming up both domestically and internationally. And we are catering to those projects.



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**Devansh Nigotia:** Okay, so that domestic CAPEX in oil and gas has not been that aggressive as it has been internationally because if I look at the domestic mix of oil and gas, it hasn't scaled up in a big way?

**Rama Kirloskar:** Actually, there have been a lot of expansions in domestically, there has been that big greenfield refinery that's coming up in Rajasthan, I'm sure you have heard about it Barmer Refinery. There are large pipeline projects, there are expansion projects. So, actually the Indian market is booming, we did see a delay in the international segment. But mostly there were delays and there were no cancellation.

**Sanjay Kirloskar:** And the orders that have been placed in that would be seen in KEPLs order book, it will not be seen in this presentation because this is only for the utility side. You can see that it's gone from 40 to 69 over here, and that's only the utility side. From one year ago to this year.

**Moderator:** Thank you very much. Our next question is from the line of Pritesh Chheda with Lucky Investment Managers. Please go ahead.

**Pritesh Chheda:** Sir a couple of questions, one on the standalone P&L side, so from the initial commentary you mentioned that the provision number is lower. So it's about 16 crores versus 60 crores that you have provided for. Now, I can understand the gross margin impact because of higher commodity price, but I still couldn't understand why has the other expenses line moved up so much, which is impacting the margin more, despite lower provision. And if you could give some color on this other expenses line and its movement, this is my first question. My second question is, we have operations in South Africa, Thailand, Netherlands and UK. In terms of the absolute EBITDA that these businesses contribute, combined, is not so significant. And it's been some years that we go through these ups and downs. And we are ourselves saying that West India is where rest of the world is where it's largely maintenance CAPEX or service, CAPEX and the entire growth CAPEX usually happens in Eastern part of the world. Why not, free up the management bandwidth, and just concentrate on the India part of the business, and it's been quite a number of years that we are involved with these international operations. So, from a strategic perspective any thoughts?

**Chittaranjan Mate:** Yes, I would respond to your first question first, this is about other expenses. I'm sure you are referring to our results.

**Pritesh Chheda:** I am referring to the annual number only.

**Chittaranjan Mate:** Yes, so I'm taking that. It increased from 331 crores to 441 crores, that's what I believe you are referring. So these other expenses include a major portion, which is manufacturing and selling expenses. The rest two things our manufacturing, our sale increase by roughly 20% but the product mix was such that more number of bear shaft pumps increase, which increase



manufacturing expense per se. And another thing we always talk about increase in input commodity prices. But last year, we also witnessed increase in all other expenses like power, cost, transportation charges, employee cost because of increase in DA rates by government. So overall expense level increased and our production in terms of number of pumps increased. This is the main reason.

**Sanjay Kirloskar:**

As far as the other question on international business, even earlier I have mentioned that rather be a small fish in a large pond than a big fish in a small pond. So we would like to be a global player. We're building ourselves to be a global player and our product line reflects that, our service offerings reflect that. And there's a lot that we learn from being outside the country. So yes, the last few years have been bad. It wasn't so before 2015 and we expect that we will get back with large earnings from the foreign businesses.

**Alok Kirloskar:**

Just to add to your point, I don't think it's been up or down, since 2015 it really been down significantly. And that's because, SPP which alone would give us between 45 and 50 crores of profit a year at PAT level was heavily dependent on oil and gas. Really we are trying to repurpose these overseas companies and yes, like I mentioned to you there is a change in the CAPEX, but we should look at that in context of the global environment, India in a \$46 billion pump industry contributes little under, just about \$2 billion and the rest 45 or 44 billion is outside of India. And they all that 44 billion is in the territories where we are. So, like our Chairman mentioned earlier, that's our focus is how do we get there. Yes, as a percentage of that there is a large proportion of aftermarket and services. But when you're in such a large market, the amount of CAPEX also is far more than India anyway, when I said that there is a growth, the mixture is in preference of OPEX that is as a percentage of their market. But if you look at a percentage of India, then obviously they're far larger than India. So, we should also look at that in the right context.

**Pritesh Chheda:**

Okay. Sir, one additional question on margin side, so you're responding to one of the participants on the double digit margin number. Optically a lot has to come from standalone operations because that's where the significant business is, but when I look at the numbers we have been in 6%, 7%, or between 6% and 9% margin. So to move from there, to a double digit number, which will obviously drive the console number as well. Will it be purely a function of operating leverage?

**Chittaranjan Mate:**

I would say operating leverage as well as controlling cost as we go down further, because certain material costs which increased because of certain orders already booked, but it is a one time but going forward, we do not expect such a hit year-on-year.

**Pritesh Chheda:**

Okay. And our current operations in domestic. So let's say we did about 2000, 2200 crore revenue. I see this number even three years back, so our current operations based, out of our current factory base, what kind of revenues it can support, because now any case 93% of our business is product is what I could figure out from the presentation. So the current operations



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can support what kind of revenue or what utilization figure this 2000 crore refers to other way around.

**Rama Kirloskar:** It would represent around between 50% and 60% capacity utilization.

**Sanjay Kirloskar:** There's still a lot of spare capacity and as you can see, the order board is moving up, we hope that we will be able to meet your expectations.

**Pritesh Chheda:** So, your CAPEX will be less than depreciation number for quite some time?

**Chittaranjan Mate:** Our depreciation and CAPEX I would say, it won't be less than that, but one or two year it makes exceed depreciation but it won't have any major impact on our financials.

**Pritesh Chheda:** So, you are creating capacity somewhere for which it has to go higher or your capacities or your plants are old, so you need to put it?

**Rama Kirloskar:** It is mostly automation and modernization that we are investing in.

**Pritesh Chheda:** So, which should bring in some margin?

**Rama Kirloskar:** Yes, and debottlenecking.

**Pritesh Chheda:** Okay. From a standalone double digit margin perspective, how far do you think you are from achieving it?

**Sanjay Kirloskar:** It's difficult to give you an answer to that question looking forward. Like I said earlier, I don't want to make any commitment, but we will try our best to reach that as quickly as possible. Because, consistently it's been going up so we'll be trying our best.

**Moderator:** Thank you. Our next question is from the line of Anurag Patil with Roha Asset Managers. Please go ahead.

**Anurag Patil:** Thank you for the opportunity. Sir on the domestic B2B side, how do you see the order booking momentum in FY23 and which segments you see growing at much faster rate?

**Alok Kirloskar:** The B2B side basically in our chart covers irrigation, water management, power, oil and gas, marine, defense, industry, building construction. So these are traditionally our B2B businesses. We have seen that, there has been growth in building, construction industry. There has been some growth in marine and of course, there's investment right now in oil and gas, we have not seen much growth in power, because while they are projects outlined, they are not at a level where they are at provision. And we see some growth in irrigation and water resources, but it's a very, very competitive and cutthroat market. And then we're talking about double digit





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margins, that's something that's a barrier if we start taking significant jobs there. So, really it's a balance of where we are playing and the main areas industry, buildings construction we have made some changes, we had talked about this in our call last time, where we have now AP OEMs in India, where we have four AP OEMs in India, which allow for packaging of our pumps. And this has really changed the dynamic where we have been able to reduce lead times from maybe 16 weeks down to about on a consistent basis about six weeks. So, this is changing the market, is helping us gain market share, and we are seeing the benefit of that in the numbers of industrial pumps that have been sold. Does that answer your question?

**Sanjay Kirloskar:**

And I would like to add that, last year in our small and medium pumps business, which looks after industry, building and construction and other areas, but these are pumps below 500 kilowatts, we have had a 66% rise in volume without addition of much CAPEX. And this is a demand that has come through the AP OEM.

**Alok Kirloskar:**

AP OEM network which we outlined during our last call a changed strategy that we have been pushing and developing over the last five years.

**Anurag Patil:**

Okay. And in the Kolhapur Steel you have mentioned that you're confident of turnaround. So, can you elaborate what is the actual on ground strategy that we are implementing for the turnaround?

**Rama Kirloskar:**

So, for Kolhapur Steel, as you know it was a captive foundry which means that most of the orders that TKSL itself got was from KBL and that too from the power sector, mostly from the power sector and the oil and gas sector and with the crash in the power sector. Because of the scenarios known to all of us. The order booking suffered for TKSL so we have got a go to market strategy done for TKSL for looking at other options that it can cater to. So some of the other areas that TKSL will be looking at will be casting not only for pumps, and turbo machinery, but also areas like shipbuilding, shipping, earthmoving, etcetera. So we are doing a go to market strategy for TKSL unfortunately because of the pandemic we were not able to complete many of the pre-qualification audits by potential customers. So, that should start again this year. That is where we had issues really, because of the pandemic. So we should see the improvement soon.

**Anurag Patil:**

Okay. And one last question do we have any direct sales exposure to Russia and Ukraine?

**Sanjay Kirloskar:**

No, we don't have any direct sales exposure to Russia from here. I just like to make a correction, because there was a question on oil and gas a little earlier, I noticed that there is a typo in the investor release. Where it says that for oil and gas the Q4 order book was 40 for fiscal year 21. The Q1 for fiscal year 22 is not 836 it is just 36 and then 42, 68, 69. So there's one number, which is a typo, it doesn't change the total. It's just that in the oil and gas row, that number has somehow become 836 instead of 36. That's all.



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**Moderator:** Thank you very much. Our next question is from the line of Mr. Amar Kedia with Ambit Capital. Please go ahead.

**Amar Kedia:** I had a question on KEPL, you have a part of the API turbine business sitting in there just wanted to understand the size and potential opportunity in this business that is one. Second is from what I understand companies like AVB and Siemens, they have been talking about replacing these drive turbine by electrical drive. So does that impact opportunities for you in any way?

**Rama Kirloskar:** So these drive turbines are mostly for the oil and gas sector. So again, they are API drive turbines. So, I do not believe they are going to be replaced by electric drives anytime soon. Second, is that these turbines have a lot of potential. We had some issues with proven track record, which is why that does not show in our booking. But this year we were able to get most of the PTRs that we require to cater to this segment and we are also very aggressively going for export markets. So we should see this sector growing.

**Amar Kedia:** Any size or total addressable market opportunity you can talk about in this business. I also understand that your partner Ebara for example, so they separately participate through Elliott Ebara in this market already. So how does that overall arrangement works for you?

**Rama Kirloskar:** Right, so Ebara and Elliott don't actually have any impact on KEPL simply because number one, we have a more cost effective product and our efficiencies are also good. So we don't actually have an issue or an issue because of them. If at all it was an issue because of PTR which we have now. So, I don't see any issue because of the JV partner. To answer your second question, this business does have a lot of growth potential, internationally as well. And we should see that in the coming year because we've got a lot of customer pre qualifications done during the pandemic.

**Amar Kedia:** Right. So should we assume that initially this will be more of a domestic market opportunity for you and gradually you will be opening up to the international order as well?

**Rama Kirloskar:** But we are already now supplying to a few refineries outside. So we've already gone into the international market, that quantum is just not going to increase now.

**Sanjay Kirloskar:** What Rama has not mentioned is that to get a proven track record for the domestic market, we actually had to get it from the international market. And that's where our first turbines was sold internationally. And after we got the international proven track records from the different customers, it was only then that EIL accepted that it could be sold in the Indian market to Indian customers.

**Moderator:** Thank you. Our next question is from the line of Nilesh Doshi with Green Lantern Capital. Please go ahead.



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**Nilesh Doshi:** Yes, just few questions Alok one on the international business in Q4, we did about 200 crore revenue, but at PBT we have a 10 crore loss. So can you just explain anything one off or what has actually happened, whereas in domestic we are still making some EBITDA?

**Alok Kirloskar:** So in Q4, which is Q1 over there, what happened was that, last year coming out of COVID, in 21, a lot of projects in the international market went on hold. So basically what we had to do is consume to get the numbers right, as you know we now have a framework in service contracts. And we have a little bit of flexibility with the customer in terms of working with them for upgrading the platforms on a timeframe that we both decide. So we pull back or advanced or preponed that from Q1 of international which is Q4 of KBL into Q3 of KBL and Q4 of international because we needed to ensure the international numbers got better and met the numbers because of so many orders going on hold in the Q4 of international which is October, November, December last year. And so that's how we pull back a lot of the orders and into last year Q3 of KBL and there was very little aftermarket service backlog in Q4 of KBL which is Q1 of international and so a lot of regular business was pushed, which is the basic fire pump and all that business where margins are not the best because you've normally balanced the margins through the service and aftermarket business. So that's why, that's the reason you see that as the outcome because there was very little, almost no aftermarket business executable because they executed it in the previous year.

**Nilesh Doshi:** So, sir do you expect me to be in at least PBT positive from Q1, Q1 of current that is frm current quarter?

**Alok Kirloskar:** We expect things to be a lot better, of course it is dependent on different kinds of thing. But if you look at our backlog, the backlog again is quite strong on after market and services. So we expect things to be a lot better going forward. Now, like I said depends on supply chain issues or any other issues we may face. But as it stands, you don't have any orders on hold that would and we are negotiating whatever problems come up in the meantime to execute our backlog which as you can see is quite healthy.

**Nilesh Doshi:** So, that is why Alok, that question which came from previous few participants, Pritesh Chheda is, it's a very serious question that on an international business since we have acquired, we have spent enormous amount of money to change variety of strategies, turn around various businesses. And in spite of that, for last 10 years that business has been not generating any profit at all. So, that is why his question was very relevant that, how long we keep on experimenting our ability or the tremendous volatility in the world for variety of reasons. Obviously all those reasons are beyond our control and even beyond anybody's guess that anything would happen like that. But at some point we need to be capital efficient. We are present, we talk about phenomenal opportunities, we talk about global presence, we talk about technical capabilities that's perfectly fine. But when it comes to at the end of the day, everything reflects in the balance sheet and the P&L and what we have been observing is that kind of hard work you all are doing for last 10



years and still we are struggling to make any amount of profit in the international business. And that is why I believe his question was very relevant that at some point or what is that point when the board will discuss and say that we are tired or we should give up because we need to come to 15%, 16% kind of EBITDA. Sanjay sir did ask about any MNC from India, any Indian company who exports products in Indian brand, may not be in pump, but there are in other engineering businesses like compressor motors that are Indian companies, and they have been making 15%, 17% EBITDA margin, whereas we are not even close to that. So can you give some serious thought on this part of, or at least can you help us or assure us that yes, we are very close to start making EBITDA margin of the other competitors are making?

**Alok Kirloskar:**

Mr. Doshi, I appreciate your point and all of us want that level of margin. There are certain expectation from us to ourselves. You mentioned the profitability of different companies, but I don't think it's been 10 years, if you see the numbers on the analysts chart from the last three years SPP has moved back into the black. And, I won't talk about the numbers before because the market scenario is very different from 2003, to 2015, when SPP was doing exceptionally well, but we are changing the base of those businesses to ensure that we get a baseline business in all these countries. And, and not getting to that number of being profitable. So, even last year as you know the international business was profitable. And, and there is some volatility in some of the companies, which changes the numbers significantly. And one is, of course, delta and the other is of course some Forex issue this year in Thailand. But, generally speaking we are moving in the direction of strengthening the baseline businesses to get that level of return that we expect. To put it as an example to you, our competitors in the UK we had two major competitors one was SPX, the other was **Vires**. SPX was sold to private equity called Celeros. And **Vires was sold** sold to another private equity called Trillium. And if you thought we were in a bad situation, I would ask you to look at the company results for them. So, I would say that when they are comparing ourselves, yes we are also benchmarking where we are in the local markets and are we able to make that turnaround. And also we are as a board also discussing, once you make the turnaround, our certain geographies just too risky for us. So, all these discussions are taking place. And we do have an understanding of where we want to be in each of these companies. But, I will still take your point, margins are important and return is important, because finally, capital is limited.

**Nilesh Doshi:**

Yes, so very nicely you shared. So does that conclude, or does that infer that it's not worth doing business in UK at all, because if others are also not making money, we are also not making money hell with the country. We just dump that country and come out, how does it we have emotional attachment to it. So, as you said, I hope that you all are looking at to it. The second question is to Sanjay sir, that you mentioned in opening remark that volatility in RM is expected to taper maybe in another quarter or two. So, can we expect the raw material cost which has been gone up we were at about 54%, 55% has gone to 62% are you saying that in this quarter, Q1 and Q2 beginning this Q1 we are seeing that 61% coming to 58%, 57% because now we are seeing a very sharp decline in steel and aluminium and copper and other prices across the commodities?



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**Sanjay Kirloskar:** I think so you will see a decline going forward, but how much I can't predict.

**Nilesh Doshi:** Sir I have a basic question that, I have been tracking and we have been meeting Yes, you are one of the company which is extremely well placed on the opportunity, the technology, the product development, 3D printing, et cetera. So that part of business we are absolutely doing the best and trying to remain ahead, this other part of the business and that is your manufacturing efficiency, productivity, financial efficiency. And that is where what we observe that everything is getting lost, all your efforts on the first part is getting drained out in the second part. And, I'm not sure whether is there any focus is being given there. Are there any leakages, when I say leakages in terms of extreme inefficiency in product pricing versus the raw material behavior. So, I just want to convey that I hope we are looking at that because an MNC company in India, your competitor is still making 16% EBITDA margin, 15% EBITDA margin, and we are the only one who are suffering from raw material cost fluctuation. So, I request if you can help us understand that how fast we can come to a higher margin profile?

**Sanjay Kirloskar:** We are looking into all those issues, whether it's manufacturing cost or whether it's material cost. But as you said, we have met and you know that I'm very reluctant to make any forward looking statements. So we are working on that. And as I have said earlier also you will see differences going forward.

**Moderator:** Thank you. Ladies and gentleman, due to time constraint this was the last question for today. I would now like to hand the conference over to Ms. Rama Kirloskar for closing comments.

**Rama Kirloskar:** Thank you all for joining us on this call. For any queries please feel free to reach out to us or our Investor Relations consultants at SGA. 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.