"Kirloskar Oil Engines Limited
Q3 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Kirloskar Oil Engines Limited, Q3 FY2022 Post Results Call hosted by Antique Stock Broking. 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, 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. Amit Shah from Antique Stock Broking. Thank you and over to you sir!

Amit Shah: Thank you Aman. Good evening, everyone, welcome to the Post Earnings Conference Call of Kirloskar Oil Engines Limited. Today from the management we have with us Ms. Gauri Kirloskar – Non-Executive Director and Mr. Pawan Agarwal – CFO of the company. I will hand over the call to Mr. Pawan Agarwal who will give the opening remarks post which we can open the floor for Q&A. Over to you sir!

Pawan Agarwal: Thanks, a very good evening to all of you and thank you very much for taking time and joining this call. Present with me on this call are Ms. Gauri Kirloskar – Non-Executive Director and a few of my other colleagues namely Mr. Rahul Prabhudesai – Head of Strategy and New Business Initiative, Mr. Arvind Chhabra – Head of PPS Business Unit and our Company Secretary, Ms. Smita Raichurkar. Mr. Amit Gupta who leads the Corporate Finance Function at our subsidiary ARKAFincap Limited has also joined this call from Mumbai.

I hope everyone is staying in this positive in distinct COVID negative. As we all deal with, yet another wave of pandemic let us hope that this will now transition into and endemic. Also, I would like to wish you all a very happy new year and see with abundance of good of good health and prosperity. As you all are aware Mr. Sanjeev Nimkar the Managing Director resigned from the company with effect from 27th January 2022 due to personal reasons. The board and the entire management team appreciates the contributions made by Sanjeev and all of us wish him the very best for his future endeavours. While the company is in process of appointing a new professional Managing Director, upon request of the board Ms Gauri Kirloskar- Non-Executive Director of KOEL has kindly agreed to supervise the day-to-day operations of the company in the interim under the guidance of Mr. Atul Kirloskar and the board of directors of the company. The board has accordingly extended the term of Mr. Atul Kirloskar as Executive Chairman from 26th January till 31st March 2023, to aid in this transition.

Today we are here to talk on the third quarter and the cumulative nine months results for the financial year 2022, while the press release and the earnings call presentation which has been released has the performance details none-the-less I would like to go through the key parameters on financial and business performance of KOEL and its subsidiaries. But before that of customary disclaimer we wish to start by qualifying that during our call we may make some forward looking statements, these statements are considering the business environment we see as of today and therefore there could be risks and uncertainties that would call actual results to vary materially from what we are discussing on the call, and we would not always be able to update on these forward-looking statements.

Now, coming to the performance, as an overall picture if you see we have taken a hit on our profitability for this quarter. However, this needs to be viewed in the context of last numbers which had lower levels of costs due to variety of cost savings on the backdrop of COVID-19. To give you some examples; restricted movement of our people significantly lower cost for communication and negligible sales and marketing spend etc. The other development to touch upon is the overall inflationary environment; the quarter was marked by an increase in prices of raw materials has been witnessed across many industries. The company took necessary price hikes in this quarter as well to mitigate some of the impact of input cost pressures. The compounded impact of all these price increases still could not help us recoup the steep increasing input prices fully. We had informed you in our last financial Q3 earning call that KOEL had embarked upon a cost optimization exercise, and we were able to implement quite a few costs control measures the impact of those we are flowing through into almost entire FY2021. However, as we have scaled back to normal levels in FY2022, many of these costs have got post corrected in line with the normal skill of business operations. Understandably, therefore the maintenance of low operating cost at the pandemic year level is very difficult and as reported earlier not sustainable.

Coming to the revenue side; power generation business delivered 25% growth year-on-year basis and our exports have yield the growth of 60% in Q3. Standard range from few pockets especially in the North, South and Eastern region of the country hinder the electric and submersible pump business growth in Q3. The other details of the things are captured in the presentation uploaded on the website.

Now, let us look at our results; on a standalone basis the total revenue from operations for the third quarter stood close to Rs.837 Crores against Rs.798 Crores in Q3 of the previous financial year. As mentioned earlier the general selling and administrative expenses in current were higher at comparable period in the last year was largely affected by COVID and hence the costs were not at normal levels. EBITDA for the quarter was nearly Rs.51 Crores as compared to Rs.94 Crores in the same period last financial year. The company delivered PAT of approximately Rs.25 Crores in quarter three versus nearly Rs.61 Crores during the same period in previous financial year. During the nine months period ended 31st December 2021, revenue from operations grew by almost 30% to Rs.2310 Crores but EBITDA remained at a level of Rs.166 Crores due to lower gross profit, higher employee cost and other expenses compared to same period last year. The current year's other expenses also include a one-time expenditure incurred by the company towards the

Kirloskar brand refresh program. Consequently, profit after tax for the nine-month period ended 31st December 2021 was approximately 9% lower at Rs.88.5 Crores. Most of the business divisions have demonstrated double digit sales growth in the current year so far. As at the end of December 2021 overall networking capital was maintained at a healthy level of 13 days.

Moving on to our subsidiaries, following are some of the key highlights at La-Gajjar Machineries Private Limited which is LGM standalone revenue from operations grew from Rs.129 Crores to Rs.134 Crores in quarter three on a year-on-year basis. Other than government supplies and OEMs the other business segments such as retail and exports witnessed sales growth during Q3. For the nine-month period ended 31st December 2021, revenue from operations grew by nearly 13% to Rs.410 Crores. The steep increase in commodity input cost impacted the margins at LGM during the year. Our newly formed step down subsidiary Optiqua Pipes and Electricals Private Limited started its commercial operations in May2021 and for the period ended 31st December 2021 delivered revenue from operations of Rs.25 Crores. At Optiqua we expect to exit the current financial year with a turnover of approximately Rs.40 Crores.

As informed in the previous earnings call Optiqua entered into a joint venture with ESVA Pumps India Private Limited by making an equity investment of Rs. 4.41 Crores thereby obtaining 49% stake in the company on 4th October 2021. ESVA Pumps delivered revenue from operations of approximately Rs. 25 Crores during the period ended 31st December 2021. Kirloskar America's Corporation our US based subsidiary saw an impact on its revenue in Q3 due to surge of COVID in the America's region and supply chain and logistics issues. KAP delivered a revenue from operations of Rs. 21 Crores during the nine-month period ended 31st December 2021 compared to approximately Rs. 20 Crores revenue in the same period last financial year. The key highlights of the financial performance of ARKA Fincap Limited can be seen in Q3 earning call presentation uploaded on the website of the company.

As far as consolidated performance of KOEL group is concerned here are the key points; Revenue from operations grew at 29% year-on-year at Rs. 2,840 Crores for the period ended 31st December 2021. EBITDA stood at Rs. 269 Crores against Rs. 240 Crores for the nine-month period ended 31st December 2021 registering a growth of 12% year-on-year. Profit after Tax for the nine-month period ended 31st December 2021, however, was at Rs.103 Crores of 14% decline year-on-year. The board of directors has approved an interim dividend of Rs.1.5 per share which 75% on the face value of equity share of Rs.2/- each.

As far as outlook of KOEL standalone is concerned we are focusing on exiting FY2022 with a topline growth of at least taking to 20% year-on-year basis. As the commodity prices have been the rise for past many months and impacted the margins, the company has taken a decision to further hike prices in Q4 of FY2022 to offset the impact of input cost increase to some extent. However, it would be difficult to pass on the entire input cost increase on to the customers and therefore despite our best efforts we anticipate some impact on EBITDA margin in FY2022 versus FY2021. It would however be difficult to quantify the exact impact on EBITDA margin at this point of time.

As we done with the number updates, I would like to update you all on KOEL's sustainability journey as a group and also as company brand Kirloskar is very well known for our community partnerships and the environmentally friendly operations. Our manufacturing plant at Kagal is already carbon neutral, at KOEL we are focused on all the elements of ESE framework, from the coming quarters we will update to you more on sustainability journey and our company level efforts, our goal is to be best in class in this area.

To conclude, I would like to mention that overall, the internal and external factors today are challenging for KOEL, but we remain enthusiastic and optimistic about our market opportunity. The efforts of the last many quarters in multiple areas such as new product development, productivity gains, strengthening and deeper penetration of our brand, channel expansion etc couples with favorable economic environment provide us a great opportunity to scale up the business and enhance the key business and financial performance indicators going forward. WE are hopeful of a much stronger financial year 2023 as we get closer to exiting the current financial year. We believe we are well poised for the better future; we have the financial resources in terms of a strong balance sheet and a healthy cash position, a great set of products, powerful brand, and an experienced team to capitalize on these opportunities. We continue to evaluate inorganic growth opportunities and as plants turn more concrete it will be presented to the board and also to the investor community. Now, I would request Gauri to share her thoughts with all of us and thanks from my side. Over to you!

Gauri Kirloskar: Good evening and thank you for participating in this session. This is my first session with you as a Director supervising daily operations of Kirloskar Oil Engines and I look forward to our interactions on a go forward basis. First of all, I want put on records that I am here only in the interim to supervise the day-to-day operations of the company. Our intent as promoters is that all of our companies must be professionally managed and that is one of my key priorities to identify under the guidance and consultation of the board a suitable professional who can be appointed as the managing director of KOEL. I shall continue to be engaged on a day-today basis till such a transition is completed.

You also may have read the disclosure made by KOEL yesterday, my cousin Nihal and family have expressed their desire to pursue their own independent interest and accordingly Nihal has resigned from the board of the KOEL group of companies and except his and his intent of eventually exiting a shareholder over a period of time. The board of directors have accepted and taken on record his resignation letter as well as the letter issued by him as well as his mother and brother. As my uncle Rahul Kirloskar and my father Atul Kirloskar our chairman has mentioned in their press release this is a very amicable development.

We as a fifth generation of the Kirloskar Family have always been encouraged to follow our passion and that is what we three are doing. After his father passed away, he has been continues to look after my father and uncle as his father figure and they have treated as one of their own children, thus the relationship continues, and we have nice bond between our cousins as well. We are working out the modalities of the exit of share holders from the company according to law and applicable regulations. In the meantime, my role here is to serve as a custodian after all of our stake holders and I assure you that I will be my best during this transition period and to get the right professionals in place. Thank you, we are now ready for questions.

Moderator: Thank you very much. The first question is from the line of Sandeep Tulsiyan from JM Financials. Please go ahead.

Sandeep Tulsiyan: My first question is pertaining to the letters sent out by Mr. Nihal Kulkarni last evening, so there is an intention to exit the entire share holding that is held him and his entire family which constitutes a large part of Kirloskar Oils overall share holding as well as of the holding company Kirloskar Industries. So, will there be an intent by the promoters to buy out some percentage of this shareholding, number one and is there a timeline put towards the sale of those shares?

Gauri Kirloskar: One, this is just I mentioned yesterday so that is too early to comment on who will buy the shares. I am sure we all know that as insider we have comply with regulations and would play certain period is not in a position to sell the shares. As mentioned in the letter we have indicated that they will be willing to sell their shares in one or more tranches over a period of time, the modalities of which are going to be worked out by them.

Sandeep Tulsiyan: Second question is pertaining to the electric pumps and tillers business; it was mentioned that some of the ramp up has been made in Optiqua pipes and the newly acquired ESVA pump JV. So, if we exclude these two entities what has the base business grown by and given the losses which we are doing currently, what should be the break-even levels in these two businesses we should be looking at?

Pawan Agarwal: If I understood your question Sandeep, you are talking about LGM standalone number such that pump business is concerned, is that correct?

Sandeep Tulsiyan: Yes, Mr. Agarwal I am talking about the segmental electric pumps that are reported as Rs.173 Crores in this quarter which has grown 3% year-on-year. So, out of the Rs.173 Crores how much is new business which is not there in the base i.e., Optiqua and ESVA and for this Rs.173 Crores at what levels we should break even this business and what is the road to profitability going forward?

Pawan Agarwal: I will address your second question first;, so Optiqua has a fairly low break even point, most likely by the end of this year we would be breaking even at and about Rs.5 Crores of sale per month is what is needed. ESVA anyway is JV where we are already making profit, so it is a profitable business.

Now, coming to the first question, ESVA did a sale of about Rs.24 Crores which is basically divided between KOEL and LGM almost equally and Optiqua has done a sale of again Rs.24 Crores out of this roughly 50% is to external customers and about Rs.12 Crores of Optiqua sales is to internal customers. So, 24 you remove from LGM, Rs.12 Crores of Optiqua and Rs.12 Crores of ESVA sales to LGM. So, all put together about Rs.24 Crores will be intra group sales in pumps.

Sandeep Tulsiyan: And will be the break-even for pumps if I exclude this Rs.24 Crores from this Rs.173 Crores broadly, at Rs.150 Crores at what level should be the start breaking even?

Pawan Agarwal: LGM was delivering profit as it was contributing about 6 to 7% EBITDA in the past. But for the last couple of quarters because of input cost increase and there was a lag in, in passing on the input cost increase to the market which has led to the deterioration in margin, actually it has trickled into losses. However, a number of steps have already been taken and we are also taking price increases in LGM as we speak in December; we have already taken price increase of about 2.5% in LGM and we are about to take another price increase in the current month. So, our endeavor is that we bring LGM into profitable territory in this quarter itself, but this is based on the commodity price situation as we see today. Going forward depending upon how commodity prices behave we may take additional measure. But to answer your specific question, we are taking all the steps to bring back LGM into profitable trajectory from this quarter itself.

Sandeep Tulsiyan: Got it and one last question if I may, is pertaining to the new business plans we have highlighted 3-4 major areas one of them being motors and the transformers on the electrical side and second one is pipes and cables and third one is on the organic waste opportunity that we wanted to capitalize on, if you can highlight what is the timelines when these business segments should start contributing materially to revenue. If you can independently each of these business segments highlight what kind of investments would be required and any other changes and plans in whatever the segments that I had mentioned?

Pawan Agarwal: I will answer your last point first, there is no change in the strategy of the company; it is as it is what we had announced to the investing community in the earlier quarters. As such wires, cables and pipes business which is Optiqua right now, it is at very, very asset light business; they are no major capex requirement over there and we have significant runway available to scale it up to about Rs.120 Crores of sales with absolutely negligible capital expenditure. So, there it is taken care of. here in pipes business which we are looking at column pipes only at the moment and motors we have taken some tiny steps in LGM but still a lot of work needs to be done which Rahul will speak in more granular details and in KOEL our plans are afoot to launch KOEL branded motors very soon, in this quarter or early next quarter.

Rahul Prabhudesai: On electric motors, we should soon expect the product launch maybe this quarter as Pawan said, maybe early next quarter. All the preparations with respect to the team building and dealers etc is currently ongoing, so we expect it to be launched very soon and it should contribute a decent amount in the next financial year. On OWC it is already into the market and in the next year we have again plans to contribute about Rs.10 to Rs.15 Crores in that business. On the allied Pawan already spoke i.e. the cables, wires, and pipes. So that is the current status.

Sandeep Tulsiyan: And on the electric transformers for railways that you are planning to do?

Pawan Agarwal: Railways transformers as we have earlier said, it is a tender based business because of COVID the tender flow from railways has been little bit inconsistent. As soon as the tender flow normalizes, we will try and bid for those tenders. So, that is tender based we cannot really say how much we will be able to do, if the flow normalizes, we shall be able to be executing. But we are ready in terms of our back-end preparation in participating that business.

Sandeep Tulsiyan: Got it. Thank you so much. That is, it from my side.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Thank you for the opportunity. The question is on the admin of the top management, there was a press release, but there was a new about that along with him the couple of other heads of the business mainly water management and after sales have also resigned, will you confirm this. Secondly, if you could also help us with the reason for such abrupt exits, now we will see that there is three to six months gardening of CEOs, and this kind of abrupt exit is rarely seen and complete top management along with CEO going away is very worrisome. So, can you help us with the reason what are your plans, what time frame do we see professional CEO as you highlighted and little disturbing to see sudden management exits and hence promoter exits, if you could through more light it will be more helpful?

Gauri Kirloskar: The exits were for personal reasons as the resignation letters that have been filed with the Stock Exchanges are mentioned and as I mentioned before we are already looking for a professional MD and the timeline is about six months.

Bhavin Vithlani: Could you confirm about the head of water management and the head of after sales also resigning along with the CEO?

Arvind Chhabra: Bhavin, good evening this is Arvind. When you are mentioning about the head of service I think this particular stuff was already in pipeline for more than a year, because of his personal aspiration and it was a proper informed decision and in fact the head of service is already on boarded and it is a home grown talent wherein that individual personally was involved in terms of creating a back up and he gave us a due course of time, because he wanted to enter into his personal venture and if you know he has not joined anywhere, he actually has an aspiration for a very long to pursue his own business and the business was also like what he wanted to do and he wanted to just share his knowledge base with the young generation what he has gained over the time in professional carrier. So, it was a well planned and well supported and with the mutual respect of both side like the employee side as well as the organization side and head of CS is already on board it is a home-grown talent.

Bhavin Vithlani: And water management heads?

Gauri Kirloskar: The water management head- business move was sudden and we will be looking for his replacement.

Bhavin Vithlani: How do you plan to steady the state with complete, if you could give a bit more how are you planning because it is a very disturbing thing and the entire CEO and the top management exit at the same point in time?

Gauri Kirloskar: Sorry, we have the strong second in line in all of our businesses, in all of our business units we have strong leaders, so there is a second in line today he is reporting up into the business unit head and into me, so that is how we are managing it.

Bhavin Vithlani: Sure, fine. Thank you for taking my questions.

Moderator: Thank you. Our next question is from Kiran Sebastian from Franklin Templeton. Please go ahead.

Kiran Sebastian: Thanks for the opportunity. Two questions from me, it will be helpful if you could touch upon the demand environment especially for the power generation and residential real estate and markets and my second question is, is there a hard spot for the equity investment into ARKA are you going to stop funding after Rs.1000 Crores or it is open at this point?

Arvind Chhabra: Kiran, very good evening, and thanks for joining the call, this is Arvind. I would just answer your first question and then I will request my colleague Pawan to address your second question. But before I try and address your question, I would just like to take this opportunity to give a overall overview of the situation, this probably would address most of the questions as well as your questions also. If I have to just look at the quarter three DG market, the DG market expected to report almost 14% growth year-on-year it is very positive sign, though sequentially the Q3 had a de-growth of almost 200 basis points which we can discount primarily on account of because Q2 pent up demand coming in from Q1, so as that Q2 base in that from. And if you look in isolation, Q3 has shown a very positive sign and when we look at the further outlook in all possibility FY2022 overall market is expected to reel with the COVID level which is like FY2019, FY2020. Most of this growth is being fuelled from the health care sector and well supported by the recovery of infra segment. While we were continued to dominating position as far as the health care is concerned and just to share one prospective that Q3 was the time when we could install 1000 plus mark in terms of the pure health care infrastructure like O2 specific oxygen plant across the country and this order board is growing very healthy and it is well spread across the country it is not limited to a specific geography. So we could manage our Q3 numbers while there was a 2% sequential de-growth vis-à-vis the Q2 which I mentioned and this was majority coming from the medium and high horse power segment which 40 KVA to up till like 625 KVA. Though in the Q3 itself commodity continues to stay towards the upward. We may talk about the pig iron and aluminum, copper or even the related commodity, there was a increase. And if you all remember in the Q2 July we increased the price, so we were all hopeful that it would benefit into the Q3 but unfortunately it looks to be a catching up game for the commodity because the RM led inflation of the quarter itself was not enough to cover the Q3 and as Pawan already mentioned that during the Q3 mid itself we again took the leadership position to come forward and we went ahead with the another price increase. Though it was a very risky call looking at the market because market was showing forward looking growth but then still, we always wish to appoint when you stop thinking of the volume and we were very confident that the others would also support and follow and we can come back to normal and which happened, I mean immediately after price increase in the mid of quarter it was followed by others also and market has normalized those prices. So, that is the overall, now your specific question was towards which sectors will be grown, I think I covered in my answer though I will just repeat it, it was well supported by the health care infrastructure and if you all remember in the early Q3 the anticipation of the pandemic put all the hospital oxygen plant on the fast track and we could capitalize on that opportunity to a large extent. Now, I will request Pawan to answer your second question.

Pawan Agarwal: Kiran, this is Pawan Agarwal. As we have mentioned in earlier calls also that the board of KOEL has confirmed an investment of maximum Rs.1000 Crores as of now and this is a calibrated approach we have adopted and the board of KOEL is closely monitoring the performance of ARKA and depending upon the performance, growth, profitability, and various other factors the amount has been put in. As of now it is restricted to Rs.1000 Crores.

Kiran Sebastian: Thank you. Thanks both of you.

Moderator: Thank you. We have the next question from Amit Shah from Antique. Please go ahead.

Amit Shah: One question from my side with regards to the incremental price hikes that you are planning to take given that the gross margin compression is still happening on the quarterly basis. So, what sort of price hikes we are planning to take in the further quarters and secondly even on the agriculture business portfolio if you can highlight how the business is shaping up over there, these are my two questions. Thank you.

Pawan Agarwal: I will first talk about KOEL, in KOEL on the electric pump side from April till now we have taken four price increases which is about close to 18 to 20% in total in this period. As far as the diesel engine part of the business is concerned there also, we have taken three price increases from July to February 2022 which is close to about 10%. Additionally in diesel engine segment we also sell spares and alternators there also we have taken price increase to three times during the year. On LGM side just to let you know in the last 12 months which is from November – December last year to now there has been continuous increases in input cost and we have taken close to 13 to 14% in total price increase and roughly four-five times we have taken price increase and one price increase we have taken from the beginning of this month and we are closely monitoring the input prices; in case they go in the same direction then we would not hesitate to take further price increases in order to bring back the profitability, so, this was on the price rise issue in water management. Arvind has already talked about the price rise matter in case of PPS business. In farm mechanization where we deal with tillers and weeders there also if I see last January 2021 to now January 2022, four times we have taken price increase but of course power tillers as we know where the cost increases are capped because it is a subsidy led business, so again price increases have been taken in case of retail market in tiller as well as in weeders. In our customer support business also in spares and tractor part oil there has been two- three times we have taken price increases over last 9 – 10 months. In industrial business also we have taken price increases with our OEM customers. There has been price increase decisions across our businesses, however there are time lapses in some cases and also the gap between the input cost increase versus the price increase which has been passed on to the market there has been some delta which has impacted the margins. But we take cognizance of the profitability of the company very seriously and whatever actions are required to be taken will be taken very quickly and it will be moving in line with the input cost increases going forward.

Amit Shah: Thank you so much. Sir, on the demand side if you can highlight with this kind of price increases, have we seen demand tapering off or demand continues to remain intact despite the price increases. So, how the demand is panning out both in the power Gen and the Farm mechanization side of the business. Post this price increase do we see any demand tapering off?

Pawan Agarwal: On the water management side we are definitely seeing some slow down in the industry. It has got nothing to do with the price increases that we are taking and hence there is a impact on us; that is not the case but, generally agri sector as such is seeing some slow down and the other players in the segment are also seeing this impact. Also, as I mentioned in my opening remarks during this year extended rains and floods in certain parts of the country have also impacted the demand situation. But as of now February-March onwards the season starts so we are all geared up for that, and the green shoots are visible we are hoping that February end and March onwards there will be strong recovery in demand.

Arvind Chhabra: If I have to just add for the PPS business, in the domestic market price increase as we moce towards the mid of the last quarter has already settled and the good news is that most of the order board is with the new price. There is no impact in terms of the demand coming down but only thing is there is some time shift between you taking the lead and somebody just following you, so there is some bit business shift. But otherwise there is no impact as far as the demand is concerned and as I mentioned in my summary also that overall market looks to be very positive and, in all probabilities, FY2022 would reach to the pre-COVID level. Though in industrial demand is led by other factors not the price because our price increase is not like in absolute equal percentage to the FG because there is lot which goes into the final goods those OEMs.

Amit Shah: Sure, sir this is really helpful. Thank you. That is it from my side.

Moderator: Thank you. Our next question is from Ashwini Sharma from Anand Rathi. Please go ahead.

Ashwini Sharma: Thanks for the opportunity. Sir, my first question is on the market share, if you can please help me with the market share on the LHP, NHP and SHP and how it has changed over the last one quarter?

Arvind Chhabra: During my commentary also I said that, that Q3 though there was sequential de-growth from the Q2 but at KOEL we maintained our number and it was finally supported by medium and high horse power in the range of 40 KVA to 625 KVA and if I have to speak about this specific segment because this is the note which specially addressed to the health care and the infra and that is where the maximum growth was coming and we were the one who were leading the growth. If I have to speak about the overall market the final numbers are yet to be out but from the flats it looks like that market has grown over the last year and we have been participating as a leader in that growth. But the further details like who lost it, who gain it we will have to probably wait for some more time by the time we final.

Ashwini Sharma: Okay, and also on the Farm mechanization side, the tillers and the weeders how does our market share over there?

Pawan Agarwal: In tillers the overall industry size is very limited some 50-55000 tillers is the market size and as we all know VST is the market leader, we are between number two and number three player so about 14 to 16% share. Weeder is a smaller market, but a better margin space and we have a complete range of products available to cater to the demands in this segment and our weeder offerings are showing very good traction in the market, but we have just taken tiny steps in this direction and we expect to consolidate our position in this particular segment going forward.

Ashwini Sharma: Thank you. My second question is on the large engines, I think this segment obviously is a small segment but then I have been noticing that over the last 4-5 quarters there has been de-growth. So, if you can tell us that what is really happening there and what is the outlook that we see?

Pawan Agarwal: In large engine business as you are aware we deal with lot of government customers, PSUs, and Government of India and also within it there is other segment basically marine and defense and then we have a spares and service business also. Over the last probably 4 to 6 quarters as you rightly noticed there has been some slow down in term of decision making or allowing us to execute the order by the customers and while we have a very healthy order board, about upwards of Rs.150 Crores as we speak But the execution of these projects is not happening because of the delays from the customers side or rather some of our customers. Now, it is opening up. Q4 is looking much brighter, and we are quite hopeful that out of this order book of Rs.150 Crores a large part of the order book will get executed in the next financial year. we all know it is a decent margin business and therefore that is an extra support to the overall profitability of the company.

Ashwini Sharma: Okay sir, thank you very much. Thanks for the opportunity.

Moderator: Thank you. The next question is from Sandeep Tulsiyan from JM Financial. Please go ahead.

Sandeep Tulsiyan: Just one follow up I had on the industrial segment, when we look at the industrial segment sales on a year-on-year basis we have declined despite all the price hikes that you spoke about that has been ruled out. If you could break it up between the construction equipment and the tractors, how each of the parts has done and what is the outlay going forward?

Arvind Chhabra: Sure, Sandeep in fact good you brought up this question because I missed it in my brief, if you would have noticed the industry from an LG prospective the earth moving, and the tractor industry has shown a slowdown in the Q3. Wherein the construction side of the equipment stayed positive, and we being very strong in construction equipment side hence our impact was minimized to range of 5% but if you look at the overall construction equipment or off highway industry probably, there the impact is much higher. So, we would say that from our perspective it was very, very positive. But just to answer your question and add to your question whatever de-growth we have is primarily from the tractor and the earth moving side.

Sandeep Tulsiyan: Can you share some numbers please?

Arvind Chhabra: You are looking for a specific sale number in the segment wise?

Sandeep Tulsiyan: Yes, as per to break up that Rs.173 Crores odd sales between construction and tractors how much would split be and what is the growth rate in each of these subsidiaries?

Pawan Agarwal: In tractor we de-grew by 39% year-on-year and quarter-on-quarter also more or less similar de-growth. Now, other than tractor which is construction equipment off highway etc there we saw a growth of 7% for Q3 year-on-year and Q3 quarter-on-quarter or sequentially we grew by 27%

Arvind Chhabra: and the other factors about the factoring in was the semi-conductor issue, and this all is fuelled by the BSIV in the non-tractors that was also one of the factors in terms of the availability.

Sandeep Tulsiyan: This is for off highway equipment is it. Got it. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. On behalf of Antique Stock Broking that concludes this conference. Thank you all for joining us and you may now disconnect your lines.