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Date: 22nd August, 2022

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Mumbai 400 001
BSE Scrip Code: 500249

The Manager
Listing Department
National Stock Exchange of India
Limited
“Exchange Plaza”, C-1, Block G
Bandra-Kurla Complex
Bandra (E)
Mumbai 400 051
NSE Symbol: KSB

Dear Sirs,

Sub: Intimation about participation in the Investor Conference

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

In continuation to our intimations dated 9th August, 2022, 12th August, 2022 and 13th August, 2022 attaching herewith the Transcript of the Institutional Investors Meet held and participated on 12th August, 2022.

Kindly take the above information on record.

Yours faithfully,
FOR **KSB LIMITED**

Mahesh Bhave
GM- Finance and Company Secretary



KSB Limited Institutional Investors Meet

12th August, 2022

CO-RDINATOR: Ashwani Sharma - ICICI Securities

MANAGEMENT: Rajeev Jain - Managing Director, KSB Limited
Milind Khadilkar - Chief Financial Officer, KSB Limited
Mahesh Bhave – Company Secretary, KSB Limited
Shraddha Kavathekar, Asst - Company Secretary, KSB Limited

Ashwani Sharma: So, good morning, everyone. So on behalf of ICICI Securities, I welcome you all to KSB Institutional Investors Meet.

It's a pleasure to host KSB Limited senior management today. As you all know, KSB is a part of a German giant, is basically engaged into the manufacturing of pumps and valves.

Today with us, we have a team, which is successfully running the company for so many years. So just to introduce, it's a pleasure to introduce the team on the dias, Mr. Rajeev Jain, Managing Director and Mr. Milind Khadilkar, the Chief Financial Officer.

Mr. Rajeev Jain, he's a mechanical engineer and has done business management in the International Trade. Before joining KSB India, he was handling -- as the MD of KSB Indonesia for over a decade, where he took the company to new highs. And he was also Managing Director of KSB Singapore, and the Regional Executive Officer of the Southeast Asia.

Mr. Milind Khadilkar, he is a Chartered Accountant by education and has 35 years of experience in the finance and accounts. He has been associated with the company since 2017.

Along with Mr. Jain and Mr. Khadilkar, we have other team members from the Company Secretary, Mr. Mahesh Bhavne and Ms. Shraddha Kavathekar.

I would like to now hand over the mike to the management to address the audience. Please, sir.

Milind Khadilkar: I think I'm audible? So good morning, everyone. And thank you ICICI for arranging such a wonderful gathering.

We'll start with the customary statements regarding forward-looking statements. This presentation may contain certain forward-looking statement relating to the company's future business developments and economic performance.

Such statements may be subject to a number of risks, uncertainties and other important factors such as, but not limited to, competitive pressures, legislative and regulatory developments, global macroeconomic and political trends, fluctuations in currency exchange rates and general financial market conditions, delay or inability in obtaining approvals from authorities, technical developments, mitigations, adverse publicity and news coverage, which could cause actual developments and results to differ materially from the statements made in this presentation.

The company assumes no obligation to update or alter forward-looking statement whether as a result of new information, future events or otherwise.

So this is the brief contents of the presentation, Organogram; KSB India - Presents; KSB in India or the applications; KSB India - Success Stories/ Major Developments, Major Initiatives; Market Penetration - Top 10 Customers; Major Orders Received; Net financial position; Sales turnover overview and export business development. Also, we will cover the revenue trend, profit trend, return on sales trend, and initiatives in 2022 related to digitization, major investments, sales network expansion and brand promotion activities and ESG initiatives.

So first of all, the Organogram, and we first reveal the senior management. We have Mr. Rajeev Jain, our MD first. Myself, heading Finance and Digital Transformation cell; Shirish Kulkarni Heads our HR Function; Sales and Marketing is led by Farrokh Bhathena; Nuclear Operations by Nitin Patil. We have the valves factory in Coimbatore, which is looked after by Manoharan Raja. Our Quality Head, Philip; Product Management and Product Services, Mr. Seshadri. Our Sinnar plant is Headed by Sunil Bapat; SupremeServ, the Aftermarket business by Rajesh Kulkarni; and Procurement and Foundry Operations by Pradip Watve.

We have our presence -- we have seven manufacturing locations in India, four zonal offices in all the metros, Mumbai, Delhi, Kolkata and Chennai, 12 branch offices apart from the zonal offices mainly in the state capitals of almost all the states. Is it required? Five service stations in all the five major zones of India. We have about 200 plus authorized service centers all over India and distribution and dealer network of 1,000 plus active dealers all over India. We also have a liaisons office in Bangladesh for business in Bangladesh, and we also cater to Nepal and Bhutan as a market area through our dealers.

So this is a snapshot of our Shirwal factory, the latest factory which we inaugurated in 2017. This is our Corporate Office and the oldest office in Pimpri in Pune. This is the inside picture of the manufacturing setup in the Pune factory. This is our central warehouse a few kilometers away from the Pimpri factory in Chinchwad, where we have the spare parts and service business. And all types of servicing and maintenance jobs are done here.

This is our Sinnar factory, standard products. Same again, Sinnar factory. This is our foundry in Vambori. We have two foundries, cast-iron foundry as well as stainless steel foundries, mainly for captive consumption.

This is our Coimbatore valve factory. We manufacture Gate, Globe Check Valve in Coimbatore. And then this is our Associate KSB MIL Controls in Kochi, Kerala, where we manufacture control valves. And our R&D unit, KSB Tech, which is also located in Pune and caters to all the Group technical requirements, research and development.

The applications of our product of valves and pumps include the energy sector, industry and water. We have all types of pumps from high-pressure multistage pumps, vertical inline pumps, gate, globe check valves and ball valves, which are used in the boiler feed application, condensate extraction applications, sugar, paper and pulp handling, thermic fluid petrochemicals et cetera and also pumps

in irrigation, farmhouses, firefighting, drinking water supply and domestic purpose.

We also have in the wastewater area, construction and SupremeServ. SupremeServ is our spare parts repairs, field service, modernization and replacement. Whereas construction and building services for drinking water supply, firefighting and HVAC. And for wastewater we have applications in various types of municipal, industrial wastewater, sewage and effluent treatment, storm water drainage and be dewatering et cetera. So all types of non-clock pumps, gate, globe, check and ball valves find the application in various segments also.

Now the success stories and major developments. We received the order from NPCIL for eight numbers primary coolant pumps, RSR 400/2 Kaiga 5 & 6. Along with 10 electric motors and spare parts, the value is about INR5,000 million. We also have tested a good success of order intake of almost INR2,000 million from petrochemical sector during the past year.

The FGD order of INR225 million from BHEL; a breakthrough in BB3 for both domestic market and exports. And we recently started the mechanical seal business and we are testing early success. Nuclear mechanical seal testbed commissioned at our factory and repair facility also inaugurated in our Chinchwad, that will be SupremeServ factory. So we are gearing up for the mechanical seal business very well.

And despite cyberattack, we had experienced the cyberattack early in the month of April on our Group servers. And we, to some extent and for some time our operations were paralyzed, but we quickly bounced back. And despite of the cyberattack, factories, branches, warehouses teams worked round the clock, in three shifts to ensure the sales.

Major infrastructure developments, localization of KSB mechanical seals business, as I mentioned in the earlier slide. Investment for solar business growth, that is also taking place, machine replacements at EPD, the old machines have been removed and replaced. Office infrastructure at IPD with our old offices now being renovated and made more efficient and environment-friendly.

Investments for digitization initiatives, including robotic process automation, now we are getting into phase two. Advanced planning solution for production planning at our Shirwal plant. We have also implemented mobile warehouse management, expansion of service network is in progress. Continuously we are expanding our authorized service dealers. Expansion of dealer network every now and then new dealers are coming on board and various investments also planned in ESG projects which will be also displayed later.

Market penetration, the top 10 customers for previous year as well as the current year. The list is still dominated by Bharat Heavy Electricals, Thermax, Rushabh Enterprises is one of our dealer, then ISGEC, Patil Engineering another dealer, RK Engineers another dealer, Larsen & Toubro, Pooja Engineering, another

dealer, NTPC and Thyssenkrupp. So these are our main customers now. Since we have also received the order recently from NPCIL, it tops the list in H1, '22. Indian Oil Corporation also is coming back. Petrochemical section has lot of good stories, Thermax is there. Wuhuan Engineering is again another petrochemical customer. Technip again petrochemical customer, Technimont and Andritz. These are our main customers as of now.

Major projects orders received in the Q2, 2022. Again you will see on the left side, the petrochemical segments dominating and then there are other like NRL Expansion Project, HRRL Crude and Pipeline project, TSGENCO, J-18 expansion project of IOCL, Supply and Reactor Heat Pumps in Panipat, IOCL. Kiru and Kuther is the name of the project, Expansion project of IOCL, Gujarat, MB Power, and again NRL and Asia Pacific Rayon. So these are the main top 10 orders received in the last quarter.

Net financial position. Although the net funding or net fund position has come down compared to the same period in the earlier year it is mainly due to the advances which we have received from NPCIL are now utilized for buying equipment, raw materials and building inventory and also lot of investments in expansion in additional factory shed in Sinnar and other machineries et cetera. But still we are having a healthy cash surplus of more than INR3,000 million.

The business mix pie chart shows a very steady or same kind of minor adjustment here and there. The standard pumps have gone up from 46% to 47%. Engineered pumps have come down from 23 to 21, SupremeServs and valves are also more or less maintaining the same ratio. So pie charts more or less remains the same.

Export development, again we are coming back. We had the exports dip in the year say 2018 and '19 or even in '20. But '21, we had good 20%, up to June '21 last year was about 19.6% and we are -- first six months we have got the share of about 16.6% of exports.

Revenue from operations, we are maintaining the increasing trend except for the COVID year of 2020. Other than that, we are continuously improving, and for the six months ended June '22 we already clocked revenue of INR8,661 million. Profit and loss, again the same increasing trend. In spite of COVID and cyberattack and many other obstacles, we have already clocked INR1,180 million for the six months ended June '22.

Return on sales, same story. We are improving for last two years continuously from '19 to '20, '21 and '22 and for the first six months, we have locked the ROS of about 13.6%.

Now major initiatives in 2022, on the digitalization and IT point. We have three vertical sales initiatives, operations initiatives and IT initiatives. Under sales, we have project cost information system, dealer management portal, SICCA value sale selection tool. And on operations initiatives, we have MIS automation, machine monitoring and model workstations, advanced planning and scheduling tools. And under IT initiatives, cloud adoption, we will be progressively shifting

to cloud, instead of our on-premise service. Implementation of SAP, warehouse management as well as mobile warehouse management.

Data classification and data loss prevention is a very important aspect and upgradation of our LAN and Wi-Fi 6-ready really setup, because we all depend - - many of our business processes depend on the bandwidth and the Wi Fi. So we are upgrading our IT infrastructure network.

Major investments, we are building an admin bloc and guest house at Shirwal plant, because now the plant has more than five years of operation. The sales and operations process are well set up and we need the administrative support and facilities. Replacement of machines KBL vertical -- VTL, then Wotan boring and some VMC and advanced Lathe machines. 3D printer and infrastructure, digitalization projects, small, small but various projects where we are going to big way for digitalization.

Network devices, as I said that LAN and Wi Fi upgradation mechanical, field localization a new line of business you can see. Additional land in Shirwal for future purposes. Some of the network expansions activities, we recently opened a liaisoning office in Bangladesh. And it is looked after by a Bangladeshi national. And we are hopeful of getting a good success there. We also have media interaction. And you can see ET TV our MD, Mr. Rajeev Jain giving an interview on 24 June, 2022.

Some of the participation in exhibitions and sales promotion activities. We also had a dealer meet, a select dealer meet for the top dealers to explain our strategies and the planning.

Product launch, we launched Aqua Series pumps in May 22. These are 14 self-priming monobloc models were launched under the Aqua Series. The event was followed by a Gala Dinner. Again some sales promotion activities, conducting various nukkad meets, plumber meets, retailers meets. Some other promotion activities promoting brand continuously in the market by conducting various outdoor activities. Following are the few activities conducted in the last quarter across the zones.

ESG activities, again we have taken it very seriously and committed the big way for ESG improvements also. So drip -- we have started the drip irrigation for gardening, tree plantation in and around our factories, biogas plant, we have installed. STP plants for reuse of treated water. Rainwater harvesting by rechargeable method. So that is also we have put up. And we also have improved the lighting. We have replaced our traditional lights by LED bulbs in offices and shop floors also. Bicycles movement, in a big plant, earlier we used to move around by four wheelers, so we have encouraged our employees to use the bicycle. So one is the fitness also and the environment also.

Installation of solar panels on the rooftop, wherever available to generate and save the energy. And we are also certified at various places under the green building certification. ESG initiatives continued, the employee welfare activities. We also have CSR activities. We are promoting CSR at all nearby -- all our

factory locations in Pune, as well as in Kochi, and Coimbatore and Ahmednagar. And we are continuously supporting many of the NGOs, old age homes, giving them with renovation in toilets, and girls rooms or dining areas and wash basins and so many things.

So some of the other NGOs like Tata SOFOSH Center, Grow Tree also we are contributing. And the hospital and medicare also we are supporting. Some animal husbandry also, solar street lighting in near Ahmednagar, solar power generation in one of the NGOs to reduce their cost of power.

So that's it from my side. So happy to take questions. Thank you. Yes.

Question-and-Answer Session

Unidentified Analyst: Sir, there's couple of questions. Sir, one is in case of gross margins, do we see this as the peak of inflation or the peak of raw material inflation and going forward that should improve? Or some guidance if you can give. And even after the fall in raw material prices, have you passed on the price decreases of raw material to the dealer channel. And also for -- if you can just give a similar perspective for B2B pumps as well?

Rajeev Jain: Yes. Good morning, everyone. Yes, material price increase were a cause of concern in the first half. And we could pass on some of it to the customers as well. We did not -- we could not pass everything, because we compensate that by our internal measures or internal operational efficiency measures, reduction of failure costs, digitization measures to make our processes lean, control on inventory and measures like that.

The last, I would say two months have shown an encouraging sign of the raw material prices stabilizing and kind of showing a consistent stability sign, in some cases going down, in some cases remaining at the same level. So these are encouraging signs and hopefully that should help us to recover the gross margins in the second half.

Whether we have passed on the reduction to our dealers, customers, yes, not in all cases, in some cases, taking the feedback from our dealers. Yes, we have been able to do that as well. But I would say broadly, we have still maintained our prices, and we'll watch the situation in the weeks to come and take appropriate action.

Unidentified Analyst: And given the sharp increase in gas prices, especially in Europe, does that open up opportunity for the KSB export opportunity, which we do within our own associate companies. So I think largely exports are focused in Southeast Asia. So do we see making any inroads in Europe?

Rajeev Jain: Yes, there has been I would say increased activity to look for vendors in India, sourcing from India, from Indian vendors. These activities have definitely increased. Also with this geopolitical situation also with China, Taiwan and all these situation, I guess, the Group also looks to India as an alternative option. So these are things which are being discussed and how it moves in the future we'll

have to wait and see. But there is definitely a discussion and activities in this direction.

Unidentified Analyst: And in case of nuclear pumps, if you can just come again with the timeline that we have? Have there been any changes for the execution cycle?

Rajeev Jain: Nuclear business, you see we received an order for the primary coolant pump at the end of 2018, beginning '19. Those were to be delivered in this year, by April this year, the original delivery. But due to all the COVID pandemic, these got delayed. We have also got extension from the customer. So considering all that, I would consider that their orders is on track. And we hope to deliver our first pump casing in the first quarter of next year.

So, I would see that as a good progress. NPCIL has been visiting us and they have expressed their satisfaction with the pump portion. The motors are from BHEL which, I would say we are in constant communication, and that should also happen in the first half of next year. So overall, I would say the progress of the existing order is going quite well. And now, we have received the second order for the same primary coolant pumps, which is a good sign that, in this nuclear business, you need to maintain those competence and the vendors for long-term.

So this order gives us a consistent scope for continuing the activities, which includes investing in machines, which we showed in our presentation as well. And the pipeline for nuclear business is quite attractive. Apart from the primary coolant pumps, we have quoted a lot of other auxiliary pumps in the primary cycle where we are quite optimistic. Apart from that there is a secondary cycle, which the business is also likely to be vetted in the coming months or maybe early next year. So overall, there is a good pipeline of nuclear inquiries and possibilities in the next two to three years.

Unidentified Analyst: Sir, execution should be INR200 crore next year and then INR200 crore a year after that, and INR100 crores in --??

Rajeev Jain: Hopefully, yes. Hopefully, yes. If we -- we have an order of eight pumps, we target to deliver at least four pump sets next year. There are many variables to that. It's not only dependent on us. NPCIL also has to set up the testbed which is -- the testing will be done at the site. So if everything goes well, then we are targeting four pump sets for next year.

Unidentified Analyst: So for nuclear, what can -- so let's say if we look at the order 2017-'18, we got the first order and after four-five years we are getting the second order. But considering the energy crisis and all what do you think can make this opportunity much more secular and in terms of receiving order from NPCIL. So there are I think two or three more projects, which can be worth at least INR500 crore each in the pipeline.

So why are the orders not -- it's not been much more secular than what we have seen in the past? So I think what we were guiding was that, there were INR1,500 crores worth of orders which can come. So INR500 crores have just come in that

too after four or five years. So on remaining INR1,000 crores order, what do you think can -- how early we can get those orders? Where are -- in the processing stage where it is right now. So if you're going to share a perspective there.

Rajeev Jain:

Yes, this business is here to stay, the nuclear business. There is overall 12 power plants which have been announced. And yes, you are right, there was the bid of INR1,500 crores which was based on the site clearance and environmental clearance. So they called it a bulk tender. But these got delayed and delayed. This got delayed. It was bid somewhere in '19. And due to all these pandemic, the ordering got delayed. So the delay has had a consequence on the pricing validity and you have seen how the material prices have gone haywire in this period.

So finally, to maintain that continuity and to ensure that that there is no delay or time lag in the execution of overall projects, NPCIL decided to finalize one project immediately, so that again, I repeat is the continuity of the work is not disturbed. And the remaining two projects will be retendered and the schedule is in the third to fourth quarter of this year. And so it will happen in its process. It's only a process issue from NPCIL.

Ashwani Sharma:

My request is to please introduce yourself. Thanks.

Rajesh Kothari:

Yeah, hi. Rajesh Kothari from AlfAccurate Advisors. Just wanted to know few things. One on the nuclear power, [indiscernible, 00:30:12.0] it's a panel selling potential of INR3,000 plus. And then we will get the auxiliary pump where there are three to four players where they have not yet got approval on the primary side. So just trying to understand the competitive landscape here, the total opportunity, the competitive landscape for both primary as well as for auxiliary? And what if the other players gets the approval for the primary? Right now, KSB is the only approved vendor. So can you give some color on this?

Rajeev Jain:

Yeah. And on the primary side, you have these primary coolant pumps which are the heart which cool the reactor. These are -- these pumps are -- at present KSB is the only qualified vendor, because of our references of having supplied to all other plants. These pumps are required high technical amount of engineering and it requires a good amount of, I would say, development process. KSB with its history, we are already ahead in the sense, we did that jobs are here in collaboration with KSB Germany. So we got a head start and we had the provenness.

So today, the potential is yeah, almost INR3,000 crores in this pump alone out of which, we have already got INR1,000 crores. And the remaining one, we have to see. At least we KSB are qualified. And we have to see if anybody else qualifies for this job in the future. And that is difficult for me to comment.

Apart from this main coolant pumps, there are auxiliary pumps in the primary circuit as well, where there are other manufacturers also. There are other manufacturers Indian manufacturers also. So that will be competitive bidding and we have bid for those jobs. We may be successful in some jobs. So we are

hoping that. So, that will add to the business portfolio of nuclear for the primary site.

In secondary, there are much more vendors cycle. But applications like boiler feed pump, NPCIL gave a development order to two vendors. And these are the main boiler feed pumps in the secondary cycle. And the KSB delivered this already 1.5 year back. This development order was completed by us and delivered. So we have already qualified for that application. And there are many other applications which are there, but those will be, I would say that will be all competitive bidding. And it is also maybe not ordered by NPCIL directly. It may go to EPCs like BHEL and others. So this is an overall scenario of possibilities.

Rajesh Kothari: So it means one is the primary coolant, where you have INR3,000 crore opportunity, INR1,000 we already received. Other is you said, in the auxiliary within that there is a primary. And then there are two to four players within that, am I right?

Rajeev Jain: Yeah, maybe two to three.

Rajesh Kothari: Two to three. And who are these two to three players?

Rajeev Jain: One, it's -- one is Kirloskar Brothers, one was BPCL. And BPCL today's already closed down. That's the state government. And it depends on who all decides to participate whether companies like Sulzer, Willow and they would want to participate or not. This is something which has to be seen. So these are all Indian entities who have their manufacturing base in India.

Rajesh Kothari: And if like for example turbine pump, whether BHEL decides to make on its own, then what kind of risk do you see from BHEL kind of thing because --

Rajeev Jain: Yes. In that case we believe that NPCIL will follow the process. These pumps are not like any conventional other pumps. So the process is that a development order is issued and the manufacturer certifies or approves its credentials by developing that prototype and tested under rigid or stringent conditions, which we have done. We are the only one who has completed the process.

So yes, there could be pressure from BHEL, but I believe that NPCIL would not deviate from this process.

Rajesh Kothari: So just to conclude, NPCIL therefore, CY'23, you're looking at between '23-'24 and '25 INR500 crores revenue, right?

Rajeev Jain: Yes, means -- can you comment there?

Rajesh Kothari: See basically from Nuclear Power Corporation --

Rajeev Jain: First order [indiscernible 00:35:29] between '23 and '24.

Rajeev Jain: Yes, two years.

Rajesh Kothari: Primarily between two years, INR500 crore order basically will be executed between two years. Am I right?

Rajeev Jain: Correct.

Rajesh Kothari: And the other INR500 crores basically will be executed from CY2--?

Rajeev Jain: CY'26 and '27.

Rajesh Kothari: CY'26 and CY'27, okay.

Rajeev Jain: Yeah, as the time goes on, maybe it could be more. The initial, the order conditions are such that the first pump has to be tested extensively.

Rajesh Kothari: Understood.

Rajeev Jain: And there has to be 500 hours.

Rajesh Kothari: Then it becomes faster turnaround, okay.

Rajeev Jain: Yes, 500 hours. And if the casing has to be welded and it has to be removed and tested. But I believe that once the first two pumps are tested, then it becomes -- the process become much faster. So let's say '23 we are targeting four. '24 could be more than four, if all goes well.

Rajesh Kothari: Okay. And going by last two years raw material volatility and nuclear power [Indiscernible 0:36:27], the incremental orders what we are doing and also the past orders, I understand there was a price variability close of 20% also, correct me if I'm wrong.

Rajeev Jain: That's right.

Rajesh Kothari: So this INR500 crores, let's assume CY'23 is less than INR200 crores whether the margins will be -- how are you hedging your raw material perspective and what kind of margin one should assume on this nuclear power opportunity?

Rajeev Jain: Yes, this 20% price variation clause which is there, was sufficient enough for our existing order to mitigate that price increase. Because the ordering of the material was done quite early.

Rajesh Kothari: Long back, okay.

Rajeev Jain: So that helped us to kind of --

Rajesh Kothari: So you are adequately covered.

Rajeev Jain: We are adequately covered.

Rajesh Kothari: So NPCIL, one can assume the normal margin like company margin one can assume, or do you think it can be a little bit plus minus.

Rajeev Jain: Yeah. It's difficult to say. Why I say difficult to say, because NPCIL jobs are very complex and very high precision. If you -- if one component gets rejected, it could have a heavy cost on one order. So unless it's all is completed, we never can say what margins we have. On paper theoretically, it should be a better margin. But ultimately, it depends on how we execute the order, and how successfully we can do that. Otherwise, it could -- any small mistakes can really ruin the margins.

Rajesh Kothari: Thank you sir.

Rajeev Jain: Yeah, thank you.

Unidentified Analyst: Yes. Just to expand on nuclear potential, sir, the primary coolant pump how the business actually works? What I mean is the process design comes from what, your parent? And you are doing, just manufacturing part or how does that cycle work?

Rajeev Jain: I would say this primary coolant pump has been developed by our team here in India. Normally, the process for all the pump, is the technology support comes from Germany. But in the past, we have had a collaboration that we manufactured some parts and we kind of assemble those parts. Those was a tripartite agreement between NPCIL, KSB Germany and us. So we got that experience. We had the start. And for this job, then we took it forward on our own. And we are developing this pump based on all the past experiences which our team had. And we are doing it locally here. That is 100% made in India product.

And for the other products, secondary cycle, those are under technical license for that. And other primary coolant, auxiliary pumps, those are also coming from the past references and the experience which KSB India had. If you recollect NPCIL and KSB, way back in 1970 set up our unit in Chinchwad. And it is since these three, four-five decades that we have been manufacturing. But Germany has been manufacturing in partnership with us. So that know-how, that skill and that culture, I would say, has been there in KSB. So we have just taken it forward and that's the reason also NPCIL did not award a development order for this primary coolant pump.

Otherwise their process is first development order. They had the confidence in KSB, knowing from the past deliveries. So we could -- the first order itself was a direct order.

Unidentified Analyst: But in the first order have you taken any backup support from the parent?

Rajeev Jain: Sometimes it happens. Some consultancies or something like that, but nothing major, nothing major. They are there for us in case anything happens. But our people are all the same who have been worked on that. So nothing very specific, I would say.

Unidentified Analyst: Okay. My question comes from the cost of rejection or failure, very high in terms of nuclear.

Rajeev Jain: True, very true. Yes, you see KSB as a company, we always say that it's a pioneer in bringing new technologies into India, especially related to pump. If you say boiler feed pumps, condensate pumps and the recent FGD pumps. All this technology has come first time to India, and it is through KSB. So in fact, I was in our plant two days back in EPD, and I got an interesting comment from our youngsters, because I was very appreciative of the way we were developing this PCB.

So they said to me, sir, it's good that we did the supercritical boiler feed pump, CSTD type, which is supplied to Tata, Telangana. And they said from those pumps, which we made, we learned quite a lot and gave us a confidence. And if you happen to see the pumps, which are there, the kind of welding fabrication of the casing, it is something I also said to them after spending 35 years in pump industry, I'm still learning. It is some kind of very good know-how which -- and it's the culture. It's the culture in the company, which builds up and our Shirwal plant is quite geared up and having those -- that kind of skill set to do that pumps.

Unidentified Analyst: What percentage would be localization in this?

Rajeev Jain: 95-plus. Some parts, raw materials, which we don't want to kind of compromise in the first order, but those will also happen subsequently, some raw materials taking the vendor base of our principals, we have used very special materials. But processing and manufacturing 100% here, only some raw materials.

Unidentified Analyst: And testing?

Rajeev Jain: Testing 100% here. Testing, for testing the pumps NPCIL is investing in Tarapur, a testbed and the pumps will be tested in that premises. KSB will set up a site office where we will do the storage, assembly, but the testing will be done in the Tarapur premises.

Unidentified Analyst: So your parent must be watching this progress, how you work? And nuclear has already been classified under ESG now, right. And Europe is now really starting most of the nuclear reactors. And I think nuclear is somewhere getting attention as part of ESG. But right, so does that opportunity opens up for KSB India particularly, since now, your parent is also observing you, watching you the progress is being observed. And that will be a very big opportunity as we see in next 5 to 10 years. So how do you see or are you getting any discussions or any kind of --?

Rajeev Jain: Nuclear the confidence level of our parent company already was there for years. Because it's something which we have been doing for years. And as I mentioned, we have been associated with NPCIL for so many decades. So that confidence and the trust was already there. I think they have been seeing how we are executing that order. So there is no concern. In fact, it is more positive, and they are also on the same view that we will do this very successfully.

As far as opportunities are concerned, you'll see nuclear business export and what I think what -- that is what you mean. It's not so simple, it requires a lot of approval. There are political issues, you need clearances. It depends on country-to-country relationships and all. So we are not looking at exports of this business. There is enough in India to do and if we can get a good share of this business, I think we will be booked for many years, more than five, seven, eight years.

Unidentified Analyst: So second big opportunity is FGD, right? And I think the penetration is very low as of today. So there how will you see the opportunity?

Rajeev Jain: When you say penetration is low --

Unidentified Analyst: I think there's lots of gigawatts yet to be converted. I mean, to put FGD in place.

Rajeev Jain: I think as my knowledge goes, most of the NTPC projects, they have been already ordered, or the implementation is a bit slow. But the ordering part and the finalization part that has happened for the NTPC. Now what are majors are the known NTPCs, state electricity board projects, the smaller ones, which recently also the government has extended the schedule, knowing the limitations of the supply chain and knowing it's not possible to do this in such a short time.

So to give relief to all those manufacturers, they have bit extended and given priority wise. So we are also comfortable with that, not that we were squeezed. We had built up enough capacity in Shirwal. And luckily -- or I wouldn't say -- means due to the fact that the energy coal business went down, that capacity was available for us for this FGD business. So we still are -- for the NTPC business we have almost more than 70% market share for NTPC business, where there is a lot of strict stringent requirements on quality provenness.

And for the non-NTPC jobs, the conditions are a bit more relaxed, but still we are quite successful there, because this is something which nobody would want to take chances, because this is a high wear and tear pump. And it has tough conditions to meet wear life of 14,000, and in some cases, 24,000 hours. So that know-how and all is there with KSB. We see this business a bit slowing down but spread out to the next three years. It will not be the same like we did it last year and this year. But it's getting extended, maybe it goes up to 25, 24, 25.

Unidentified Analyst: And just last question on the PetChem side, the process pumps. Because someone did ask on the -- the cost of manufacturing is increased substantially in Europe. And probably wasting energy also gets rationed the way it's unfolding. So there is a very fast need for them to move to other countries to import pumps. And where -- because of your parent and KSB India also, in process pumps you are -- so how do you see that opportunity unfolding? Because this could be a very fast opportunity coming in.

Rajeev Jain: That's true. The petrochemical business is something of an opportunity for us for three to five years, when I see the investment in India itself, we talk of up to \$40 billion \$50 billion coming in, in this sector with the kind of investments both the

government PSUs as well as private sectors who have announced their projects. We see a huge potential in India, KSB with its product portfolio. We are basically a product company. And our growth success has been due to the number of products, which we have been developing over the years.

And we extend our range with API products, the range which was not there, BB3, BB2, this is the terminology used in this API. So we are continuously developing that products. And if you see today itself, this year, we have orders on hand of INR200 crores of this sector itself. So these are huge numbers and these give us encouragement that next two-three years, we are in the right place to do business.

Unidentified Analyst: This is a very high margin business.

Rajeev Jain: It's supposed to be high margin, but in India we have tough competition. There are a lot of -- in this sector, there are four or five international players who are present with manufacturing base here. So the cake is big, but so is the -- so are the manufacturer or the suppliers for this pump.

Unidentified Analyst: And so finally the service business, can it become 20% after five years?

Rajeev Jain: Yeah why 20% high, when I talk to my team, I say more than 20%, 25%. This is something will take time. Will take time because it needs investment in people. It needs investment in infrastructure, a lot of digitization efforts, automation so that we can capture the data. So it's something which we are going through that process. And I think the environment is changing in the sense that you need to be near to the customer and fast to provide that service. And for that, we need to ensure that we have all the data at our table that we can see where to go.

So, definitely in the near future 20% is a target. And when we say 20%, it is considering that a new business is also growing at a rate of 18% to 20%. So it's - - one may think that it is static, but one has to consider that there is an overall growth in the new business. So, yes, that is one of our key focus areas, key strategic area and we have branded that business as SupremeServ now. And then we are investing in that also.

Unidentified Analyst: Sir, if you permit me, one more question. On mechanical seals, I think that's interesting area. And how do you see that business and how big that business can be?

Rajeev Jain: Yeah, mechanical seal is a very interesting subject, which we are all very passionate about now, because this is a product which gives a huge potential for aftermarket business. So if you want to grow and succeed in aftermarket, mechanical seal is a must, I would say in my opinion because it connects us to the end users. It connects us to the end users where we don't do this business through EPCs or contractors. We go to the end users. And this is a business flow, this is wear and tear part which needs replacement.

So KSB has tied up with a company and now we started localizing the mechanical seal also. Till today we are importing those seals, but now we have

started, localizing. And in the years to come we'll have local manufacturing. So we can expect that will be more competitive and more present in the market.

Unidentified Analyst: Your own manufacturing?

Rajeev Jain: Own manufacturing, licensed from Germany, licensed from KSB Germany.

Unidentified Analyst: Thank you, sir. Thank you so much.

Rajeev Jain: Yes, please.

Ashwani Sharma: Please restrict yourself to two to three questions, because there are many requests I believe.

Rajeev Jain: Yes please. In the back. He raised the hand first.

Vipul Shah Yeah. Sir, so what is the CapEx we have done?

Rajeev Jain: Can you introduce yourself, sir?

Vipul Shah My name is Vipul Shah. So my question is sir, what is the CapEx we have done till date for this nuclear order? And what is the balance CapEx that we'll be doing for nuclear business?

Rajeev Jain: On an average, our CapEx in the year is INR80 crores. INR80 crores is an overall. If you ask specifically for nuclear, we had earmarked almost around €25 million to €30 million for this. That means including the plant, setting up plant and the machineries and development of the patterns and things like that. But this is a continuous investment. Now that we have received the second order, you have seen in the presentation, we want to replace our machines and get new ones.

So if you ask me a figure, maybe somewhere around INR200 crores would be a total investment so far. It's a very approximate figure, because some machines are common, which we use also for other applications. And it includes building, testing. Yesterday, two days back, we inaugurated our mechanical seal testing facility, a unique kind of facility. And mechanical seal for these pumps are to dynamically balanced. And KSB is the only company which does that. And we set up a testing, manufacturing and the investment was more than INR10 crores for that. So all-in-all, it's a continuous process, I would say.

Vipul Shah So second question is regarding margins for this particular order. Since you are the only approved vendor and chances of rejection are very high as you say. Shouldn't magic be a little higher for these orders?

Rajeev Jain: I wish it was. But we are always constrained.

Vipul Shah But you are the only vendor. So you can dictate your term --

Rajeev Jain: Not really. I think this is a competitive bidding. And all the bidders are invited domestic as well as internationally. So when we make the pricing, we are not the only bidder. It's only after the technical qualification that we become the bidder. And you see we have a history of supplies to NPCIL. And so we have to keep that in mind that there is already a price, which NPCIL has been buying. And that's the reason we have to be -- we can't dictate the pricing. It's all under competitive.

Vipul Shah And lastly, sir, can you quantify the size of the FGD pumps in India? You said market share is 70%, right?

Rajeev Jain: So we have got orders for, let's say, 250 pumps so far. And the whole size so far would have been ordered, would be maybe 350, 400 pumps. So you take around INR400 crores, INR500 crores market size so far. And the remaining still has to come. I would say another INR200 crores to INR300 crores.

Vipul Shah Thank you, sir.

Rajeev Jain: I'm giving very approximate figures. These are not scientifically calculated.

Unidentified Analyst: Hi, sir. On the cross margins, if you could help explain that you did upwards of 50% gross margins, which obviously has come now due to various pressures. How should one think about that how in terms of the trajectory of gross margins? You will have pulls and pushes using of raw material is what you stated or stabilization. And then you have new orders, et cetera. How should one think about that not necessarily in the next six months to a year, but more from a two to three year perspective, how is that going to shape up?

Rajeev Jain: Yeah, gross margins have suffered this year. But moving on, we intend to compensate that by our product mix as I mentioned, aftermarket business. Aftermarket business whether it is spare parts or service has a better profit margin. So we intend to increase that share in our business much more. So that is one area which we are working on.

And the second is of course, nuclear and specialized pumps, which are also at better margins provided we execute them well. So this is also about endeavor that those quality and that precision. And if we can do and reduce the failure cost of this product business, then we can have a good margin compared to our normal conventional business. So, those are the basic steps.

Of course, internal process improvement, digitization, whatever you may say, ESG measures, all these will kind of -- are ongoing parallelly to ensure that overall, we are able to maintain a healthy bottom line.

Unidentified Analyst: And is there a need to change the PVC clause or any other changes in the contract, given the volatility in RM cost that you're seeing past one, one and a half years?

Rajeev Jain: Yes, true, that is right. For the coming tenders, we want to -- we are discussing with NPCIL to remove the cap on the PVC clause. And this will make us maybe

more competitive as well. And this is something which is under discussion with NPCIL.

Unidentified Analyst: And the other larger orders in petrochemicals and other large orders, FGD, do you need any changes there? And are you well covered in those orders too?

Rajeev Jain: So far we are well covered, but moving on this -- we have started -- you see a lot of this petrochemical business comes from PSUs. And it's very difficult to change or negotiate any term or condition? You get rejected on any single deviation. So this we are starting. We have started some dialogue. We have had some discussions. How far we will be successful in re-introducing this PVC clause in that depends. But yes, we are looking at the last one year, two years we have started this discussion. You have to wait and see.

Unidentified Analyst: Is that just that the tender condition itself that comes out which is same for everyone that itself does not have those clauses or that needs dialogue and changes?

Rajeev Jain: True, and those are non-negotiable clauses. So they just ask a one line statement, please confirm the terms and conditions. So all manufacturers are pressurized to follow them.

Unidentified Analyst: And in various parts of your businesses are there kind of areas where you've seen competition increasing or decreasing? Or is much more stable? How should one think about that across various business lines?

Rajeev Jain: Sorry, come again, the question?

Unidentified Analyst: In terms of various business lines, water, for other -- construction, have you seen stable competition, increasing competition, last three to four years? Is there any impact of that on the gross margin that one should be aware of?

Rajeev Jain: Yes, competition is always there. India is a competitive market with so many Indian players. The advantage with KSB is that we are present in all segments. You must have seen in our presentation. We are there across all segments. And our competition sometimes are focused in some segments. That gives them -- that gives us a competition in particular segments, we have to face those things. But I guess over the last five, six years looking at our growth, we have gained market share in this business, where we were not present in many products, like split case pumps, open and pillar pumps for distilleries. Distilleries is a good scope. FGD pumps.

So the market share would vary across sub segments and thing. But overall, as a pump manufacturer, I think we have moved up the ladder now in terms of total revenue. And that is a good sign that we are taking market share.

Unidentified Analyst: And all the internal measures that you highlighted, you're taking in terms of efficiency projects, and digitization et cetera, is there a way to quantify the kind of impact on the original cost savings that you will have over the next one and three years?

Rajeev Jain: Yes. We have our internal measurements on these things, for example, failure cost or cost of non-conformance. We had at one time 3% of sales, and today it has come down to 1.5%, and we're targeting to bring it down below 1%. These are things which we can measure and quantify. But there are other measures like process improvements on digitization, removing manual times and efficiencies. So plus internal rejections on casting. So all those things are happening. It would be difficult to quantify those things, but that we would quantify more on the lead times and on time deliveries, which we are achieving.

So those are KPIs, we also measure our idle time, our general work time. So these KPIs are set in our plants, where we continuously monitor them and try to achieve our targets, whatever we decide.

Unidentified Analyst: And last question from my side in terms of NPCIL, you highlighted that there could be some rejections. So you supply the first pump, there could be some issues, so it's only restricted to the first pump, or is it like how should one think about that?

Rajeev Jain: No, it can happen. Human error, it can happen for even in second --

Unidentified Analyst: But the probability of that becomes less?

Rajeev Jain: That's right. Even sometimes our workers are scared to touch that part. Because if there is a mistake, they feel they made a mistake, so we don't penalize them. But it's something which is a very, it's something like you're treating a very high value item, seal housing, or something special material.

But that advantage is that we give them the confidence and they're very experienced and skilled. This skill comes over years of work. And this is something which we pride in.

Unidentified Analyst: Thanks so much. All the best.

Unidentified Analyst: Sir, couple of questions from my side. Firstly is confirmation on FGD. You said that 150 [ph] pumps, the total order [indiscernible 01:04:04.5] are. I believe out of that 150 we already delivered.

Rajeev Jain: Yes, around 160 we have delivered.

Unidentified Analyst: So basically the next thing is would be like 50-50 every year?

Rajeev Jain: More than 50, I would say. So what is happened is now since the government has delayed these projects and priority 1, priority 2, priority 3, there is a tendency from the customers to delay in lifting those pumps. So if you were to have our way we will give 100 pumps per year. But we are constrained by our customers themselves lifting those pumps.

Unidentified Analyst: Okay. But it would be more than 50 at least in there.

- Rajeev Jain:** Should be more. It would be more than -- we have a capacity of more than 100. And supply not only our internal capacity but our supply chain as well.
- Unidentified Analyst:** And second thing, as you said that 100 pumps like, 350 to 400 is the overall market. So like 100 pumps, so you have 70% market share. So have you won some more orders in the FGD?
- Rajeev Jain:** Yes, this year also, we have got -- it was shown in the presentation. I think we are continuously getting those orders still under discussion. And as I said, being a company which has localized this pump 95%, not only localized but the testing. Once you make the pump you need to have test facility as well. So that also we have invested. So this gives us an edge, competitive edge that you need - - that the customer has no doubt about KSB that not only they will make the pump but also give the performance because the efficiencies are in the range of 90%.
- And another thing I mentioned was the wear life. There are very strict or stringent conditions. You need to have wear life of, in some cases 24,000, in some cases of 14,000. It's a very aggressive medium, this slurry. So all those conditions are there, performance guarantees. So that KSB is able to demonstrate and that gives us edge specifically for NTPC jobs. These get relaxed when there is non-NTPC. So we have been getting ready -- to answer your question we have been getting orders continuously. And so far we are maintaining our lead position there.
- Unidentified Analyst:** Sir, one question to CFO sir. Sir what would be our total order inflow excluding the NPCIL order in this particular quarter and what would be the closing order book?
- Milind Khadilkar:** We have clocked in almost INR1,000 crore worth of orders in the first half of the year. The carry forward as of today will be -- excluding the NPCIL order it will be roughly about INR1,300 crores.
- Unidentified Analyst:** INR1,300 crore you mean closing order book, right?
- Milind Khadilkar:** Yes.
- Unidentified Analyst:** One last one last question sir. Your other expenditure in this particular quarter has reduced. So is this a steady state from here on? Because I believe last quarter, there was some one-off INR30 crore you indicated some order for INR40 crore or INR30 crore order got executed which was a low margin order where you have a higher cost and all those things. So just wanted to understand this other expenditure from here on should reduce, like [indiscernible 01:07:31.4?
- Milind Khadilkar:** I think post-COVID expenditures will not reduce. Now everybody is we are travelling and we are back to normal life. COVID gave us that relief of doing virtually everything. It indirectly helped us to save a lot of cost. So if you ask me a very general question, I wouldn't say cost expenditure would reduce. We

would reduce expenditure by our operational efficiencies. And this business of ours is a mix of standard business and project business.

The standard business, you can predict the margins, you know very well. The project is only -- those are monitored, but the real margin comes -- we know when we finish the execution of the job, till the complete supply has gone and the pumps are commissioned because of various factors. So in short, I would say yes, expenses wouldn't reduce. But we tried to as a percentage of sales, we tried to kind of optimize it and continuously improve the duration.

Unidentified Analyst: And in your engineered pump business, how much percentage of your business will be a fixed price contract?

Rajeev Jain: Almost 100 -- except the nuclear order, all are with fixed price contract.

Unidentified Analyst: Thank you sir.

Jonas: Sir, wanted some understanding on the--

Rajeev Jain: Sir, just if you could introduce yourself.

Jonas: Yeah. Hi, Jonas from Birla Venture Fund. Just wanted some understanding on the export opportunities. So while this year you have localized mechanical seals. If you can talk about certain product gaps that are still pending. And also, we've seen with many multinationals, which are sort of in a way diverting a lot of their factories that are in developed countries, back to India or elsewhere in Southeast Asia. Are there any such mandates on the anvil for India, in that sense?

Rajeev Jain: So your question is basically regarding exports?

Jonas: Yes, is there a target, like you said for services want to take it up to 25% of sales? We are at 17% in case of exports?

Rajeev Jain: Yeah, I guess if you look at the past years, we were hovering around 13% to 14% 15%. If you ask us a target, yes. 20% is something which we have kept as our internal target. Also considering that the fact as I mentioned earlier, that we grow in our domestic business also on a CAGR of 18%. So considering that if we maintain 20%, we feel it's a fair achievement. We have a lot of potentials to export. But one has to know that working in a global network and an MNC, where there are other manufacturing units, it's not free for us to export wherever we want. There are guidelines internally and there are markets, so that each plant is properly utilized, whether it is in China, whether it is in South Africa, Brazil, wherever. So all get equal opportunities.

But with India plant, since we have almost seven manufacturing plants, including MIL, the opportunities are more, the opportunities are more. And the group is supporting us to give us opportunities and market accessibility wherever they see these opportunities.

- Jonas:** So sir, are export mandates from the parent are geographical-based or product-based? So as in do you have like global feeder factories that India could become a feeder factory for a particular product, or it's just geography?
- Rajeev Jain:** It's more of geographical, because of nearness to the country, delivery times are crucial. Logistics are easier. So I would say more of geographical but sometimes it is product based as well, then, let's say some come -- we don't make one product or somebody else doesn't make than the access is given. For example we make a product split case Gamma [ph 1:11:50] now we got a global market access. Because no other KSB company makes it. So in such cases it's product-based business. But primarily I would say for common products, it would be geographical-based region wise.
- Jonas:** Thanks.
- Unidentified Analyst:** Sir, just a standard extension to this that you answered on the split gamma that you have got a global mandate. Can you help us understand in the next three to five years which are such opportunities, where apart from the geographical mandate that comes from the parent, from a product side, what are we working with? And I remember that in the past, that was not the case and since you joined probably that has changed right where we are pushing to make India as a global hub. So what is the pipeline? How big can be the opportunity and I know that domestic businesses is growing, but do you think that given whatever is going on globally can export surprise us in terms of whatever our internal targets?
- Rajeev Jain:** Yeah. This is true, how we try to be visible or competitive inside the group is to make products which others are not making yet. One is gamma I mentioned, second is a pulp and paper product KNCBP, the big sizes. So we are also the sole manufacturer of that. Then in petrochemical business API business, the BB3 pumps, the BB2 pumps, we are taking the lead. That domestic market helps here because when we get the domestic orders, we have a reason to develop these pumps. And then we extend it to the global market. So yes, I think we are working on our internal strategy where we have products which we are only the ones making in the group. And that would increase our opportunities and possibilities.
- Having said that, having said that, I guess our colleagues or internal competitors in China, Germany, France, Brazil they also are as eager as us. So it's a good healthy internal competition.
- Unidentified Analyst:** Thank you, sir.
- Unidentified Analyst:** Yeah, one from my side, [Indiscernible 1:14:09]. Question was on the just help us understand the demand on the distillery side and solar pump site? Where are we today? And what is the opportunity we can see there?
- Rajeev Jain:** Yeah, distillery is very, very encouraging opportunity. You saw that the Prime Minister's goal of 20% blending of ethanol and 10% already achieved. And this has given a spurt in the investment in distillery. I've seen so much activities and our plant in IPD, the oldest plant which was -- we transferred the products from

IPD to different plants, suddenly has become the most active plant, in spite of the products going out. That plant used to deliver INR120 crores to INR130 crores, and this year, we're targeting INR300 crores. And one of the reasons is distillery. We have a good range of pumps, when it comes to open impeller, and all those applications, so that is our strength.

So distillery is huge again opportunity, and we will get a good share out of it. And it should continue in the next two or three years. There's capacity being built by a lot of players.

The second you asked was solar. Yeah, solar is something which is very exciting for us. We are scouting for a partner. We are scouting to develop also ourself organically. But we have decided to go into this market as an integrator, not really as a pump supplier. So as I see the activities in Kusum Yojana, all are now getting momentum. So if we are successful in finding the right partner, maybe it could give us good returns in the short term.

Otherwise, organically, we are already gearing ourselves up to participate in this business.

Unidentified Analyst: Follow-up question. So on the distillery field, can you help me understand if INR100 crore is the overall CapEx for the distillery, what would be the pump requirements of that sector. The solar piece, is it contributing meaningfully to our current revenues?

Rajeev Jain: Percentage of pumps in CapEx, normally would be we say, anywhere between 3% to 4%. I'm giving a very general answer. So don't hold me for that.

And on the second question was on the solar. Yeah, solar today is contributing only for the pumps. Obviously we are supplying to the integrators, so we targeted almost INR30 crores, INR40 crores this year. And we are on track, but this is mainly to supply of pumps with motors, nothing more, and in some cases with controllers, but not more. We as I said if we can qualify to become an integrator, we get the right partner that this business would increase multi-fold.

Charanjit Singh: Hello, sir. This is Charanjit from DSP Mutual Fund. Sir, first question is regarding the standard pumps. So in our earlier discussions, we had talked about increasing our cost competitiveness on the standard pumps, bringing in more automation. Sir, we have to do a comparison in terms of our costing versus some of the smaller anomalies plus in the standard pump side. How's that standing right now, in terms of what are the initiatives we have taken in the automation side? That's my first question on the standard pumps.

And this market as of standard pumps, at what rate it is growing? If you can highlight the size of the market and the growth rate, that's my first question.

Rajeev Jain: Yes, standardized products for water segments the borehole pumps, the industry pumps we make in our Sinnar plant. And of course, automation is definitely one of the key areas where we are trying to improve.

On cost reduction, you see -- I mentioned about the failure cost that by various measures in terms of improving our process, it's a general word process improvement, but there are many, many activities behind it, starting from supplier audit, supplier -- so starting from getting machined castings and not doing machining in-house, improving the standardization to improve the minimum quality levels and so that your rejections become less. And of course other measures, are -- one of the other measures is we doing for the low value products we are doing is contract manufacturing. That means we don't need make things in-house because we may be too expensive for that. We have our partners, sub-suppliers who do the manufacturing for us under our quality norms and under our supervision. And they can do it may be much more at a competitive cost than us, and only then we only play the supervision role in maintaining that quality and the upgrade. So these are some measures which we are doing.

On the automation front, there are a lot of measures. I mean, if I count them, we set up an automated line for submersible. 6-inch pump. Like all of these -- it's an automated line where all the operations, which were done by different groups now are done on one process line. And means there are sort of -- there's a long list of these things. And ultimately it helps us to increase our output and reduce our failure costs. So the same Sinnar plant which at one time was doing INR300 crores, INR350 crores today is targeting INR600 crores and with the fixed costs being same.

And I guess one of our key success factors has been the fixed costs going down as a percentage of sales. And that is all reflected by increasing our internal efficiencies and output.

Charanjit Singh: Sir, what rate the standard pumps market is growing, and what will be the size of this market?

Rajeev Jain: Standard pump market is a very generic term in terms of segments, so what all segments, the industry segments? I would say that the growth would be anywhere between 7%, 8% if I would be quantifying that. It is low in some sub-segments, it is high in other segments. If you count distillery as a standard market, it is growing aggressive. If you count let's say domestic pump segment market, it could be 7%, 8%. So it varies across but on an average if I were to put a figure it would be in that range around 7% to 8%?

Charanjit Singh: While you have talked about FGD and NPCIL, but on the industrial side, steel, cement and some of these core sectors, there has been some discussion in terms of projects picking up. Any feedback in terms of how the outlook is looking on some of these core industrial sectors.

Rajeev Jain: Yes, good that you mentioned that, because see one of our top 10 customers you must have seen OEMs, OEMs like Thermax, ISGEC Krupp, ThyssenKrupp, these are our major OEM customers. And the investments in steel, cement, sugar are reflected in their order book position. If you see Thermax today also, if you read their results, they're also having a very healthy order intake growth. Same is

for Krupp. They're setting due to the infrastructure projects, and all these segments, which you mentioned.

So once our customers -- these OEMs have this other situation, it reflects a very good and a positive and healthy future for us for the next six months or one year.

Charanjit Singh: Sir just lastly, on the pricing side, we have seen various industries talking about price hike there, which they have taken. So if you can quantify what's the kind of price hike which would have taken on the standard pump side. And are you also deliberating on further increase in the pricing? And how our pricing gap versus the unorganized players, you know, post this kind of hikes which we have taken. That's all from my side?

Rajeev Jain: As again, it's not easy to put one figure across the price increase. But if you ask again are very approximate, I would say, in the last six months to one year, the price increase has been on an average almost 10%, which we have passed on to the customer through the cost price has been much higher. It has been more than 15% on an average. But we have passed on at least 10%. And I don't think so we will do that in the future because now we see good stability and also some commodities coming down.

So I don't see in the near future we are doing -- going to increase any price. And what was your next question?

Charanjit Singh: The gap between the unorganized and the organized?

Rajeev Jain: That is a valid question. I think this this whole scenario has widened the gap. But ultimately, we don't -- if we start looking at unorganic sector, then we go away from our vision and the value which we bring to the customer. So in the long run, I think that will not matter. It's the customers who would want to go to an organic or inorganic, I think they will still go. And we will not run after them. Our focus is to stay with customers who believe in a lifecycle costs and the right quality of the products.

Unidentified Analyst: Yeah. Sir, just if I can ask one last question. In Aqua Series which you have mentioned, so is it like we getting into these normal pumps or like Crompton V-Guard extra where currently we are not having --- we're currently higher price. So with these pumps, do you want to put a lower price segment and get into that market especially you're launching only for TN and Kerala market? So what's the strategical thought? And what's the current market share and where do you want to take this market share.

Rajeev Jain: So yes, this is a huge market, domestic market. When I came to India, I could not believe that such a huge market exists for domestic market. We always felt that we have good presence in the pump market. But this domestic market maybe INR3,000 crores or more. And we were hardly present in this market. So we started our entry into this market bringing out products. What we realized is that this market needs a very huge basket of products. And that is what we are continuously doing. Not only products, we make it also colorful. You'll see that it's not the -- it's not only the boring blue, sometimes it's also sporty and smarty.

So we are getting into that consumer side of this business as well. And the idea to bring this product is bringing a choice of products to the customer. We see that the customer is very choosy. Some need this feature, some need that feature and it's all about features inside a pump, whether it is the weight, whether it is the size, whether it is the color, whether it is -- many factors, and we try to reach to all those customers with this range. And since we don't manufacture it ourselves, we don't increase the complexity inside. It's only managing the complexity outside externally with the customer.

So yes, our share in this market is low, we know that. And we -- by bringing out these products we intend to grow in this market also in our next three to five years.

Unidentified Analyst: You have pricing perspective, because these are mostly aluminum. And so are we trying to play that pricing in similar to our competition and --

Rajeev Jain: Yeah. We will not be the cheapest in the market, but we will benchmark the top market share players in this market and make our pricing strategy in-line with that. Because this is a me-too product. This is -- it's nothing very something that you can sell on very high technical features. The customers are consumers who will look for cost optimization also. So definitely pricing strategy will be in-line with the top three players in this market.

Unidentified Analyst: And will we launch it further into other markets currently or are we targeting --?

Rajeev Jain: Yes, we are doing that. If you see last week, we had a dealers meet in Chandigarh which we launched these products. So we are going to launch this pan-India in a step by step way. The demand is so high we don't want to launch it and then face in our deliveries. So we are doing it step by step way.

Unidentified Analyst: What's the targeted market share strategically if you can--?

Rajeev Jain: Too early to say I would say. Because very low in this segment. WE will have a market share less than 5%. So I feel we need to improve our product basket and our dealer network. And then we can go in this market more aggressively and be a visible player. So I wouldn't want to give something which we are not fully ready yet, but it's on the way. It's something which is in our attention. And as I mentioned, contract manufacturing, this is one of the products which we are using that strategy also.

Unidentified Analyst: And in the agri pump also, it's a similar scenario for us. So can we expect something similar to this in agri?

Rajeev Jain: Agri, we are traditionally very strong or I wouldn't say strong, but very well known, and strong in some markets like north market. So agri is a more technical product sometimes like 6-inch, 8-inch pumps. So there we are bringing in additional variants in the product. We are improving product quality further. So I would say that in agri, we have a complete basket, comprehensive basket.

Now, what we are focusing on in agri is five-star rating, this is a four-star and five-star rating. If you see, go to the website, you will see maximum KSB -- KSB is the highest number of four-star five-star. So we are on that process to bring in a very high energy efficient agri pumps, and then drive this in the market with our efficient products.

Unidentified Analyst: And sir, lastly, Shirwal, we had this INR400 crore of thermal-related CapEx. And we had told that this some portion of that will be used for nuclear. So now you're telling that you're putting INR200 crore addition to that, so is it a total INR600 crore for nuclear, is that how we understand that?

Rajeev Jain: No, no. Shirwal was originally INR250 crores. That was our original plan. Out of that, we almost have spent almost all of it. And I mentioned INR200 crores nuclear. It's not easy to classify under nuclear as such, because it's common for the facilities also. But we have spent more than almost INR250 crores we have utilized. And what you saw now is additional, we are investing in machines there, for replacement of those machines. And we have bought some additional land for future expansion also. So it's a continuous thing, as the business grows the investments will increase and with other success rate, those investments will follow.

Unidentified Analyst: So it's kind of INR400 crore to INR450 crore total investment in that facility?

Rajeev Jain: Not INR400 crore to INR450 crore, it's INR250 crore. And we are planning to do further, a further INR200 crore. Yeah, it could be INR200 crore, if we get all the order, definitely it will be INR200 crore. But we go in a step by step way, depending on the business scenario. But as I said, there is no limit to investment, whatever is required case we will do. And we don't put a figure yet, because it depends on how the market dynamics change and what business gets priority.

Ashwani Sharma: We'll take last question.

Unidentified Analyst: This Himachal facility, in Himachal you had this plan of this ramping up your services last two calls you were telling. You're planning to add -- there you're seeing huge service opportunities. So is that really planning in the execution phase? Is that happening?

Rajeev Jain: It has already happened. Himachal we supplied multistage pumps because of the heavy terrain. We have a good installed base and we set up a service station in Bandi. And the service station is already full. So it's a small step in our service business. So that's how we are targeting the installed base in Himachal.

Unidentified Analyst: Just last question. Order book we mentioned INR1,300 crores. So if I exclude NPCIL, that's INR800 crore.

Rajeev Jain: So excluding NPCIL we are having an orders on hand of almost INR1,200 crore to INR1,300 crore, and additionally INR1,000 crore of NPCIL. So more than INR2,000 crores is our order book.

Unidentified Analyst: Sir correct me if I'm wrong, was it INR900 crores last quarter?

Rajeev Jain: Yes, we have got a very good quarter order intake. The first quarter was also good and the second quarter is also good. And as mentioned earlier, INR1,000 crore is already our order booking for the first six months and July month also has been quite good.

Unidentified Analyst And expected execution cycle for this?

Rajeev Jain: Execution cycle depends on the type of project business, it is normally 8 to 10 months. In standard business, it's three to four months.

Unidentified Analyst But this INR1,200 crore INR1,300 crores is only engineered. This does not include standard pumps?

Rajeev Jain: It's a mix of engineered and standard pumps, mainly engineered pumps. More share of engineered pumps, but as I mentioned this distillery business, these are good order intakes. So those we get -- if we get an order, it is a big project. One project could be INR50 crores with 700, 800 pumps. So it's a mix of that. But yes, majorly it would be engineered pumps.

Unidentified Analyst Sir, just one last question. Sir in case of solar pumps, we mentioned that we were looking for a partner and an integrator. And we also mentioned that we are only manufacturing some parts. So if you could just give a perspective let's say, how different we are from Shakti Pumps in the way they are doing their solar pump business and how we are approaching it? Just very confused on how --

Rajeev Jain: Shakti Pumps is far ahead. They have a good market share almost 40% 50% in this segment. So I wouldn't compare ourselves with Shakti today. We are at a stage, where we are only supplying our pumps and our motors, AC, DC and in some cases controllers to the integrators. Shakti manufacturers or has collaborations with all the suppliers and they act as an integrator since long. So we are not yet there. We are only playing in a market where we supply the pumps to the integrator.

Unidentified Analyst So basically we don't take the [Indiscernible 1:35:41] risk of tenders is it?

Rajeev Jain: Yeah, we don't qualify for tender yet, because the tender asks you for a provenness as an integrator. So, this is what we are working on to have a consortium or partner with whom we can participate and get the references and then start making more things internally or have again a strategic partnership with somebody who makes controller or other things.

Unidentified Analyst Sir, this is only because we don't want to take working capital risk, is that is how we are playing in this solar pump?

Rajeev Jain: No, because hurdle for this market is to qualify as an integrator. This is the bottleneck. We are not yet qualified as an integrator on the state governments' tender conditions. So till that time till we get qualified, we are working on to supply pumps to these integrators.

Milind Khadilkar: But our pumps are eminently qualified.

Unidentified Analyst Thanks a lot.

Ashwani Sharma: So we arrive at the conclusion of today's event. We thank management for giving us opportunity to host such a wonderful and patiently listening our queries and answering them. We also thank audience who made this event very successful. Thank you.

Rajeev Jain: Thank you, Ashwani.

Milind Khadilkar: Thank you.

Rajeev Jain: Thank you. I hope we could answer your questions.