



**“Shakti Pumps (I) Limited Q4 & Annual FY-18
Earnings Conference Call”**

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Moderator: Ladies and gentlemen good day and welcome to the Shakti Pumps India Limited Q4 and Annual FY18 Earnings Conference Call hosted by Kirin Advisors. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dinesh Patidar. Thank you and over to you sir.

Dinesh Patidar: Namaskar friends. I welcome you all to the Shakti Pumps Q4 and Annual FY18 Results.

Our EBITDA margin has reached to 18% as compared to 15% last year and which was 62 crores earlier and 80 crores in the current quarter. PAT margin is reached to 8% as compared to 5%, from 21 crores to 34.84 crores. After looking at the good PAT growth of the company we have declared the dividend of 37% to the shareholders. We have suggested 20% (of Profit) dividend to the shareholders from our net profit in our AGM. We are pleased to announce that earlier we used to have power electronic solar VFD and now we have a fully automatic plant named electronic and control with the help of Japanese plant having the production capacity of 50,000 VFD per year. This plant has already started and launched VFD in Raipur and has a good performance. We wanted to tell you that we are moving towards solar inverter in a slow pace. We are the first company to make solar inverter in India. We are making it through Digital India and Make in India programs in which we hope to have good orders from government of India so that we would be able to sell it on other places along with solar. We have filed 18 patents related to this which are in solar, pumps and motors, VFD. One of which is US patent. Recently we have been issued a R&D certificate from the government of India. We will be benefited financially by this certificate as we were working on R&D certificate from a long time for which we will be financially supported.

Coming to sales; this year we have supplied 4518 solar pumps as compared to last year 3700 solar pumps, having the growth of 22%. This company is formed for making solar and energy pumps and we have made 22% growth in that. The OEM business in which we supply solar pumps and VFD to Tata, Adani, and other channel partners of MNRE is now 86 crores as compared to 64 crores last year, having the growth of 33%. Our exports are grown to 130 crores from 117 crores, up by 11%. We have reduced our focus in small business of Agri with small margin to become a solar company. We are looking forward to a big opportunity in the Kusum Yojna by government of India in which it has announced 50,000 crores. Our prime minister wants to double the income of farmer and he has announced this Kusum Yojna on the same line. The farmer is expected to do solar farming. If he has a 5 HP pump then he should use 15 HP of solar panel and supply the electricity to the grid in which he will get Rs. 3.50 per unit. This scheme is announced by government of India. We have been working on it since last one year and put some demo plants and succeeded in it. The main focus is on inverter which has VFD unit. We will be able to make it in same unit and work on the government of India is scheme to help farmer's income. So it's a good opportunity in Kusum Yojna. This policy will

get cleared in two months. We will get a good business in that. We are participating intenders of around 15000 pumps. We are focused on OEM and other states too. We have been left behind in our last year's projections because of Rajasthan and MP. We had planned of about 50 to 60 crores in it from Rajasthan and we were L1 in that. But due to some reasons that was delayed and people went in court and now it is. Now this order is in our hand. Similarly in MP we had planned something in Q4 but we got delayed payment from the state so we also delayed our supplies which we will fulfill in this quarter. This quarter we would be in the condition to supply Rajasthan and MP. I am ready to answer your questions if you have any. Thank you.

Moderator: Thank you. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Jay Shah, an individual investor. Please go ahead.

Jay Shah: I would like to know what is the reason of this pathetic result. Earlier Mr. Maru had said that it will grow by 30% to 35% and in the last con-call you said they will grow by 25% but this year there is no growth but there is a decline of 25%, what is the implication of all this? Mr. Maru had said this 15 days back, wasn't he aware of the situation in Rajasthan and Madhya Pradesh then how will we grow by 30% to 35%.

Akhishlesh Maru: 15 days back the interview which I gave, last one month I have not spoken anything on Q4. That was for 18-19 I spoke about 20%-25%, Q4 I have not spoken anything on TV in last one month, nothing.

Jay Shah: No I'm not talking about the last one month. I'm not talking about that. I'm talking about last year also whenever you had come on TV you said it is 20% to 25% growth and even in the con-call Mr. Patidar told us that it will be 20% to 25% growth. I specifically asked one question that whether we will be able to reach 500 crore mark that was my specific question last con-call or last to last con-call then he specifically answered it will be more than 500 crores, maybe 600 to 700 crores. This time you are ending up with 440 crores.

Dinesh Patidar: Definitely we had orders in our hand at that time. What happened is we have supplied to MP government but we have not yet got our payment. We have an outstanding amount from MP of 50-52 crores in the 140 crores as we have transferred their 50-60 crores orders. We need to take day-to-day decisions in the business and we are planning according to that. Your doubt is correct on your part that whether we will be able to cross 500 crores task. It's our dream to cross 500 crores and we will do it. But the payment from the government and other planning hinders our dream. We have to establish a solar pumping solutions and for that we have hired Amitabh Bachchan for an ad. We have spent 50 crores on that. We have done it so that the solar pumping system should come in line. It might take 2-3 years to get orders from government. Now everything is established and all the state governments are giving order. We are supplying to every state government. All the repeated orders are started in the governments. Earlier in Chhattisgarh we had 7000 pumps, Rajasthan we had 6000 pumps. That increased to 12000-15000-20000 and now they have a plan of 50,000 pumps. Things are happening in our support in the slow pace. Yes I am with you and we too expected it to be

above 500 crores. The payment from the MP government and the tender from Rajasthan has come in our way. These things are out of our bound. Some orders have been postponed too. I will request you to have faith in us. We have done a growth of 22% on the number of pumps but raw material has decreased, the profit has increased. If we would have done 500 crores and the profit would be only 2% then, like we have reduced our focus on Domestic and Agri business, which has small margin. And because we want to be one of the solar company and Why would I go into less margin if I get 500 crores. I should look at my PAT which has increased by 60% year-on-year. My profit has increased by 60%, my EBITDA has increased. We have grown in number in solar by 22%. This company is made for solar pumps and we should remember it. We have done a growth in export. We have left the 50-60 crores of turnover deliberately because it had less profit and delay payment.

Jay Shah: My second question will be your projection for 18-19? Mr. Maru has told on TV that we will grow by 30% to 35%, so is it possible to grow 30% to 35% this year?

Dinesh Patidar: Mr. Shah I'm inviting you to our factory. You please do come; I will show you that this company is not made for 500 crores. I'm telling you that we have developed and inverter for Kusum which is 50,000 crores scheme of government of India. We are working with them on it and so our company is not for only 500 crores. Please have faith in us all these projects which are happening in our country. Our country has 4 crores agricultural pumps which we need to exchange with solar pumps. Modiji wants it to change and I also want it to. I have full capacity to do it and the government also wants to get it done. But these works happen in slow pace because it is in agricultural system, farmers have to be given and it is related to their income. It's a sensitive question. This technology which we have developed in the motor efficiency is never done in the India. Nobody is able to make VFD in India and we're making it. I hope our share holders will be benefited by what we have already done in solar. Have faith in our company.

Jay Shah: I am with you from last five years.

Dinesh Patidar: You come to our factory once.

Moderator: The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: The VFD factory which you have established, how much CAPEX you have done in it and is the factor fully operational?

Dinesh Patidar: The factory is started and it's operational. We have to invest 15 crores in it and the fully automatic plant has come from Japan. We have already tested the VFD in the market and starting the production.

Deepak Agarwal: Earlier when we used to discuss about the pumps the cost was 50,000-60,000 and 30,000 approximately for VFD.

- Dinesh Patidar:** Correct.
- Deepak Agarwal:** As you started in-house manufacturing how much pricing benefit or the margin benefit that can come to the company?
- Dinesh Patidar:** We will definitely have a good margin in VFD. We are moving forward slowly. Earlier the VFD was coming from China and we were focusing on timely delivery. The delivery from China was little late and had servicing problem also. Plus we give 5 years warranty in our products and were having problem in the after sales service in the components. So altogether we will be benefited in the realization of the solar sell. We were purchasing the VFD from China earlier but now as we are producing it in house we will be successful in reducing our cost by 10% to 15%.
- Deepak Agarwal:** As agriculture has now become smaller because of the focus on solar. But still year end FY18 in 440 crores, how much agricultural contribute in this business in the domestic side?
- Dinesh Patidar:** 36crores.
- Deepak Agarwal:** And in FY19 how much you expect this number to be?
- Dinesh Patidar:** Around 60 crores.
- Deepak Agarwal:** Overall from if not FY19 but at least FY19-20 perspective given the tenders of 1 lakh in the market we also have state elections which are from the corner, so do you think in FY19 because of the state elections both MP, Chhattisgarh, Rajasthan which are your main target markets do you think the ordering can take a backseat and real growth can happen in FY20 only?
- Dinesh Patidar:** Actually when the code of conduct starts in the state the new tenders are stopped. The tenders which are already ordered the supply goes in it but I feel because of elections the work will be speedy. Funds will be released fast and they will have to do it fast too. If they give the pumps subsidy to farmers their vote share will increase and they will get a political mileage of this.
- Deepak Agarwal:** How much we are expecting this year on the domestic business from solar? Out of 440 crores if I remove the exports and this agriculture then we will leave with a number of approximately 260 crores odd, so how much we expect in FY19 this number to be?
- AkhileshMaru:** From solar we are expecting somewhere around 340 crores. That is solar plus OEM.
- Deepak Agarwal:** Solar plus OEM both put together?
- Dinesh Patidar:** Solar plus OEM both 340 crores.
- Moderator:** The next question is from the line of Ankit Soni from Karvy Stock Broking. Please go ahead.

Ankit Soni: I just want some financial terms to be cleared off. Basically our debt has gone up significantly, so can you throw some light over there?

Dinesh Patidar: Debt?

Ankit Soni: Yes, borrowings. Borrowings have almost doubled.

Dinesh Patidar: Our debt level is almost around 110 crores level.

Ankit Soni: But then it is little bit significantly higher when compared to F17?

AkhileshMaru: Generally our debt level is around 105-110 if you see the last 3-4 years. Last year I had cleared also that our debt level is low compared to previous year around 87-90 crores; the reason was we had some extra cash flows so we made some payments in advance to bank. So repayment of loan we have done that's why it was a little lower level. But that time also I cleared that this is not my actual level. Going forward considering the solar projects and working capital requirement it has to be about 100.

Ankit Soni: So that is what I mean like are we looking at any stretch in receivables due to government projects, so because of which the borrowings are increasing?

AkhileshMaru: Not in that way. One thing is there as we are more moving towards the government projects we have little bit more requirement from the working capital point of view. So some of the requirement we can fulfill through the internal accruals and rest if required then we will have to go for little bit on the debt side.

Ankit Soni: I need this yearend sales and quantity, so if you can just give me what was not solar domestic sales and quantity?

AkhileshMaru: Non-solar domestic sales?

Ankit Soni: Yes, so how much was the sales and how much was the quantity if you can provide me with.

AkhileshMaru: The non-solar sales is 185crores including exports.

Ankit Soni: What would be government solar projects, how much it would be sales and can you just give me non-solar domestic, does the quantity if you can just justify me?

Dinesh Patidar: Non-solar domestic quantity?

Ankit Soni: Yes, so domestic pumps which are there which are non-solar I need the quantity, how much volumes you have sold?

Dinesh Patidar: Around 28,000.

Ankit Soni: And government solar what was their sales and what was the pumps?

Dinesh Patidar: 4500 EPC projects, integrated full system.

Ankit Soni: And solar OEM?

Dinesh Patidar: 21,000.

Ankit Soni: And what could be export quantity?

Dinesh Patidar: 40,600.

Ankit Soni: I have got some query actually saying that you just gave some interview saying that there was some issue with GST within volumes were 1,45,000 but shown is 95,000.

AkhileshMaru: No, that was not an issue. What happened is in last year we had certain things like we used to sell pumps that's also, we used to sell pump plus VFD also and separate motors also and solar panels also, roof-tops also. So now the last year what we were doing is somewhere we were not counting the pump-sets like pump plus VFD we were counting two because billing point of view there was a different excise bill, there are different tax rates is supposed to count two. But as this year started GST started, so GST rates are similar to many products. So now we have started counting only pump sets. Last year about 148 lakh units we sold if I convert into this year's criteria, it was 97,000 units versus this year 95,000 units. If you want me to convert this 95,000 into 148 criteria, then it is 1,31,000.

Ankit Soni: So basically volumes are lower in that case, right?

AkhileshMaru: Volumes anyway as I said we are more moving towards high-value business where margins are good and as sir already told that we are looking low domestic focus because margin is little lower side, more competitive market. So what bandwidth we are putting for lower margin business now we have shifted to the higher margin business.

Ankit Soni: Just for clarification now pump-sets involves comes and VFD counted as one, right?

Dinesh Patidar: Yes. If we are selling to OEM it is pump set plus VFD considered to be the one set and if we are only selling pump then again consider one.

Ankit Soni: Just like last quarter we had a huge shoot up in margins which is around 18% and this quarter we came back to around 12%. So last time also you mentioned this could be sustainable, so what has happened this time can you just throw some light over there?

AkhileshMaru: Margin little bit up and down because that is linked to the operational efficiency like turnover. So compared to last year we have a little lower side in the sale and like my other costs like employee costs which was up by 6% and....

- Ankit Soni:** One more thing I can see is like your other expenses are increasing which is like on a percentage to turnover it's like very different I mean to say 15%-18%, something like this. So can you just throw something over there?
- AkhileshMaru:** You are saying that in Q4 my other expenses gone up percentage wise?
- Ankit Soni:** Yes, so it is like 18% of total sales.
- AkhileshMaru:** Last year in Q4 my other expenses were 25% versus in this quarter my other expenses are 17%, come down.
- Ankit Soni:** But then I was looking at the last quarter, so last quarter we had other expenses somewhere around 12% on a base of just a little bit higher turnover. So any one-off expense, any higher expenditure we have charged on other expenses in this quarter?
- AkhileshMaru:** No, not one-off kind of thing but certain expenditures like on yearly basis we have to account from expenditure.
- Ankit Soni:** This Rajasthan and MP which we are lacking orders can you just as Dinesh sir said this has been tender to us, so can you just let me know how many pumps are there and what could be the volume and what could be the revenue and all?
- AkhileshMaru:** In Rajasthan the total tender size was around 7500 where we were the L1, so our minimum quantity was around 2000 pumps. And back-to-back traditionally 40% to 60% OEM business we also do in the Rajasthan. So like from the beginning of the year we were working, fielding and we got very good response and become L1 in the Rajasthan. We were waiting to start this project and till like last con-call we had hoped that this being an election and the entire processing has already been done, at least 30%-40% of tenders we can do it in last three months. But unfortunately some legal issues it couldn't turn up. But impact of that is this year they started early, what they do in the May-June they started in the month of April itself, the entire processing, so started early. The same way like when you talk about the MP, MP is like we supposed to do almost 2000 to 2500 pumps whereas we did only 1300 pumps.
- Ankit Soni:** I was just looking at the number because Dinesh sir said that Shakti has got some orders from Rajasthan, so I was just looking at the numbers what it could be.
- AkhileshMaru:** 18-19?
- Ankit Soni:** Yes, year-to-date as on April to May.
- AkhileshMaru:** So MP we got some backlog orders.
- Ankit Soni:** That's what, how much it was?

AkhileshMaru: It was around 500 pumps.

Ankit Soni: An opportunity is like 50,000 pumps you're talking about?

AkhileshMaru: No, this is of the previous year. We have to do 500 pumps. The new tender is still in process and we are working for it. This is last year I'm talking which we have to do it in this year.

Ankit Soni: So this year opportunity you're talking this was around 40,000-50,000 pumps because Dinesh sir mentioned that only. This year the target is to be like 50,000 pumps for Rajasthan.

AkhileshMaru: 50,000?

Ankit Soni: Yes.

AkhileshMaru: No, its Chhattisgarh.

Moderator: The next question is from the line of Raj Rishi, an individual investor. Please go ahead.

Raj Rishi: I just want to know what is the guidance presently like you said 18-19 so they will do around 340 crores if I understood correctly, domestic you will do 60 crores, so total turnover what can be the guidance presently for 18-19?

AkhileshMaru: It could be anywhere around 575-580 crores.

Raj Rishi: But in this how many pumps you intend to sell in solar, OEM and government?

AkhileshMaru: OEM and solar to convert into number of pumps, exact number.....

Raj Rishi: Just to get the idea how many pumps we intend to sell total 18-19, growth in volume would be how much?

Akhilesh Maru: Yes, we are participating for 15,000 pump tenders.

Raj Rishi: 15,000 pump tenders?

Akhilesh Maru: Yes.

Raj Rishi: Okay.

Akhilesh Maru: And for OEM side we are looking for 38,000 to 42,000 four pumps.

Raj Rishi: Okay. And in terms of volume growth total how much growth can you see over 2017 - 2018? Total everything combined?

- Akhilesh Maru:** Phenomenal growth, these numbers are really huge considering that we have some bag log also and they are expected to move fast compared to the previous years.
- Raj Rishi:** And sir, this KUSUM Scheme when do you expect some good impact to come, which part of the financial year if this financial year? Because the scheme seems to be huge?
- Dinesh Patidar:** Yes, it should take two months to three years and its mechanism also, now whatever pilot projects we are doing, these are all pilot projects they are different in states. There is different R&D in different places. Whenever KUSUM will come it will come at a big level and it will come at the big project and will come in a big way and will come for the whole country. Central Government is deciding mechanism that they want to go with SIFior how they will do in State Government, how it will work planning is going on now.
- Raj Rishi:** So sir, what is your guesswork is there anything showing up in this year, 2018?
- Dinesh Patidar:** Yes, it is not showing in this quarter but it is showing in next quarter.
- Raj Rishi:** Okay. The projections you are making....
- Dinesh Patidar:** I have not taken KUSUM in my projection. I have not taken any project in projection. Not only this I have not taken any project in projection, I have not even taken my exports project in projection.
- Raj Rishi:** The projection of Rs. 570 crores to Rs. 580 crores which Akhilesh gave that you are saying KUSUM or ISS Solar benefit could come separately.
- Dinesh Patidar:** Sir, separately that is very big calculation I cannot count, if that comes I will information shareholders.
- Raj Rishi:** So is there any estimate that in 2018 - 2019 there will be some benefit of it to Shakti Pumps?
- Dinesh Patidar:** Should be there but when that will come I will come to you.
- Raj Rishi:** Good, good. So sir in two months to three months looks like there will be clarity in KUSUM what is and what is not.
- Dinesh Patidar:** It will take two months to three months, it will happen in next quarter.
- Raj Rishi:** Good. And is, you were talking about the new product that you have set-up plant in Raipur of 50,000 units?
- Dinesh Patidar:** No, we have done in Indore, in Pithampur we have a unit we have done there. We have launched the product in Raipur.

- Moderator:** Thank you. The next question is from the line of Dinesh Nagda from Harsh Investments. Please go ahead.
- Dinesh Nagda:** Sir, it was informed in the last concall that we had an order of something around about 1,20,000 pumps. So I just wanted clarity that out of this how much is executed and how much is remaining?
- Dinesh Patidar:** 1,20,000 pumps were not the order, it was tenders of pump across India in that the order allocated to us was nearly 6,000 pumps were allocated to us which was around Rs. 240 crores - Rs. 250 crores order was but out of this some repeated was that was in M. P. and Rajasthan because of delay or because of payment.
- Dinesh Nagda:** Okay.
- Dinesh Patidar:** Is this you wanted to ask?
- Dinesh Nagda:** Sir, can you please repeat I mean actually there was a disconnection I think.
- Dinesh Patidar:** Yes, I am saying, last year of 1,20,000 or whatever we were talking about that was the total tender for which in entire India tenders were processed for the solar pump and out of which we were allocated 6,000 pumps. Out of this 6,000, we have completed some 4,5000 pumps and in that a little deficit of ours of around 1,500 pumps that is because of M. P. and Rajasthan.
- Dinesh Nagda:** Okay. And sir, going forward, what is the tender size center plus state?
- Dinesh Patidar:** Tender size till now has come and is about to come in that there is a tender announcement for about 1,00,000 or tender has come or announcement has happened for them till 1,00,000 has happened announcement. And in this KUSUM is about to come.
- Moderator:** Thank you. The next question is from the line of Ashish Bagchi an Individual Investor. Please go ahead.
- Ashish Bagchi:** Can provide some outlook on exports?
- Dinesh Patidar:** Outlook of export.
- Ramesh Patidar:** In export, this time we have done growth of around 11% and we are hoping to work for 20% to 25% growth, in this some Middle East market has also opened. So we are hoping for good growth. So minimum this growth we are expecting.
- Akhilesh Maru:** See, what happened in export, Shakti is known to be an export-driven company a few years back and then we exited Middle East market because of ISIS and then oil price crashed and so many things impacted in the Middle East now on those days we diversify ourselves to different territory as well as different product. So first of all, right now positive is that the Middle East

started picking up once again as the normalcy is going on started once again there and many positive things are happening. Second, as we diversified ourselves to other territories like in geography wise, so whichever use to come 70% - 80% from one geography that does not come more than 30% - 40% from any other geography. So across the world, we are almost present in all the geography. You take Africa, you take the USA, you take Euro, you take Asia, so good contribution from almost all the region and result of that is in future we can get good scalability because of this diversified. Third thing, as sir explained that we are also working on solar projects in export territory there also we may get some positive response in coming quarters.

- Ashish Bagchi:** Okay. So how much export we have done in this year?
- Akhilesh Maru:** This year we did Rs. 130 crores.
- Ashish Bagchi:** Rs. 130 crores and you are expecting around 25% growth on that?
- Akhilesh Maru:** Yes.
- Ashish Bagchi:** Okay. And solar pump was normal....
- Akhilesh Maru:** No, this is absolutely normal pumps. If we added anything through ISA or through solar export projects, we are working that is completely add-on to 20% - 25%.
- Ashish Bagchi:** Okay.
- Moderator:** Thank you. The next question is from the line of Varun Agarwal from BOI AXA Mutual Fund. Please go ahead.
- Varun Agarwal:** Sir, I will start with our tenders have happend, just want to understand how is the competitive intensity I mean how are the competition and the ticket size which was earlier like 4.5 lakhs has it come down or more or less stable?
- AkhileshMaru:** See, competition-wise not much issue because here more important is the quality because it is a long-term product. So anyone coming with a low price we can say that time in the future. So five year AMCis also there and somewhere under warranty, guarantee provisions are there. So probably all panel manufacturers and good quality players are not looking for the cheap product especially in this area, first thing. What was your next question?
- Varun Agarwal:** Basically ticket size was that about 4.5 lakhs, is it reduced or it is stable? How is it?
- Ashish Bagchi:** Ticket size has come down from 4.5to around 4 lakhs or 3,80,000 and the reason is not the competition. The reasonsare not the competition, the reason is input prices which have gone own drastically that is why the sales prices come down, it is not because of the competition and this is really on reason like we are mentioning our margin good way.

- Varun Agarwal:** Correct. So sir, going forward like you said around 15000 order we have which will be ordered over next one year which is guaranteed...
- Dinesh Patidar:** Varun, my only thing it is not ordered in hand right now, it is like we have a plan or we are participating for 15,000 pumps and in 15,000 pumps our estimated for Government solar pump is around 220 crores.
- Varun Agarwal:** So we participating in 15,000 pumps?
- Dinesh Patidar:** We are participating for 15,000 pumps in tender and in that we have estimated that we will 220cr pumps order book from Government in this year.
- Varun Agarwal:** This is our solar which is integrated plus what we supply to OEM that will be different?
- Dinesh Patidar:** OEM we have done provision of around Rs. 120 crores separately.
- Varun Agarwal:** That will supply to OEM?
- Dinesh Patidar:** Yes.
- Varun Agarwal:** So by combining both around Rs. 340 crores - are what we plan to do.
- Dinesh Patidar:** Yes.
- Varun Agarwal:** Okay. Can you give clarity on KUSUM clarity means how will be the payment mechanism like generally like the schemes going on like there is a change like in that State government is playing a big role or Central government will play with the role? How is it different from the current scheme?
- Dinesh Patidar:** No, current scheme whatever pilot projects are done those are small-small, big work will not happen. To do big work, India Government is talking about developing a big platform maybe they will do through SECI or MNRE appoint someone else or State government wants to give their stake that money will finance to them from NABARD finance, some mechanism is making on, if it comes then it will come through electronic media or come through different subject, for making that mechanism develop, two to three months Ministry of Renewal Energy people are working in speed and I think, within two months to three months, it will be a kind of mechanism where we will not talk about numbers, we will talk about percentage growth.
- Varun Agarwal:** Okay. And sir, you have talked about payment delay there was some problem in M. P., will you please elaborate it? Is it due to the funds released or work was slow because of that problem was there? I mean what is the problem because of which this payment was delayed?
- Dinesh Patidar:** See, actually, we work through a nodal agency, it gets money then we supply pumps.

Varun Agarwal: Sorry.

Dinesh Patidar: Orders come first but to measure money safety we are not people of running behind the sale, we are people secured their money. So we feel that our money is not coming so that is why we waited for one quarter, that order is converting and coming in this quarter and our payment is also recovered. We have balance things. If we run after sales and did not receive payments, then we will be hit at interest. Say interest....

Varun Agarwal: Sir, I understand your point. I appreciate that. Basically, I wanted to understand, the delay which happened is that normal process or is like what is the reason because of which this happened?

AkhileshMaru: No, it is absolutely a normal delay. I will tell you, see, when you do the business, we have certain policies of the business that we want payment after such days. Once they have committed we will give you payment in 60 days and we assume like we should receive payment within 90 days to 100 days. It is fine. Then if the delay is happening in this then unnecessary you are getting stuck your working capital. You have to wait till the time it becomes smooth.

Varun Agarwal: So currently our total net cycle is around 170 days, the net payment cycle?

AkhileshMaru: Our total working capital cycle is around 151 days.

Varun Agarwal: Okay, 161 days you are saying?

AkhileshMaru: 151 days, right.

Varun Agarwal: So how it will move next year stuck because of some payment is stuck or how it will like how?

AkhileshMaru: I am not saying that payment is stuck because these things are of 31st March, we have done some Rs. 18 crores recovery in April. We have received payment in April of around Rs. 18 crores. We will receive some payment in May first week. So what is this a little delay like nodal agency is where they have done some delay so that payment is coming there is no stop but they have delayed a little bit from them and that is why we did a little delay in one quarter.

AkhileshMaru: They have also received now

Varun Agarwal: The 151 days working capital is there I think going forward....

AkhileshMaru: Actually, Madhya Pradesh Government has not given them money and they did not receive their subsidy money from the Central government, that is why we were not taking that order because of this deliberately because after the order is done where we will run for orders? Now, they have got that money, the fund is received, center money is also received, subsidiary

money is also received, and the state has also given money. So they have money now that is why we are behind that, we have taken that order and we are supplying that order.

Varun Agarwal: Sir, just to understand means these process these are a normal process like in Government orders this happens. So is Government working on a certain mechanism that these delays do not happen so that work can be executed on time? Do you think, anything like this is there in the planning stage at the various state government's level or this is a normal process that will be going on?

AkhileshMaru: No, because the KUSUM is there like sir have told like in KUSUM they are doing mechanism in such a way that it will be successful because of KUSUM in all these is a very vast scheme if you combine all you will get one KUSUM because of that also sir has told that this mechanism you have to show that in that things get smooth line, if delay happened in this way and if these processes follows then KUSUM's success gets doubtful. That is why they are working on such a good mechanism and they are taking time to come up with a better and strong proposal.

Varun Agarwal: So basically, you are saying that going forward if it comes in KUSUM, so we will prefer to bid in KUSUM, where there will be set mechanism will be there, there will be no payment delays, this is what you are trying to say? Plus, who were working on State government they will continue working on.

AkhileshMaru: See, KUSUM is a project of whom? It is a project of MNRE. There are different State government project in that who contribute subsidy in that MNRE contributes. If anything gets successful in KUSUM that is why this is going to be applicable on the states also by default because MNRE is a big contributor to the state subsidy. It depends on success of another project.

Varun Agarwal: Sure, understand. Sir, the set-up we have done in VFD the manufacturing facility. So based on that I can assume that 1% margin upside comes because the way I calculate according to what you said.

AkhileshMaru: 1% to 2% depending on the utilization how we improved like initially slower than the faster pace margin improvement is definitely there.

Dinesh Patidar: Or technically let me tell you one thing that world's best VFD making brand its name is Danfoss. Again, this is a company of Demark company, it has a good name. They supply VFD in many places in the world. We are considering them this level of competition and we have developed a product of this level.

Varun Agarwal: So sir will we be selling VFD differently or is it only for internal captive?

Dinesh Patidar: We will, we will sell it differently.

Varun Agarwal: Good, okay. Like the ones which go to OEM's in that we can do.

- Dinesh Patidar:** See, VFD's one benefit was that there is percentage margin improvement the second is that dependency is not on anyone. The third is that when you go for an integrated system earlier you use to contribute 15% , now your VFD contribution is around 10%, your VFD gets contributed then something else will happen. So your in-house contribution that slowly increased into the fully integrated system and value addition is happening at every place.
- Varun Agarwal:** Got it. And sir, in your opening sentence, I have missed a little in beginning. I have heard something like we have spent around Rs. 50 crores on branding to Amitabh Bachchan. So is it expensed out or is it capitalized or something...
- Dinesh Patidar:** Rs. 50 crores are all these processed that in last four years - five years starting with the Amitabh Bachchan which has already done last year whatever was we were all finished, expensed our write-off everything, all 100% cleared under the IndAS applicable.
- Varun Agarwal:** So out of this all expensed out, no?
- Dinesh Patidar:** It is completely expensed out happened, not Re. 1 is pending. But I will tell you this is one-year prior that was about last year.
- Varun Agarwal:** Okay. So going forward how much we will spend on branding?
- Dinesh Patidar:** Now we will not do. Shakti Pumps brand is so good worldwide that with the name of solar pumps in world Shakti Pumps is known in the world.
- Varun Agarwal:** Got it.
- Dinesh Patidar:** We need once in a decade kind of big blast like what have done in Amitabh Bachchan. So I think for next five years we have done.
- Varun Agarwal:** Got it. So there will be no improvement in expenses. Okay. Sir, on the domestic apart from agri, so how is situation there if you can elaborate on that? How is that business going on? What are the future growth outlook in that business?
- Dinesh Patidar:** See, in agri, in domestic we have solar OEM industry and the agri industry.
- Varun Agarwal:** Industry, so overall industry on solar industry, not agri.
- Dinesh Patidar:** Overall industry like still we are in process to get impanel with first of all new dealers, distributors, consultants, direct corporate who have a big consumption RO companies and water purifier companies which has a lot of water consumption then builder and construction companies. As an internally, we are working and bifurcating, in the process to bifurcate team, segregation where further we are targeting the different-different segment. So this industrial segment, yes today at a low level contributing 5% - 7% of total sales. But I think two years down the line it may give you a significant number.

- Moderator:** Thank you. The next question is from the line of Abhilasha Satale from Dalal & Broacha. Please go ahead.
- Abhilasha Satale:** Sir, thank you for taking my question. Sir, basically I want to know what is the industry size currently? How much is the industry size in solar pumps? And if you could divide it state wise?
- Dinesh Patidar:** Can you a little louder?
- Abhilasha Satale:** Yes. Sir, I want to know how big is the industry like the solar pump industry currently how big is the industry? And what is the diversification of it state wise?
- AkhileshMaru:** See, if I talk about industry to you, the tenders which are in process or their declaration announcements of them which were done that is around for 1 lakh solar pumps and effectively if we talk about the one solar pump into the average size which is around 3.75 L, it comes to around Rs. 3700 crores and addition to that KUSUM is yet to declare that how many pumps they are going to install or announce this year. So in addition to that this is a huge number. A further addition to that ISA can also be added into that because ISA has planned to install few numbers of pumps in India as well as Bangladesh as well as in some African countries.
- Abhilasha Satale:** Okay, fine. Our margins have been a little volatile. I mean our margins were a little on a quarter-on-quarter basis. So what do you think our sustainable margins could be like going forward, what is the outlook of margins?
- AkhileshMaru:** See, margins were sustainable at 18% as I told you to know like Q4, yes, margin went down because some extra provision anyway we have to do it in any Q4 plus our sales also little on a downsize. So if you all see the quarter of year-on-year basis and if you compare it on a quarter-on-quarter basis. I think every year we are improving somewhere on a margin side.
- Abhilasha Satale:** Okay. So 18%...
- AkhileshMaru:** 18% is a sustainable margin.
- Moderator:** Thank you. The next question is from the line of Raj Rishi, an Individual Investor. Please go ahead.
- Raj Rishi:** Sir, wanted to ask one thing Dinesh Ji like the competition's such a scheme is coming like KUSUM or ISA solar pump, so in India or globally like will you comment something like how do Shakti Pumps stand in front of competition?
- Dinesh Patidar:** Some people are coming in competition and we also want that people come so that because of which market size gets increased and market size will get increased so internationally we compete with Danfoss, but in India also some small people are coming in solar pumping business because of whose performance there are a little problem. However, in discharge, we

are more than 40% than them. We have more performance 30% - 40% of any India's company because of the energy efficiency. So we get the benefit of that.

Raj Rishi: So like KUSUM solar the type of outlay they are talking about, they are talking about big outlay Minister R. K. Singh. So in that what you think you will be the number one supplier in solar pumps in this scheme whenever it is launched? So you have a huge share?

Dinesh Patidar: Yes, it is my dream, I should be a leader there.

Raj Rishi: I did not understand, what are saying, sir?

Dinesh Patidar: This is my dream. This is my dream and I would like to be the leader in this KUSUM project.

Raj Rishi: Okay. And international players sir, would you comment about competition, like in this type of scheme so everybody will have interest...

Akhilesh Maru: See, as per the KUSUM as you related. I think low international presence because ISA I can understand all the tenders, international players are welcome. But considering KUSUM and the State government project there is very minimal and the low presence from the international players. So there we will not find any international players.

Raj Rishi: Okay. And sir, KUSUM, such big outlay they are talking about in that can there be some compromise of margins compared to current margins?

Dinesh Patidar: Volume will get increased then margin will increase automatically. Ultimately percentage goes down, but it should be helpful in number. If volume increased then it can also happen it does not stay 18%, EBITDA gets increased profit gets increased, but volume will be shown very big, we are talking about Rs. 40,000 crores - Rs. 50,000 so things will happen at that level only.

Raj Rishi: One thing sir, sir what is your estimate that how much pumps could come in KUSUM?

Dinesh Patidar: No, I have not taken KUSUM in my planning, in my estimate because it is not correct to estimate it right now. Its numbers are huge, it is different to think about. So KUSUM and ISA we have not made any estimate about them. The time we get big orders we will come to you.

Moderator: Thank you. The next question is from the line of Senthil K. from New Berry Capital. Please go ahead.

Senthil K.: My question is on the manufacturing capacity, so what is our current capacity utilization stands and if you could break-up for the different products solar and non-solar?

Dinesh Patidar: First of all, our current capacity is 5 lakh pumps annually. So this is our capacity and you asked about the utilization?

Senthil K.: Yes.

Dinesh Patidar: So our utilization level is around 55% utilization level we have currently.

Senthil K.: And if you want to break between solar and non-solar?

Dinesh Patidar: See, non-solar and solar right now at 440 we have almost Rs. 180 crores are the non-solar business, almost 40%.

Senthil K.: So this is revenue break-up, right? So on the capacity side?

Dinesh Patidar: No, capacity wise only I am saying because see, equally we have to allocate for the same kind of sales proportion we have to allocate for the production and other expenditures also.

Senthil K.: Okay. So any CAPEX guidance for the next two years over the two years?

Dinesh Patidar: For our existing product, yes, we do not any CAPEX, we have done some CAPEX for VFD and if anything new comes like VFD, we have done very dynamic product, so till now there is no plan for the major CAPEX and we do not see any new product such kind of where we have to incur the new major CAPEX.

Moderator: Thank you. The next question is from the line of Varun Agarwal from BOI AXA Mutual Fund. Please go ahead.

Varun Agarwal: Sir, need a quick data point, in our last year's sales in them was there Excise Duty?

Akhilesh Maru: In last year's sales, the sales we show is net off of excise.

Varun Agarwal: That happened in this year, no in last year it happened, or you have changed and given.

Akhilesh Maru: Sales we show after net-off of excise.

Varun Agarwal: Okay. So last year FY 2017's number Rs. 425 crores that are net off only?

Akhilesh Maru: Yes, net off excise it is.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. Akhilesh Maru for his closing comments.

Akhilesh Maru: Thank you very much, everyone, for joining the conference and spending time with us. Thanks on behalf of the management.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Kirin Advisors, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.