



“WPIL Limited Q1 Earnings Conference Call”

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**MODERATOR: MR. ARCHIT SHAH – BATLIWALA & KARANI
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Moderator: Ladies and gentlemen, good day and welcome to WPIL Limited Q1 FY24 Earnings Call, hosted by Batlivala & Karani Securities India Private Limited.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Archit Shah from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Archit Shah: Thanks, Yusuf. Good evening, everyone. And on behalf of Batlivala & Karani Securities, I welcome you all to the Q1 FY24 Earnings Call of WPIL Limited.

We have the Management today being represented by Mr. Prakash Agarwal – Managing Director; and Mr. K. K. Ganeriwala – Executive Director. Thank you, sir, for taking the time out.

I now hand over the floor to Mr. Prakash Agarwal for his initial remarks post which we will open the floor for Q&A session. Over to you, sir.

Prakash Agarwal: Good evening, everyone, and welcome to our Earnings Call for the 1st Quarter of Financial Year 2024. Firstly, let me thank B&K Securities for hosting this Earnings Call.

Let me first give you a brief introduction about the company for some of those who might be new to the company. WPIL was incorporated in 1952 and is a multinational pumps and system company headquartered out of India. We diversified operations covering the entire gamut of the pumping industry with the company's rich experience of 71 years in designing, developing, manufacturing, erecting and commissioning of pumps and systems. Over the first 50 years, the company focused on developing its core technology of centrifugal pumps and building a robust manufacturing infrastructure to support its business. This was built in tandem with India's industrial growth, and the company is proud to be a major part of the conventional power growth story.

After consolidating our position as a leading pumps and system company in India, we expanded our operation globally through various inorganic acquisitions in Italy, France, Switzerland, South Africa, Australia and a joint venture in Thailand, which have strategically turned around and integrated well into the group. Today, we have 12 global manufacturing locations covering the entire process of pump manufacturing and we develop our longstanding tradition of producing specialized engineered pumps for various commercial end markets.

We then established our turnkey project division to provide end to end flow solutions across various industrial irrigation and municipal sectors. Looking ahead, we envisioned good growth

in both our core markets, engineered pumps and turnkey projects as we become an integrated flow solutions provider. With that said, let me take you through the consolidated financial performance of the company for the 1st Quarter of the Financial Year 2024.

The company continued to deliver consistent performance in line with seasonal revenue streams of the business. For the 1st Quarter, the company reported consolidated revenues of Rs. 358 crores, an increase of about 20% on a year-on-year basis. EBITDA stood at Rs. 66 crores, which grew about 29% year-on-year, representing an EBITDA margin of 18.6%. Profit after tax today at Rs. 40 crores, witnessing a growth of 34% with PAT margins at 11.3%.

For the segmental performance of the first year, the product division revenues stood at Rs. 214 crores, representing a growth of 6.5% with EBIT margins of 21.6. While the Project division revenue stood at Rs. 144 crores, witnessing a growth of about 46% with EBIT margins at 27%. On the operational front, project execution focus is on track with good traction and strong growth expected in subsequent quarters with the Jal Jivan mission projects on high priority.

The defense business is a new area which looks very prospective in the medium term based on new product developments. The international business continues to remain steady with growth, particularly in the Australian business based on our strong order backlog. Lastly, as you may have seen on 6th August 2023, WPIL's European subsidiary, Gruppo Aturia, entered into a binding share purchase agreement with newcleo France for sale of its interest in its nuclear business, consisting of the Rutschi subsidiaries, Pompes Rutschi, France and Rutschi Fluid AG, Switzerland.

In 2022, nuclear was declared as a green energy by the European Commission, which led to a large number of reactors being planned in Europe. Furthermore, in parallel, there has been a major thrust on decentralized nuclear by small modular reactors, wherein it is proposed to develop a large number of factory built modular reactors at multiple locations of 300 MW to 400 MW size. These two developments are leading to growing interest in nuclear technology and a type of nuclear renaissance in Europe.

From Rutschi's perspective, the team, while evaluating the prospects, realized that due to the sudden ramp up in upcoming capacity, the industry would consolidate with either product wise consolidation between suppliers or vertically integrated players controlling the entire supply chain. In light of this, Rutschi appointed advisers and started exploring various opportunities. Finally, Rutschi entered into a binding share purchase agreement with newcleo, one of the strong integrated players confident of having delivered optimal shareholder benefit.

The management of WPIL considers it a win-win scenario wherein Gruppo Aturia could use the substantial cash reserve to focus on various inorganic opportunities in their core business of industrial and water pumps while newcleo will benefit from the core expertise of Rutschi nuclear pumps. And finally, Rutschi would benefit from access to new growth opportunities in the SMR segment and new technical expertise.

With that said, we can open the floor for our questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. First question is from the line of Meet Katrodiya from Niveshaay. Please go ahead.

Meet Katrodiya: Sir, first question is on the pump side. So, where the demand is coming from in the pump side?

Prakash Agarwal: Sorry, where?

Meet Katrodiya: Demand is coming from for the pump segment?

Prakash Agarwal: You finish your question, then I'll answer.

Meet Katrodiya: Second is, also what is the portion of pump in the project business like if project is of Rs. 100 crores, then how big is the pumps? Third question is what are the other major expenses in the projects?

Prakash Agarwal: So, basically, the pump business is about 60 plus percent of our revenue, 60%-65% of our revenues and the pump business has lots of growth areas. We are present in the entire gamut of pumps, which is roughly from 5 horsepower to 50,000 horsepower and across various segments. So, primarily, today itself, the Jal Jivan mission and the water supply schemes in India are a major area. The oil and gas segment across the world is booming because the crude oil price is very high. Then the industrial business is also doing very well because with the inflation and higher prices, we are seeing good traction there also. So, all segments are doing well and that's why we see good growth for us in both domestic and international markets.

Meet Katrodiya: So, also my last question was what are the other major expenses in the projects?

Prakash Agarwal: In projects, we are doing turnkey. There are 2, 3 different types of projects. When we do distributed systems like in the Jal Jivan mission distributed water systems, there is a lot of piping. So, in all our projects, there are pumping systems, there are treatment plants, there are piping and civil reservoirs. So, the percentage changes depending on the type of application.

Meet Katrodiya: And the last question is, what is your vision for the next 3-4 years, any kind of targets you can share?

Prakash Agarwal: I cannot share targets, I don't want to share targets. But as a company like we had mentioned in our end of 2023 March results, we have now got a very strong base across our businesses. That means our 3 main areas. One is the domestic product business, the domestic project business and the International product business, all three are well established and mature, with steady and good margins in the range of 15% to 20% EBITDA. With this said, I think we see a good growth because there is a big demand for like water is becoming more and more of a demand area. And secondly, I think with the strong balance sheet now, we are aggressively going to look at

inorganic growth areas also. So, I think, basic is the growth in the end markets and also the inorganic opportunities which were presented to ourselves.

Moderator: Next question is from the line of Gauri Anand from Old Bridge Capital. Please go ahead.

Gauri Anand: Sir, I have couple of questions. One, recently, we happened to read that the government could allow private sector participation in nuclear power projects. I would like your comment on this. Second, the small modular nuclear power projects of about 200-300 megawatts, you know that India is now expanding from 7 GW to 22 GW on the nuclear side. If you could help us, draw up an opportunity for the pumps, both the primary opportunity as also the secondary opportunity in India as also globally. I mean how should we think about all of this, if you could help us, that would be nice.

Prakash Agarwal: Actually, madam, unfortunately, we entered into this agreement to sell our nuclear business. So, we will be hopefully closing this transaction by end of December. And our nuclear business will be part of newcleo, which is an integrated SMR reactor company. So, we decided that the valuation we were getting was a good opportunity to exit this business. So, therefore, I would not like to say more about the prospects.

Gauri Anand: And sir, this minority, this number has been slightly going up. Could you help us understand, what is the share in that subsidiary?

Prakash Agarwal: Actually, this is same. There is no change in it for the last period, I think 3, 4, 5 years. The subsidiary in Singapore earlier was struggling and therefore the promoters have a share in that. So, that is the minority interest. So, where WPIL has 60% there and the promoters have 40% in the subsidiary in Singapore International subsidiary. And we are looking for an opportune time to unravel this. But it has not changed. There is no change in this at all.

Moderator: Next question is from the line of Jatin Damania from Kotak Securities. Please go ahead.

Jatin Damania: Sir, just wanted to understand the breakup of your order book in terms of the project, Indian products and International. And of that total quantum, what will be the O&M part of it?

Prakash Agarwal: So, the domestic order book is about Rs. 3,800 crore and the project is about Rs. 3,500 crores and the product is roughly 250-300 in that. And in the project, the O&M is about Rs. 600 crores. And the international order book is about Rs. 809 crores.

Jatin Damania: And sir, this O&M of Rs. 600 crores is spread across 15 years or it's probably lower than that?

Prakash Agarwal: Yes, some are 5, some are 15, some are 10. So, the average is about 10 to 15 and this is across that period. The new projects will be more added to this. As you finish the project the handover, these will start.

Jatin Damania: And sir, 2 questions on the overseas business in terms of the international opportunity, but it's largely a product driven business. So, one, just wanted to understand the opportunity that can come from Australia from the LNG side. And secondly, we were also looking for some acquisition in the South African market. So, if you can throw some light on both these things.

Prakash Agarwal: So, good question. I think the Australian market has become a major growth area for us. We were very fortunate to buy into the oil and gas. This is the only oil and gas producer pump producer in Australia. We were fortunate to buy that and there is a big expansion across all the refineries and also, the LNG terminals which are coming up there. So, we have a huge order book of new projects in Australia. And the South Africa has got a lot of prospects because a lot of resources are there. And we are very strong in the water sector, and they need a lot of water projects. But the government has been struggling and somehow the political situation is not stabilizing. But the margins are good, the business is good, prospects are good. I hope near term it will stabilize.

Jatin Damania: But Australia is a big opportunity or do we need to carry a big CAPEX to set up the plant in Australia and that's the reason that we are exiting from the good opportunities which nuclear energy was throwing?

Prakash Agarwal: No, we will use this. Our businesses are well capitalized and we don't need CAPEX for them. So, the important thing is that we are looking at this to build a strong cash reserve. I think in the present environment, one must understand very high interest rates. Suddenly, if you're working in international markets like in Europe, the EURIBOR has gone from minus 0.5%, that means you were borrowing as a company at about 1%, 1.5% interest to today 4.5% EURIBOR. So, the interest rates are very high and it's not a time when you want to be running short of cash. So, that's number one. And secondly there is a lot of inorganic opportunities. So, we are not going to use the funds for CAPEX, which is not required at all. We are going to look at or we are looking at a lot of inorganic opportunities which we can use these funds for without borrowing.

Moderator: Next question is from the line of Dixit Doshi from White Stone Financial Advisors Private Limited. Please go ahead.

Dixit Doshi: I have 2, 3 questions. So, firstly, in terms of project business, this Rs. 2,900 crore order book, let's say excluding the O&M part, it will be executed over how much period? That is the first question. And in the similar things, the project business doesn't have any cyclicity like generally in the EPC companies, we see the second half is much stronger than the first half.

Prakash Agarwal: Sorry, let me start. So, the project business, as you said correctly, is cyclical in nature because of the monsoon and the construction cycle. The second half of the year is the real performance. So, typically, that is 60% or even higher every year because of the monsoon effect in the first and second quarter. So, like in the 1st Quarter, you don't want to ramp up a lot because the monsoon will affect your performance. And from second quarter, it starts picking up, that's one. And this gives us a lot of visibility in the project business. Our execution last year was Rs. 800

crore. And as we have an order backlog of Rs. 3000 crore net contracts, which are typically to be executed in 2 years' time, to 24 to 30 months. So, I think we are focusing on a big ramp up there.

Dixit Doshi: Secondly, in terms of the product business, so we have almost Rs. 800 crore order book in the international and Rs. 300 crore order book in the domestic market. So, usually, in the product business, the execution cycle would be less than a year?

Prakash Agarwal: Yes. So, these are commiserate order. They are relatively short-term except for some longer term, but even the longer term is 12 months to 18 months maximum.

Dixit Doshi: And lastly, on this Gruppo Aturia transaction, so I assume that it is Rs. 600 crore we will be receiving. So, as you mentioned that will be used mostly for the inorganic opportunity and we are not planning to bring that fund to India or anything like that. So, if you can throw some light, so inorganic opportunity in the European or U.S. market only or we are targeting something in India as well. In that company, you have mentioned in the press release that last year, it has a turnover of Rs. 200 crores. Can you give us the how much was the profit of that company?

Prakash Agarwal: Yes, I can give you that. First is that I would like to clarify that we will wait for the transaction to happen before we decide how to use the funds. So, we are not clear whether we will bring the funds here or there. So, that is not a subject as of today. Second is we are looking at inorganic opportunities in India and abroad, so both are open for that. We just see the environment. There are no concrete plans, no conclusions yet and no clear usage for the funds. We will let the transaction happen and then make these decisions. Secondly, this company was profitable last year. Rutschi had an EBITDA Rs. 56 crore and net profit was Rs. 41 crores, 12x EBITDA roughly, you can take it.

Dixit Doshi: Because if I see the annual report, the Aturia Group revenue was Rs. 800 crore last year and it has a profit of around Rs. 80 crore. So, you are saying that even though the revenue was 25% of the Aturia Group, the profitability was almost 50% because it has a very high margin?

Prakash Agarwal: Yes, that is true. Basically, the numbers I'm not saying, I think your numbers are a bit different from mine, but yes, that is the fact,

Dixit Doshi: And last question in terms of project business, any more tenders we are evaluating in the India Jal Jivan mission in any other states or right now, the focus is more on execution?

Prakash Agarwal: We are working our tenders and the pipeline is very good, very strong and we are balancing. I want to say that we are not doing only execution. I just want to say that we are working on with the execution focus. That means execution ramp up is important. The orders are there if you want.

- Moderator:** Next question is from the line of Pratik Jain from Solidarity Investments Managers. Please go ahead.
- Pratik Jain:** So, I just have 1 quick question. Do you have any plans to enter into mechanical seals category?
- Prakash Agarwal:** Mechanical seals?
- Pratik Jain:** Yes.
- Prakash Agarwal:** No, we have no plans for mechanical seals. So, even if you're looking at inorganic, we are looking at mostly pump businesses inorganically.
- Moderator:** Next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** So, most of my questions have been answered. I just have 1 question. So, regarding our divestment, so that would be reflected in our current results as the revenues and profits are getting reflected in our current results or they are not being reflected?
- Prakash Agarwal:** That's a good question. The share purchase agreement is precedent. There are certain conditions precedent to the sale. So, like we need certain government approvals. So, once that comes through and the closure happens, then we will take the necessary actions to discontinue the business from our results. Till then, the business continues to be on our results.
- Darshil Jhaveri:** So, sir, if I may, sir, how much kind of revenue and profit has that contributed to our current quarter?
- Prakash Agarwal:** It's in line with the past. So, it's in the same line as the past, I don't have the exact breakdown, but it's in line with the past. I have something, I can share. It's about Rs. 40 crore and about EBTIDA of Rs. 6.6 crore.
- Darshil Jhaveri:** That that helps me a lot, sir. And sir, we just wanted to ask sir in like we are talking about growth. So, qualitatively, what kind of growth you could help us out with all the sectors that we are in and any risk that you feel that due to the global environment, some headwinds that can come our way or some tailwind? Not any guidance specifically, but maybe some qualitative color that could help us.
- Prakash Agarwal:** I think the important feature that's pointed out in the highlights is that one is the project business and the Jal Jivan. Jal Jivan mission is on a fast track. It was scheduled to be completed next year. I think we have a year's extension there, but the government is really focusing on it. It's a high priority area. So, we are also under pressure to execute. So, that should boost and bump up our project revenues. And secondly, the oil and gas is surprisingly becoming a very interesting bet for us there. These are the 2 major areas. But otherwise also we see good traction in our aftermarket business because industrial production is better as such. Only thing is the MENA region, say like countries like Egypt, Iraq, et cetera, there hopefully some stability will come,

financial challenges are there and that will lead to further new growth. But it's a postponed growth and I feel everything is positive. There is no worry as such.

Darshil Jhaveri: That's great to know, sir. And sir, one last question. Sir, as we said, a lot of revenue can come in the H2 as project gets executed. So, our margins also, will we get operating leverage because the fixed cost will remain the same. So, can we assume that we will have higher margins like last H2 or how would that operate, sir?

Prakash Agarwal: So, principally, yes. As the revenues pick up, we should have operating leverage, but the margin fundamentally, let us say that we want to stick to as a management philosophy to be within 15% to 20%. So, it's a mixed bag there. So, we will well within that range. There are a lot of fluctuations in through the times. So, even accounting, for everything, we will be in that.

Darshil Jhaveri: And sir, I just wanted to ask one more question. Do we have any problems in passing on raw material cost like any fluctuation, how does that impact us? We can pass on the increase and decrease as well. Are we protected on that front?

Prakash Agarwal: Yes, we are. So, all our projects are principally with price variation clauses and that's a good area, which is we are very careful about that. As earlier elaborated upon, we are not taking too many projects, we're not hyper aggressive on booking projects. And these are good margins. And to sustain these margins, we are selective and price variation clause is one of the criteria for our selection.

Moderator: Next question is from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Sir, regarding our tie up for the SMR technology, can you help us understand in comparison to traditional technology, how does the opportunity size differ? And also, let's say, in traditional technology, you have coolant pumps and secondary pumps. In SMR technology, like how does that scale change, let's say, for example per 300 MW of nuclear project? And also, how the entry barriers are there in comparison to your traditional nuclear pumps? so some thoughts if you can share.

Prakash Agarwal: So, I just want to clarify again that we have sold our nuclear business. It is a share sale. We are selling our interest in the nuclear business to newcleo, who is in the SMR technology and they will be owning this company after the transaction is closed. So, we are exiting the nuclear business upon closure of this transaction. And that's why I cannot speak much on this now.

Devansh Nigotia: Sir, that is actually what I was trying to understand that the thrust incrementally is on SMR. So, why did we sell the business? I mean, everybody's talking about SMR technology.

Prakash Agarwal: To put it in the correct perspective, from our management perspective is that we have been in this business for long. We understand our Gruppo Aturia has been in the business for long. From 2006, they own it. We have seen various cycles in the sector and we think that this sector will

consolidate. So, you will have a lot of big players. It will lead to acquisitions or transactions for consolidation. So, say one EPC contractor, like EDF, will want a limited number of suppliers to expedite the projects. So, it would have meant that we have to invest significantly to stay competitive. And on the other hand, we were getting a very good valuation to exit. So, I think we weighed those 2 and took this call to exit this opportunity.

Devansh Nigotia: And sir, regarding commentary on oil and gas, so is it in India or globally that we are seeing strong demand or how is that shaping up?

Prakash Agarwal: Yes, it's globally. Primarily, our businesses are in in Europe, which caters to primarily the Middle East region and also in Australia. Both the businesses are globally. In India, we are participating. India has more downstream business and we are participating in the downstream business expansion. So, positive all around.

Moderator: Next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir, you did mention that you will be unravelling the Singapore subsidiary on an opportune time, sir. Could you dwell more what are you trying to explain, give reference to?

Prakash Agarwal: The only thing was that the shares are owned by the promoter. So, it would mean that cash outflow from WPIL. So, whether that is the best use of the cash we have to evaluate. That is the simple transaction.

Saket Kapoor: Sir, currently have you done any valuation for this subsidiary?

Prakash Agarwal: You can imagine that with this new transaction, the valuation will go up.

Saket Kapoor: So, does this give an inclination that the sales proceeds from this transaction can result in another transaction and finally the fund going to the promoters. This is how it will terminate?

Prakash Agarwal: That's what I'm trying to clarify that this is coming from your end. We have no such plans because we are clear that we are looking at growth and this is not an agenda.

Saket Kapoor: And sir, if we take this project business, so for this year, you have you have alluded to the fact that we are looking for 15% to 20% revenue growth for the project business for the year as the totality and 10% to 15% for the pumps and accessories. This is what should be the ballpark number, the revenue growth?

Prakash Agarwal: No, I cannot indicate anything there, but as I've mentioned that there is good traction in the businesses right now and we have shared the 1st Quarter and let's hope it continues.

Saket Kapoor: Correct, sir. And sir, earlier at the time of COVID, I think so because of the cost escalations, we changed our auditor also. So, going ahead, sir, when is our term for the current auditor? And can

we look at for hiring again the Big 5 and going for more internal settings because now the organization will strengthen and more bandwidth is needed? So, when is that renewal due, sir?

Prakash Agarwal: I will just answer them that we have 2 years more for the renewal. We will evaluate the best option for the company going forward. But our present auditor is very capable. We are very satisfied with them. It's more about the matter of service also. It's a time, their time commitment. Some of the brief auditors have less time for some companies.

Saket Kapoor: And last point is on the UK Government, the participation in this Jal se Nal scheme part, sir, out of this total order book, especially from the Jal se Nal scheme, do we have a larger pie from the Uttar Pradesh government or is it evenly spread across Madhya Pradesh, Uttar Pradesh and other geographies?

Prakash Agarwal: So, we don't work with Uttar Pradesh as of now. We are working in 2 states primarily, which is Madhya Pradesh and West Bengal, and we have enough work from them. Why we selected these. There are 5 states which are lagging behind, Madhya Pradesh, West Bengal, UP are 3 big and Chhattisgarh. So, I think we are very happy with the work we have now. And there is enough jobs for us going forward.

Saket Kapoor: Thank you, sir. And we hope and that this transaction culminates and there is better utilization of the funds also, a part to be distributed to your investors maybe, but time can only decide that. Thank you and all the best for this transaction.

Moderator: Next question is from the line of Amit Chordia from World Foods LLP. Please go ahead.

Amit Chordia: Sir, could you talk about the new defense business that you put in the slide, like how large is it and what kind of products are we developing for the same?

Prakash Agarwal: Yes, that's a very interesting area. The government is coming up with a large number of new naval ships and they have been already contracted and we have worked on new product development there. And we are expecting some good news and we will elaborate further when it happens. But today, I can say that it's a very prospective area and we now have the products for it. So, we are very excited about this opportunity.

Amit Chordia: And is this in the near term, say in the next couple of years or this this will take time for approval?

Prakash Agarwal: Yes, I mean it's a short term to medium term opportunity.

Amit Chordia: And would it be right to say that we would continue the same growth run rate for the rest of the year or we kind of could accelerate on the growth? I know you don't give any projections, but just would we be growing at the similar pace that we did in Q1?

Prakash Agarwal: We hope so. What I want to say is that yes, I think things are looking good and we have to see how things go, but the order book is good and strong and the team is focused.

- Moderator:** Next question is from the line of Pratik Salgia, an individual investor. Please go ahead.
- Pratik Salgia:** Congratulations on a great set of numbers and excellent execution. I just wanted to understand if we have capabilities to be a part of pumped hydro storage project opportunity in renewable energy space? And if the answer is yes, are we bidding on any of those projects? Thank you.
- Prakash Agarwal:** That's a good question. We have the pump side of it. The pumped hydro unfortunately has the generating side also and this is primarily BHEL and a company called, ANDRITZ. They are the 2 major players in this segment. So, we are not in the generating side. We are in the pump side. So, we have the technology, but we are in the pump side. This has 2 sides. It has a pumped hydro and then it is used for generating also. It is you both sides.
- Pratik Salgia:** I wanted to understand from the pumped side.
- Prakash Agarwal:** So, one is not enough. We cannot bid with one, we have to have both.
- Moderator:** Next question is from the line of Janish Shah, an individual investor. Please go ahead.
- Janish Shah:** Just wanted to get some more color on the bid pipeline, which you're looking at. You said you have a very strong bid pipeline, but if you can just share some number and when you said you have enough opportunity right now within the existing states with MP and West Bengal, does it mean that we will be very choosy or we will be very, very conservative or maybe a little bit selective in going to other states? Is there is there any particular reason why we should be a having more focus on particular states because of the infrastructure or the buildup, which you have in these states right now?
- Prakash Agarwal:** So, one of the basis of our company is that we want to be flow solution provider. And in that, we have certain benchmarks we try to use by which we can have a lot of capability in this segment, get good growth as well as preserve margin. So, we don't want our project business to keep growing out of sync with our portfolio. So, our project business has a particular segment and we want to now grow the product business to match that. So, therefore, I think we have to do projects which are commensurate with our requirement. It's not that we will take whatever comes our way because that will distort our overall business policy. And second thing, we work in 2 states, as you said correctly, because our infrastructure, it's optimally utilized. If you diversify across too many states, your costs go up, operating costs.
- Janish Shah:** And second, after like I mean saying last few years, I think the company has acquired a position in many of these international ventures and have nurtured them to reach to a level where they are today. Obviously, you have now encashed the one. But when we are looking at in a broader sense for a strategy, I can understand the opportunities which are there right now in India and you are well positioned. But when we are looking at it as an International, how is the strategy going to work in a sense like these businesses have a good growth potential to hold you or the

businesses generally, I mean it has taken a lot of time for you to reach to this profitable stage. So, that is the reason why I'm asking how do you look at the overall strategy into this?

Prakash Agarwal: So, the pump business is not unidimensional, it is spread out across one, segments. Now there are lots of different products in this segment. So, one classification in the pump business is centrifugal pumps and positive displacement pumps. Then again in centrifugal pumps, you have an industrial segment and oil and gas segment, water segment and a sewage segment, different segments. So, if you take care of the different segments in the business and the two major classifications of positive displacement and centrifugal, then further, if you add geographies, each country has 1 or 2 or 3 players in them. So, I think our aim is all the businesses we have are a sort of a leader in their particular segment or geography and that is our forte to keep building on those. So, when we do a transaction, we are looking at a similar advantage.

Janish Shah: And on the financial matrix, is there anything which you think it makes sense or is the guardrails which have been drawn by the management because when you sold right now, you said it's 12x the EBITDA, which obviously is a very healthy valuation which you've got. But when you are looking at purchasing some of those companies, what kind of metrics you would be looking at then?

Prakash Agarwal: I think it's a mix of growth opportunity versus valuation. So, we look at both and what we can do. So, growth is what we can add synergy and grow it and we are looking at very good valuation. So, we are very conservative with that cash.

Janish Shah: And maybe just the last on the follow up which you were earlier asked, is there any number which you would like to put to the bid pipeline right now?

Prakash Agarwal: No. On the bid pipeline, as I said, it's commensurate. Like, I want to say that it's very clear that if you see the order book versus the execution and the timeframe of execution, one factor was that there were a large number of projects booked in the second half of last year. So, we need to ramp those up and get them aligned with the client requirements and the contract requirements before we can aggressively add more. We don't want to get to a point of failure. So, what I want to say, the challenge is on the execution side, not on the contract, on the bid values.

Moderator: We have our next follow up question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir, out of the total order book disclosed, what would be net off from the sale of the unit? How much will be attributed to that?

Prakash Agarwal: Roughly about similar to the revenues or you can take about Rs. 200 crore, Rs. 200 plus crore out of Rs. 800 crore. But as I said, that's a moving ballpark, and we will know only when the deal closes. So, you have to wait for that.

- Saket Kapoor:** Sir, small suggestion. Going ahead, if you could provide the order books which are in the form of domestic and international and then the O&M part project product split up, this comes into discussion every time. So, if you could provide it on a slide, this would suffice lot of questions and will save a lot of time.
- Prakash Agarwal:** So, today, we have got domestic and international. And international, we have a break up in countries. In domestic, yes, we will now provide product and project also, so that you can see that break up there.
- Saket Kapoor:** And O&M part also, sir, because that's a very strong component of that.
- Prakash Agarwal:** So, I will put project, the O&M and product. You're right.
- Saket Kapoor:** And sir, for this subsidiary sale, which is going now, as you have told that when it will be consummated then only we will be knowing. But what kind of tax incidence would be there? I just wanted to understand how much is our investment? Because the sales realization we can take from EUR 68.7. So, what is our investment and what kind of tax incidence is going to be there?
- Prakash Agarwal:** All I can say right now or I want to say right now is very tax efficient. So, we have worked on that. And let us wait, we will know shortly.
- Saket Kapoor:** And last point is on the finance cost part, sir. We are doing a big business. We are doing the business. But when we look at this finance cost, it is not to be mentioned also, it is hardly any proportion. So, how do we manage the size of business with minimum finance cost? To have an understanding, that finance cost, how is it baked into that, that on a revenue and such a big project business, we are hardly incurring any finance cost. So, just an explanation if you could give, sir.
- Prakash Agarwal:** You should be happy.
- Saket Kapoor:** Yes, sir, I'm very happy. I am very, very happy, sir, and I'm very satisfied.
- Prakash Agarwal:** As I said, that is a sort of a few business policies we have taken that we want to be in the flow solution business. We want to focus on margins in this range because we feel that is wise. And thirdly, we want to protect our balance sheet. So, we are very careful and very conservative here, as you can see on this transaction also. So, we are today debt free and we are very, very careful with cash and businesses are mostly cash generating, all cash generating actually.
- Saket Kapoor:** And sir, we look for NSE listing also, sir, going ahead. Now should be an opportune time for you going for the listing at the National Stock Exchange. So, looking forward for the same.
- Prakash Agarwal:** Surely. Thank you.

Saket Kapoor: Thank you and all the best Agarwal Ji. Thank you, K.K. sir. Thank you.

Moderator: Thank you. As there are no further questions from the participant, I now hand the conference over to the management for the closing comments.

Prakash Agarwal: Thank you everyone for participating and your interest in our company. Thank you, B&K Securities for hosting us. It has been a pleasure, and good evening to everyone. Thank you.

Moderator: Thank you. On behalf of Batlivala & Karani Securities, that concludes this conference. Thank you, all, for joining us and you may now disconnect your lines.