



“Shakti Pumps (India) Limited Q3 & 9M FY24
Earnings Conference Call”

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MANAGEMENT: **MR. DINESH PATIDAR – CHAIRMAN**
MR. RAMESH PATIDAR – MANAGING DIRECTOR
MR. DINESH PATEL – CHIEF FINANCIAL OFFICER
MR. RAVI PATIDAR – CS AND COMPLIANCE OFFICER

ANALYST: **MR. ROHIT ANAND – ERNST & YOUNG LLP**

Moderator: Ladies and gentlemen, good day and welcome to the Shakti Pumps (India) Limited Q3 & 9M FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone.

I now hand the conference over to Mr. Rohit Anand from Ernst & Young LLP. Thank you and over to you, sir.

Rohit Anand: Good afternoon everyone.

Before we proceed, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our business risks that could cause future result performance or achievements to differ significantly from what is expressed or implied by such forward looking statements.

To take us forward through the Financial Results & developments and to answer your questions, today we have the senior management of Shakti Pumps (India) Limited represented by Mr. Dinesh Patidar – Chairman, Mr. Ramesh Patidar – Managing Director, Mr. Dinesh Patel – Chief Financial Officer and Mr. Ravi Patidar – CS and Compliance Officer.

We will start the call with a brief overview of the past quarter by Mr. Patidar followed by a Q&A session. I will now hand over the call to Mr. Patidar. Over to you, sir.

Dinesh Patidar: Thank you Rohit. Hello friends and thank you very much for coming and joining this call.

Today the result which I have brought in front of you which our team has given, is the best ever quarter for the company and we have recorded a revenue of Rs. 496 crores and PAT is of Rs. 45 crores. This is the biggest achievement of our team so far in our life and this achievement is also because our order book as on date is of Rs. 2,250 crores. We have received orders for some more pumps in the last quarter and have also sold some and we have to complete this order of Rs. 2,250 crores in the coming 21 months.

Our focus has always been in R&D as you all know that our Company has filed for 29 patents and from that we have received 11 patents and these 11 patents technically will give more strength to Shakti Pumps in the coming time and these are very good patents. Recently one of our EV Company under Shakti Pumps which is 100% wholly owned subsidiary company where we make motors and controllers in EV, regarding it we have told earlier that we will make controllers in that which will be of 2 lakhs capacities and the board has already approved

to invest Rs. 13.16 crores in this. Already we have about 10,000 motors running in this and in the coming time, as soon as its production will start by that time we will have completed all our R&D of these 2-wheeler, 3-wheelers and bus motors and its sale will also be started.

I would like to attribute our significant progress to our very strong team and our R&D team as this was possible because of their development. My commitment and determination towards the shareholders and their trust remains and I hope will remain so in the future also. A significant contribution is being made by the government in the KUSUM scheme. By 2028 almost 20 lakhs solar pumps have to be installed which is a component B part and in component C almost 15 lakhs solar pumps will be required. I have already told about this component C part earlier that this is a pilot project. We are going to do with the Rajasthan government and that is also in the final stage and its supply is starting in this quarter.

We have worked a lot on our strong distributor network, product folio and energy efficiency technology and our shareholders will benefit from it from time to time. Additionally, we look forward to further strengthening our market position and welcoming additional orders. We look forward to increasing our orders. In our business we expect performance and positive impact with these expectations we will continue to deliver strong results in the times to come. I am confident that the coming times will be much better for us. For further financial positions I will hand over to Mr. Dinesh Patel. Thank you.

Dinesh Patel:

Thank you, sir. Good afternoon everyone.

We recorded a revenue from operations of Rs. 495.6 crores in Q3 FY24, our highest ever revenue in a quarter, up by 57.7% Y-o-Y from Rs. 314.2 crores in Q3 FY23. Our export business registered revenue of Rs. 62.2 crores.

We have also reported our highest ever number in terms of profitability. EBITDA for the quarter stood at Rs. 71.0 crores as against Rs. 21.9 crores in Q3 FY23 increased by 224.2% Y-o-Y. EBITDA margin was at 14.3% expanded significantly by 735 bps from 7.0% in the corresponding quarter of last year. PAT for the quarter stood at Rs. 45.2 crores recording a robust growth of 301.8% Y-o-Y from Rs. 11.2 crores and PAT margin at 9.1% up by 554 bps from 3.6% in Q3 FY23.

For 9M FY24, revenue from operations stood at Rs. 761.5 crores. EBITDA recorded a robust growth of 69% reaching to Rs. 94.1 crores from Rs. 55.7 crores in the same period of previous fiscal. EBITDA margin is 12.4% in 9M FY24 expanded by 527 bps from 7.1% in 9M FY23. PAT for the 9M FY24 stood at Rs. 52.1 crores as against Rs. 21.9 crores in 9M FY23. PAT margin in 9M FY24 was at 6.8%, expanded by 405 bps from 2.8% in 9M FY23.

With this now I request the moderator to open the floor for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vikram from Niveshaay Investments Advisors. Please go ahead.

Vikram: Dineshji, congratulations for a good set of numbers. Sir I wanted to enquire on how we are managing volatility in raw material prices? So solar module price has corrected a lot in last 3-4 months, sir is our higher margin of 14% is due to solar module prices? Or what is the main reason behind significant margin improvement?

Dinesh Patidar: Your question is very good. Basically, we have been observing things for the last 2, 3 quarters in raw materials like SS, copper and these things have now already established. Yes, where solar cell is concerned, prices of solar cell have lowered and have been established now. As we have to take DCR cell, already we have our contract for 1 year for solar manufactures and we don't see any effect in this because solar prices are coming down and secondly we already have contract with them with their prices. As far as we are concerned, we have done it very nicely.

Vikram: Sir what is the quantity and what is the time period of that contract?

Dinesh Patidar: This is a one-year contract that we have with solar manufactures whose manufacturing expenses have been fixed by them. As you are seeing that solar prices are going down, we have hedged the price that whether these prices will go down or come up. Rest we have fixed their pricing like many things are required in solar panel besides solar cells, so we have fixed all those things, so we don't have any danger in that and solar cell which is a product whose price in today's time is Rs. 3 to Rs. 3.5 we have kept that at our end by hedging that price according to us. I believe that for the coming 1 year we do not see much effect in pricing as on date unless again a war-like atmosphere arises.

Vikram: Sir secondly, in India what is the total number of pump requirement? How big is the opportunity size? And how much of that has been fulfilled?

Dinesh Patidar: Currently, we are the leaders in the way the work is being done in every state. We are leader in Haryana, UP, Rajasthan and Maharashtra, so we have achieved around 25% to 30% market share and currently we are doing the role of leader in India. In the future, you can see that we have orders of Rs. 2,250 crores pending and we feel that we will get more success in this.

Vikram: I wanted to understand the total market size like what number of solar pumps has been already installed in India? And total demand which has already come and which is pending to come, all together?

Dinesh Patel: Actually, the total scheme of KUSUM is for 35 lakh pumps, 20 lakh is of KUSUM component B's part and 15 lakhs is for component C's part. Currently what you see in PM KUSUM site as on 31st December 23, almost 12,23,721 has been allotted to states and from this 284,607 pumps have been installed from which 66,591 Shakti Pumps has done.

- Moderator:** Thank you. The next question is from the line of Vishal from Svan Investments. Please go ahead.
- Vishal:** Congratulations for great set of numbers. Sir I have 2, 3 questions, can you share how is our revenue breakup in Q3 FY24? How much you have done in exports? How much done in KUSUM? And other than KUSUM how much has been done?
- Dinesh Patidar:** In solar we have done Rs. 342 crores in Q3FY24 and in 9MFY24 we have done Rs. 410 crores and last year we did of Rs. 533 crores. We did an export of Rs. 62 crores in Q3FY24 and if you see for 9MFY24, we have done Rs. 197 crores which was Rs. 166 crores, there is a growth. There is also good growth in others also. In export we have done Rs. 62 crores and in solar we have done Rs. 342 crores.
- Vishal:** So as you said that other than exports side all are government or non-government is also included in this?
- Dinesh Patidar:** It is government, mostly KUSUM's role is there.
- Vishal:** Sir in last quarter you gave the guidance that you are seeing revenue of above Rs. 1,200 crores, and if we take 3 quarters together then we have already achieved a topline of almost Rs. 760 crores, so we can easily achieve this number. Can you give your revised guidance?
- Dinesh Patidar:** Absolutely, earlier also I have given you the guidance that in quarter 3 we will do Rs. 400 crores and in quarter 4 we will do Rs. 500 crores.
- Vishal:** How do you feel about next year's order?
- Dinesh Patidar:** Order book is of Rs. 2,250 crores and in quarter 4 we will do Rs. 500 crores.
- Vishal:** What do you think how will be the execution next year in terms of your order book is very good? How will be the order inflow? And how will be the execution in the topline?
- Dinesh Patidar:** Your question is very good. We will grow by 25%, as you will see that currently we have done Rs. 750 crores and will do Rs. 500 crores in Q4 then if it comes to Rs. 1,250 crores per year then we will definitely do a minimum growth of 25%, such is our confidence level.
- Vishal:** If you can share what visibility do you see in this to grow the order book?
- Dinesh Patidar:** We have the order book of Rs. 2,250 crores from which Rs. 1,550 crores order is of Maharashtra government, Rs. 258 crores is of Haryana government, Rs. 300 crores is of Uttar Pradesh, Rs. 150 crores is of Rajasthan. This is the order book which we have to complete in 21 months.

- Vishal:** Sir in this quarter has your execution started in Maharashtra? Or how will the execution start? You received this Maharashtra order in October, so can you tell something regarding that?
- Dinesh Patidar:** Yes, in the last quarter Rs. 20 - 25 crores sale has started from Maharashtra at the end and now its lineup is on, its portal has started and we are doing it well.
- Vishal:** Sir one more thing, this quarter your gross margin level despite you have grown very well in the topline, but the gross margin has been little muted, can you tell the reason what the problem was? Is there any problem in the mix?
- Dinesh Patidar:** Our CFO will reply for that.
- Dinesh Patel:** Actually if you are comparing it with last year quarter then, last year contribution of export sales was higher and this time contribution of other sale (other than export) is high which had a slight impact on gross margins. If you see in EBITDA level, then there has been a lot of margin improvement and one more thing I want to say in this that the sale of Rs. 342 crores which we have done in that Rs. 150 - 170 crores are of solar panel in which we do not get any margin, meaning if you look at the margin level of pervious Quarter 2 then in that sale of solar pump was very little in which our trading item is solar cell which we have to purchase and supply then from that also you can get an idea.
- Vishal:** So, sir what do you feel that how will be the sales of solar pumps in the next quarter? What do you think the run rate would be? And gradually in the next quarter your gross margins should improve a bit because if my scale is such high from Rs. 158 crores you have reached to Rs. 490 crores then ideally speaking gross margin should have increased a bit, so in the next quarter if we are expecting above Rs. 500 crores then how do you feel gross margin trajectory will pan out?
- Dinesh Patidar:** The margin which you are seeing in Q3, you will see the same margin in future also because already the price is fixed, and raw materials prices are also established and in this quarter Rs. 495 crores have already been done so in these also initial overheads are also over.
- Moderator:** The next question is from the line of Dhruv Bajaj from Smart Sync Investment Advisory Services. Please go ahead.
- Dhruv Bajaj:** Congratulations, you have got very good results. I have 2 - 3 questions. My first question is that our solar pumps opportunity, when this scheme was announced around 2020 and in these 3 years although we have got good orders, but we lag in execution may be because there were issues regarding pricing as you have already told in previous concall, so if you can summarize what problems were faced in the implementation of the scheme? And why do you feel that there is going to be a very good implementation now? This quarter the results were very good, so I was trying to understand that what is the ground reality?

- Dinesh Patidar:** After arrival of Modiji, he tried to introduce new system, we were also thinking something new will happen then some good work will be done in that and will happen in a good manner. So basically, Indian Government finalized its specifications and rate contract methods. Provided rates to all the states and asked the states to work on it. So, in the beginning 3 - 4 years MSME was given permission to participate in that which was Rs. 70,000 crores scheme and our MSMEs are not capable enough to fulfill this that is why we keep on approaching the Ministry that your tender's condition in that you support MSME, but commercially they are not capable enough to understand the rate properly and put it in the tender. So in that 2 tender people went to court and rates were also not good. Hence the ministry also got to see that experience and we also got to learn. The current tender has come an year ago whose 2 quarters you have seen and it is fixed for next 2 years, so I don't see any hindrance in this in the coming 2 years and you also shouldn't be worried either because everything is clear and besides this some states have done tenders separately whose rates are more than KUSUM, so I feel that this will go on. So there is no confusion, I don't see any negative in this; very confidently I can see everything very clearly.
- Dhruv Bajaj:** Sir how much fragmented and consolidated is our market? Since we are saying that our market share is 30%, but order flow has been a bit slow in the last 3, 4 years, so as you said that currently our capacity utilization is 30%, so how many more competitors do we have? And basically is the industry dynamic in this?
- Dinesh Patidar:** Till now it had to be established now it has been established as you have seen the scenario that we worked in this quarter and shown you. We too have to move forward afresh by learning many things in the past, now everything has been established. Now we all are ready, our C&A, our installer, our service team, our SAP team, our IT team and our mobile app through which we work everything is ready and proven and we feel good about the future.
- Moderator:** The next question is from the lines of Harshil Solanki from Equitree Capital. Please go ahead.
- Harshil Solanki:** Sir I have 2, 3 questions. Sir on 15th September we received orders from Uttar Pradesh for 10,000 pumps and its execution was for 90 days, so is it not completed yet, sir because you said it is Rs. 150 crores is....
- Dinesh Patidar:** It has started now. We got the LOI for the order and got the orders for 10,000 pumps. Now their portal and everything is ready and now it has started. They have received approval from the cabinet. Sanction of budget has also come. Central government has already sanctioned earlier, now everything is done, cabinet also done, decision also done, their advertisements also went into the market. Now in this quarter its sale will be started.
- Harshil Solanki:** Sir we are doing a QIP of Rs. 200 crores, so can you explain the rationale behind it?
- Dinesh Patidar:** This Rs. 2,200 crores order book will be in front of you for the last 2 quarters and we are seeing good orders in the coming times. We have already said that our capacity is up to Rs.

2,500 crores and for that we do not need to plan for expansion, but the future seems to be good to us and we think there we will need to do expansion and for this we are already taking permission from our shareholders. The day when we have Rs. 2,500 crores order booking that day we will have to clearly talk about the expansion because our current capacity is up to Rs. 2,500 crores as on date. Therefore, we have made plan and taken the permission from the shareholders and have kept it as of now. There are procedures for the same. We have taken permission from our shareholders because if they give permission we will move forward if we see scope for more orders in the future.

Harshil Solanki: So this Rs. 200 crores will be utilized in pumps factory and not in EV factory for which already a CAPEX of Rs. 114 crores is going to be utilized, so both are separate?

Dinesh Patidar: Yes, definitely it is separate. It will be only used for the expansion of the pumps.

Harshil Solanki: Sir one new article was there that the scheme will be shifted to the state level and budgetary allocation will not be there this year, so, sir what will be its effect on execution and tendering of your scheme? Can you share something on this?

Dinesh Patidar: Yes, there was some confusion and it is good that you asked it, so let me clear it that this is already a tender for 2 years and we don't have any problem with it. Where agreements with other states could not be done like Assam or South where we were not able to do our work there they asked us to do retender there. So tender has been done in Karnataka also and tender has been done in Odisha also and tender has been done in Assam also. In that we are in Karnataka, Odisha and in the coming tender the rates are better than KUSUM and we are participating in that also. So my shareholders will not be affected from all these things.

Harshil Solanki: Sir one last question is Bangladesh is talking about installing 45,000 pumps and we are already present there, so, sir are we getting any traction there?

Dinesh Patidar: Our MD Mr. Ramesh Patidar will reply for this.

Ramesh Patidar: Yes, Bangladesh government is also working very well on solar panels, but for the last 2, 3 months there were elections and clarity was not there. Now in 1 or 2 months clarity will come about it.

Harshil Solanki: Sir are we getting any traction from Uganda and other countries of Africa? Have we started the next leg in Uganda?

Ramesh Patidar: Yes, we are already working in Uganda.

Harshil Solanki: Sir we were waiting for the payment of that 2 million, so after that have we started?

Ramesh Patidar: The payment is under process; we will intimate you as soon as we receive the payment.

- Moderator:** Thank you. The next question is from the line of Ronak from RoboCapital. Please go ahead.
- Ronak:** Congratulations for the good results. I wanted to ask that our guidance for targeted margin was of 12% EBITDA margin, but now we did 14%, so is it due to the operational efficiencies or in this quarter itself going further we will be left behind at 12%, 13%? Or will continue with 14%?
- Dinesh Patidar:** See we have given a guideline of 12%, but 14% came which is very good. This is our team's specialty that they very beautifully planed the inventory and they worked very beautifully on purchase and as the volumes keeps on increasing, we feel that we will be able to maintain this quarter's margins there are no issues. The problem comes when you are near your break even or are below it. Now break even has also been crossed and pricing is in hand and sale price is already quite good and the price other than KUSUM, the tenders which we have from South and Odisha, we received good price from it, even better than KUSUM. So in the coming time we feel that we will maintain our price line very well and will also maintain our EBITDA very well.
- Ronak:** Sir can you tell how much realization do we get per pump approximately, average?
- Dinesh Patidar:** It is difficult to tell the average as we supply small pumps of 3 HP, 2 HP and 10 HP also. Whenever you do a factory visit then I will show you everything here then the picture will be clear. My invitation to all the shareholders is that whenever you plan to visit Indore, please come and visit the factory once, you will get a different experience when you will see our world-class facilities. So my request to all of you is to come.
- Moderator:** Thank you. The next question is from the lines of Hardik Vyas from ET Now. Please go ahead.
- Hardik Vyas:** Sir congratulations, very good set of numbers after a long time. Sir I have 1 - 2 questions. Sir first question is Haryana's order of Rs. 350 crores has been fully executed?
- Dinesh Patidar:** Yes, that is done, and we got the second also and hope for getting the third also.
- Hardik Vyas:** The other order which we got of Rs. 260 crores has its work order come or work order will not be required as it is a follow-up order?
- Dinesh Patidar:** No, there is no need of follow-up order. There we directly get the orders now which I just now told you that we received an order from Haryana government worth Rs. 258 crores that order is second order itself.
- Hardik Vyas:** Its execution has started or will be started?
- Dinesh Patidar:** Right, it has also started.

- Hardik Vyas:** Sir in UP you told that the background work of Rs. 292 crores has been cleared, so did we receive the work order?
- Dinesh Patidar:** Yes, work order has already arrived. Government has done very well in UP. Actually, Indian Government was giving less subsidy in 7.5 HP, but other segment UP state is increasing the subsidy, so for that reason they had put some work on hold for cabinet approval etc., now everything has been done and they will get all the pumps at the price of 25% farmer shares.
- Hardik Vyas:** Sir execution has started from our end.
- Dinesh Patidar:** Yes, it has started. Our stock has reached to the godowns.
- Hardik Vyas:** Sir regarding Maharashtra you told that Rs. 20 - 25 crores took place in December quarter, so this quarter numbers will be little more?
- Dinesh Patidar:** Yes, definitely, it will be more.
- Hardik Vyas:** Some orders were due from Rajasthan and Chhattisgarh, some visibility on that? I am not talking about Ajmer, you told that for Ajmer execution will start from this quarter if I am not wrong, but apart from Ajmer I am talking about component C, is there anything to be done about it in Chhattisgarh and Rajasthan?
- Dinesh Patidar:** Yes, Hardik you are doing the study very deeply, all of your information is very good. We are doing very well in Rajasthan. We already have had a very good sale there.
- Hardik Vyas:** How many sales were made in Rajasthan in this quarter? Can you give some number? I am not asking exact numbers, like for Maharashtra you have told for 20% - 25%?
- Dinesh Patidar:** In Rajasthan?
- Hardik Vyas:** Rajasthan and Chhattisgarh both.
- Dinesh Patidar:** We will share that with you separately.
- Hardik Vyas:** Sir, last question in Uganda our payment is awaited, but we have made some sale in December quarter or payment is pending, so we have not made any sale?
- Dinesh Patidar:** Already we have done sale worth Rs. 2 million there.
- Hardik Vyas:** In December quarter?
- Dinesh Patel:** We have done sales of about Rs. 5.5 crores in this quarter.
- Hardik Vyas:** So, when the payment comes then in this March Quarter something will come?

- Dinesh Patel:** Will increase more.
- Ramesh Patidar:** We want to rotate the payment cycle and we are working on this field but will work a little faster due to which a payment of Rs. 2 million will come. We have completed the entire groundwork there.
- Dinesh Patidar:** Actually payment has to be done by the Indian bank, EXIM bank. We just need a certificate from there, completion certificate is required. After receiving that certificate we will get the payment from here. Earlier they had their own terms and conditions in the certificate which we gradually brought them into our system and now everything have been done in their manner. It is a bit slow. People in Africa work a bit slow.
- Hardik Vyas:** Is it possible to achieve our target of Rs. 5 million in this March quarter or is it a little more?
- Dinesh Patidar:** Yes, it is possible. It depends on them if they give the completion certificate tomorrow then we are ready to start the sale from day after tomorrow itself, everything is ready from our side. Even we have made its inventory also.
- Moderator:** Thank you. The next question is from the line of Kush Tandon from Ananta Capital. Please go ahead.
- Kush Tandon:** Sir I joined the call a little late, so sir I just had one question from you that our quarterly results, is this more sustainable? I have also seen that your order book is around Rs. 2,000 crores and last one year, one and half year we had ups and downs on a quarter-on-quarter basis, but given the traction now should we consider it as a sustainable performance going further?
- Dinesh Patidar:** Yes, definitely because this is what we want to say that we have seen the best ever quarter and profit of our life and now our time has started and that is visible from the order book itself.
- Kush Tandon:** In this quarter was there any such lumpy order which has not repeated means obviously order book is there, but there was no such one time in this quarter?
- Dinesh Patidar:** No, nothing was there.
- Kush Tandon:** Our margin guidance is 12% on the lower side given that we can do Rs. 550 crores, Rs. 600 crores quarterly revenue, so, sir you are being conservative just like that or, sir you have done 14% now and there is no one time in margin also then 14% should be sustainable I think so?
- Dinesh Patidar:** See we told you 12% and delivered 14%, it looks good doesn't it, so our entire team always works towards doing good work. I believe that if I am giving you the guidance of 12% or 12.5% margin then you be assured that we are going to do better than this only.

- Moderator:** Thank you. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.
- Ankur Kumar:** Sir congratulations for a very good set of numbers. Sir my first question is that in October we made an announcement that we have received a Letter of Empanelment from Maharashtra of Rs. 1,600 crores which is like total order book, so how much we will get from that?
- Dinesh Patidar:** We got Rs. 1,600 crores.
- Ankur Kumar:** So this Rs. 1,600 crores is included in our Rs. 2,200 crores order book.
- Dinesh Patidar:** Right, Rs. 1,580 crores is included. Rs. 20 crores we have already done.
- Ankur Kumar:** And sir we told that in next quarter Rs. 500 crores and will maintain current margin and next year will be like 25% growth over this number?
- Dinesh Patidar:** Right.
- Ankur Kumar:** What else is expected from the next quarters in near terms? Can you comment on that?
- Dinesh Patidar:** For this you have to come to factory. I will show you the factory and after showing the facility after then you assess then I will answer all your questions.
- Ankur Kumar:** Last time also I confirmed that we received this whole 50,000 orders of Rs. 1,600 crores? That is quite a good number, sir.
- Dinesh Patidar:** Yes we got it.
- Moderator:** Thank you. The next question is from the line of Gauri from Old Bridge Capital Management. Please go ahead.
- Gauri:** Sir many congratulations to you for this excellent performance. Sir you told that your order execution capacity is of Rs. 2,500 crores and if more order book is there then you have enabling resolution for that Rs. 2,500 crores QIP, but sir when you talk about execution means this year your revenue will be of Rs. 1,250 crores, next year let us say the revenues can be about anywhere between Rs. 1,600 crores to Rs. 1,700 crores and even beyond that if you are taking a run rate of 25% to 30% then also you can go up to Rs. 2,200 crores. What I am asking is that you gave us a guidance of the order book, but actually the execution is annual, sir you still have that much capacity and you don't have to necessarily expand, can you help me understand this?
- Dinesh Patidar:** Yes, I understand very well because you have known me for a long time and understand me. We have just taken the permission from the shareholders for QIP, when we feel that we are confident then only we will go for QIP. Though nothing has been finalized yet. Currently we

are going for fund raising nothing is finalized. After getting permission from shareholders for fund raising and after that we will see the visibility and after that we will think about the expansion plan if we are able to bring good orders to our shareholders.

Gauri: Sir this margin is okay, but what is the sense on working capital, sir? Sir do you think you will be able to get money in time? Or how is the contract really structured?

Dinesh Patidar: While this contract was being designed, we worked very well on it, whatever suggestions we had to give to the government, we gave them. We gave to the state and state also accepted, earlier state did not accepted now has accepted and Indian government has also accepted, so 90% money comes within 30 days and 10% money comes after 30 days. Now a day everything is being digitalized, at some places it is done and at some places portal is working. In Rajasthan portal is going to start the work. Haryana's portal is done. Maharashtra's portal is already developed. In UP things are already under development, so slowly everything will be done. New solar scheme which is designed by Indian government in the state in which farmer has to take the decision in this 4 people are involved, farmer's decision is there and state governments funding is there, central government's subsidy is there, all these things are there. Everything has been done very well and we feel good about the future.

Gauri: As you are saying that 90% of the payment comes within 30 days, but your profit component let us assume 10% will come after the 30 days?

Dinesh Patidar: Let me explain you, Gauri madam this is tender's condition but normally it is not like that. Normally payment comes in 120 days, 125 days, 118 days, and 115 days. If the condition of the tender is good then your payment will be around the tender's condition.

Gauri: Anyways, even if we accept this, all your payments should be received on weighted average basis within 35 days right?

Dinesh Patidar: No, it doesn't happen like this. What you see it does not work that way. First order comes then we do the supply, then material goes to our godown after that customers order is executed and after that from our bill, the date on which we dispatch our materials to the farmer from there the average payment which is coming to us if you see our cycle for which the banks have given the CC loans they have given for that only that gives the average of 110 days to 120 days.

Gauri: You don't expect a slippage here? Whatever is the 120 days kind of a cycle you don't expect this to elongate, is that right? This will not elongate or are there any chances to elongate?

Dinesh Patidar: No, it will not elongate.

Moderator: Thank you. The next question is from the line of Yashi Lohia from The MicroCap Minute. Please go ahead.

- Yashi Lohia:** Congratulations, sir for good set of numbers. I have 2 questions like you said that this quarter your sales from exports were less?
- Dinesh Patidar:** No, I have not said that this quarter our sales from exports were less. Export sale is of Rs. 62 crores.
- Dinesh Patel:** This quarter our export is of Rs. 62 crores.
- Dinesh Patidar:** In 9M FY24 we have done exports of Rs. 197 crores, we have made a growth of Rs. 156 crores in 9MFY24.
- Yashi Lohia:** I have misunderstood. My second question is that since you are going in EV segment and your capacity is for 2 lakhs motors and controllers, then you will do this in domestic market or are you targeting the export market also?
- Dinesh Patidar:** We are doing the work at both places. For doing the export work we can import duty free in SEZ, can do purchases and for that we have installed a unit before 12 years, we keep on exporting from that. We have separate unit for domestic and we do domestic from that unit.
- Yashi Lohia:** So what are your projections for how much capacity you would like to expand more for the next 2 to 3 years?
- Dinesh Patidar:** Currently we are seeing that if good order booking is there then we will make a project report and will share with you also.
- Yashi Lohia:** Previously you said that you are going from bus segments and three-wheeler segments then are you doing in 4-wheelers segments also?
- Dinesh Patidar:** Yes, designing part is going on and we have already started 2-wheelers and 3-wheelers and bus motors on roads. Its trial run has already been done.
- Yashi Lohia:** When are you all planning for its execution?
- Dinesh Patidar:** Its production will start from June.
- Moderator:** Thank you. The next question is from the line of Vivek Gautam from GS Investment. Please go ahead.
- Vivek Gautam:** Sir to be honest, I have recently starting tracking the Company, so not much idea, but sir the concerns on the sales to Africa are regarding the receivables are there for other companies, so how are we planning to tackle that Africa and other nations? Is it a World Bank funded project, so that we get payment through LC? And similar queries on the government business, B2G business in India is also having some concerns on the receivables, issues are there on the

receivable part in Africa and with government also. Are we getting payment on time from Indian government at least? Can you share something, sir?

Dinesh Patidar: Good question. Firstly if you see the percentage of sale in Africa which we have shown in our presentation it is very low it is not very high, most of our sales is in Middle East and USA and regarding the project which we are doing in Africa that is funded by EXIM bank and Indian government's EXIM bank is going to pay us. It is our LC project and we don't have any risk there. Secondly, whatever we export that is insured by ECCG, so my experience says that we have been exporting since 20 years from then till today I didn't have any major bad debts. Everything was normal and has been going on normally and our money doesn't stop abroad.

Vivek Gautam: In India is this number sustainable? Means the payments from our state governments, the subsidy which was involved then the condition of the companies became very bad earlier, I am talking about Jain Irrigation and all when it used to come agricultural subsidy, now what has changed basically? And are these numbers sustainable? How do you think going forward, sir?

Dinesh Patidar: Vivek, you have asked a very good question. Actually it depends on who is running that organization. Our 20-years' experience of working with government department is that good that we work where we see chances of getting money and where there is plan in budget. My other friends whose name you just told they without fund, without budget and without any other efforts they sell then debtors will be there in the books, you see our books, you see our debtors. Let me tell you that last year from South I could have received orders worth Rs. 2,000 crores to Rs. 2,500 crores, despite having capacities I did not supply there. Today also there are states where we do not supply unless we get assurance from the department in budget that its state budget and central money has come. Last year we didn't work in our own state here in Madhya Pradesh they didn't plan for budget, so we did not sell a single penny material in Madhya Pradesh. We are very strict with payment; our Company runs on SAP and the limit of every department is fixed. If someone sells more than that limit or goes beyond that limit then our system stops it.

Moderator: Thank you. The next question is from the line of Rikesh Parikh from Rockstud Capital LLP. Please go ahead.

Rikesh Parikh: Congratulation on good set of numbers. Sir I just wanted to understand your progress on the EV side means any kind of progress on the order inflow? And the investment we are going to do over the next one year?

Dinesh Patidar: Rikesh, as there were some disturbance what I understood your question is that you were asking about EV, our EV production will start in June and rest other things are in pipeline and the EV motors for 2 wheelers, 3 wheelers and busses on which we have already done our R&D are in the market and are running and almost 10,000 numbers are like that which are running in the market and we are keeping a close eye on it. If any change in it or any quality issues or any

kind of such problems is coming then we deal with it and are establishing it. You can say majorly 95% has been established.

- Rikesh Parikh:** In EV where will be our major competition? And is there any firm order with any developer?
- Dinesh Patidar:** We have signed NDA with some companies, so it will be difficult to tell their names, but yes, as an Indian manufacturer I can tell you that there are very few manufactures of controllers in our country, manufacturers of EV motors are also very few. In the coming times you will see that we will come with a good share in the EV market.
- Moderator:** Thank you. The next question is from the line of Rajasekar MS an Individual Investor. Please go ahead.
- Rajasekar MS:** Congrats on a good set of numbers. I have been following your Company for quite long time. I have one question, you talked about control panel, till now one of the major raw material is steel, do you have any long-term contract about it? What are those I would like to hear from you?
- Dinesh Patidar:** In stainless steel price has been established since previous years, has come down and we feel that in stainless steel nickel prices are almost established. We don't feel the need to do hedging in that. Dollar yes, every time there is definitely a little fear regarding the dollar. So hedging is there in dollar because what we import and the dollar we get from export we get a good help from the dollars. So, in this I don't feel much need of doing hedging for raw materials because we already hedge in dollar and everything seems to be getting established regarding the raw materials.
- Rajasekar MS:** Second question is that under the KUSUM scheme from which other states tender and order is going to come now?
- Dinesh Patidar:** From South you will get orders and from Odisha orders are going to come, these 2 states are there which we are going to add. They have not done through KUSUM, they have done through state's own tenders from that also we will get orders.
- Rajasekar MS:** Visibility is seeing for at least 2 to 3 years, that is what I would put it across, correct?
- Dinesh Patidar:** Correct. For the next 2 years we feel the visibility is very good as we said in concall that every year we will be doing growth of 25% year-on-year and we are also doing some more development work like you must have seen that we are the leader in solar pumping all over India, so slowly leadership quality comparison will also be there, and our competitors who supplied the pumps earlier, farmer will see their pumps quality. In this one of the best thing is that farmer is the decision maker, so slowly we will try to increase our market share.



*Shakti Pumps (India) Limited
January 29, 2024*

Moderator: Thank you. Due to time constraint that was the last question for today. I would now like to hand the conference over to Mr. Dinesh Patidar for closing comments. Over to you, sir.

Dinesh Patidar: Thank you all for joining today's call. I assure you; I am confident that we will continue to do good work like this. Once again thank you for coming to this call.

Moderator: Thank you. On behalf of Shakti Pumps (India) Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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