



**“Shakti Pumps India Limited Q2 FY24 Earnings
Conference Call”**

November 06, 2023



**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 Q2 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 the 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. Rohit Anand from Ernst & Young LLP. Thank you and over to you Mr. Anand.

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 and development 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 this call with a brief overview of the past quarter by Mr. Dinesh 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 welcome to today's Call.

I feel very happy to announce that in this quarter the company has achieved a huge milestone which was waiting for a long time, the orders have started coming in under the KUSUM Phase-3 scheme. Till date we have received 3 big orders and in that 1 order is from Haryana Government which is for 7781 pumps worth Rs. 358 crores. Other order is for 10,000 pumps worth Rs. 293 crores. Here I would like to say about the 2 orders that it is for Off-Grid pump where electricity connections have not been given. We have been trying for a long time in which we received an order of Rs. 150 crores order from Ajmer DISCOM which is on-grid pump which means the pumps which were running on grid is to be replaced by solar pumps and the farmers who were called food providers now changed to energy providers from these pumps that means by installing these pumps the farmers will also start getting income and the DISCOM will be saved from losses. Roughly our calculation is that from it farmer's income will become Rs. 50,000 annually and Ajmer DISCOM will save Rs. 2 lakhs annually. As soon as this pilot project is successful we will approach to other DISCOM and seamlessly we will convert to on-grid pumps.

Company has received an order for 50,000 pumps from Maharashtra Government and they have reserved us with these numbers and in the coming time their portal is getting ready in which we can see some billing in it this quarter and in next quarter also we can see some good billing in that. This order of 50,000 pumps worth Rs. 1,603 crores is the biggest order ever for the company and we have to complete it within the coming 24 months.

The main reason of the improved EBITDA which you have seen in this quarter is increase in our export margins and we have also increased our margins in other areas also. Further, earlier we had received the R&D certificate from India Government's Science and Technology which they have extended till 2026. The certificate was till 2023 under which we had the facilities to import duty free R&D commodities, so it is also a matter of a great pride for us that the government has recognized us an R&D company.

Recently we have received a very good patent for our EV Company, Shakti EV Mobility Private Limited. Regarding this patent, I would like to say that this patent will adds a feather to our cap for our experience in making motors at Shakti Pumps due to which efficiency will also be improved, mileage will be improved under EV, the vehicles will be able to travel more kilometers with less charge and this is a cost effective design in which we will be able to reduce our prices by around 3% to 3.5% from our competitors with which we can give a cost-effective and energy-efficient product under our EV segment. This patent will cover our entire EV, 2-wheeler, 4-wheeler, buses and 3-wheeler and we see a good hope in this and that is why we have approved to invest Rs. 114 crores in that company in the last board meeting.

In the second quarter and half year of FY2024 we got orders from 21 states out of which we have been able to make agreements in 5 states and the way our booking is going on we expect more good results to come because we feel that we are likely to get more new orders from UP, Rajasthan and Haryana in the next quarters. And for this I would like to thank our R&D team and production team. Our export team has done a great job. They have increased the margins and increased the sales also. I am very hopeful that the coming results will be very good. Thank you and if you have any questions I am ready to reply.

Our CFO Mr. Dinesh Patel will give you our financial performance highlights.

Dinesh Patel:

Good afternoon everyone. Revenue from operations stood at Rs. 1,528 million in Q2 FY24, our export business registered revenue of Rs. 699 million up by 12.7% Y-o-Y. EBITDA for the quarter grew by 22% Y-o-Y at Rs. 152 million as against Rs. 124 million in Q2 FY23. EBITDA margin was at 10% up significantly by 420 bps from 5.8% in the corresponding quarter of last year. PAT for the quarter stood at Rs. 59 million recording a robust growth of 200% Y-o-Y from Rs. 19 million and PAT margin at Rs. 3.8% up by 296 bps from 0.9% in Q2 FY23.

For H1 FY24 revenue from operations stood at Rs. 2,658 million. Our export business grew by 31% Y-o-Y to Rs. 1,346 million. EBITDA was at Rs. 231 million with an EBITDA margin of

8.7% in H1 FY24. PAT for H1 FY24 stood at Rs. 69 million. Supported by our resilient distribution network, diverse product range and technological expertise our solid credit profile and strong brand recognition among customers is reinforced.

Backed by stable balance sheet and key performance indicator we have full confidence in our capacity to deliver the KUSUM 3 orders within the designated time frame, while also embracing additional orders to fortify our position in the market even further. Now I request the moderator to open the floor for question and answer.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We will take the first question from the line of Deepak Purswani from Svan Investments. Please go ahead.

Deepak Purswani: Sir just wanted to know your post export execution amount for this quarter? And what was the amount from KUSUM execution for this quarter?

Dinesh Patidar: In this quarter we have done Rs. 45 crores sale from KUSUM, did export of Rs. 70 crores and Rs. 40 crores is from other businesses.

Deepak Purswani: Sir, the presentation which you have given for this order is very informative. In this I want to understand that the order from Haryana for renewable energy is for 7,781 odd pumps worth Rs. 358 crores, so the realization of this comes approximately Rs. 4,60,000 per pump and for UP Rs. 2,90,000 per pump and for Ajmer about Rs. 5 lakhs per pump, so UP is close to on an average which happens in KUSUM. Haryana and Ajmer is some different kind of concept, so can you explain what happens there, give some light on that?

Dinesh Patidar: Definitely, in UP's order, the water level of UP is very high and there we have requested the government to give the permission to install solar pumps of 10 HP and 10 HP above, but we have seen the number till 7.5 though they have the rate contract of 10 HP and we also have the rate contract of 10 HP, in the coming future we will see the 10 HP pumps. So, in Haryana the maximum pumps are 10 HP, which is a very good segment and in future also the people of Haryana want for 15 HP and 20 HP, so that will also be very good in the future. Regarding Ajmer, this solar pump is grid connected that means remaining electricity will also be supplied in the grid and you will be happy to know that this is our patented technology we already have the patent on this technology. The electricity will be supplied to the grid when the pump is running, so we will be more powerful than our competitors and will save more electricity and farmers and DISCOM will get more benefits. So, we will get the benefit of that patent here in Ajmer and in Ajmer we are seeing this as a demo. As soon as this demo is successful we will take it to the other DISCOM and show it and by changing the pumps of all the DISCOMs in this manner, all the DISCOMs of our country will start making profit because we believe that today their losses are due to the agriculture connections only.

Deepak Purswani: Sir one more thing regarding this order of Haryana pumps of 10HP is this order under KUSUM scheme or it is some kind of different state governments order?

- Dinesh Patidar:** This is KUSUM scheme only and Haryana Government has given the subsidy and Indian Government has also given the subsidy in this. This project comes under KUSUM only.
- Deepak Purswani:** Sir for example Haryana's realization is Rs. 4.5 lakhs per pump, are there any other states under KUSUM which are similar to this or more than this, like our realization on an average is around 2,90,000, so do you have orders which are more than this in your pipeline? Or going forward do you feel that these can lead to orders which are higher than the average realization?
- Dinesh Patidar:** Yes, definitely we feel like this will slowly shift. In India we have tried to establish this scheme by supplying so much number of agricultural pumps. As we move towards the bigger things, more the customers will get motivated and they will be able to take more advantage from it and it will move upwards.
- Deepak Purswani:** Sir my last question is regarding the 5 patents which you have filed, sir most of them is relating to EV sector in mobility technology or different components, sir what is your vision in terms of how do you want to scale this EV business? Because we are investing now into EV and you have patents also and you have the plan, so can you share your roadmap in terms of how much investment do you have to make going forward? And which market do you want to cater in the future, domestic, export and what is its market size? And 2, 3 years down the line what do you think the revenue will be?
- Dinesh Patidar:** Your question is very good and other people would also like to hear this because of the investment of Rs. 114 crores which we are doing in EV. Shakti Pumps has an experience of last 30 years in making motors and last 8 years in making controllers, so this experience in designing, production and rest of the things, we can share this experience in our EV business. What we have done is we have contacted limited number of EV manufactures of bus, 2-wheelers and 3-wheelers and we are trying to establish it. We have already sold around 3,000 to 4,000 3-wheelers motors in the market and we have supplied around 5,000 motors under bus segment and we will establish ourselves in that and as soon as all these things are in place we will reach a good quantity and our plant will also start. In the next 1.5 year our plant's production should start coming, till then we can connect our motors, our technologies, our customers and the vehicle manufacturing companies with us and till then our production will also get started. We plan to invest a total of Rs. 250 crores in EV in which the board has already approved Rs. 114 crores, so we will complete it with that and rest we will focus on how to do that and yes, I feel that the coming time is for EV, so we should transform and give our experiences to our shareholders.
- Deepak Purswani:** Sir you told that we have already supplied motors to 3,000 vehicles on a pilot project basis, so are we earning revenues or what kind of revenue you estimate for FY24 over this segment?
- Dinesh Patidar:** In this you can assume that we will sell more 5,000 motors in the coming times and in that if you see that total revenue will be around Rs. 25 crores this year. We will establish ourselves with the Rs. 25 crores.

- Moderator:** Thank you, sir. We will take the next question from the line of Hitesh from Kosha Capital Advisors LLP. Please go ahead.
- Hitesh:** Sir can you tell your export strategy? How do you plan to scale up your export business on the pump side? What are the markets that you are exploring? And in that how big is the opportunity? What is the advantage that we have in the overseas market?
- Dinesh Patidar:** I will ask Mr. Ramesh to answer you regarding exports.
- Ramesh Patidar:** We are an exporting company and we have been exporting for the last 20 years, so we have our experience and we are growing slowly from the same base like we have opened our subsidiaries in US, Dubai and recently we have our subsidiary in Bangladesh also, so we will continue working in the same style and accordingly we will continue to grow our business this will be our strategy.
- Hitesh:** No, sir to which countries we are supplying? And what advantages do we get from that? Which are the other players there or other global players?
- Ramesh Patidar:** Yes, we have international competition in this, there is competition from European countries and we export in every continent we have our dealer distributor network there and we export through that and our major competition is with European companies.
- Dinesh Patidar:** Growth is little slow but it is solid.
- Hitesh:** And the second part is we are there in centrifugal pumps for a long time, any thoughts on the opportunity in the positive displacement pump? What opportunity is coming there? And do we want to do something on that?
- Dinesh Patidar:** Yes, we are doing on that.
- Hitesh:** Can you share some details on that like what is the opportunity like how do you plan to get into that market?
- Dinesh Patidar:** Currently we are trying to use that in solar market, so in solar market also we have already supplied it are moving ahead by establishing it.
- Hitesh:** What is the difference between solar pumps which are Centrifugal based and Progressive Cavity Pumps application wise?
- Dinesh Patidar:** Both are technologically different. One has helical pumps and other has centrifugal impellers, so there is a difference in technology between the two, both are different technologies.
- Hitesh:** Obviously, technology is different, but application-wise which pump is used in which application?

- Dinesh Patidar:** Application is same water lifting, water boosting, water transfer.
- Hitesh:** So, does one pump have a higher advantage over the other technology wise?
- Dinesh Patidar:** Yes, it depends on various situations like if you need a pump for low discharge then in that helical pumps are good and can work well if your discharge is very low and if you want high discharge then centrifugal pumps are used and if want to get water out of the ground then for that submersible pumps are there.
- Moderator:** Thank you, sir. We will take the next question from the line of Mr. Amir Merchant from IIFL Securities. Please go ahead, sir.
- Amir Merchant:** Sir quick question, what is the overall capacity that you have? And with the orders on KUSUM coming in do you think capacity constraint will be an issue?
- Dinesh Patidar:** Regarding capacity, we are running our company at 10% capacity and you will see that we were waiting for the KUSUM for the last 2 quarter and now it has come, so we would like to tell you with great pleasure that our production capacity is of Rs. 2,500 crores per year and we can install that much pumps in that.
- Amir Merchant:** And sir some more light on some of the EV projects, what is the exact plan? Is it on the pump? Is it on the motor manufacturing side or something on the charging side? Any color on that?
- Dinesh Patidar:** Right now, the focus is on motor in which we are expert in making motors, we have developed the Hub Motors of 2 wheelers. We have developed and tested the 3-wheelers motor Induction Motors, PMSM which are there; we have tested on bus motor and we have sold about 4,000 to 5,000 motors of bus, so we feel that we have great experience in it, so it should be utilized. We have experience of 8 years in Controller manufacturing because we are making and supplying controllers in solar, so we will also make the controller. Yes, we have done some R&D regarding fast chargers, but it is still far away because it will be in the second phase. In first phase we will establish our company in motors and controllers, after that step by step we will take it to chargers and R&D is going on our chargers.
- Amir Merchant:** Also in terms of KUSUM who are the other major players besides you?
- Dinesh Patidar:** Apart from us, the major players are very small players and right now we are at number 1 place rest all are very small and none of them is a listed company.
- Moderator:** Thank you. We will take the next question from the line of Harshil Solanki from Equitree Capital. Please go ahead.
- Harshil Solanki:** Sir I have 2, 3 questions, first is in the PPT we have given that we have done 59,600 pumps, so on that basis our market shares comes on 22%, so what is the reason for this market share drop of 30%, sir?

- Dinesh Patidar:** If you remember last year we have left some orders from Haryana as there were no margins and here in Shakti Pumps we have a policy that we don't work where there is no margin, we don't like to work in losses that is why we left that orders. They have given that orders to someone else to execute and it is still in dispute that others have executed a bit or not, so that is why you might be seeing that figure and secondly, I want to say as of today's order booking we are saying about the order book of Rs. 2,400 crores this will increase further in the future, so that is not an issue for us.
- Harshil Solanki:** And sir our preferred HP segment is 5 HP plus, right, so out of our total opportunity of 8, 9 lakh pumps, in that how many pumps of 5 HP plus will be there?
- Dinesh Patidar:** From where did you get this 8, 9 lakhs figure? Total figure is 17.5 lakh is off-grid pump and 20 lakh is grid connected pumps. Total sanctions is of 37.5 lakh pumps this is a total scheme of KUSUM.
- Harshil Solanki:** In that what will be the proportion of 5 HP plus, which is our target segment?
- Dinesh Patidar:** All customers are equal for us, we have customers for 3 HP, 5 HP, 7.5 HP and 10 HP and whatever is the requirement of the customers, if you call us to your farm and ask for survey and after doing survey if only 5 HP is required we will not give you 7.5 HP we will give 5.5 HP only because it will be feasible for you. We would not recommend a 7.5HP pump when a 5HP pump would be sufficient.
- Harshil Solanki:** Sir our working cycle has deteriorated a bit, what is the reason behind it?
- Dinesh Patel:** Solankiji, it will improve because sales have started increasing, actually according to the future prospective orders which we are seeing we have done a little inventory pileup and you will see a lot of improvement from next quarter onwards and if you see in the earlier years, there has been a lot of improvement.
- Harshil Solanki:** Sir debtors have also increased because if you see there is a sale of Rs. 265 crores and our debtors are of Rs. 256 crores during H1.
- Dinesh Patel:** Correct, so what has happened there that if you see in the last 2 quarters sale from KUSUM was not there, so government sales were not there, now the government sale has started that is why debtors have piled up little bit, otherwise there is no such big issues in that.
- Harshil Solanki:** Sir last question from my side, now that we have orders in hand, how would be our installation on ground? Our work force, our team and all are ready for last mile installation? Can you give some color on that?
- Dinesh Patidar:** Yes, our team is absolutely ready, we have established the entire process very well and everything is digitalized. We have given our mobile app to our business partners who work for

us in district level and tehsil level and it is available in Google app store. We have also given them all the training through our mobile app. They do survey through mobile app; they do installation through mobile app and they submit documents through mobile app. Everything has been done very well. We don't see any problems in that area and we feel there is a good opportunity for Shakti Pumps.

Harshil Solanki: The Warehouses, supply chain, transportation at district level and everything is in place or it will take some time?

Dinesh Patidar: Initially it takes some time to reach to a new places, but which has already established like Haryana, Rajasthan, UP and Maharashtra, these are our established areas where our sales people are connected with us, our service centers are connected with us, our installation team is connected with us they are already trained, so in this area we will be able to increase our numbers very well. And when we go to new areas like we went to Karnataka in South and if we have to develop there then it will take 90 days cycle for training, for development and for first order. But from where we have received orders till today, there our channels are already established.

Moderator: Thank you. The next question is from the line of Mohit Surana from Monarch Network Capital Limited. Please go ahead.

Mohit Surana: Sir only 3 questions, first is there is a decline in our revenues as compared to last year, is it due to seasonality and if so then what type of seasonality is there in the business? Second is improvement in our EBITDA margins is due to the increase in our realization or decrease in our cost that has also played a part? How much is EBITDA margin sustainable at this normalization level? And third I want to know that like there are 2 business segments positive displacement and centrifugal, Shakti Pumps are more into centrifugal, so are the EBITDA margins of both comparable or does centrifugal is more or positive displacement is low? It will be very helpful if you can throw some light on that?

Dinesh Patidar: First I want to tell you about the decline in our revenues as compared to last year. That is because we surrendered some orders which were allotted to us from Haryana worth of Rs. 400 crores. We did not supply them because it did not had margin and apart from this we have refused some orders from other states also because the rates have expired and there was no margin in that rate, so we left that and further you must have seen that same order was converted and received by us in Haryana, so this was one issue that due to KUSUM our total turnover has decreased. Now coming to export as you said that increase in margin in export, yes definitely margins have increased in exports and wherever we have the possibility of increasing our margins, where we have established ourselves, there we try to increase our margin little bit. Another thing is that most of the pumps in solar pumps are centrifugal pumps only and there is a market for those pumps only and the market for those pumps has not been developed that much, so we are supplying centrifugal pump for solar pumps and the future

belongs to this only. Technology for positive displacement pumps has to be developed yet and it has a very small market in which not much output can be seen.

Mohit Surana: In India what is the market size of solar pumps?

Dinesh Patidar: You can see that Indian government had to install 37.5 lakh pumps for which they have extended the scheme, so it is a huge market.

Mohit Surana: And sir last question which I have previously asked that what is our EBITDA margins at normalized levels?

Dinesh Patidar: We should talk about margins on full year basis because in the last 2 quarters we were not able to execute KUSUM orders and if we see on a full year basis our plan is that our EBITDA level will be 12%.

Moderator: Thank you. We will take the next question from the line of Aditya Sen from Robo Capital. Please go ahead.

Aditya Sen: Sir I wanted to know that when our KUSUM project is fully executed at the national level then our company will go in which direction? What will be the growth trajectory from there? Can you give some outlook on that?

Dinesh Patidar: Yes, definitely as you can see that our order book is of Rs. 2400 crores and we think that more orders will be added in this like orders from Haryana, UP and Rajasthan, we are seeing a good opportunity in this. As far as our total volume is concerned our plan is to do a growth of 25% - 30% year-by-year and we have given our team the target like this only.

Aditya Sen: How long will this 25% to 30% continue till 27, 28?

Dinesh Patidar: We will discuss it later. We come in every quarter and tell you about the next quarter.

Aditya Sen: No, I don't want to understand growth trajectory, I want to understand that when KUSUM's project is fully executed then what will we execute there? What will be the project that is what I want to understand?

Dinesh Patel: We are also trying to tell you that every year the company is targeting that we have to grow at least 25% to 30%. So, you should assume that if today we keep a target of Rs. 1,200 Crores then going forward we have to keep the target around Rs. 1,500 Crores

Dinesh Patidar: So, every year we will grow 25% to 30%.

Moderator: Thank you. The next question is from the lines of Hardik Vyas from Economic Times. Please go ahead.

- Hardik Vyas:** Sir we have to look at the December quarter results, March quarter results, but right now it seems that the orders received from Haryana and UP are to be executed by the end of December if I am not wrong?
- Dinesh Patidar:** Absolutely.
- Hardik Vyas:** And regarding Maharashtra order you told that little bit of billing will start in this quarter and rest of the biggest chunk we will be able to see in the March quarter?
- Dinesh Patidar:** Yes, definitely correct.
- Hardik Vyas:** So, far we have 3 big orders; Ajmer's order is a small order of Rs. 150 crores. Some of them will be executed in this quarter or should be calculated in the next quarter?
- Dinesh Patidar:** It will happen in this quarter and next quarter also.
- Hardik Vyas:** So, by the end of next quarter Ajmer's order will be executed?
- Dinesh Patidar:** Yes will be executed. And let me tell you about the target which we have given to our team regarding which you were asking is that for quarter 3 it is for Rs. 400 crores and for quarter 4 is for Rs. 500 crores.
- Hardik Vyas:** I was asking you the same thing in a different way that do we feel that new order will continue to come, it is not like that for this year we have order book of 2400 crores because going forward for the March Quarter and June Quarter, do you feel that orders have start coming or and we have not seen any order for the long time that is why I am asking?
- Dinesh Patidar:** Yes, orders have just started coming in. Basically, you must have seen that KUSUM 1 and KUSUM 2 were pilot mode and they were for testing the scheme. In real terms you will see that KUSUM 3 will be the next milestone.
- Hardik Vyas:** Sir you have guided that orders were to come from Rajasthan and Chhattisgarh has not taken the subsidy under KUSUM because they have given subsidy to NABARD, so is there any possibility of orders coming from there?
- Dinesh Patidar:** Yes, definitely. Rajasthan orders have started, small orders have just started coming from Rajasthan. Currently code of conduct has been imposed there, that is why orders have started coming from Rajasthan and we are taking orders from Chhattisgarh, 1 or 2 small orders keep on coming.
- Hardik Vyas:** After code of conduct, results will come in December 3rd and after that retendering will be done or this tenders orders will be released?

- Dinesh Patidar:** No, KUSUM rate has been already decided, everything is ready. The orders which have come we are supplying it. We have already some orders of 400 pumps and we are supplying it.
- Hardik Vyas:** So, new tendering will not be done?
- Dinesh Patidar:** No new tendering will be done for 1 year or 1.5 year and it should run very smoothly.
- Hardik Vyas:** And sir last question, you have guided an export of 2 million for this September quarter, so it has been done right? That is a part of 70 crores. Our export numbers for this quarter is 70 crores then from that what is the Africa component? And what is the rest of the component?
- Ramesh Patidar:** In this we have done nearly \$ 1 million in Uganda, the project which we have planned, basically we have done a total work of \$ 2 million. Now we have requested that initiative of 2 million for payment. We are moving a little slow right now so that the payment cycle rotates once again then after that we will start working at speed because we have established everything. Our team, our groundwork, the field work and the survey everything has been completed.
- Hardik Vyas:** So, in this third quarter we have planned for this \$ 4 million for December quarter, so will that happen or will be little slow?
- Ramesh Patidar:** We are trying, but it totally depends on payment. Once payment factor is done then we can definitely do that.
- Hardik Vyas:** Otherwise like \$ 2 million must come?
- Ramesh Patidar:** Yes, definitely that much will come.
- Hardik Vyas:** And sir my last question is that in this quarter the orders received for KUSUM and Haryana have been executed or not?
- Dinesh Patidar:** Yes, it is going on and has happened in that quarter.
- Hardik Vyas:** Happened in this quarter?
- Dinesh Patidar:** Yes, has happened.
- Hardik Vyas:** For how much?
- Dinesh Patel:** So, far we have sold approximately 2,676 quantities under KUSUM scheme and this revenue of Rs. 45 crores which you are seeing for the six months most of the quantity was from that only.
- Dinesh Patidar:** Few are from Chhattisgarh and rest is all of that.

- Moderator:** Thank you. The next question is from the line of Dinesh Nagda from Harsh Investments. Please go ahead.
- Dinesh Nagda:** The question is regarding orders, as you said for Punjab and Chhattisgarh small orders are coming, for Rajasthan you said because of the elections we are seeing some delay, can you tell something regarding the positions of Punjab and rest of the states?
- Dinesh Patidar:** I am telling you once again in Haryana we have executed the orders, in UP also we have executed the orders, in Rajasthan it is pending due to elections and Punjab nothing has been started and in MP also nothing has started, in Maharashtra we have already taken one order and some of its sale will come in this quarter and very good sales will come from next quarter.
- Dinesh Nagda:** Sir I wanted to know that when the application is closed in our portal for example Gujarat's is now open and the last date for closing of application in portal is November 12th then what is the time taken for actual orders to come?
- Dinesh Patidar:** No, we are not doing for Gujarat. We have not done any agreement for huge quantity; we have refused Gujarat.
- Dinesh Nagda:** But sir apart from other state, this was not relating only to Gujarat, but for other states also like after how much time we can expect an order from a particular state after portal application is closed?
- Dinesh Patidar:** See what happens is that one quantity is sanctioned like for Maharashtra Indian Government has sanctioned a quantity of 1,80,000 pumps and for that they will open the portal after sanctioning 50,000 quantity and in the coming time, requirement will keep on coming on that portal and if all of the requirement comes in 1 week, 2 weeks then after doing survey we will submit our reports and after 90 days we have to supply them. So, as the requirements will come, as the survey reports are submitted then within 90 days or if they think it should be extended then they will extend. So, things are like that we will supply for 50,000 pumps and Indian government can extend the quantity also.
- Dinesh Nagda:** How much is our current capacity utilization?
- Dinesh Patidar:** In the last 2 quarters we have been able to run 10% of our capacity. Total capacity is of Rs. 2,500 crores.
- Moderator:** Thank you. The next question is from the line of Mehul from Nuvama Wealth. Please go ahead.
- Mehul:** My question is with related to capital employed, if I look at sequentially the capital employed is down by 1% and as you explained we are setting up inventories to basically meet with orders like in which we have got under KUSUM scheme like from Haryana and UP, so is it

look at like in terms of capacity utilization we are not required to spend anything on capital expenditures, so that is what I would like to this reduction in capital employed, is that correct?

Dinesh Patel: Actually, it is like that till Rs. 2,500 crores we do not need to do any major expansions, so we are closely watching the situation and as soon as we feel that Rs. 2,500 crores will be touched in future, then we will preplan for expansion, but if I talk as of today, we do not have any plans for capacity expansions as the existing capacity is sufficient for us and regarding CAPEX then our routine CAPEX is Rs. 20 crores to Rs. 25 crores which you can see in cash flow of every years. This year it will be little more because EV segment is also growing, so due to this you will see little bit more CAPEX.

Mehul: So, if I look at like in terms of ROCE which would look at by this year and as well as by FY25 like an expanding a lot?

Dinesh Patel: Yes, you can see it.

Mehul: In terms of gross margins if I look at again sequentially there is about 300 basis points increase as well as Y-o-Y, so what is that leading to?

Dinesh Patel: Export market.

Mehul: So, broadly whatever there is expansion in terms of gross margins is on the back of export market not under KUSUM scheme or under domestic business?

Dinesh Patel: No, we have got advantage of KUSUM also like if you talk about the last year situation then in September we had to withdraw the orders, but according to the current situation the orders for KUSUM which are coming are coming at good price and have a good margin. So, we see that our EBITDA will grow very well.

Mehul: Last question is that you gave breakup of revenue like for quarter 2 I think it was about Rs. 42 crores under KUSUM scheme and Rs. 40 crores exports, so rest was what? I did not get that?

Dinesh Patel: I will tell you again that Rs. 45 crores which they have told is for solar EPC in which we have sold out all of our KUSUM and all of our solar pumps. Now the exports that you are talking about is something of Rs. 70 crores, the remaining part that you are talking about is our domestic dealer distributor network plus industrial customer, OEM customers and service segment.

Moderator: Thank you. The next question is from the line of Forum Makim from JHP. Please go ahead.

Forum Makim: Sir great set of numbers. Sir apart from the PM KUSUM scheme, separate orders from state government comes, so are we receiving any orders?

- Dinesh Patidar:** Yes, the orders from Maharashtra were converted into KUSUM and the orders from Chhattisgarh as of today we see orders from Chhattisgarh itself which is non KUSUM.
- Forum Makim:** So, now the whole of Maharashtra will come from KUSUM only?
- Dinesh Patidar:** What Maharashtra is doing now is that Indian Government has sanctioned 1,80,000 pumps, so why will they leave their 30% and after completion of 1,80,000 pumps they have another plan of 5,00,000.
- Forum Makim:** It is only from the 5,00,000?
- Dinesh Patidar:** No, 5,00,000 has not started yet. Once this 1,80,000 is complete then we will do that.
- Forum Makim:** And sir is our margin expansion due to some inventory gain or how is it? Is it operational efficiency or what?
- Dinesh Patidar:** You have seen the sales from export of Rs. 70 crores, we have got a higher margin in sale from export and the other sale which you are seeing of Rs. 45 crores which is from Government sale in which you know that there is 20% difference in last year's KUSUM rate and current KUSUM rate, so our shareholders should get that margin here.
- Forum Makim:** Currently the prices of our raw materials are falling, so we will see the benefits of that in the future right? That is why you are saying 12% margin?
- Dinesh Patidar:** Yes, that is why saying 12% margin and definitely our shareholders will get that margin.
- Forum Makim:** And sir this PM KUSUM scheme gives a lot of volatility in its revenues means some quarters will be heavy, some not, what are we planning to do to reduce this volatility, so that little consistency is there in our revenues?
- Dinesh Patidar:** Your advice is very good that is why we have increased our order book a bit to Rs. 2,400 crores and if we keep increasing the order book in the coming time, then you will not see much difference in the quarters.
- Forum Makim:** And sir when the elections come in the central level will there be a halt in coming of orders?
- Dinesh Patidar:** No, there would be no halt, this is a scheme and it is approved by the cabinet. Whichever government comes and go, it doesn't matters. If the next government has to reduce the losses from electricity and has to reduce CO2 from earth then there is no other option.
- Forum Makim:** Sir under Components C and you said for other states we will start after we complete Ajmer, right?
- Dinesh Patidar:** Right.

- Forum Makim:** But there is demand like portals are open?
- Dinesh Patidar:** Yes, it is already confirmed. This Ajmer DISCOM is not taking any money from the farmers; it is giving the entire money from its side. There is no requirement of portal, this is a free of cost thing.
- Forum Makim:** And in this what is our margins in the component C?
- Dinesh Patidar:** We will let you know once it gets billed.
- Forum Makim:** Will be 12 something?
- Dinesh Patidar:** Yes, it will be like that only. It is a patented technology and this is a pilot project.
- Moderator:** Thank you. We take the next question from the line of Deepak Purswani from Svan Investments. Please go ahead.
- Deepak Purswani:** Sir one question was left in terms of your EV business which you are planning, what is your vision in terms of how much you can grow over a period of next 3 to 5 years? And second question is your estimate on this is that we will do around Rs. 24 crores to Rs. 25 crores this year, so how will be the margin trajectory, Obviously it will be not so much, but in this going forward how are you seeing the margin trajectory? And in FY24 how do you think, will we make profit at EBITDA level in EV?
- Dinesh Patidar:** Your question is very good. I will tell you once again that the reason why we have started Shakti EV is that in India the maximum EV motors and controllers are made in China. In the name of screw assembly maximum people are doing assembly and manufacturing in India, we call it screw assembly. Maximum of the product designing is done in China and manufacturing also comes from China and then it is assembled here. Major part of the EV comes from China. Now we have to develop it in India, so we have started focusing on it and most of the time is spent in its development. We have already done the development. Work is going on the controllers and motors of EV for the last 4 years. Now the plan is to establish it. Right now we are restricting ourselves. We are not going to many manufactures; we will establish our product. In the coming 6 months our plants production will also start and slowly we will take it forward. So, the vision to start this company is that the company has experience of last 30 years in making motors and has an experience of last 8 years in making controllers, so our shareholders should get its benefit. We have established that technology and we think that we can make some contribution in Indian EV. Right now it is very early for figures, margins and all that. Once the production starts, once customer level is known, then we will run it in the same way as we do in our pump business, we do not want to work in low margins and we don't want to work at a loss. The reason behind our 2 bad quarters was this only that we surrendered our Rs. 400 crores order, so our aim is to work in a sustainable manner at good margins.

Deepak Purswani: Sir I have one question to Dinesh Patelji, we have seen a growth expansion in gross margin by almost 310 basis points, so can you tell us that the raw material price has decreased, solar panel price has also decreased, so we have got expansion in it, what is the benefit of raw material cost or what percent if we put it in other terms?

Dinesh Patel: So, if we see raw materials price as compared to June then not much plus or minus is there almost continued in the same level. Panel prices are almost in the same level, so the gross margin that you are talking about, so there is not much plus for raw material or you can say that I am not seeing it in increase level, right now it is in a stable level, so we believe that it will remain stable in future too and with this our margins will improve and the margin which we are trying to achieve at 12% will also be achieved.

Dinesh Patidar: Deepak one more thing in this, we are looking at the margins of our sale price which has increased by 20% and in panels the market price which gives you the information regarding the market whereas I know is that the panel which are imported from China and which are available today at Rs. 18 to Rs. 20 per watt we cannot put those panels in this scheme. In this scheme we have to put DCR cells which is under India's Make in India and Atmanirbhar Bharat, so in DCR cells there has not been much difference in the rate in the last 2 quarters. Earlier the wafer prices were bit high now that has come down a little 50 paisa, 60 paisa per watt, so there is not much difference in it, rest the process is of India. If you talk about the Chinese panel, yes Chinese panel strategically the people of China have reduced its price, but if we see here the Indian DCR manufacturer prices are almost same.

Moderator: Thank you. The next question is from the line of Sahil Chopra from KIFS Trade Capital. Please go ahead.

Sahil Chopra: Sir I have some confusion, the order you have received from Maharashtra I think it is a Letter of Empanelment, so it is a LoE, right, so it is not an order, so from this Rs. 1,600 crores how much we can expect that will be converted to order?

Dinesh Patidar: Full will be converted into order. The only thing you can think about is time. Now let us assume that this portal will be ready in the next 15 days and when they launch it one quantity will be booked then for that quantity our installation team will do survey and submit the reports and then we have to supply within 90 days. So, for this 50,000 pumps let us assume that you will see its sale in the next quarter (Q4) and in the first quarter of FY25 also, so there you will see this. It is confirmed that we will do 50,000 pumps easily in the coming time.

Sahil Chopra: So, you are saying that you will get the full 50,000, it is sure?

Dinesh Patidar: 100%.

Moderator: Thank you. Ladies and gentlemen 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: I would like to thank you all once again for coming and listening to me and all of your questions were very good. I would try to meet the expectations of our shareholders and I will end my speech with best wishes to everyone for Diwali. Thank you very much.

Moderator: Thank you very much, sir. Ladies and gentlemen on behalf of Shakti Pumps India Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines.

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