



**“Shakti Pumps (India) Limited Q1 FY25 Earnings
Conference Call”**

July 22, 2024



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

ANALYST: MR. ROHIT ANAND – ERNST & YOUNG LLP

Moderator: Ladies and gentlemen, good day and welcome to the Shakti Pumps (India) Limited Q1 FY25 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. 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. Rohit Anand.

Rohit Anand: Good afternoon, everyone.

Before we proceed, let me remind you that this discussion may contain forward-looking statements that may involve known or unknown risk, uncertainties, and other factors. It must be viewed in conjunction with our business risk that could cause future results, 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 business development and to answer your question 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 - Company Secretary & Compliance Officer.

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

Dinesh Patidar: Thank you, Rohit. Namaskar to all and thank you for joining us on this call today.

I am very happy to report an outstanding start to the Financial Year 2025, with the first quarter demonstrating robust revenue growth and enhanced profitability. We delivered revenue of Rs. 568 crores, which was four times higher than the same quarter in the previous year. We also delivered a manifold growth in profitability as our Profit After Tax grew from Rs. 1 crores to Rs. 93 crores in this quarter.

Our EBITDA for this quarter was Rs. 136 crores. Our commendable performance is attributable to the accelerated execution of the order book. We also benefitted from a decline in raw material prices, along with economies of scale resulting from higher execution rate during the quarter, which resulted in a strong expansion in margins. We have negotiated with our vendors and suppliers and gave them a planning schedule and worked on the price. With this we have succeeded in reducing the price of our raw material by 3%.

We expect the orderbook of Rs. 2,000 crores should be implemented in the next 15 months efficiently. We are planning to complete the order of approximately Rs. 500 crores in the Q2, the execution is dependent upon how the monsoon season in India will emerge for the quarter.

We continue to maintain our focus on technology and innovation, as we received another patent during the quarter, taking the total number of patents granted to 14, out of the 29 which we had filed. We are also going to book good orders in export. We hope to get good orders there as well.

With this, to take you through financial highlights, I would like to hand over the call to our CFO – Mr. Dinesh Patel. Over to you Dinesh Ji.

Dinesh Patel:

Thank you, sir, Good afternoon, everyone.

During the Q1 FY25 was our revenue was at Rs. 567.6 crores which increased from Rs. 113.1 crores in the same quarter last year reporting a growth of 4 times.

Our EBITDA stood at Rs. 135.9 crores as against Rs. 7.9 crores in Q1 FY24. EBIDA margin were at 23.9% in this quarter, as against 7.0% in Q1 FY24. The expansion in margin was largely driven by economies of scale and higher execution of orders along with some benefits accrued due to decline in raw material prices.

Profit after tax stood at Rs. 92.6 crores compared to Rs. 1.0 crore in Q1 FY24. PAT margin stood at 16.3% as compared to 0.9% in the corresponding quarter of the previous fiscal.

The company's long term credit rating has been upgraded to A+ stable from India Ratings & Research.

With our strong balance sheet and the key metrics, we are confident in the timely completion of order book and consolidate our position in the market.

With this, I now 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 Deepak Purswani from SVAN Investments. Please go ahead.

Deepak Purswani:

Sir, firstly, we wanted to understand that if we look at the order inflow how should we look at the trajectory going forward and what are the states we are targeting at? If you can share some insights on that.

Dinesh Patidar:

You need state wise, right?

Deepak Purswani:

Yes, and now basically how our order inflow pipeline is looking now and how should we look ahead? From which states are we exploring the opportunity?

Dinesh Patidar: That's a very good question. Deepak, we are going to do well in Maharashtra. And you know that we do well in Rajasthan, in Haryana, in UP. So, we are working in these states, and we will continue do well.

Deepak Purswani: And sir, if you could share some insights, how many tenders are open and how many bid pipelines are open where we are participating?

Dinesh Patidar: Tender process has already been done and there is no concern about the tenders. Tenders were called for two years. And, Now only three quarters are past while rest of the quarters are remaining. And all state governments are planning everything well. So, the tender quantity you are seeing is increasing and we hope that this will continue.

Deepak Purswani: Sir, how should we see the target of this year's order inflow?

Dinesh Patidar: Deepak, as we have already informed in the earlier calls that as last year, we did around Rs. 1370 crores, we will continue to grow by at least 30%. It is monsoon season, there are elections in Maharashtra, Haryana, and some other states. But we are still in the stage of making it to 30% more than Rs. 1370 crores.

Deepak Purswani: We have seen that there are some new players entering this space. So, how should we look ahead? Is the competitive intensity increasing for us or are we confident that our order inflow or our market share will be maintained?

Dinesh Patidar: Yes, we cannot stop the new players. The new players will come, some will exit. But we are fully confident about our technology, our company, and our products. The technology that we have developed in the last 40 years, the brand in the market, we will keep getting the benefit of it. New players will come, it is good and should come as it is a big market. We will welcome the new players who will come.

Deepak Purswani: And secondly, sir, on the margin front, we have seen a significant improvement in this quarter. So, how was the procurement price of our Solar panel in this quarter?

Dinesh Patidar: Yes, as I have told you the same in my speech. That, in the Solar panel prices and in the other raw material prices, we negotiated very well, we did very good advance planning. Then, in advance, the transportation cost is reduced, the vendor is confident, and it is easy to supply for them also. So, all these things when you have the order, you can negotiate it well. The price has also reduced a little for solar panel, so we have benefited from that also. As you can see, we have succeeded in reducing the price by 3% in the raw materials.

Deepak Purswani: So, the procurement of solar panel was around Rs. 15 in this quarter?

Dinesh Patidar: Deepak, we are negotiating with 2-3 vendors. So, I think it is not possible to talk on this call.

Moderator: Thank you, sir. The next question is from Aashish Uppanlawar from InvesQ. You may go ahead, sir.

Aashish Uppanlawar: On the Ajmer pilot project, any updates on that? If you could also tell us about the progress of Component-C, how things are looking and what is our competitive edge in that? We would also want to know if it goes through in the next maybe one or two years, how things will look like?

Dinesh Patidar: Yes, Ashish. As you can see, Component-C is our dream project. For others in the call, I would like to tell that Component-C is a very good scheme. In this, the farmer gets an income of Rs. 50,000 a year and DISCOM will get a profit of Rs. 1 lakh a year. And in 3-4 years the entire investment of DISCOM becomes free. To make this scheme successful, we have already found around 200-250 feeders in Rajasthan Ajmer, DISCOM. We are working on this and being a new project it is a challenging one for us. It is a pilot project for us too which is worth about Rs. 150 crores pilot project. We have already installed approximately around 56 pumps. It is working successfully. Now it will pick up speed, as it was very new for us and the DISCOM department. Now everything has been lined up. And it is quite possible that we will be able to complete it in the next two quarters.

Aashish Uppanlawar: So, after two quarters, you are saying that there will be some traction in the Component-C orders?

Dinesh Patidar: Right. What we will do is that when this project will be completed, we will talk to all the MDs of all the DISCOMs and show that the best way to reduce their loss is through the grid connected pumps. It's not only increasing the farmer's income, but it's also reducing the loss of DISCOM. And this money is also being getting freed in 3-4 years, so I think that we will also get orders from DISCOM. And I would like to talk about technological aspect in this. So, our shareholders should also know that when the pump is running in the grid and if water requirement is less, then the farmer can export the remaining electricity to the grid. Shakti Pumps also has a patent in this. So, this product will be very good for us in the future. Grid connected pumps will be counted as amongst the good system in India in the coming time.

Aashish Uppanlawar: But does anyone else have this technology? As of now, whatever you know?

Dinesh Patidar: Competitors have the technology, but they have to turn off the pump, then start the switch and then the supply will go to the grid. They do it manually. With the use of our technology, if your requirement is for 1000 liters and if you need only 500 liters, then at the same time, the remaining electricity can be supplied to the grid. The technology available in the world is that you turn off the pump, then the grid will be supplied.

Aashish Uppanlawar: So, we will be basically niche in this, or we will have to share technology with others?

Dinesh Patidar: We will see what happens next, but I think this will be our biggest edge.

- Moderator:** Thank you. The next question is from Harshil Solanki from Equitree Capital. Sir, you may go ahead.
- Harshil Solanki:** Sir, Maharashtra has announced in their state budget that they are going to allot 8.5 lakh solar pumps. So, can our company gain from that and by when are you seeing the tractions on the orders?
- Dinesh Patidar:** Yes, Harshil, Maharashtra government has planned 8.5 lakhs in their budget, then we will also be able to get our share. The effort is still going on. We are working at a speed and will work at a greater speed further and it will be a big benefit for us.
- Harshil Solanki:** We have big orders expected, right?
- Dinesh Patidar:** Right
- Harshil Solanki:** Because Maharashtra is a strong market.
- Dinesh Patidar:** We are already present in Maharashtra, working with DISCOM. The order of approx. Rs. 1400 crores is pending as of now. We have supplied few in every quarter. And already there is a good demand and our brand recognition is also very good.
- Harshil Solanki:** If we see nonetheless, Rs. 2400 crores we can do this year and our capacity is that much, so how can we grow next year, what is our plan? Because CAPEX for which QIP was done, is going to come after a year. So, what are your plans for capacity wise growth next year?
- Dinesh Patidar:** Yes, Harshil, you are absolutely right. I have already said about it while giving the guidance. We are planning for 30% growth over last year and we are working on it to meet the full target. As our skills improve, we will work on it further. The expansion plans are also in progress. Our team is ready to move forward. But as there is monsoon season in coming quarter, and elections in few states. So, we are giving you a conservative figure that we will do 30% growth on Rs. 1370 crores, reaching around Rs. 1750 crores at least.
- Harshil Solanki:** And sir, the free cash flow that we will generate, because of good profit, where are we thinking of deploying it? Because we have already done a QIP, so how will we plan the deployment of the surplus funds?
- Dinesh Patel:** Harshil, actually you have to understand two things. First, we already have an expansion plan, so we have taken some funding through QIP, and we have to fund from internal accruals as well. Second thing is we have a big project of EV in hand in which we have to make high investment and which we want to fund without taking banking finance. So, let's see, in the coming weeks with the new developments, management will keep updating you about it quarter-on-quarter.
- Harshil Solanki:** And Dinesh ji, if you can give us the receivable number in this quarter, please?

- Dinesh Patel:** You want it as on date?
- Harshil Solanki:** Yes.
- Dinesh Patel:** Rs. 883 crores receivable till date, 30th June 2024.
- Moderator:** Thank you. The next question is from Avi Agarwal from Arihant Capital Markets Limited. Please go ahead, sir.
- Avi Agarwal:** Sir, I wanted to ask you about the Shakti EV Mobility and what are the plans for this in the future? And regarding our plan to double our capacity, what is the progress in this?
- Dinesh Patidar:** First of all, let me tell you about Shakti EV Mobility because we have been making motors for the last 40 years. So, the experience of making motors should benefit the company and its shareholders. For that, we have formed a company called Shakti EV Mobility and we will invest around Rs. 250 crores in the next two years. And the motors and controllers will be manufactured for 2-wheelers, 3-wheelers, 4-wheelers, and buses. We have already built some motors in that. Today, we have around 2,000 buses running on the road. So, we have been working slow to prove our technology, now the speed will increase. We have also ordered the plant and machinery and installation is on track. As we progress, we will talk about the growth in coming quarters as well. We will tell you about it. Mr. Agarwal, the best thing is that we have the experience of making both controllers and motors. And in India, we still don't see EV motors being manufactured on a very large scale. The central government's plan of Atmanirbhar Bharat requires to use the manufactured things in India. So, we see a good opportunity in that. That's why we have planned to make such a big investment there.
- Avi Agarwal:** So, sir, which company have you tied up for your motor supply and what can be the timeline for its execution?
- Dinesh Patidar:** We welcome you Mr. Agarwal. I invite all the participants in this call. Please come and visit the factory. As of now I can't take the names of the companies in this call because we have signed NDA with them.
- Avi Agarwal:** And sir, one last question that, the capacity of your solar pumps, your guidance is to double the capacity of your solar pumps. What is the progress in this?
- Dinesh Patidar:** They are on track. Our guidance was to double it. You must be having the information that we have done equity participation with SBIMF and LICMF on account of that. The things are progressing well. We have already placed some orders for Plant & Machinery and some we are going to do in future. Madhya Pradesh Government has already allotment the land and the land registration are going to happen soon. As and when things progress and we will get a clarity, we will inform you.

Moderator: Thank you. The next question is from Rajesh Vora from Jainmay Venture. You may go ahead.

Rajesh Vora: In last 3 years, in the financial year of 2021, 2022, 2023, if we calculate the cumulative profit, it is less than Rs. 165 crores and you have increased it by Rs. 180 crores in the last two quarters. So, well done. What are the 3-4 things that have caused such a huge change in profits, revenue, and sales? It would be nice if you could tell us about that.

Dinesh Patidar: Absolutely, Mr. Rajesh. Actually, for the past 5-6 years we have been waiting for KUSUM scheme. And in every call, we have been saying that KUSUM scheme is on the progress. There were few issues in KUSUM 1 and in KUSUM 2. That is why we have created our company for these days. We have been working in the energy efficient pump for the past 20 years so that in the coming time our shareholders will get some profit. So, now KUSUM scheme has been established in the market. Demand is coming from everywhere. Every customer is praising it. Every farmer wants to take it. With solar pumps, the farmer automatically converts it to micro-irrigation and is generating higher income for himself. Government losses are decreasing. So, we are also gradually scaling ourselves. We have the capacity, and we are going to expand it further. So, the company was set up for such days. And now you see, we are going to do better work than this.

Rajesh Vora: So, now any major issue is not there that needs any intervention by the government, central government, everything is clear?

Dinesh Patidar: Yes, everything is very clear, and it has happened in a very good way because in this, there are equal role of state government, farmer, and central government. As a result, we can see tender of 8.5 lakhs pumps project from Maharashtra. Government also wants their DISCOM losses to get reduced and farmer is also hoping to get a profit from this.

Rajesh Vora: Win-Win situation, great. In this quarter, we have installed about 14,700 pumps under PM KUSUM, so how much of the whole industry will be approximately if CFO can share the number? What was the market share in this quarter?

Dinesh Patel: It has been updated in PPT. It is around 70,000-80,000 approx.

Rajesh Vora: So, our market share will be 20% less or greater?

Dinesh Patidar: We can't say that because there are old figures on the portal, the information on the state portal regarding the vendors who have supplied in KUSUM 1, KUSUM 2 and KUSUM 3 are getting updated. So, that is why you feel our market share is around 20%. But, let me tell you, we have maintained our market share elsewhere. We have slowed down a little bit in Maharashtra. Our payment was due from Maharashtra, so we have reduced the focus a little bit there. We have received payments of Rs. 60 crores and Rs. 50 crores now. Now we are going to increase the speed again. If we see that even though they have money in the budget, the payment is delayed due to some issues, we stop supplying.

- Rajesh Vora:** The last question, in this quarter, the percentage of revenue from government would be how much?
- Dinesh Patidar:** 78%.
- Moderator:** Thank you. The next question is from Tushar Jain from Sumitomo Mitsui DS Asset Management. You may go ahead.
- Tushar Jain:** Sir, I wanted to understand two things. First, you said you have done Rs. 568 crores in revenue and you are saying that you will do Rs. 500 crores in the next quarter but you are saying only Rs. 1750 crores for the whole year. So, in the second half, do you want to keep a surprise element or is there some seasonality because of which you are giving such guidance?
- Dinesh Patidar:** We don't know how the rainy season will be, in Rajasthan, in Punjab, or in Haryana or in Maharashtra. So, the installation activity slows down due to rain. Also, the elections are coming up in few states. So, there are a couple of issues that we can't control. But if these issues are not there, then we will do better. But we are saying that we will increase revenues by 30% even factoring these issues.
- Tushar Jain:** And secondly, you said that you have been able to negotiate in raw materials. So, if you give us an idea of what is your major raw material?
- Dinesh Patidar:** Major raw material is solar panels, stainless steel, copper. These are our three major raw materials.
- Tushar Jain:** So, mostly negotiation might have happened on the solar panel?
- Dinesh Patidar:** Yes, negotiations were done on the solar panel and also on the steel.
- Moderator:** Thank you. The next question is from Ajaykumar Surya from Niveshaay. You may go ahead, sir.
- Ajaykumar Surya:** Sir, my question is, as we see on KUSUM website, they say that about 13.5 lakhs pumps have been sanctioned and KUSUM scheme has plan of total 17.5 lakh pumps. So, sir, I wanted to know that till today how much tendering has happened for pumps? Can you tell us how much percentage of pumps have been tendered?
- Dinesh Patidar:** It is not because of the percentage of pumps, or the number of pumps tendering has happened. This tender has been done under a rate contract. The Government of India had called for a rate contract. In that rate contract there is no limitation regarding number of pumps. Decision maker is farmer, 25% to 40% money is to be given by farmer; state gives the rest of the money and the central gives the rest of the money. So, there is no issue with numbers. And there is no issue with tender. This rate contract was called for the next two years. So far, only three quarters have been called. The rest of the quarters are in our hands.

- Ajaykumar Surya:** No sir, I am asking that the 13.5 lakh pumps mentioned, so has the tendering of those pumps been done? Have you got orders in it or are there orders left in the market?
- Dinesh Patel:** It is ongoing. As Dinesh sir has said, tender is called for two years. Tender is market mode, so state-wise portals open and quantity is allotted. So, the sanctioned quantity that you see now through the portal is actual.
- Dinesh Patidar:** So, in that as farmers chooses, we get orders. Here decision maker is a farmer, there is no meaning of numbers.
- Ajaykumar Surya:** Second question was, like today, the state government in Maharashtra is also putting a lot of pumps by itself. And sir, as seen in subsidies, the total subsidy is more than the 60% subsidy of the central and state. Sir, how will we focus in the future? Should we focus on state government orders only or should we focus on KUSUM? I mean, how do you see your focus area in the future?
- Dinesh Patidar:** Look, if you ask me about our focus area in the future, I am working towards cash market. Now, cash market has already increased in India. People don't have to wait for so long for solar pumps to give them subsidy. Now the market is slowly converting towards the cash market. So, our target is to support our small dealers at every Tahsil level, at the Taluka level, and further market our products through them. As far as the working with the government is concerned, in KUSUM we are working with both the central government and with the state government. So, at both the places, we feel that now the opportunity for us is to establish our own brand there. So, that in the coming time, we can benefit from the private market and cash sales. That's why we are working on the brand and the quality.
- Ajaykumar Surya:** Sir, the order that has to be made in KUSUM the farmer chooses himself. So, does in the state government's policy also the farmer chooses himself or does the government give L1 or similar tender that we have to be a little price competitive there?
- Dinesh Patidar:** There is no concept of L1. The farmer make the decision because ultimately it is his money in it. Those who will give good service, those who will make good brand, they will get the order.
- Ajaykumar Surya:** So, in both the schemes, the farmer will choose.
- Dinesh Patidar:** Yes definitely.
- Ajaykumar Surya:** Last question, as solar module is our major component in raw material, so there is domestic content requirement also in this, so how are we seeing prices, because our margins have been good in last 2-3 quarters. So, going forward how are we seeing the margins with respect to prices. What is our planning so that our margins will become more stable?

Dinesh Patidar: Solar module requires DCR cell. As you know, there is a DCR cell capacity of 8 to 10 Giga in India. We have to take it from there. In the coming time, I think manufacturers are working on its capacity enhancement. As the capacity enhancement progresses, I think the price of solar should come down. I think there is a 20% to 25% chance of solar price to go down.

Moderator: Thank you. The next question is from Swati Jhunjhunwala from JM Financial. You may go ahead ma'am.

Swati Jhunjhunwala: I have a couple of questions. Firstly, the margin of 23%-24%, is it only for this quarter or we can do a margin of 22%-23% in future as well? That was the first question. Secondly, can you give us an idea of our submersible vs solar pumps? What is the mix? So, will there be any change in the capacity of solar pump? These are the two questions.

Dinesh Patidar: Okay. Swati madam, first let me talk about the margin. The improvement we have made is due to the negotiations, the negotiations are always going on. As the quantity improves, as you know, the expenses decrease and the margin improves, it is a known fact. We will continue with the negotiations in the future. And our dream is that we will always negotiate and buy our raw material in the best possible way. Secondly, we are in the SAP now, so we can do good planning and estimates for raw materials, we can give orders to our vendors for the next 3-4 months. So, because of that, vendors are confident, and they provide good rates. So, we will continue to work well with margin. Now, you have asked about solar and submersible pumps. Majority is solar pumps. We are moving ahead on that. And that is what we feel will give us the benefit of energy efficiency.

Swati Jhunjhunwala: Also, one more question. You have said that you don't have to turn off the pump to supply to the grid. Do you charge premium? As opposed to other players, is the pricing a bit more? What is the benefit of technology? If you can, tell us about that.

Dinesh Patidar: Basically, first of all, we have to prove the concept of grid-connected pumps in India. So, we will see if we can get a margin in this. First of all, this concept is new in the whole country and in the whole world. It is connected to both grid and solar. So, both are of the same type. This concept is a bit new. We will have to prove it to people. We are trying to successfully run this grid-connected pump for 5 years. The biggest challenge of grid-connected pumps on the agricultural side because there is no guarantee of grid availability. If there is a grid-connected pump and you have installed solar and there is no grid availability, then we are lagging behind in exporting in the grid.

If the grid is not available, then the export is not happening. But the farmer can pump the soil and give water to his cattle. So, we have to prove all these things. And to prove this we have taken a project of Rs. 150 crores for Ajmer DISCOM, and we will prove it. As soon as it is proved, we will take all the DISCOMs of India and show them. And in the coming time, we feel that it is a very good product for the company.

- Moderator:** Thank you. The next question is from Rushik. Please go ahead.
- Rushik:** Yes sir, there is confusion in slides. Slide #30 and #31; in slide number 30 we are showing that Indian industry solar pump market size is 150 billion and in #31 we are telling that it is 1,47,000 crores. So, sir we have to understand what this confusion is we have to clear it.
- Dinesh Patidar:** We will give it to your, later. Actually the 49 lakh pumps you are seeing are from KUSUM and we are talking about the overall.
- Rushik:** So, sir, overall it is very less. We are telling that it is only 15,000 crores market size. But actually what we are showing in 31 is KUSUMs market size of 1,47,000 crores.
- Dinesh Patidar:** No, it is in billion INR. Please check again.
- Rushik:** Yes sir, both are in billion.
- Dinesh Patidar:** No, it is in lakhs. It is 49 lakh pumps.
- Rushik:** No sir, the one we give below in market size billion, we have given 1470 billion.
- Dinesh Patidar:** We will check it and inform you separately.
- Rushik:** Okay sir. And sir, the second thing I wanted to ask is, if we are seeing the success that we are getting in our KUSUM in solar pump, and we have expanded capacity for it, this pump is beneficial for farmers and government, so we can be more aggressive in CAPEX in the future. And if we plan CAPEX in the future, then the cost of product will also be less because scale will increase So, what is your view in this for the next 3 years?
- Dinesh Patidar:** We have planned expansion because we are seeing a good business opportunity after the expansion is complete. As it goes on, we will have to increase the quantity. In our country, there is requirement of 4.5 crore grid-connected pumps which are used by farmers. And similar number is required for diesel pumps. So, there is a requirement of 8-9 crore pumps in the country. Our capacity alone is not that much. Gradually, we will try to enhance our capacity and keep moving forward.
- Rushik:** Sir, how long is the life cycle of the pumps that we install? I mean, how long is the replacement cycle?
- Dinesh Patidar:** See, replacement cycle is 5 years in VFD, 10 years in pumps and 25 years in solar panels. So, our secondary sale has started from Madhya Pradesh, the pumps that were installed in Chhattisgarh, all those pumps some are coming in replacement, so it is going on. We are establishing ourselves in that market.

Rushik: Okay sir, the last question is that in the future, in what range will we keep our EBITDA margin? Like we have historically done 14-15%, and in the last two quarters, our margin is very good because raw material price is also supporting us and our economies of scale is also happening, then in the future, what do you think, will we do more than the EBITDA margin 14-15% in a sustainable basis? Somewhere around 18% to 20%, can we do at a steady rate?

Dinesh Patidar: We have been answering this question before. We are still trying to maintain the EBITDA at 15% to 16%. You must have seen this quarter. We have brought you the profit as soon as we got the chance. But the 15% to 16% target that we have given to our team, we will keep improving in the coming months.

Moderator: Thank you. The next question is from Bharat Shah from Ask Investment Managers Limited. Sir, you may go ahead.

Bharat Shah: I will come back to the question of margins because there is a lot of confusion about the numbers. So, in the quarter of March 2024, it is about 21.5%. The one that has gone now, it is about 24%. But if we look at the history, we have never seen such margins. If you put a light on it, you will understand how this kind of margin is sustainable. Historically, company have never delivered such numbers. But suddenly good numbers are seen in two quarters.

Dinesh Patel: Sir, actually the margin you are seeing now is a result of an improvement of economies of scale plus decline in raw material prices. Our dependence is on solar panels and the major margin driver depends on the price of solar panels. You will see that in the last three quarters, the price of solar panels has softened, which improved our margins. In the next quarter, we will update you about the future. But we will maintain a margin of 15%-16% even in a worst situation. This is our guidance that we have given in the last quarter and in this quarter as well. If we talk about revenue basis, we will maintain a 30% growth minimum. If we talk about the EBITDA margin, we will maintain a 15%-16% growth level.

Bharat Shah: 30% is for this year or?

Dinesh Patel: We are talking about year-on-year basis. We don't give guidance on quarter-on-quarter. Revenue guidance for next quarter is for Rs. 500 crores.

Bharat Shah: No, I have not talked about the quarter. I said, the 30%, so is that for this year or longer term?

Dinesh Patel: We are giving 25%-30% revenue growth guidance on a yearly basis. We did Rs. 1370 crores last year. And this year we will fetch revenue of Rs. 1750 crores.

Bharat Shah: So, you are seeing 25%-30% growth for the next 3-4 years.

Dinesh Patel: Yes, that is why we have done expansion because we see a big opportunity ahead.

Bharat Shah: How much margin is structurally secured in your hands and how much is based on an external factor?

Dinesh Patel: Mostly sir there are external factors. Like the prices of raw materials. If you look historically our raw material is 65%. So, gross margin will be 35%, so if price hike from 35% to 65% then it will have a reverse impact on my gross margin plus my EBITDA margin and my PAT.

Bharat Shah: Absolutely. I will ask one last question. Deepak ji had mentioned about research & development that company has applied for many patents. You have already got about 13-14 patents. So, as a research and development organization, what are your efforts? How many people are there? What kind of work is going on? Can you give some light on that?

Dinesh Patidar: Shakti Pump is an R&D company. We have 8 PhD holders from IIT Delhi, IIT Mumbai and all the IIT of the country who have done their PhDs in Power Electronics and Motors. There are about 50 Masters and around 100 Engineers. Now, yesterday in our Board meeting, we have appointed an independent director Prof. Bhim Singh and Pawan Kumar Hari from IIT Delhi. One retd. IAS Officer who has worked in energy department in Gujarat, H.S. Patel, who has worked with Prime Minister Modi, we have hired him as the independent director. So, you can understand that the big names in our field have been taken into the Board of the company. One is our IIM professor, who has a great reputation in Indore IIM in marketing and in the industry. We have appointed him as a Director of the Company. Recently, we have appointed Mr. Ashwin Bothra, who had done a remarkable work for the last 17 years in the Export Department was appointed as a Director of the Company. This has happened in yesterday's Board meeting, we are an R&D company, and we want to progress in R&D. So, the people of R&D should guide us. We should not make any mistakes. That is why we have brought such people to the Board. And now you will see that the company will also move forward in their market.

Moderator: Thank you. The next question is from Darshil Pandya from Finterest Capital. Sir, you may go ahead.

Darshil Pandya: Sir, one question regarding the capacity that we are doubling. What will be our time frame? When will we be able to bring this capacity live?

Dinesh Patidar: We will be able to bring it in FY27.

Darshil Pandya: And the second question was, I missed out a little bit. Can you tell us more about the grid-connected pump? I missed out a little bit at the start.

Dinesh Patidar: No, it's okay. Grid-connected pump means that like the KUSUM scheme is running now, part B of the KUSUM scheme is off-grid pump is where there is no electricity connection. So, if today's electricity connection is to be given to a farmer, a 5 HP pump, it will cost Rs. 2 lakhs to connect the electricity. Whereas solar pumps are available for Rs. 2.5 lakhs. So, the

government has decided to provide this electrical pump instead of giving new connections. And electrical pump will consume electricity of Rs. 1 lakh per year. So, if we promote electric pumps every year, then DISCOMs will also be in loss and the farmers will not get electricity on time. So, if there is solar, the farmer will also get electricity on time. So, this is the case with KUSUM-B. In KUSUM-C, the grid-connected pump, where the connection has already been given, the expenses that have already been incurred by DISCOM and the government, if the farmer's income can be increased there, which is the scheme of Prime Minister Modi ji that the food provider become the energy provider. If a farmer does not need a pump for 360 days to water his fields, he only needs 180 days to water the fields, he will supply the remaining electricity to grid and DISCOM will take it into their use or sell it. So, the DISCOM that invests and installs all the pumps for free and in 3.5 years the entire investment of DISCOM will be free. And the farmer will also get an income of Rs. 50,000 per year. This scheme is so good.

Darshil Pandya: And we are giving pumps in this as you are saying.

Dinesh Patidar: We are giving pumps, solar structure, and the whole system. And our pumps are operated from mobile apps, i.e., digital pumps.

Darshil Pandya: Sir, how much have we utilized from the Rs. 200 crores that we raised till now?

Dinesh Patidar: We have not utilized any of it till now. We will utilize those funds for the land registration and for the order of plant and machinery for the plant.

Darshil Pandya: In this, our subsidiaries abroad, the subsidiary that is in Bangladesh, nothing has happened there yet. So, are we going to do something there or what is it? What is the plan of export of the company?

Ramesh Patidar: The subsidiary that we have opened was for a project. So, we did a project in that one year ago and it is a government funded project. So, there is some delay in that. This year we are hoping to get some other projects in the financial year. We have also done a survey on the site. So, we have continued the subsidiary so that we can do the project.

Dinesh Patidar: UNICEF and World Bank's funded projects are there, in which their terms and condition are there that allows to provide services. That is reason for us to start there. And we are also seeing that in the coming time, we will get some good business there. They are also working in the same way, they are supplying the pump free for farmers. Bangladesh government is also doing the same.

Darshil Pandya: And sir, this SBI Mutual Fund has diluted the stake a little in the last quarter. So, do you have any information regarding this? Will it remain?

- Dinesh Patidar:** That is their decision making but we cannot discuss it on this call. We will definitely discuss it separately.
- Moderator:** Thank you, sir. The next question is from Ketan Athval from Robo Capital. Sir, you may go ahead.
- Ketan Athval:** Sir, I wanted to ask you that in this quarter how many pumps have you installed in KUSUM 3 and how much revenue have you received in KUSUM 3 this quarter?
- Dinesh Patel:** Under KUSUM 3 we installed around 15,000 pumps and revenue is around Rs. 445 crores.
- Ketan Athval:** And sir, a small question. We are taking a new initiative like Component C, so do we have a rough revenue figure as to how much revenue potential is there in this?
- Dinesh Patel:** We have a project of Rs. 150 crores, which is a pilot project. Once it is successful, we will see a big opportunity for revenue.
- Moderator:** Thank you. The next question is from CA Garvit Goyal from Nvest Analytics Advisory, LLP. You may go ahead.
- CA Garvit Goyal:** Just one question on the sustainability of growth. You mentioned that 30% growth will be there in the next 3-4 years. But my question is related to capacity. Like in existing capacity we can make a revenue of Rs. 2,400 crores. How much of that can we utilize, that is question number one. And secondly, you mentioned that by FY27 our capacity will be double in solar pumps. So, how will the growth be in FY26? Minimum 30%.
- Dinesh Patel:** Actually, our existing capacity is sufficient for around Rs. 2,500 crores. Secondly, as has already told you in the previous quarters in concall and in the investor meet, our capacity is not such that we will come to bottleneck after this. Some bottlenecks for machines will come, which we can build in the existing capacity and expand it a little. So, that's why we don't see any big bottleneck here now. And the execution is going smoothly and will continue to happen, that is what we think.
- CA Garvit Goyal:** So, after doubling, you are saying that the pump capacity will be Rs. 5,000 crores revenue, right?
- Dinesh Patel:** Yes, actually, I have a capacity of 5 lakh pump and motors, and I am building it up to 10 lakh pump and motor capacity. As soon as it happens, it will be sufficient capacity for Rs. 5,000 crores.
- CA Garvit Goyal:** So, how much is the total CAPEX for this?
- Dinesh Patel:** I am planning for Rs. 250 crores, out of which Rs. 200 crores support has been given by SBIMF and LICMF through QIP.

- CA Garvit Goyal:** And the EV CAPEX is different from this?
- Dinesh Patel:** EV CAPEX is for different project, and we are funding it from internal accruals.
- CA Garvit Goyal:** And that will also come in FY26?
- Dinesh Patel:** It is a 5-year project. But yes, initially I am talking about the first phase which is starting now. I have to inaugurate it in September 2024.
- CA Garvit Goyal:** Understood. And sir, when did you say EV Capex? How much will be on the margin?
- Dinesh Patel:** That is a very early question. Once we get to that, we will comment on it.
- Dinesh Patidar:** It will depend on the prices of competitors importing from China. We can fix our margin, but we have to see the price in competition. As we can see that it will be compulsory for everyone to buy Indian products because of Atmanirbhar Bharat. So, we will get a good margin. But if competitors put some caveat on pricing then the margin may be a stretched, but now 99% of the chances are that we will do good work on the good margin in Shakti EV.
- CA Garvit Goyal:** And just last question sir, our order book has been reduced in this quarter. So, going ahead, how do you see the order book inflow in this quarter?
- Dinesh Patidar:** We believe Rs. 2,000 crores order book is also a good figure.
- CA Garvit Goyal:** Last quarter it was Rs. 2,400 crores, now it has reduced to Rs. 2,000 crores. So, do you see orders inflow in the upcoming quarters, sir?
- Dinesh Patidar:** Yes, orders are coming, some orders are in the pipeline and orders will continue to come.
- Dinesh Patel:** And the order book for now is also sufficient for the next 15 months.
- Moderator:** Ladies and gentlemen, due to time constraints, we will take that as our last question. I would now like to hand the conference over to Mr. Dinesh Patidar for closing comments.
- Dinesh Patidar:** Thanks for attending the call and boosting our confidence. I am happy that I am able to answer all of your questions. If you have any other question or if you want to know anything, you can speak to our EY team and also to us. You can visit us, and we will be happy to show you, our plants. Thank you very much.
- Moderator:** On behalf of Shakti Pumps India Ltd. that concludes this conference. Thank you for joining us and you may now disconnect your lines.
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Shakti Pumps (India) Limited
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Disclaimer: E&OE. This transcript has been edited for factual errors. In case of discrepancy, the audio recordings uploaded on stock exchange on 22 July 2024 will prevail.