



“Shakti Pumps (India) Limited Q2 & H1 FY23  
Earnings Conference Call”

**November 15, 2022**



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

**Moderator:** Ladies and gentlemen, good day and welcome to Shakti Pumps (India) Limited Q2 & H1 FY23 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. Thank you, and over to you, sir.

**Rohit Anand:** Thank you, and 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 results performance or achievements to differ significantly from what is expressed or implied by such forward-looking statements.

To take us through the financial results and the key developments and to answer your questions today, we have the senior management of Shakti Pumps (India) Limited, represented by Mr. Dinesh Patidar – Managing Director; Mr. Ramesh Patidar – Executive Director, Exports; 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. 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, wishing you all a good day. Thank you all for participating in Shakti Pumps (India) Limited Q2 FY23 Conference Call. For your information, we have already uploaded the Financial Results and Investor Presentation at the stock exchanges, and I believe all of you have gone through it. The company has continued its strong performance in export, and we have had a growth of around 20% in export. However, in the H1FY23, solar EPC business revenue decreased by 10% YoY, and was at Rs. 310 crores. This decline is mainly because during the period we intentionally held on with the execution of 12,000 solar pumps because the cost of raw material for solar panels has approximately increased by 40%. Other major players who have a good contribution in this market have also put the execution on hold and we together are discussing the upward revision of price with the Central Government under KUSUM 2 scheme to make it economically viable. The scheme is currently priced at 2-year-old raw material rates. Besides, that Q2FY22 performance was better because the execution of KUSUM scheme after the second wave of COVID post Q2 FY22 increased substantially.

Under the KUSUM 2 scheme for the duration from January to September 2022, around 68,427 solar pumps were installed. We have installed 21,475 solar pumps out of those resulting in a market share of approximately 31%. If we would have had initiated the installation of these 12,000 solar pumps worth Rs 300 crores secured from the state government then our execution would have been much better. We are optimistic that we will start execution after getting approvals on prices from Government by January 2023. Our marketing team is continuously contacting farmers and customers. We feel very happy that due to our after quality sales and better services, customers have trust on our product, they don't want to switch from our brand

to any other brand. According to official numbers, under Component B approximately Rs. 8 lakhs pumps have been approved out of which 6.6 lakh pumps are yet to be installed which signals towards a big market opportunity of Rs. 16,500 crores.

In export, company received an advance amount of \$6 million from Uganda Government from Exim bank for supply of solar pumps and water pumping system run by solar energy and a cash amount of \$1 million is yet to come from Uganda Government. As soon as this \$1 million amount comes we will start executing that \$35 million order.

With this, I would like to invite our CFO, Mr. Dinesh Patel to share with you the financial highlights of the second quarter of the FY23. Over to Dinesh Patel.

**Dinesh Patel:**

Thank you, sir. This is Dinesh Patel, CFO of Shakti Pumps (India) Limited with regards to the financial highlights for the Q2 and H1 FY23. Our revenue from operation stood at Rs. 2,163 million in Q2 FY23 as compared to Rs. 3,690 million in Q2 FY22. In H1 FY23, the revenue was at Rs. 4,708 million as against Rs. 5,253 million in H1 FY22. EBITDA was at Rs. 124 million in Q2 FY23 with an EBITDA margin of 5.8%. For H1 FY23, EBITDA was at Rs. 338 million with an EBITDA margin of 7.2%. The company reported profit after tax of Rs. 19 million in Q2 FY23 and Rs. 106 million in H1 FY23. This is all from my side, with this we can now open the floor for question and answers.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of John Kumar from Credit Suisse. Please go ahead.

**John Kumar:**

Sir, so I have a couple of questions. My first question is on raw material costs. So, if I see for a couple of quarters, the raw material cost was almost very near to the sales. But when I look into this quarterly result, again, the raw material cost has been reduced by almost 1/2. So, our sales was around 21 something, and raw material cost was somewhere around 12 something. So, how do we manage to do that? Can you explain that? Can we have the same further quarters as well?

**Dinesh Patidar:**

Yes Mr. John, it is very clear because the raw material, 60% of your major portion is of solar pricing only because in our country the antidumping duty on the solar panel according to me was approximately 40%. As China got aware of this antidumping duty of 40%, instead of the panels they started selling wafers and then the wafer manufactures there increased the prices of the wafers. So, altogether the panels which we used to get at Rs. 20 per watt, today it is not available for Rs. 28 Rs. 29 also. As investment increases gradually big players in India are going to start manufacturing from ingot who will make wafer from ingot and then from wafer will make panel, then I think in our country some clarity will come on these things. The price which is now increased for this we have requested Indian Government who have accepted our request and they have ordered for the next tender also. So, I think that in the coming time the increased raw material price may be adjusted to our sale price. We have also requested the ministry that price variable clause should also be kept in mind so for that also India Government has agreed

for it, so in the coming time we see an opportunity that we will successfully take forward KUSUM scheme.

**John Kumar:** And my second question is on KUSUM 2, that the discussion with the Central Government, when are you hoping to get the update from the Central Government.

**Dinesh Patidar:** John, it is a very million-dollar question. Really, I appreciate this question. Because see, in our end, whatever is in my hand and my team is this production capacity, production quality, marketing and installation. So, we are ready in all aspects, the thing which is not in our hand is how sooner the India Government finalizes the rate. As it is done, the sooner we can start our work. What is not in our hands that when will the agency which does the tender take action and start it, we think that it should be within 40 to 50 days or 60 days rate will be finalized and should come to our hands.

**Moderator:** Thank you. The next question is from the line of Punit Mittal from Global Core Capital. Please go ahead.

**Punit Mittal:** Just 1 or 2 question, first is our sales from 2018 till 2022 was almost 2.5-3 times, from 428 crores to 1,200 crores, but profit and operating margin are falling upside down then why operating leverage is not coming? Even though our revenues are improving.

**Dinesh Patidar:** Mittalji, we believe that this KUSUM scheme is very big scheme on in its own and we can see a market of almost 6.5 lakhs pumps and a good opportunity we envisage on this. As in the previous 3 years you must have seen issues due to COVID, challenges from Russia-Ukraine war and everyone including our shareholders and everyone in the country knows that solar panels could not be made in India, so due to its price impact this profit margin has fallen, and it has fallen due to the war also, and also due to the COVID. Everyone knows that now stainless steel prices are very much raised in the whole world, rates were raised in copper then it has reduced little and solar panels prices have been on an increasing trend, so few things are not in our hands, the things which are in the hands of Shakti Pumps, its marketing is there, it has quality, it has production and aggregations are there for those so we are expert in it, which is not in our hands it is a risk factor, raw material is one risk factor and other sale price risk factor these 2 things are not in our hands in which we cannot do anything.

**Punit Mittal:** So, in this how you told Dineshji that in this KUSUM scheme there are some clause of variable rate so now the tenders which have come in that raw material's variable clause are there? And how is that clause implemented? You automatically can increase the price based on raw material? Do you have to get permission for that from the Government?

**Dinesh Patidar:** No, actually the India Government will itself increase the rate and the India Government has done some study on increasing it and still now it is on final basis, we will tell you as soon as it gets confirmed as the tender comes all the clauses gets clear and everything also will get clear.

- Punit Mittal:** So, currently no work of ours is being done of KUSUM because we are waiting for the Governments information to come that we can increase the prices or not?
- Dinesh Patidar:** Yes, perfectly right because we have put the Haryana Governments order worth Rs. 300 crores for 12,000 pumps on hold. We have written to the ministry that in this pricing as the raw material rate are increased so it is not possible for us to execute and the Government has accepted our request also.
- Punit Mittal:** Secondly, is related to our Uganda order. In this it has been a long time since we got this order, so naturally now the prices have changed then at this time with the new raw material prices will that order be impacted.
- Dinesh Patidar:** This Uganda Government order is of \$35 million and in this we have received an advance of \$6 million, \$1 million is pending to be received from Uganda Government and after receiving that we will start its execution and we are doing study in the margin part and in that there is clause for margin improve then in that we think that we will maintain.
- Punit Mittal:** Last question in exports what more progress is being done, I know you and your team are working very hard to get new order just like the Uganda Government, but in that is there any hope of some expected orders to come?
- Dinesh Patidar:** Yes, see in this quarter we have done a good growth in export and will do a good growth in future also because in the last 2-3 years our movement was little bit paused due to the COVID. Now movement has started, our team is travelling and work is in progress, and we are doing very well. Our American company have developed a good network from there we have a good hope that we will do that and recently we were allotted a patent for US market and that patent is very good and with that patent we can save 5% to 10% bill of our customers. We can reduce the losses of our agencies and electricity companies by 10% to 15% for that we are making one strategy and to go in US market we have told our team so result of that also we will start getting.
- Punit Mittal:** One last question Dineshji. If I see in the presentation, in KUSUM 2 there is. 3,17,000 pumps expected execution or tender for this year and as you told 68,000 has been executed and like your 12,000 on hold and rest of other players who have put their orders on hold. Has 3,17,000 tenders come or how much tender has come yet now?
- Dinesh Patidar:** This 3,17,000 accounted system like you know, we have also surrendered the orders and the orders which we have put on hold, our competitors have also put it on hold and many other have put on hold, then there is no meaning left with that numbers in today's date.
- Moderator:** Thank you. The next question is from the line of Nirav Asher from LM Securities. Please go ahead.

**Nirav Asher:** Like you told that from Government you are expecting price hike by January 2023, so now to get a bigger order apart from the KUSUM scheme, what is your strategy for non-KUSUM orders? And is there any state from where non-KUSUM orders are coming?

**Dinesh Patidar:** Yes. Very good question of yours. In non-KUSUM, we are able to do some work from Chhattisgarh. There, rates are also good and we have started our work there. We are working in Maharashtra where our rates were a bit better and we are working on that. Maharashtra Government Electricity Board has also planned their GR they are going to release, they are also planning for A class pump. So, for non-KUSUM also we have taken care, from both side from wherever we receives the orders if there is an opportunity we will do it. In today's date only export clarity is there, solar pumps clarity is not there. Maharashtra Government has to do tender in KUSUM, India Government has also to do tender and Chhattisgarh there also tender has been done, so there the numbers are low so on that our work is going on.

**Nirav Asher:** So, can you tell some details like how many orders are there in Chhattisgarh and Maharashtra? How many pumps order?

**Dinesh Patidar:** I can't give you these details because I have told you again that we are not doing any work in KUSUM because it is not in our hands, Chhattisgarh's part is very less that we are doing. In Maharashtra Electricity Board tender is yet to come then what numbers should I do?

**Nirav Asher:** So, sir as of now what is the order book that you are having now with you?

**Dinesh Patidar:** As of now we have an order book of Rs 50 crores.

**Nirav Asher:** Sir, what about H2 because everything is dependent on KUSUM and Government, so we have to wait for the Government for the clarification on the pricing right?

**Dinesh Patidar:** Right, definitely.

**Nirav Asher:** Sir, what is your outlook in raw material? Now solar panel's prices have reduced or it has been stabilized.

**Dinesh Patidar:** It is going on increasing like how as dollar prices are increasing so as solar panel prices are also increasing.

**Nirav Asher:** Let's see I will wait for clarity on the Government pricing. We are waiting for that, right?

**Dinesh Patidar:** Yes, all these things are not in our hands, we are more confident on which is in our hands.

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

- Hardik Vyas:** Sir, my question is that what will be our quantum for the request which we have made to India Government for price hike? 20%, 30% 10% how much hike we have requested to the Government?
- Dinesh Patidar:** Hardik, by the way Government doesn't give hikes they will take its full RFQ in a proper way and after taking RFQ will again do the rate contract.
- Hardik Vyas:** Okay, but I am asking that currently we are selling one system at Rs. 2.5 lakhs then what will be its hike then we will be comfortable in selling those 12,000 which is in the inventory or even more that we may be manufacturing going ahead. It will be sold in Rs. 3,00,000 because if we see before 4, 5 year then the solar panel prices were much more that we used to sell one system approximately for Rs. 4.5 lakhs, Rs. 5 lakhs and that after the correction in the prices of solar panel's we started selling it in 2.5 lakhs. And now when solar panels prices are increasing, so at what rate our systems should be sold through which we are comfortable selling whatever volumes we want to sell?
- Dinesh Patidar:** Yes, definitely Hardik your question is very good. I think that Rs. 2.5 lakhs pump should be around Rs. 3 lakhs means the 20%-25% price hike should be done this is why all this has be kept on hold.
- Hardik Vyas:** And you said about states Chhattisgarh or Rajasthan or Maharashtra Government then in that the tender which will float will be that in that systems which are almost near Rs. 3,00,000, will be sold I want to ask that?
- Dinesh Patidar:** Sir, absolutely right.
- Hardik Vyas:** I want some numbers on volume front that the export worth Rs. 102 crores that we have done in this 6 months then what is the number of pumps that we would have exported?
- Dinesh Patidar:** That I will give you separately. Our CFO will give it to you, Hardik, so you keep in touch with him and keep in touch with the E&Y team we will give you written annexure of export.
- Hardik Vyas:** And if you can give me the details of selling of domestic non-solar.
- Dinesh Patidar:** That numbers also I will give you. You can take it from the E&Y team.
- Moderator:** The next question is from the line of Forum Makim from Equitree Capital. Please go ahead.
- Forum Makim:** Sir, in Q2 how many KUSUM pumps have we sold?
- Dinesh Patidar:** 5,695 solar pumps.
- Forum Makim:** And non-KUSUM?

**Dinesh Patidar:** That detail I will give you separately.

**Forum Makim:** Sir, then this new price revision about which you are talking, is it fully for 3.15 lakhs pumps or for 8 lakh pumps also?

**Dinesh Patidar:** It will be for all. As soon as new tender comes then it will be for all pumps, this future numbers. Currently work is paused for KUSUM.

**Forum Makim:** Now existing orders would be coming?

**Dinesh Patidar:** We have surrendered, we are not doing it now, we have put everything in hold.

**Forum Makim:** We are not doing execution but in portals we would be getting orders?

**Dinesh Patidar:** No, we are not getting, we have put in hold, we are not taking.

**Forum Makim:** We are not taking orders anymore?

**Dinesh Patidar:** Yes.

**Forum Makim:** Then sir, this 20%-25% price hike will happen, will it be enough to cover our raw material price increase which has happened so much in solar panels?

**Dinesh Patidar:** Yes, exactly you are correct, raw materials price as of today it is enough but what will be the raw material price in future, then accordingly we will have to do calculations while sitting with the accountant.

**Forum Makim:** Sir, some price reduction would have been done in Q2 to Q3 for metal and panels.

**Dinesh Patidar:** Dollar price increased, so due to this again that raw material increase.

**Forum Makim:** Sir, these 8 lakhs pumps about which we are talking what will be its execution timeline?

**Dinesh Patidar:** See, we have worked worth Rs. 400 crores in one quarter, then after getting our order in hand and if we get opportunity then in one quarter we can easily do work of Rs. 400 crores, Rs. 500 crores.

**Forum Makim:** Yes, but are we getting so many orders now?

**Dinesh Patidar:** Orders are not coming that is why we are lagging behind in this quarter.

**Forum Makim:** No, sir we are not taking orders but demand is there?

**Dinesh Patidar:** Demand is for 6.5 lakhs pumps. In this business have a visibility of Rs 16,500 crores.

- Forum Makim:** Once we get price revision then what will be our execution timeline for these 8 lakh pumps?
- Dinesh Patidar:** As we get good pricing, we can do Rs. 500 crores per quarter.
- Forum Makim:** Sir, one more question that we have nearly done of 6,000 pumps in this quarter, Tata Power has also done some 6,000 then balance 23,000, 20,000, 25,000 pumps are there that would have been done by small players, right? Then how are they able to afford at this price to execute orders?
- Dinesh Patidar:** Every company's has its own strategy and for participating in tender they have an experience for minimum quantity, then for taking experience many time we have also done supply at any rate for gaining experience, for entering tender, we use this things. But MSME who wanted to enter for taking experience that we have capacity, we can install 2,000 pumps in a one month, then at that rate they were able to do little bit quantity however, it is not confirmed that whole quantity has done by them.
- Forum Makim:** And sir, this Uganda's order so, sir in Q3 can we expect some numbers?
- Dinesh Patidar:** Now, in Uganda's order we are taking steps very carefully. For the last 3 years we are working in this project so it is like this that we have received \$6 million as advanced now \$1 million is yet to come from Uganda Government. As soon as the \$1 million comes from Uganda Government almost Rs. 8 crores will come in our hands then itself we will start billing for Rs. 10 crores, then after taking payment of Rs. 10 crores then we will start further billing so therefore we would work only on our terms in any circumstances in financial crisis or otherwise. Our condition is very clear there, as we start getting clearance so as we start to supply. We will not work in any hurry because there \$1 million advance is yet to come so as soon as it comes, it will come in 1 month, 2 month or 3 months as soon as it comes, we will start billing. We have to complete this project in 2 years.
- Forum Makim:** In how many years?
- Dinesh Patidar:** In 2 years.
- Forum Makim:** And sir, in Q3 we are not taking any orders of KUSUM, may be from Q4 exports from Uganda will come. So, what will be our outlook for Q3? Like if it was our plan?
- Dinesh Patidar:** Very good question of yours. Regarding outlook we are in this situation that as soon as clarity comes from India Government or from Maharashtra Government in terms of tender or if we receive payment from Uganda then we could give you outlook, right now it is difficult for us to give outlook.
- Moderator:** Thank you. The next question is from the line of Vishal S from Svan Investments. Please go ahead.

**Sachin Kasera:** Good afternoon this is Sachin Kasera here. Sir, can you explain in detail about this State Government orders worth Rs. 300 crores like exactly what has happened and what are our expectations in this?

**Dinesh Patidar:** Sachin, it is like that Haryana Government taken a loan from NABARD launched a scheme portal in which farmers from Haryana at 25% price get solar pump, 40% subsidy will be given by Haryana Government 30% subsidy will be given by Central Government. In this they launched in portal where 12,000 of our customers have deposited advance of Rs. 80,000 to the Haryana Government which comes to Rs. 270 crores requested us to execute the order. They want to buy Shakti Pumps always. Today also they are waiting for us and Haryana Government gave this order then we thankfully told them to hold that order because our today's pricing is 2 years old and that pricing has already expired it is not possible to work on that pricing because our profitability is not coming in this pricing. So India Government has accepted the request to come up with a new tender in the coming time. As soon as the new tender will come then those farmers who are waiting for us, they will get request and they will accept it and we will get that order, this is what we hope and this is our full possibility. Is it clear to you?

**Sachin Kasera:** When rate will increase then in that farmers we have to give extra or the Government will bear all subsidy for rate increase.

**Dinesh Patidar:** State Government will give around 40%-45%, 30% will be given by Central Government while the rest will be paid by the farmer.

**Sachin Kasera:** Then Government has refunded the farmers?

**Dinesh Patidar:** No, currently it is deposited in the form of FD in Haryana.

**Sachin Kasera:** And secondly, sir like you told this under exports we are trying, so can you please tell in detail where and what type of opportunities do we see and if we see in the last 2 years in our domestic business, Government dependent business was impacted. We have facing problems due to Government involvement impacted our revenue and performance. So, is there any 3-4 years lag that we have to grow our exports because our export can be stable and non-cyclical business, like how we want to grow that?

**Dinesh Patidar:** Absolutely, your question is very good. In export we have vision so for the last 15 years we are focusing towards exports. Already in export we have established ourselves in 100 countries. Our US company network is very good. In US company we are getting good profit margins and our vision is very clear. Once we used to be a leader in Middle East, again there situation has started to improve in this region, we are again establishing ourselves because as that market condition is improving, so as we have started getting order. We have started a separate SEZ for export only and it is going very good.

- Sachin Kasera:** Sir, this year what is your expectations, ballpark of how much export you think you can do this year, revenue?
- Dinesh Patidar:** See, last year we were saying we would grow 20%-25% then for that we get trapped in Government's guidelines. By the way we have made our plans in export that we will grow but to give a visibility in that I think it is our plan and we are doing there nicely.
- Sachin Kasera:** And sir, if going in a conservative basis?
- Dinesh Patidar:** Now, see few things like 3-4 projects like Uganda projects are inline, what guideline will I give you on that. I will do it and show it in the next quarter then after that we will tell you further guideline.
- Sachin Kasera:** So, sir are there many more big projects like Uganda type which are in the final stages if you can tell about that?
- Dinesh Patidar:** Yes, there are 3-4 projects we have put them on hold but as Uganda starts, we will enter in it.
- Sachin Kasera:** What would be the size of this 3-4 projects which you have kept in hold which are in final stages.
- Dinesh Patidar:** As and when the size will be confirmed I will inform you about the same.
- Sachin Kasera:** But, sir can you tell that what is your vision for 3-4 years in exports second half is fine but not as a guideline but your vision that in 3-4 years we have to take exports there? Have you made any vision or internal target which you can share with us?
- Dinesh Patidar:** Yes, definitely can do. You come to company someday, you are most welcome, we will make your arrangement here you just inform our team, you do a factory visit and you see what is our vision and what investments we have made and what work we want to do? So, I want you to take time and nowadays there are good facilities of flight. Daily there are 2 flights between Bombay and Indore, morning you come and in the evening, we will send you back. You see 1,500 people in our company how and which machine we have a world's best technical plant we have put in, have put power electronic unit will show you and through which our shareholder gets its benefit.
- Sachin Kasera:** Thank you very much, sir for offering me. I will definitely look forward to visit Indore.
- Moderator:** Ladies and gentlemen, due to time constraints, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.
- Dinesh Patidar:** Thank you, all the shareholders and analysts, who have joined in this call. I think that in the present situation and challenges which are in front of us and to come out of it we are committed to provide our shareholders long term value. I hope I have been able to answer all your questions



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satisfactorily. If any of your questions or queries remained unanswered, please get in touch with us directly or through Ernst & Young. Thank you very much.

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