



WPIL Limited

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To
BSE Limited
PJ Towers,
Dalal Street,
Mumbai- 400001

REF: REGULATION 30 OF SEBI (LODR) REGULATIONS, 2015

Dear Sir,

With reference to above, enclosed herewith is a Transcript of Q3/9M-FY24 Earnings Conference Call of the Company held on February 05, 2024.

Thanking you.

Yours Faithfully,

FOR WPIL LIMITED

KRISHNA KUMAR
GANERIWALA

Digital signature of KRISHNA KUMAR GANERIWALA
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**[K.K. GANERIWALA]
EXECUTIVE DIRECTOR**





“WPIL Limited
Q3 FY '24 Earnings Conference Call”
February 05, 2024



MANAGEMENT: **MR. PRAKASH AGARWAL – MANAGING DIRECTOR –
WPIL LIMITED**
**MR. KK GANERIWALA – EXECUTIVE DIRECTOR –
WPIL LIMITED**

MODERATOR: **MR. AMIT LAHOTI – EMKAY GLOBAL FINANCIAL
SERVICES LIMITED**

Moderator:

Ladies and gentlemen, welcome to the Q3 FY24 Results Conference Call of WPIL Limited hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Amit Lahoti from Emkay Global Financial Services. Thank you and over to you, sir.

Amit Lahoti:

Good afternoon, everyone. I would like to welcome the management and thank them for this opportunity. We have with us today from WPIL Mr. Prakash Agarwal, Managing Director and Mr. KK Ganeriwala, Executive Director. I shall now hand over the call to the management for the opening remarks. Over to you, sir.

Management:

Good evening, everyone. Thank you for the introduction, Mr. Lahoti and also Emkay Global Securities for hosting today's earnings call. It is a pleasure to welcome you all to our earnings conference call for the third quarter and nine-month ended period for financial year 2024.

Let me first take you through the financial performance of the company for the third quarter followed by the nine-month ended results for the financial year 2024, after which I will provide some operational highlights. During the quarter under review, operating revenues amounted to INR431 crores, marking a 35% increase quarter on quarter. EBITDA stood at INR70 crores, reflecting a quarterly growth of 5%.

EBITDA margins for the quarter stood at 16.24%. Profit after tax for the quarter was INR535 crores, inclusive of profit on disposal of woodshed business of INR493 crores. Net profit from continued operations was INR42 crores, with PAT margins at 9.6%. For the nine-month period under review, the company's operating revenues stood at INR1,073 crores in line with previous year. EBITDA stood at INR196 crores, which grew by 19% on a Y-on-Y basis.

EBITDA margins was at 18.3%, while the profit after tax stood at INR194 crores from continuing operations, with PAT margins at 11.13%. On the operational front, in the quarter under review, the Rutschi sales transaction was concluded, marking a significant milestone bolstering the balance sheet and furnishing capital for potential inorganic growth. Project revenues rebounded, rising from INR130 crores to INR214 crores on a quarter-on-quarter basis. The current momentum in project revenues is expected to continue with same resilience.

Domestically, both product, mark-to-market segments demonstrated robust performance, supported by a steady order book. Internationally, notable advancements are anticipated in revenue growth, particularly in South Africa and Sterling, Australia. Thank you.

With this, we can now open the floor to question and answer session.

Moderator:

Thank you very much. The first question is from the line of Mohit from Monarch Networth Capital Limited. Please go ahead, sir.

Mohit: I have a couple of questions. One, your international order book is down by around 45% versus last year. Is that because of the dimension of Rutschi? If you can give some color on the order book, both domestic and international, on the kind of trend that you are seeing. If you can give some insight on that, that would be really great.

Management: The order book, as you correctly pointed out, the international order book had long-term contracts on behalf of Rutschi, which have now been excluded. So, that is why it is lower. Otherwise, I think the order book is in line and very well positioned for the medium term, both domestic and international.

I think we have a good, strong order book, especially in all three major businesses. And the domestic order book is also robust, both on product and projects. As we have mentioned, we are more challenged by enhancing our execution presently. The order book in projects remains very strong.

Mohit: Sir, with the diversity of the Lucy, are you able to completely execute the nuclear sector? Or are you still serving the nuclear business somehow?

Management: Sorry, could you repeat, please?

Mohit: With the [diversity of Rutschi], have we exited the nuclear segment business in terms of supplying pumps or the projects towards that segment? Or we still have the strategy of serving the [inaudible 0:06:08] industry as well?

Management: Since exiting Rutschi, we have exited the Rutschi business from [nuclear]. Yes, domestically, we do some pumps for nuclear, which will continue, which was excluded from the transaction.

Moderator: The next question is from the line of Chetan Dhruva. Please go ahead, sir.

Chetan Dhruva: Thank you for the opportunity. I had one question on the comparison of results, both Q3 and 9M, for the previous years. So, is it that the previous results also have excluded the [inaudible 0:07:13] transaction? In the sense, is the revenues and the corresponding profit also excluded? Or was that part of the previous year's results?

Management: No, all results are excluding the discontinued operations. And if you see a line, there is a line which is showing the status of discontinued operations within the numbers.

Chetan Dhruva: Okay, okay, okay. So, then why is there that the growth has been quite [inaudible 0:07:44]?

Management: Sorry?

Chetan Dhruva: If you compare Q3 of FY24 to Q3 of FY23, there has been hardly any growth. And earnings have actually fallen. So, what would be the reason for that?

Management: I think the quarter and quarter is a bit challenging because we've had...?

Chetan Dhruva: I'm talking about year on year, sir.

Management: Yes, so year on year, I think it's flat. December 31st, 2022, to 2023. And I think we are going to see a good fourth quarter because last year, the second and third quarter was quite good. So, I think we'll see a good fourth quarter and we expect to have growth.

Chetan Dhruva: Okay. So, is it more like a temporary lull that was there vis-à-vis the previous year? Caused the small reduction in the pack?

Management: Yes, if you see, previous year was quite a remarkable year. We had a very big jump, a ramp up from about, I think, INR1,000 crores level to INR1,800 crores level. And so, therefore, we are getting to that same momentum now. And maybe that sort of jump will not be there, but I see good growth going forward.

Chetan Dhruva: Okay, and do you have any other questions? 25.

Management: Yes, same, I think, going forward, I mean, we are sitting in the beginning of the end of the last quarter. So, I think we see good growth going forward.

Chetan Dhruva: Okay. Thank you, sir. And good luck for the current quarter.

Moderator: Thank you. And the next question is from the line of Sonam from Tata AMC. Please go ahead.

Sonam: Yes, hi. Sonam here. Just wanted to, you know, two questions. One, you know, you mentioned that you are hampered by the execution capacity and bandwidth. So, if you could throw some light on, if there is a path forward for enhancing this execution bandwidth. And secondly, now that you have exited the Rutschi business, any plans on what else are you thinking about, which could give you a leg up? Otherwise, you know, the scope of growth sort of starts to dim a bit.

Management: Okay, so I think this is interesting. So, to clarify first is that we see good growth in the product segments. So, the product segments, be it domestic, be it the international product segments, there we are seeing growth traction start. Secondly, the project, we have mentioned that this quarter we got back on track. So we did about INR240 crores run rate there. And the supply chain challenge, which we had had in the first half of the year, that is now resolving.

So, with a strong order book, I see the project picking up. So, with both the products and projects picking up, we will see growth. But we will temper that with the fact that last year, we had a considerable growth, as I had pointed out, from INR1,000 crores to INR1,800 crores level.

That sort of growth may take some time to come. But yes, the traction is there, and the order books are strong. So, we see growth going forward. Further to that, we are looking at, as we have mentioned, proper deployment of these funds that we have now, capital we have, for inorganic expansion, which we see is the good way to grow again.

Sonam: So, you know, further to that, are you looking at inorganic opportunities outside India or in India as well?

Management: Both. Within our core expertise, we are looking at both.

Sonam: Okay. That's it from my side. Thank you.

Management: Thank you.

Moderator: Thank you. The next question is from the line of Deepak Purswani from Svan Investments. Please go ahead.

Deepak Purswani: Hi. Hello. Yes. Hi. Good evening. Sir, sorry to harp it on again on the project-related execution. In this quarter, there has been improvement in terms of the execution, but in overall nine months, there has been a decline in the revenues. Now, looking in the context, we have the order book to the extent of INR3,850-odd crores. How should we look into this improvement in the execution? And also, is it due to the supply side challenges we are still facing in the project? Or is there anything else we should be looking into?

Management: So, I think I'll give you a more in-depth perspective there. The project work includes two sides. One is the supply side and one is the construction side work. So, last year, we had a good ramp-up in supply side in the first nine months of the year, and that gave us good revenues there. So, in the first half of the year, our supplies were lower due to market supply challenges, but that's picking up. And we are ramping up our construction.

So, our construction is the major area we have rebounded this year, and we see this constantly increasing. That means quarter-on-quarter, we would see this execution increasing and improving. So, this is what we are saying is that we are waiting for that to happen before we start booking more orders. That's why I've been focusing on execution.

Deepak Purswani: And, sir, in terms of the supply side, the constraint related to the...

Management: Yes, that's dissolved from this quarter, and I see a drastically improving in this year. So, we will see both sides, the supply side, and the construction side, improving, and that should give us the level of growth we are looking for.

Deepak Purswani: So, sir, on the project execution side, how should we look into the Q4 in terms of the numbers?

Management: Better than, considering we're trying to improve on last year. So, we have a good job to be done.

Deepak Purswani: Okay. So, on the overall basis, project execution level, we should be doing around INR900-odd crores for this year as a whole?

Management: Yes, we're trying to improve on last year. That's our primary target there. Should be possible.

Deepak Purswani: Okay. And then, sir, coming to the pump and accessory business, here also, I mean, in this quarter, there has been a decline, and even on a nine-month basis, this growth has also come down to around 6% in the nine months on the like-to-like basis. So, can you please throw some light in terms of how should we look at growth in this segment particularly?

Management: Again, this segment, we are, you know, the good thing, if you see the nine-month figures are at about 600 versus 568 in the previous nine months. So, this segment, we have a strong order book and good execution, so we should see good growth. Again, the growth levels will be not as high as last year. So, that's a challenge to temper it.

Deepak Purswani: Okay. And, sir, in the nine months, there has been a sharp rise in the unallocable expenses. Is there any specific regrouping of the segment which we have done better led to the higher unallocable expenses? Can you please throw some light on that part?

Management: You are talking from the standalone or consolidated?

Deepak Purswani: Consolidated.

Management: The unallocable expenses have increased to the INR45.7 crores versus INR18 crores last year. Sorry, I don't have these figures. This is -- the other expenses are for the quarter, you mean, INR45 crores versus -- last year was also INR45 crores.

Deepak Purswani: Okay. And, sir, in terms of the tax rate, that has also moved closer to 30% right now. I mean, going ahead, how should we look into this tax rate as a whole?

Management: Which one? Sorry, can you clarify again, please?

Deepak Purswani: Effective tax rate for the nine-month workouts to be closer to 30% versus 25.6% last year nine months.

Management: The tax expansion, you mean?

Deepak Purswani: Yes.

Management: I think the tax is commensurate, you know, it is different. I mean, there is some capital gains tax for this transaction. I think that is included there.

Deepak Purswani: Okay. And then, sir, finally, coming to the proceeds from the Rutschi, if you can throw some light in terms of the cash position currently. And secondly, in the previous con-call, we also mentioned that we will also try to fix up the leakages in the minorities at the Holdco level. So, are we on par to do that or how should we look into it in the overall scheme of things?

Management: So, I think the first priority was to -- we had some debt, which we have squared off. That means we had some loans from India to the GrouppoAturia which we have reversed. And then we paid off some other debt which we had for building there.

So, after debt, still there is a cash level of approximately about INR650 crores with borrowings of about INR150 crores. So, about net INR500 crores cash level after that. And the main fact is that we are first looking at growth. I think we are looking at growth and opportunities, which we see quite strong because a lot of companies are facing challenges in this high interest rate cycle.

So, once -- if you don't see growth and if you cannot effectively utilize, then we would look at other things like reversing the holding. But presently, our target is growth. So, we will review this. And today, fortunately, we are getting reasonable returns, even in fixed deposits in Europe and in India. So, it's effectively parked and we are looking at growth. That's the primary reason today.

Deepak Purswani: Okay. So, broadly said, at this point of time, we are looking out for the new targets. And if we don't find any interesting target, then only we will look out to increase the take in the subsidies?

Management: Yes. I think we will look at the best use. So, the best use today is to grow, because we lost revenues. We want to replace that quickly. And there are a lot of interesting ideas and markets we want to aggressively enter. So this gives us a lot of strength and we want to really capitalize on that first. And fortunately, the fixed deposit rates are good. So, that's not a concern right now.

Deepak Purswani: Okay. Thank you. Thanks a lot, sir.

Moderator: And the next question is from the line of Mohit from Monarch Network Capital Limited. Please go ahead, sir.

Mohit: Sir, just one question. Our profit margins, our operating margins have come down from 19.2% and quarterly, last question, to around 16%. I think the main raw material for this front-end industry is steel and steel prices have been stable. Any thoughts on what's the reason for the decline in profit margins?

Management: Actually, there's no reason. I think it's -- what we did have is one, I can point out one small event, is that due to this present Middle East crisis and the Suez Canal blockage, which is happening, Europe is affected because our Italian business, their supply chain is affected. You know, ships have to go all around Africa.

So, they missed some dispatches in the last quarter and that will shift to this quarter. So, if you see the nine-month period, it's 18.27 EBITDA margins. That's more reflective. And so I think the EBITDA percentage has nothing to do with costs nor with revenue.

Mohit: So, going forward, we don't see any further erosion?

Management: No, no, no. I think it's a very good environment we have and we see margins improving.

Mohit: Thank you, sir.

Moderator: The next question is from the line of Deepak Purswani from Svan Investments. Please go ahead.

Deepak Purswani: Thank you, sir, for the follow-up opportunity. Sir, just continuing on the future acquisition of future targets, just wanted to understand, so at this point of time, do we have any current pipeline which we are exploring? Secondly, this would be particularly India-based or we would be looking more in the abroad market and look to increase the exposure in the international market?

Management: So, two things. One is that we want to do this. We have a pipeline. We are already working on a pipeline and let's hope we can have some good results quickly. And the second is that we are looking at both markets because of our strong presence now in global markets and Indian markets, I think we have good opportunities in both.

Deepak Purswani: And, sir, in terms of the overall outflow, in terms of the acquisition broadly, we would be looking, what would be the size of acquisition we are looking at now?

Management: I think too early for that. Let us come back to you with some concrete proposals.

Deepak Purswani: Okay. And, sir, any threshold which we are looking out in terms of the return metrics when we are looking into these acquisitions?

Management: Yes, I think that is the major challenge and we have been quite conservative and very focused. So, we look at two areas for this. One is the product. The product must enhance our portfolio and it must enhance our geographical reach. That's one. And secondly is that it should be at a good value so that we can get high returns.

If you see our returns from Gucci or from even our other businesses, considering to the investments we have made in them, that's the sort of line of thinking here again. And I see the environment moving in that direction. So, we are not concerned and we think we have enough opportunities at our valuation expectation.

Deepak Purswani: Okay. Thank you, sir. Thanks a lot. All the best.

Management: Thank you.

Moderator: Thank you. And the next question is from the line of Vinay Nadkarni from Hathaway Investments Pvt. Ltd. Please go ahead.

Vinay Nadkarni: Yes. Just wanted to know two things. One is on the Rutschi deal, what was the amount that we actually received? We had some EUR68 million, right? What was the exact amount in rupee terms that we received?

Management: So, approximately we received 68 million. Part of it is in Escrow, which is about 10%. But the rest of the cash we received, so you can take it about INR556 crores, INR575 crores.

Vinay Nadkarni: Okay. Because your cash and cash equivalent for H1 '24 was INR273 crores. And you had INR300 crores of borrowings. You say that the borrowings now are INR150 crores. So, you would have paid off INR150 crores. And if you have received INR650, your total amount should be higher than INR500 crores. Is there any capex that you have made in this period?

Management: I am giving you these numbers, what our balance sheet is showing. We are showing about INR680 crores and INR150 crores borrowing. And about INR560 is our...

Vinay Nadkarni: Okay.

Management: Yes, but INR500 crores plus is our cash levels right now.

Vinay Nadkarni: Okay. I mean, I was not getting those numbers...

Management: But there is no other thing. As I said, we received the money on 20th December. And the first thing we did was pay off debt at Rutschi. And that's it. The rest of the money is parked. No other use.

Vinay Nadkarni: Okay. What is the capex for this year and how much is it planned for the next year?

Management: Very, very insignificant. Our capex levels are mostly brownfield. And therefore, we have, as we have mentioned in the past, large manufacturing infrastructure in our 10 plants. And there is some brownfield expansion in front, machines and machining capabilities or office space, but nothing significant.

Vinay Nadkarni: So, are we equipped to deliver good results for FY25 as far as the capacities are concerned?

Management: Yes. We are learning as we go.

Vinay Nadkarni: What would be the expected growth, if you can just kind of give us some indication for FY25?

Management: So, I think we have a strong order book and that puts us in a good position. You know, I think, as we mentioned, that we see the project now with on both the supply side, with the challenges being removed and the construction side, moving in line with our targets. So, we see good growth in project execution and the product books are being strong across all businesses.

That's a very good place for us to be. We see good growth going forward. However, again, I will temper it that the growth we had last year from INR1000 crores to INR1800 crores was quite significant. It was a significant milestone and that is higher than we would expect. Otherwise, good growth going forward.

Vinay Nadkarni: Can we expect a 20%, at least 20%-25% growth?

Management: We expect a good growth. I will cap it at that and I think we will see it in quarterly performance now on.

Vinay Nadkarni: Okay. Thank you very much. Thank you.

Management: Thank you.

Moderator: Thank you. And the next question is from the line of Devesh Shrimali from DS Investment. Please go ahead.

Devesh Shrimali: Hi. Could you comment a little bit about the defense vertical, the order book, the trajectory, the margins? How do you see it shaping the overall mix of revenue in the next one, two, three years?

Management: Yes. The defense, as we had mentioned, that was a framework contract and which positions us very well for the new line of ships which the defense is going to be producing. And these ships are, you know, the defense has a very big program for the next 30 years.

So our development on the framework is going right on track and we should, as soon as we deliver these framework supplies, we should see good growth. So I think the revenue, the major revenue tickers will start from second half of next year.

Devesh Shrimali: Okay. Great. And the current order book that we have, what would be the execution timeline for that and how is the big pipeline looking? If at all we are, everyone knows that side in some way. Just some comments.

Management: You mean for which part of our business or you mean specifically defense?

Devesh Shrimali: Sorry, I meant overall order book of INR4,000 crores that we have. Is the execution timeline in the new things or not?

Management: So the booking, if you see, the project is on one side. If you see the project order book, so the international order book is about INR450 crores and the domestic product order book would be about INR260 crores. So about INR700 crores out of this INR4300. So the INR700 crores is like a shorter term. So they are not long-term contracts. So they are in and out. So as we – you see good traction, the INR700 crores is giving us good traction going forward in the products.

And the project, as we mentioned, that we see the execution constantly improving quarter-on-quarter from here on. And that should allow us to see good growth. The order book is sufficient because if you saw last year, as somebody pointed out, INR800, INR900 crores execution level and the order book for projects is about INR3500. So quite a substantial growth there. Possible.

Devesh Shrimali: Got it. And this order book, how much time the commitment we have for execution? Is it 2, 2.5 years that we need to?

Management: Yes, yes, you're right. 2.5 years is typically the commitment. Though there are sometimes some challenges at clearance, site clearances, but typically 2.5 years.

Devesh Shrimali: Got it. And we sort of called out that we had some execution challenges, but they are sort of working out now. So would that mean that we should start looking at new orders when going forward, like we announced last quarter?

Management: We just announced last quarter. And as I mentioned, you can see that we have a sufficient gap here. And I think it's more important to stabilize and the execution and deliver good outcomes and commission the existing projects to develop customer confidence. And that's the major thrust. And I think the order is not such a challenge.

Devesh Shrimali: Got it. Thank you. I wish you all the best.

Management: Thank you.

Moderator: Thank you. And the next question is from the line of Jenif, please go ahead.

Jenif: There's Jenif here. Just have a few questions with regard to maybe a little bit of a better understanding on the business environment. What you've been projecting is that the order getting order is not an issue, but execution is. So my first question is with regard to that, as we are not, as we are already positioned to deliver, don't need to expand any capacities. Where are the challenges? Is it the material supply, which is a challenge, which is, now you're getting it?

And with the existing kind of capacity, like whatever the infrastructure we have within the company to deliver, what kind of, I mean, the size of the business it can support in terms of like revenues in, at least in the product business?

My second question is on the international side, as now the nuclear business is not there and the other businesses are well positioned. Can you just give some understanding as to how are we positioned on the international side when it comes to the user-based opportunities for each of the geographies? And just now you mentioned about the Red Sea issue, which is affecting global supply chain. Are we having any challenges and saying going to face any challenges ahead as a result of this? Thank you.

Management:

To clarify again, that the product business has regular orders and there we are, good order book and however capacity we can do more. So that's not a problem. And the project side is the only one because we had a good ramp up and we received some good contracts, which we are working on. And my point is that at INR900 core level with a 3,500 minus O&M above 2,900 order book and the delivery period is 2.5 years. So we have to wait for our execution to pick up there before we get more aggressive on the order book. So it's commensurate with our execution levels in the project.

And we are working more on the, the thrust is more on the execution ramp up. Execution ramp up is natural progression as the company builds size and, you know, it's nothing to do with any major challenge. The supply chain was a disturbance in the first half of the year. It's improving and therefore we see quarter-on-quarter good progress going forward. And internationally we had this the transit times from Asia to Europe has increased by one month.

So we missed certain components, which could have allowed us some dispatches in December quarter, which have shifted to this quarter. So nothing major and but however, the shipment times are longer by four weeks because they have to go around the Gulf. So that is a bit of a hindrance. So no major areas of hindrance, but the -- and the order book remains strong.

Jenif:

Yes. If you can just give us some understanding on the user industries, which are the user industries right now contributing to the good outlook for the, for the growth or order book in terms of the product business internationally and domestically. Can you throw some light on it?

Management:

Yes. So primarily we are finding that in India, primarily the industrial segment is improving. So we see a lot of contracts from steel, oil and gas in India and the municipal segment is very strong because of the focus on the Jal Jeevan and the Swachh Bharat missions. Irrigation is a bit subdued and hopefully that should pick up next year.

And internationally, we are more, again, the same. The oil and gas is a very strong market for us, primarily in Australia and Italy, doing very well. And the municipal water supply markets and the in South Africa, it is the mining market, which is very strong and the water supply market.

So all across the space, we operate in all areas. But today, I would say industry is, and oil and gas primarily, is on a buoyant phase.

Jenif:

Just to dwell a little bit on the, to get a little bit of an understanding better on the execution, I think on the project side last year, you had INR880 crores of revenues. I think last quarter, again, you alluded to the problems and said that second half should pick up. And for the full year, like INR1,100 crores is revenue, kind of a possibility, which you showed up.

And even when we are looking at the order book today and the execution run rate, which you just, I mean, just said, it is quite possible. So what we could infer is that this year, it can be like INR1,000 crores. And next year, you need to step up to a run rate of, let's say, INR1,400 crores, INR1,500 crores in project business and a growth of maybe 15% to 20% in the pump business or a product business.

Is that how we should be looking at going ahead? As far as the visibility goes for your business from current level, just wanted your thoughts on this.

Management:

I would say that we will see good growth across all segments, be it the domestic product, international product, and the project. The project, as you have correctly pointed out, the supply chain, we lost half a year. So that has affected us this year. Otherwise, we could have got a higher growth levels. However, it's picked up. So maybe it's a shift which has happened.

And through the second half of this year and into next year, we see good traction across both the supply side and the construction side. And I think we are confident of this growth. But again, radical growth from these levels is not on the radar yet. It will be more constant, consistent.

Jenif:

And just a last question. Is there any change in the working capital cycle across your business in terms of like in India or outside? Is there going to be a change in that?

Management:

No, nothing to point out as of now.

Jenif:

Okay, thank you. Thank you very much.

Moderator:

Thank you. And the next question is from the line of Vinay Nadkarni from Hathway Investments Private Limited. Please go ahead, sir.

Vinay Nadkarni:

Yes, just one small question and last question actually. Your figures that you have given for standalone and for consolidated, I presume the difference between them will be your international business, right?

Management:

Yes, yes.

Vinay Nadkarni:

Okay, when I look at your Q3 last year and Q3 this year, your international business seems to have dropped margin -- EBITDA margin from 22% to 11%. Now, you have said that the [Rupee] numbers have been removed from your figures. So, I presume that this 22.2 is on a business-as-usual year that we had on last year. And this year it is 11%. Is there any particular reason why there is such a big drop?

Management:

As I said, quarter-on-quarter, it's a, as I said, the margin is not the challenge. It's the revenue. And if the revenue shifts, the EBITDA gets affected. But if you see the nine-month figure, the consolidated EBITDA is at 18.27 versus the standalone at 17.64. So, I think the nine-month is more rational and the year-on-year, sorry, the yearly numbers and the period numbers are more, because you can easily have a shift of revenue from one quarter to another.

Vinay Nadkarni:

Yes, I ask because both these are only products. There is no project in international. So, therefore...

Management: No, no. Even in product, if you say 5 million of revenue shifts from one quarter to another, that would affect the EBITDA.

Vinay Nadkarni: Okay. And lastly, can you just give us some indication on what will be the EBITDA of a product division and how much would be of the project division, both internationally and locally?

Management: Today we have a standalone performance of 19% on the quarter 3 and the nine-month is 17.64. And so, I think, the nine-month figure and the consolidated 18.27, these are indicative of the business. So, we see stable across all. It's not that one part is -- that's why we are not ramping up in project also, because we have to maintain the EBITDA and the contracts also. So, I think the guideline is clear that this margin is very critical for us. So, 17.64 standalone and 18.27 consolidated, these are the benchmark figures we can have.

Vinay Nadkarni: Okay. So, no breakup between products and projects for local market?

Management: Yes, but, I think 17.64 is covers that.

Vinay Nadkarni: Okay. Sure. Thank you. That's all from me.

Moderator: Thank you. And the next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Yes. Namaskar, sir. And Agrawal ji, I'm late in joining the call. So, if my question is repetitive, kindly pardon me. Sir, in terms of now the asset, our transaction is now consummated, how are we looking to utilize the fund going ahead? Have you worked out the nitty-gritty of the thing, sir?

Management: I mean, the first step was that we have paid off some debt which we had. So, because it was a, why waste, first spend on interest? And secondly, we have now parked it in bank fixed deposits and we are looking for opportunities for growth. That is the first focus. And we will review in case opportunities are getting delayed or some better avenue comes up. But today, the first thing is to grow and certain inorganic growth options are there which we are actively pursuing.

Saket Kapoor: Okay. And which segment, sir, which we are looking into?

Management: Our core, we are in this space of flow solutions is what we are doing. So, both India and internationally, we want to pursue in this area.

Saket Kapoor: No, no, in the pump category also, which appointment is specifically to?

Management: All, all across all. Whatever we, we find as good opportunities, yes.

Saket Kapoor: Sir, is there any one of line item for other expenses for this quarter, sir? Because although there is an increase in revenue, but there is also an increase in the other expenses to INR56 crores for this quarter. So, what should one read into the other expenses line item?

Management: Sorry, which one? You are saying console or?

Saket Kapoor: I am talking at the console part, sir. Yes, right.

Management: In the console, there is in the quarter INR56 crores. I see other expenses at 45 which are in line with last year.

Saket Kapoor: Okay, I looked at, sorry, it is the employee benefit expenses. Sorry, correct me there. So, if you could give the, yes, employee benefit expenses have gone up to INR56 crores.

So, any one of part or is it with the coming?

Management: No, no, I think this is one which is that we have been ramping up our project business. So, there is and two of our businesses are in big growth mode. One is in Australia and one is in India with the project business.

So, multiple sites have opened up. So, these, these nine months we have, expanded here. So, each site has employees.

Saket Kapoor: Okay, so last two points only and then I will join the queue. Firstly, sir, we have always found that queue four pertains to be the, rightly be the biggest quarter in terms of order closures and also in terms of deliverables. So, in the likelihood, can we expect that the, as a percentage of total sales, we do Q4 to be a large number firstly.

And sir, secondly, for the pumps and the accessory segment, we found a dip in margin Q-on-Q and also year-on-year. So, what explains this dip in margin? I am talking about the console level, wherein I think so, the average number of 63, we have 37 this time and Q-on-Q it is 45, 36 versus 45.

So, what explains the dip in the pump and accessory percentage margin? If you could just throw some light.

Management: No, I think as I mentioned that all our console number of nine months, the EBITDA margin is 18.27%. The Q3 console number is 16.24%. The standalone was 19% in Q3. And so 18.27, some revenue shifted in international business to, from the third quarter to fourth quarter, which I think, the revenue shift affects margin for us EBITDA margin, not the cost increase. So, I think in this quarter, we should have a should have a good fourth quarter, which is typical for us. And we are also working hard at it.

Saket Kapoor: Both segments will perform adequately. And we should look at this 20% growth, which you have, I think, the number which you are working with.

Management: We are working. Yes, we are working. This is a good quarter and all our businesses are strongly positioned. So, we see, especially in the project, the traction being maintained.

Saket Kapoor: And a good fourth quarter is typical for us. It's typical for us because, why I'm hopping on the point is we are flat on the revenue for the nine months on a console level. Although the profitability is higher because of higher project contribution.

So, if we take the top line for last year as a base of INR1600 crores, we should look at a growth on that number. That is what I'm pencilling in. That is correct?

Management: Yes, one more thing I can point out there is a second quarter revenue console was 348, third quarter was 430. So, it's typical of the trend that the third and fourth quarters are higher growth.

Saket Kapoor: Okay, sir. And so margins will be restored going ahead. This is what...

Management: As I again mentioned, our margins are totally dependent on revenue, not on costs. That means if the revenues, our margin being consistent, gross margins, if the revenue is there, then the EBITDA margin would improve.

Saket Kapoor: Correct, sir. Nice. Thank you for the answer, sir. And all the best.

Management: Thank you.

Moderator: Thank you. And the next question is from the line of Vinay Rokadia, an individual investor. Please go ahead.

Vinay Rokadia: Hello. Of the current order book, can you just give the breakup between the project and the product?

Management: Yes. The order book in EBITDA is about INR3800 crores, out of which you can take 260. So, about 3500 plus something is the project and about 260 is the product.

Vinay Rokadia: Okay. And what is the average time period to the completion of the project?

Management: Yes, two and a half years, about 24 to 30 months.

Vinay Rokadia: Okay. Thank you, sir.

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

Management: So, thank you everyone and thank you Emkay Global for hosting this. Wishing you all the best. Thank you.

Moderator: On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.