



“Shakti Pumps India Limited Q2 FY 2021 Earnings Conference Call”

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MODERATOR: **MR. VASTUPAL SHAH – KIRIN ADVISORS**

Moderator: Ladies and gentlemen good day and welcome to the Q3 FY 2021 Earnings Conference Call of Shakti Pumps India Limited, hosted by Kirin Advisors Private Limited. 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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vastupal Shah from Kirin Advisors. Thank you and over to you sir.

Vastupal Shah: Thank you. Good afternoon everyone, I would like to welcome Mr. Dinesh Patidar – Managing Director of Shakti Pumps India Limited, Mr. Ramesh Patidar – Director Exports, Mr. Akhilesh Maru – Associate Director (Corporate Strategy), Mr. Dinesh Patel – CFO of the company and Mr. Ravi Patidar – Company Secretary & Compliance Officer. Mr. Dinesh Sir handing over to you.

Dinesh Patidar: Thank you. Friends welcome. I am feeling very delighted to host the quarter 3’s conference call and all of you are welcome to it. We have broken all our past historic records in this quarter, in profits, in sales and all numbers indicate our team has worked very hard in this Corona pandemic and in this quarter our sale was Rs. 317 crores as compared to previous year wherein we had done Rs. 382 crores for the entire year and in the past 9 months the sale was Rs. 290 crores which we have been able to do Rs. 609 crores. In EBITDA also, we have kept good attention and the EBITDA is Rs. 50 crores in this quarter which was Rs. 94 lakh in previous year quarter. EBITDA Margin has increased to 16% and the net profit is Rs. 26.53 crores in this quarter which was Rs. 15 crores in previous quarter. We are leaders in India in solar pumps and we have been working on solar energy for quite a long time and because the Kusum scheme of Government of India has also come in placement now, in that also we have worked, so this time we have done a very good work of Rs. 221 crores in EPC. We have installed 7600 pumps in this quarter and total in 9 months we have installed 13,511 pumps, we had been working on a tender of Maharashtra also, so in that also we have installed pumps. Exports also has been very good in this quarter and our margins are also very good there, we have been able to do exports of Rs. 49 crores, in which 21,164 pumps we have done in this quarter and 55,836 pumps we have done in the entire 9 months in exports. In OEM also, we have done business of Rs. 20 crores in which 4700 pumps we have supplied in this quarter and 12,371 we have done in the entire year. In Agri and domestic, we have done sales amounting to Rs. 27 crores, 5500 pumps we have done in this quarter and 15,000 pumps we have done in entire last 9 months. Still our capacity utilization remains at 57% only and secondly, we have been able to manage our cash flows well, we could have taken even more orders, there was no shortage of orders but where we were seeing more opportunities only there we have been doing business while maintaining cash flows and our working capital, in March, our CC limit was Rs. 192 crores, where as in this quarter we are at Rs. 153 crores outstanding only. We are keeping attention on recovery and working very well in that as well. Going forward, I would like to say that we will work on improving our net profit and our focus on solar energy, we will take that ahead as well. Now in this quarter, we have installed around a total of 70 MW pumps and we can see good numbers in coming quarter. In this we could have done better than this but because of Corona and climatic conditions as well

as issues in transportation to Punjab, Haryana, and Rajasthan, going forward also we have order book of around Rs. 200 crores and in the entire system when we worked at such a good pace, we analyzed where is the bottle neck in this and we realized that we are confident in our industry, on our systems and on the scheme launched by the Indian Government. In installation we have lacked behind, we have to do some improvements there, we have been lagging a little bit on installations but in the coming time we will be targeting installations district wise, in this quarter we had done state wise, we were focusing on the states and because of which our internal goals were left behind, MNRE has also been supporting us fully and going forward we will be developing a system to do installations on district level, like the Kusum scheme that is already there in DISCOM and in the next year the market need of Rs. 10,000 crores of solar pumps which is there in which we see ourselves in a good position and are confident that we will get a good market share of this for which this quarter was a pilot project for us, we have done fairly well in this quarter and we have already identified where all we need more improvement and how we will have to take this ahead. So, all these elements we have identified and the next tenders MNRE has announced, so I feel the next tenders they will issue before April and we have orderbook with us till April already and we will do this with a much better way. We feel that the losses due to DISCOMS in our country and the farmers growth and climate there is no better solution than the solar energy. Our focus is also on that as well as of the Government of India, they have already launched project of Rs. 10,000 crores, as and when the State governments will receive money we will be able to work much efficiently in the coming time. We would want that our market share will go on increasing day by day and we have identified that, we had run pilot for this and we identified a lot of items from it, we will take corrective actions in the future for it. If you have questions, I am ready to reply.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudhev Hira from Right Time Consultancy. Please go ahead.

Sudhir Bheda: Many congratulations on your excellent performance sir. You have demonstrated excellent and historic performance and we shareholders are very happy. Sir I have three questions; firstly like you said cash flow is very good which all investors are concerned that we work with the government so when will the money come, will it be late. So, in this quarter how was the cash flow from operations, CFO how what that? This is my first question. Secondly, like steel prices kept on rising, copper prices kept on increasing, solar cells also became costlier, so will margins be impacted due to this in the 4th quarter and next year will our margins be maintained or improve further? And third question, like you said in EPC you sold Rs. 221 crores and sold 7600 pumps, so the Rs. 317 crores sale that we did, what is the breakup of that, how much in Kusum scheme and like we did 7600 pumps in EPC of Rs. 221 crores, so in the next quarter what is the target sale of the pumps as far as quantity is concerned. So, these are my questions and I am very thankful for giving me an opportunity to ask a question.

Dinesh Patidar: Thank you very much. Firstly, the question that you have raised on cash flows that is a very good question and we have been thinking on this right from the day 1. So, we would have taken orders and done the sales of more Rs. 1000 crores, had we taken those orders, we did not work with

those states who did not had the state-fund, where the finds were not there, where the Indian government had not sanctioned subsidy, where we did not have experience, from there we had got orders from there, but we declined them with due respect that we will not be able to do over there. We are only working at our holding place where we know that our money will come back fast and is in control. So, we did that taking all that into consideration because the subsidy given by MNRE in that was given in advance. And we work in those states where the state shares had come, our cash flows were maintained there, we did not face many difficulties in that.

Management: Sir, I want to add one more point regarding cash flow. We used to give advance payment and 10-day payments to our creditors but now as we are buying big quantities from the creditors, we have good credit days from them, and our cash flow has also improved because of increase in our creditor's days.

Sudhir Bheda: Oh great, so can you quantify that cash flow from operations; how much was the CFO in this quarter, if you can quantify that?

Dinesh Patidar: EPC expense that you were talking about; in that we have done 7600 pumps in EPC. In this we have done 7600 numbers in Kusum in this quarter. In this, we have also worked in Maharashtra along with Kusum. In Maharashtra also, we have done work of nearly 4000 pumps. So I think so, we have done for about Rs. 180 crores in Kusum, remaining we have done with Maharashtra government. So, this is the answer on your EPC question and now I will reply on your margin question.

In margin, raw material rates have increased, steel and copper prices have increased, due to which we were thinking that in these rates have increased in solar sales because the margin that we had taken into consideration, we have absorbed a little in the margin, otherwise our profit would have been even better. There is an effect of nearly 3.5% to 4% in our total raw material, otherwise our EBITDA margin would also have been good and even our net profit would have been better. Simultaneously we have even worked on our design and wherever we could control our expenses and wherever it was low cost effective and we have even worked on design and made it a little cost effective due to which we have been able to maintain our margins.

Sudhev Hira: Great if you can answer on the cash flow.

Management: This time our cash flow from operations this time was nearly Rs. 60 crores consolidated, from which the utilization was only to reduce the borrowings as Sir told you in the beginning.

Dinesh Patidar: So, we have made it Rs. 143 crores now, we have used it in working capital.

Moderator: Thank you. The next question is from the line of Jwalant Chug from Motilal Oswal Financial Services. Please go ahead.

Jwalant Chug: My question is regarding the breakup you have given. You said that you have done 4000 systems in Maharashtra and 7600 systems you have done in Kusum, so the total systems will be 11,600.

- Ramesh Patidar:** Right.
- Jwalant Chug:** So, it is like that and total sales Rs. 221 crores.
- Ramesh Patidar:** Right.
- Jwalant Chug:** So, Sir this means that our one system is going for less than Rs. 2 lakh.
- Ramesh Patidar:** Yes, these pumps in Maharashtra are of 3HP, they cost less than the small pumps. And one more, we give 2HP products, those also cost less, though 7.5HP and 10HP products have also come now. Gradually those are also coming in line, now in Haryana we are getting orders for 10HP pumps which cost Rs. 4.5 lakh each, so gradually even that line is coming in focus.
- Jwalant Chug:** Okay, so our Rs. 2.25 lakh and Rs. 2.5 lakh pumps are of 5HP, the price will not reduce for 5HP pumps, we have installed pumps of lower HP.
- Ramesh Patidar:** Right. 5HP pumps costs Rs. 2, 22, 000 even today.
- Jwalant Chug:** Okay Sir. My second question was that our Kusum momentum is also increasing gradually because I was asking that farmer agitation has taken place in Punjab and Haryana. So we might have faced transportation and other issues. So suppose a farmer places an order today that he wants to install a 5HP pump, so in how much time are we able to execute it?
- Ramesh Patidar:** This is a very good question. In this, in Haryana a portal has been made and they make applications through that portal. In Punjab, that portal is still under development. Once they pay the amount, their Farmer State gets deposited, post that we get an LOI and we start work on that LOI. So yes, we did have some transportation problems in this quarter, however in that also we have achieved something. See our few containers have been sent by Railways also, we did get a very big help from the Railways and due to which we could do delivery on time to our customers, we supplied it by Railways also.
- Jwalant Chug:** Okay so I wanted to know that in how much time are we able to execute it, suppose if a farmer says today, so does it get executed tomorrow or does it take 2-3 days or a week's time, that is what I wanted to know?
- Ramesh Patidar:** This is a good question. After we receive the farmer's order, we get a timeframe of 120 days to 130 days to supply it, we need to supply in that period, so we have been able to supply maximum in 60, 70, 90 days before also.
- Jwalant Chug:** Okay, was our timeframe the same before also or has our execution time increased because of increase in demand?

- Ramesh Patidar:** No, instead it has decreased because previously when we used to have a smaller number of pumps then our transportation cost used to be more but now we are getting fast services to carry full load.
- Jwalant Chug:** Okay, sir my one more question was on export front. You said that we have done export of Rs. 49 crores, but in the results I think so we have done a loss of Rs. 47 lakh on EBIT, so why is the reason for loss in exports despite having so good number on exports?
- Management:** I will explain you this question. Jwalant, this question that you have asked about this Rs. 45 lakh know, those are not the actual losses. What has happened is, whatever sale our overseas subsidiaries have done, you can see these losses against that. In India the stock that we have transferred to our subsidiaries over there, we have increased their prices. So this difference is of profit that we had from it and their price difference, this is not losses.
- Jwalant Chug:** Okay so this is just a P & L entry and not a cash flow entry?
- Management:** The prices that we have increased for the subsidiary, because of the increase in price its entry has come in of the difference.
- Jwalant Chug:** We have increased the price for the subsidiary and the subsidiary has sold at the same price, earlier price?
- Management:** Earlier we had given it to the subsidiary at less price now we increased it, the inventory that is with them those difference is what has come in here.
- Jwalant Chug:** Sir last question from my end, there was a tender of 3,17,000 pumps for ESL in Kusum scheme in 20-21, so is this the only tender of 3,17,000 or will there be tenders of MNRE from Kusum. And what can be the total number of the industry for the next year?
- Dinesh Patidar:** Actually, the plan that MNRE has is of 4,00,000 pumps but the State has given them consent that the budget for the states as allocated is of 3,17,000. So, State has already committed to the Central that you give us 3,17,000 pumps and we shall utilize it. This is one aspect of it. As far as 4,00,000 pumps are concerned, it is so that the Government of India had planned to do these many pumps and if any state approaches them then they will increase the subsidy shares.
- Jwalant Chug:** Okay. So, what should be the total for the coming year, will it be addition of 4 and 3,17 would this be the number somewhat or how it will be?
- Dinesh Patidar:** No, you did not understand. You see it in this way; that total this tender is for Rs. 10000 crores which is there in the market. Whichever company has the capacity to execute will take major portion of it, so currently we are the leaders and the greatest number of pumps we have only installed. This year they wanted to install 1,17,000 pumps that have not been installed yet, in fact the 25000 pumps have not yet been installed also due to Corona, even due to some internal thing, with whom they had placed the orders with earlier, they were not able to supply during

this period. So, we are slowly making ourselves strong and for us this quarter was like a pilot project because the next tender is for 10,000 pumps, whatever we are able to make out of it, will be out of our luck and we are confident that we will have good market share in this.

Jwalant Chug: Yes, sir in this year you were telling that the tender should be of 1,80,000 in 20-21 and out of it in March approximately 75,000-80,000....

Dinesh Patidar: Till March it will be of 25000.

Jwalant Chug: Only 25,000?

Dinesh Patidar: Yes, that is it.

Jwalant Chug: So, within that we have done a good amount of installations.

Dinesh Patidar: From it we have done 14 already.

Jwalant Chug: In the coming quarter will there be something, we will be running at the same or a better run rate.

Dinesh Patidar: Better run rate is what we expect to do. This quarter is pilot for us.

Moderator: Thank you. The next question is from the line of Anurag Roonwal from Moneybee.

Anurag Roonwal: My question was also same as what the previous participant had asked, I wanted to understand earlier we used to tell that we will get 50% market share from Kusum scheme, so 50% of 1,80,000 is around 80,000 something. So I was calculating this that we are saying 50%, but we have been able to do 25,000 only but as you say that total execution under Kusum scheme is 25,000?

Dinesh Patidar: Yes, the total pumps till March that will get installed is 22,000-25,000 this is our estimation because the people who have executed the orders have not supplied yet. So, we have already supplied 13,511 pumps in Kusum, our pumps are placed already.

Anurag Roonwal: So, for the coming year sir according to you what do you think how many pumps, 4,00,000 is from the government but according to your estimate how much can Shakti pump supply in the coming year?

Dinesh Patidar: We have the capacity to supply in plenty even today, we could have executed orders amounting to Rs. 1000 crores and execute them in this quarter because our capacity is 57% till today but we did not supply because after execution of orders, wherever the funds position was good, in states where they had already gotten the state share only in those states we supplied. Going forward also wherever we see funds are allocated only there we will supply and in total when these tenders come into picture, its value is Rs. 10,000 crores and we find ourselves in a very

strong position to execute this because we have brought into picture pump installations at the district level in this quarter.

Anurag Roonwal: Sir roughly can we say 50% for the coming year?

Dinesh Patidar: If I say 50% then my company will be of Rs. 5000 crores.

Anurag Roonwal: I hope it becomes. My second question was that the other expenses if I go to see on quarter-on-quarter basis they have increased from Rs. 18 crores to Rs. 30 crores, so I wanted to understand what are the expenses coming in mainly in Other Expenses?

Management: Within them you have selling, distribution and transportation expenses are there, which are kind of Semi variable expenses, likewise as your turnover increases, your expenses will increase in the same proportion. Percentage will remain same for all.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you sir for the opportunity, just wanted to understand the Kusum solar power opportunity that you are talking about, so do we have any vision like by when we are looking to achieve a topline of Rs. 2000 crores, so any comment on this will be very helpful?

Dinesh Patidar: We have a vision of Rs. 5000 crores company, we are deciding to become by 2025 already we have a vision and our entire team is aware of this vision that we must become a Rs. 5000 crores, in solar we must build up in future.

Deepak Poddar: Current capacity utilization is 55%, so what will be the maximum revenue potential in current capacity?

Management: We should be able to scale up to Rs. 1200 crores, in this quarter we did Rs. 317 crores.

Management: If we are selling only pumps, we can go up to Rs.900- 1000 crores as we have added product like solar energy solutions and VFD and all we can easily go up to Rs. 1200 – 1300 crores.

Deepak Poddar: Rs. 1200-1300 crores in a quarter?

Management: No, with this capacity annually.

Deepak Poddar: Okay so this means if we must do Rs. 5000 crores we will have to work a lot on capacity?

Management: Very much we must expand.

Deepak Poddar: And margins wise like 3-4% impact you all told basically that we have seen because of raw material prices, so how do we see going forward, will this margin of 16-7% be sustainable and where will it go and stabilize?

Management: See for us the cost is already increased and also in process to increase, generally what happens is when we participate in a new tender or quote so we will definitely consider the new prices of the steel and the other material, now the point is as we are moving towards optimum utilization levels, we are also getting operating leverages at many levels, like at Other Expenses levels, at Fixed Costs and any fixed costs level we are getting, so any ways even though the raw material prices are high we are able to maintain our margins near about 16%, so probably next 2-3 months steel prices cool off or we go from more higher utilization from here we may see some good increase also, a decent increase in margins also.

Dinesh Patidar: And one more thing I would like to add here is that the next tender of MNRE is going to come, although the ministry is also monitoring it very closely, they had floated for 2,00,000 pumps the why has it stopped itself at 25,000 pumps, so those people are also very keen, so we have told them also that put a clause in your tender when the raw material price increase and accordingly in ratio you should also increase price to us, so in the coming tender a lot of the hurdles that are there operationally the hurdles that were there and bottlenecks all of them we have studied in the pilot run and when the tender will be conditioned that raw material price increase clause is added in that, they will be able to help us.

Deepak Poddar: Right. So, when we place any tenders or orders so what margin do we keep in our mind, this is the minimum margin that we get one margin or tender whenever we bid for it, so that much at least we should be able to do it?

Dinesh Patidar: It depends on the business, this is the strategy of the business and it is decided basis the size of the business that what pricing we want and accordingly strategize the pricing so it will be size, sometimes it also happens that we go towards development of a country and if that country is in foreign and in Europe if we have to develop Spain, so it may happen that we may get products cheaper than the raw material prices and we enter into the market and later on increase the price and gain from it. We are also seeing in Solar that margins are very good in the coming times.

Moderator: Thank you. The next question is from the line of Forum Hakim from Equitree Capital. Please go ahead.

Forum Hakim: Sir my question is that this 1,60,000 pumps tender that was there, from it what was EPC?

Dinesh Patidar: This 1,57,000 pumps tender was from the Kusum scheme within which entirely it was EPC but what we did from it is 13,511 pumps.

Forum Hakim: This you are telling for the 9 months, right?

Dinesh Patidar: Yes.

- Foram Hakim:** So, now you are telling the remainder of the pumps from this order like we have 50% market share from 1,57,000 so around 80,000....
- Dinesh Patidar:** No, total 25,000 pumps have been installed, from which we have 50% market share, total 25,000 is what we are presuming, till now the quoted figure is of 21,000 pumps.
- Foram Hakim:** Yes, but this 1,57,000 will complete at some time now?
- Dinesh Patidar:** No, this will lapse, in March 1,57,000 will get completed.
- Foram Hakim:** Okay, so now the 3,15,000 that has come in them this has been added?
- Dinesh Patidar:** Yes, the contract for the 3,00,000 pumps that will be there, in that work will commence after March.
- Foram Hakim:** Okay so after this is completed, the next tender will commence.
- Dinesh Patidar:** Right.
- Foram Hakim:** So, in that, all are EPCs?
- Dinesh Patidar:** That is entirely EPC.
- Foram Hakim:** So, sir from when will the bidding start for this?
- Dinesh Patidar:** The government is doing briefing; I think they will finalize in the next month.
- Foram Hakim:** So, in this also it will be like how we did in the first tender like we were re-qualified, will it happen the same ways or the companies that were there in 1,57,000, will they only take the tender ahead, how will this happen?
- Dinesh Patidar:** No in this the companies that were there they will get weightage, who had done good work the government will give them weightage and the new companies which would want to come they will also get chance.
- Foram Hakim:** But the companies that were there, they will get chance at least.
- Dinesh Patidar:** And the condition that is there for experience in the tender, that will also give a plus point.
- Foram Hakim:** So, sir last year we saw that this tender was delayed too much, so do you feel this time also something similar could happen?
- Dinesh Patidar:** Yes, MNRE has refunded Rs. 800 crores to Government of India, they had planned subsidy of Rs. 1000 crores and kept aside, within that they returned Rs. 800 crores and now this will not fail because it was a new type of R & D that Government of India will float the tender and State

governments will supply material accordingly, this normally does not happen anywhere but this has been proven now and within them we also spent 1.5-2 years in it to get into this Kusum rate structure but those are reaping benefits now and we have done very well now and in the coming time, in our country Kusum scheme will only take our farmers ahead because if we have to reduce the losses of DISCOM, if we have to give electricity to farmers and end users then there is nothing better than Kusum.

Foram Hakim: So, sir I hope this will not happen but if we encounter any delays then what is your plan, like Plan B what will we implement, because now we are doing that Maharashtra separately also, so what will be our plan if this will not happen, if there could be a delay?

Dinesh Patidar: This will not happen, but plan B is ready with us. In Plan B we have been doing exports and domestic, Maharashtra's tender is live which will run for this entire year and along with that we have one tender of Chhattisgarh also, which will go along this entire year. We do not foresee any issues as such, we will bring in our focus there and then continue to work in Chhattisgarh and Maharashtra, there is no such issue.

Foram Hakim: Sir how much will it amount to for this Maharashtra and Chhattisgarh orders together in the coming year?

Dinesh Patidar: We are planning the quantity anyways, but we are confident that the quarters that will come by will be better than our current one.

Foram Hakim: Okay and sir in our revenues also, we see seasonality that when monsoon comes by then it lessens, so since Kusum has come by, so do you feel we will be able to maintain run rate quarterly or will it be fluctuating up and down quarter on quarter basis?

Dinesh Patidar: No, it will not happen this way, now also when we start any work, we have a pipeline of 6-8 months in process, like as I said that we already have order book of Rs. 180 crores and in the next quarter also there is Chhattisgarh and Maharashtra, so accordingly, only in the monsoon season it is very difficult to reach out to the farmers, rest there is no issue.

Moderator: Thank you. The next question is from the line of Vikram Sharma from Niveshaay Investment please go ahead.

Vikram Sharma: Hello, sir I wanted to know the breakup if I install a solar pump how much will be the solar cost, how much is our part?

Dinesh Patidar: Great question, I just forgot about this. The secret of our success in this quarter is based on this only, that we developed in house production for our VFD and we did 100% investment in our Shakti Pump holding company within which approximately we had done Rs. 25 crores investment and that company gave us full support, in the margins also they have contributed fully because we worked a lot on its designing and the structures were delivered on time and we were able to execute our EPC projects on time. As expected, we had installed that units and they

have contributed fully to make those structures and we had installed VFD units also because of that only because India was entirely dependent on China and we were alone such an industry in India who have developed solar VFD, solar controllers by themselves, so because of this 65% money comes over to us and the leftover 35% money goes to panel.

Vikram Sharma: So, we must buy solar panels?

Dinesh Patidar: Yes that is it.

Vikram Sharma: Okay so now recently solar panel prices have been hiked, so because of them will our margins get impacted?

Dinesh Patidar: Yes, solar panel margins have increased but our contract that we have with the company, they have supported us and we have taken a very good deal with them of around 100 MW and in the future also we will purchase from them in the future also, so due to bulk buying we have got good price.

Vikram Sharma: Sir one question that I had, in the whole year let us say if we must make 1 lakh pumps, so how many MW solar panels will we require? Average for one pump how much solar is required, or if total production units we must do, so how many MW's solar are required for this?

Dinesh Patidar: Approximately we can say around 100 MW is required for 10,000 pumps.

Vikram Sharma: Okay. For 10,000 it is 100 MW. Okay. Thank you.

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

Punit Mittal: Hello congratulations on a very phenomenal quarter. One thing Mr. Akhilesh had said that on your current capacity you can do turnover of Rs. 1200- Rs. 1300 crores, then can you give some clarification on it because you have capacity of 5 lakh pumps, so at Rs. 1200-1300 crores revenue you are kind of indicating the pumps price to be at 25,000 revenue, and in them if we add VFD, other overall accessories that revenue is not there. So, this Rs. 1200-1300 crores how did you deduce it, can you give some clarification on it?

Akhilesh Maru: Punit, first 1200-1300 also indicates our overall capacity, whatever plants we have including VFD, controller, structure all of that includes Rs. 1200-1300 crores, not separately.

Punit Mittal: So, this is only my confusion because your capacity is of 5,00,000, right?

Akhilesh Maru: Yes, we have a capacity of 5,00,000 pumps, if we sell only pumps, only SS pumps purely we can go up to Rs. 900 crores or Rs. 1000 crores and if we added few more products, with solar and all we can go up to Rs. 1200-1300 crores...

Punit Mittal: So, you are calculating at Rs. 20,000 per pump is it?

- Akhilesh Maru:** Rs. 20,000 per pump means?
- Punit Mittal:** 5,00,000 pumps if you are doing then how are you calculating Rs. 1000 crores?
- Akhilesh Maru:** Yes, you are right. I am talking about the lowest priced pump Rs. 20,000 even though we have a pump of Rs. 1 lakh, standalone pump, no solar, only pure pump, and motor is Rs. 1 lakh and above that also but I am taking a very basic assumption because we have multiple type of orders and multiple sizes of orders.
- Punit Mittal:** So, that is only my concern that you are quoting a very lower number, because in this for EPC also you are only selling the pump only, then also you will do turnover of Rs. 1000 crores plus VFD and all you will get Rs. 200 crores but within this you are not calculating prices of higher pump, EPC you are not calculating so what I meant was Rs. 1200 -1300 crores do it not look a very conservative number?
- Akhilesh Maru:** We have some of the machines which has a limited capacity so, some machines which have capacity higher than these, you are right that some of the machines have a capacity bigger than that but the balance of the machines if we want to scale them up, then we will have to add more CAPEX.
- Punit Mittal:** So, in capacity expansion what are we planning because if we go to see in this, then our next year's target will be maximum of Rs. 1200-1300 crores?
- Akhilesh Maru:** No, it is not like this in next year if we have orders of Rs. 1500 crores, so as I said the balance of machines that we must expand that we can do and then also go up to Rs. 1500-1800 crores. We do not have to go entirely full plant like earlier we have to purchase a place separately, then make new structure bring in new machines, we need not do in that way, that is not required, balance of machines wherever we have shortages, where the machines are already having higher capacity with them, we need to scale up capacity of the machines and expand accordingly. And you also see, our trend of expansion, the CAPEX plans, every year generally we do Rs. 10-20 crores CAPEX which adds on to our capacity and brings in smoothness to it.
- Punit Mittal:** So, what Mr. Dinesh is referring to the Rs. 5000 crores number vision, then in accordance to that what are our plans for capacity expansion?
- Dinesh Patidar:** In 2025 we are planning to reach Rs. 5000 crores, in 2021 we have already reached. In 2022 we will see what the bottleneck will be.
- Punit Mittal:** One last clarification I had in EPC you said Rs. 221 crores, so within that how many pumps did you say sir?
- Dinesh Patidar:** 13,511.
- Punit Mittal:** Is this for 3 months or 9 months?

Dinesh Patidar: 9 months.

Moderator: Thank you. Ladies and gentlemen this will be the last question for today which is from the line of Vishi Mehta an Individual Investor. Please go ahead.

Vishi Mehta: Sir very good numbers. Just wanted to understand like as sir mentioned now if you are planning to achieve a turnover of Rs. 1200 crores as per your existing capacity maximum, so for the whole year. So, we have already achieved Rs. 300 crores in this quarter, so I am not understanding in this, how will this pan out, like as you said you have expectation, so if we move ahead with this run rate only then we will have to scale up our capacity only then we can move further right for the next year? Like one side you are telling 50% is our utilization and we do Rs. 300 crores, so if we do 100% utilization then Rs. 1200 crores are what we make, so that mismatch I am not able to understand so how is it that number is going to come?

Dinesh Patidar: From this remove 33% of my products, that is why it is not clear to you. Under that 33% of my solar panel, in that there is no need of the capacity concept because it is our bought-out item. Out of the Rs. 317 crores sales, you remove 33% or 40% from it and then if you see, you will get the clarity of it. Secondly, I am saying that in few places I would say not in many places, today I have got nearly 80% - 90% of such a machinery which are already planned, they are high speed machines. So, I do not need to do much for those machines, where there are bottlenecks, we will improve only those ones. And to improve those, we have always been doing Rs. 10 crores, Rs. 15 crores, Rs. 20 crores investment in the company. This company has grown up to this level by earning its own money, shareholders have supported us so much and believed in us, due to that only it has come up to this level.

Vishi Mehta: Correct. So, sir what I am understanding is that, that Rs. 1200 crores will be using our existing capacity, correct? That is the maximum we can do from our existing capacity but if we purchase from outside and sell outright and comes in additional turnover, that is a different margin and you will get a separate volume and separate benefit from it.

Dinesh Patidar: Right.

Vishi Mehta: Okay, so which you can add 30% on this generally, correct, if you are taking thumb rule then.

Dinesh Patidar: Right.

Vishi Mehta: Because if your product total turnover is around Rs. 1500 crores or Rs. 1800 crores, in that 30% will be roughly third-party items and the rest will be yours.

Dinesh Patidar: Perfectly right.

Vishi Mehta: So if this is the ratio, currently that the current turnover what we are doing in the current capacity, we can achieve a turnover of Rs. 1800 crores speaking on top line. Your own production which is Rs. 1200 crores will be of Rs. 1300 crores but remaining you can take by outsourcing.

- Dinesh Patidar:** Now I have done a sale of Rs. 317 crores, in this Rs. 70 crores sale is of the third party, remaining is ours.
- Vishi Mehta:** Correct, so going further you see the share of the third-party component to increase because as you are saying that you yourself are going to make solar cells, which is one of the components of the panel, so will that also add?
- Dinesh Patidar:** No, we do not have any vision of making solar cells. We are never going to make solar cells, nor solar panels, this is not our vision at all.
- Vishi Mehta:** No Sir, I did not get what you were trying to do; you said know that you have done Rs. 25 crores investment, the product that you have indigenously 'Made in India'...
- Dinesh Patidar:** That is for solar chips.
- Vishi Mehta:** Yes sorry, so I meant that only, if that is going to clear major contribution, will that contribution also pick up in the future?
- Dinesh Patidar:** Right, why not? The company will create a separate business in it.
- Vishi Mehta:** So, what is the volume you see coming from that end. Means, if you are doing a turnover of Rs. 1500 crores annually, Rs. 1200 crores from your business, then what do you expect from the other components business?
- Dinesh Patidar:** Now that company is already doing Rs. 100 crores
- Vishi Mehta:** Okay, for per quarter?
- Dinesh Patidar:** Per year, annually.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question for today. I would now like to hand the conference over to Mr. Vastupal Shah for closing comments.
- Vastupal Shah:** Thank you everyone for joining the conference of Shakti Pumps India Limited. If you have any further queries or questions, you can write us at vastupal@kirinadvisors.com and once more many thanks to everyone for joining the conference.
- Management:** Thank you, thank you everyone for your time.
- Moderator:** Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.