Operator: Ladies and gentlemen, good day and welcome to the Kirloskar Brothers Ltd. Q2 and H1 FY27 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the company's beliefs, opinions, and expectations as of the date of this call. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Mr. Sanjay Kirloskar, Chairman and Managing Director of Kirloskar Brothers Ltd. Thank you, and over to you, sir.

Sanjay Kirloskar – Chairman and Managing Director: Thank you. Good afternoon, everyone. On behalf of Kirloskar Brothers Ltd., I extend a very warm welcome to all of you joining us on our call today. I hope everyone has had an opportunity to go through the financial results and the investor presentation, which have been uploaded on the stock exchanges and the company's website.

On this call with me, I have Alok Kirloskar, Managing Director, Kirloskar Brothers International B.V.; Rama Kirloskar, Joint Managing Director, KBL and MD, KEPL; Mr. Bhavesh Chheda, Chief Financial Officer; Mr. Devang Trivedi, our Company Secretary; and Strategic Growth Advisors, our investor relations advisors.

Let me begin my remarks by giving some business highlights. I am pleased to report that during the quarter, consolidated revenues grew by 24% year-on-year, reaching Rs. 12,767 million, and for H1, our consolidated revenues grew by 19% year-on-year, reaching Rs. 23,816 million. This increase underscores the strong demand for our products and services across various segments, both domestically and internationally. EBITDA for the quarter grew by 16% year-on-year, reaching Rs. 1,432 million, with EBITDA margin standing at 11.2%. EBITDA for H1 FY27 grew by 9%, reaching Rs. 2,738 million, with an EBITDA margin of 11.5%.

During the quarter, we also recorded healthy order inflows across both domestic and international markets. Our consolidated order intake grew by 68% year-on-year to Rs. 20,472 million, providing continued visibility for future growth.

Turning to our standalone domestic business, for Q2 FY27, revenue increased by 23% year-on-year to Rs. 7,991 million, while EBITDA grew by 37% to Rs. 937 million. Profit after tax stood at Rs. 544 million, reflecting 45% year-on-year growth. Our healthy order book, coupled with our focused approach towards high-potential business opportunities, provides us with confidence in our growth outlook. We remain confident of delivering double-digit revenue growth in FY27 over FY26 for our standalone businesses.

As of September 2026, the domestic order book grew by 29% year-on-year, reaching Rs. 29,264 million, which, as you know, excludes the small pumps order book, and reflects a strong pipeline. Furthermore, we are seeing good order inflows across segments.

On the international front, we reported 24% year-on-year growth in revenue during Q2 FY27. This performance was primarily driven by strong execution across SPP UK, SPP USA, and the Dutch group, supported by their robust order book execution. SPP USA continues to witness encouraging

Report is AI-generated and may contain inaccuracies.

traction in data centers, fire, and HVAC projects. EBITDA stood at 233 million, with an EBITDA margin of 5.3%. This moderation was primarily attributable to a lower contribution from the services business, which traditionally carries higher margins. We are actively focused on expanding the services portfolio, which we believe will support improvements going forward.

Our overseas pending order book stood at Rs. 17,013 million, reflecting growth of 32% and providing strong visibility for the coming quarters.

Looking ahead, we are very optimistic about the company's growth trajectory, backed by a healthy mix of domestic and international business, a robust order pipeline, and continued focus on operational excellence. Our company is well-positioned to deliver sustainable growth in the periods ahead.

This is all. We can now begin the question-and-answer session. Thank you.

Operator: Thank you so much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question comes from the line of Mahesh Bendre with LIC Mutual Fund. Please go ahead.

Mahesh Bendre – LIC Mutual Fund: Hi, sir. Thank you so much for the opportunity and for the very strong performance on the sales side and in order intake, given the current environment. Sir, I have two questions. First is on margins. In this quarter, I think domestically we have done really well, but the international business is actually lagging in terms of margin. So, do you anticipate recovery to happen in the second half?

Sanjay Kirloskar – Chairman and Managing Director: [pause] Margins should go up in the second half.

Mahesh Bendre – LIC Mutual Fund: Sorry, sir, I didn't—

Sanjay Kirloskar – Chairman and Managing Director: I said yes, we do expect margins to go up in the second half, as usual. But for the international business, I will ask Alok to explain it a little more. We are now in our third quarter, and this current quarter will be the fourth quarter for them because they follow the calendar year as their financial year.

Alok Kirloskar – MD, Kirloskar Brothers International B.V.: Just to add to that, I think one point that was mentioned at the start is that the mix this year has been slower in the UK for services. I have mentioned in previous analyst calls that, from an order point of view, we have bagged many more service contracts, but I have also said that it takes some time for us to finish the site evaluation and kick off the contract. So, we do expect more of those contracts to be kicked off in the current quarter, but definitely in KBL's fourth quarter, which is, of course, the first quarter of the international companies, from January to March. So, I think that is the reason why it was mentioned earlier that the second half should have stronger margins.

Report is AI-generated and may contain inaccuracies.

Mahesh Bendre – LIC Mutual Fund: Sure. And sir, the order intake has been very strong for both domestic and international operations. Is there anything we have observed in terms of such a—given the current business environment, these numbers are very strong. Is there anything you would like to share on this?

Sanjay Kirloskar – Chairman and Managing Director: [pause] You know, I have always said that we should not look at this company from quarter to quarter, and I have mentioned many times that sometimes large orders get delayed. I think I mentioned that last time. The orders come in when customers are ready to place them, and the outlook is quite good.

I have always mentioned that this company will grow with India's economic growth, and I think customers recognize the fact that our products are superior to whatever else is offered by those who make similar products. I believe there is a growing recognition that not only are they the most efficient and reliable, but the quality is also good, and they last for a long time. So, I think we are seeing customers recognize the premium products that we supply.

Mahesh Bendre – LIC Mutual Fund: Sir, the last question from my end. We have seen a huge shortage of water in Maharashtra and even at the India level. At some point, do you expect growth in standard pumps to go up given the shortage of water?

Sanjay Kirloskar – Chairman and Managing Director: [pause] Yes, it should. It should go up.

Mahesh Bendre – LIC Mutual Fund: Sure. Thank you so much, sir.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one.

Our next question comes from the line of Raj Shah with Enam Asset Management. Please go ahead.

Raj Shah – Enam Asset Management: Yes, sir. Thank you for the opportunity. My first question was on the margin front. Especially gross margins, if we see them, they have seen a decline of almost 400 bps in both the standalone and consolidated businesses. As you said, in the overseas business, especially the UK, there was a fall in service revenues. But when we talk about the raw material cost increase, can you please elaborate on the quantum of the raw material price increase, and were we able to pass it on? If yes, then by what percentage?

Management: The increase in the price of copper, gunmetal, and steel, which are used in our products, has been passed on to a large extent. But this also depends on the product mix and how different products with different material costs move through different parts of the year. So, while we are able to pass it on, and we are the price leaders and always the first ones to increase prices, we expect this to moderate in the next few quarters.

Raj Shah – Enam Asset Management: Okay, got it. Sir, relating to the UK business margins, I am just following on the previous participant's question. If you see the margins, especially in H1, there is 0% profit that we have made specifically in the UK business. In FY25, EBITDA margins used to be 12%; in FY26, they came down to 7%. Do you think this year we can go back to, say, the 5%–7% range? I am not asking for a specific number, but some direction, because in H1 we have not made any profits in the UK business, which accounts for close to 17%–18% of our total revenues.

Report is AI-generated and may contain inaccuracies.

Management: Yes, I think that this year we will have a recovery in the margins, if you look at KBL's financial year and even if you look at the UK year. It will not be like FY2024-25, but I think that the next year would be similar in terms of margins. The reason I say that is that there are two issues the UK business has this year, and one issue may continue.

One, of course, as you highlighted earlier, is material costs. Material costs have increased in the UK by 7%-8%, actually 8%, to be exact. That is one aspect of it.

The second is that, with the oil and gas business picking up again, the oil and gas business has a lower margin but also requires a much more specialized skill set to be executed. With the enhanced order book coming in from oil and gas in the UK, we see that there is a drag on product margins, and there is an additional drag on margins because of rising employee-related expenses. The benefits only come when the spare parts for these businesses and the oil and gas products come. That is really why we sell these products.

I would say there are two additional factors, these two that I mentioned, in addition to the fact that our service business has been down in the first 3 quarters, or, in KBL's case, the first 2 quarters. We only expect that to partially recover in this quarter and the next quarter.

Raj Shah - Enam Asset Management: Okay, got it. So, you expect H2 to be much better in terms of margins in the UK business?

Management: [off-mic discussion] [inaudible]

Raj Shah - Enam Asset Management: Hello?

Management: Yes, go ahead.

Raj Shah - Enam Asset Management: Yes. Am I audible, sir? Hello?

Management: Yes, you are audible. There is some other noise in the background, though.

Raj Shah - Enam Asset Management: Yes. So, the next question, sir, was relating to order inflow. You mentioned that the orders are lumpy and that, from the customers' end, their orders came together in Q2. But this 2,000 crore order, sir, if you can give some breakup of the sectors from which you have received large orders, and what would be the execution period of this 2,000 crore order inflow for this quarter?

Management: You know, we normally do not give order inflow sector-wise, but we do give pending order [cut off]

Management: ...order book position.

Management: We do give the order position, the order book position. Yes, the pending order book. So, I think from there you will be able to see how the different sectors have behaved.

Management: {? Slide 12 of investor presentation ?}.

Management: Page 12.

Report is AI-generated and may contain inaccuracies.

Raj Shah – Enam Asset Management: Yes, yes. I am aware of the order book breakup, sir.

Management: Yes.

Raj Shah – Enam Asset Management: Okay, fine. The last question, sir, was relating to the drought situation in the country, where multiple states, such as Gujarat, Maharashtra, Karnataka, Andhra Pradesh, and Rajasthan, have announced drought conditions in various districts. As a business, from a broader perspective, how do you see this impacting our business? Could you also elaborate on what quantum of our business is directly proportional to rainfall?

Management: [pause] [pause] Number one, if the states are going to do something, it will take some time. Water has to be available in order to be pumped. I would leave you with these two thoughts.

Number one, it will be state-managed. Historically, we do not take orders from state governments. The state governments will have to place orders with EPC contractors, and by the time they are ready, we will be ready to quote to them.

As far as smaller pumps are concerned, yes, I think retail-side pumps will move going forward. Historically, the third quarter for the company is a good quarter. Perhaps with drought-like conditions, the requirement for small retail pumps will be good.

Operator: Thank you. Our next question comes from the line of Manish Goyal with ThinkWise Wealth Advisors LLP. Please go ahead.

Manish Goyal – ThinkWise Wealth Advisors LLP: Thank you so much, sir. I have a few questions. One is on the standalone growth of 23%. In the press release, we have mentioned that small pumps have grown 12%, so I have a couple of questions around this.

One is on this 12% growth in small pumps. How much of it would be driven by the price hike that we would have taken, probably since January? I think in the last call we mentioned that we had taken a 10% price hike. So, perhaps in this first half, what would be the scenario, and how much would be the volume growth?

The related question is that, if total revenues have grown 23%, it implies that made-to-order and engineered-to-order would have grown much stronger. What could have driven that growth? Is it because oil and gas has seen a 5-times increase in sales, as per the press release? Is it completely driven by petro pumps and some of the old orders from last year that were carried forward? Perhaps there are other areas driving this.

Now, with a very strong order book on hand, do we expect this execution momentum to continue in the second half for us to do better on the double-digit growth guidance that we have given? That was one set of questions.

Rama: Hello?

Manish Goyal – ThinkWise Wealth Advisors LLP: Hello?

Rama: Am I audible?

Report is AI-generated and may contain inaccuracies.

Manish Goyal – ThinkWise Wealth Advisors LLP: Yes, now, ma'am.

Rama: Yes. We have seen a rise in both the volume and the value for that 12%. We do see strong growth because we notice that other players in the market are having issues with supply due to various issues that happened earlier. Foundries were shutting down, there was an LPG shortage, and there was a change in the wage code. So, I think that puts us at a good price point in the market today. We do believe that we are enhancing our market share.

Manish Goyal – ThinkWise Wealth Advisors LLP: Rama, can you just give us some broad perspective on how much would be volume growth and value growth?

Rama: You can say 50% came from value, and the balance came through volume.

Manish Goyal – ThinkWise Wealth Advisors LLP: Okay. And my other question was related to the higher growth that we have seen. What would have driven growth in the customized pump segment, number one? Number two, despite the fact that customized pumps usually offer better margins to us, why is that not reflected in the margin improvement? Sequentially, we have seen the margin decline from 11.3% to 10%. What is driving this strong growth, and how do we see it going forward?

Rama: We are at a very unique time when we see both the retail business and the capital goods business doing well. Capital goods is mostly doing well because of all the geopolitical uncertainties, and therefore we are seeing orders in oil and gas and fertilizer. We have also seen orders in power. That is one of the reasons why you are seeing a large order booking there.

As far as the margins are concerned, it is also a function of the sales value, and we do have large consignments that are still yet to go out. That is one of the reasons why the inventory is also a bit high. We expect this to go out in the subsequent months, and that should contribute to both inventory reduction and higher margins.

Manish Goyal – ThinkWise Wealth Advisors LLP: In fact, I had a related question. Even in Q1, we had seen our inventory going up, and in the first half the balance sheet number also shows that working capital has increased significantly by roughly 225 crores in the standalone business and 250-odd crores on a consolidated basis. In Q1, I think you had mentioned that there were some spillover issues from the foundry modernization, and some orders were not dispatched. So, how is the [cut off]

Rama: No, those orders have gone out. If you see now, a large part of the order book is from the large capital goods sectors with long lead times. They can be anywhere between 8 and 12 months. In preparation to dispatch those orders, we obviously have to buy a lot of raw material and associated bought-out components and start processing. That is one of the reasons why you see high inventory there.

Manish Goyal – ThinkWise Wealth Advisors LLP: Okay. And you expect that this should probably be liquidated in Q3 and Q4?

Rama: Manish, one more point. Most of that inventory is now work-in-progress because it is being processed for dispatch.

Report is AI-generated and may contain inaccuracies.

Manish Goyal – ThinkWise Wealth Advisors LLP: Okay. And in the press release we have mentioned that in the power sector we have received orders from the nuclear sector for 10 primary circuit units and 57 canned motor pumps. What would be the value of this order? Sequentially, the power order book has gone up from 600 to 700 crores. What would be the value, and execution would also have happened in the sector. What is the order value of this nuclear order? Could you also tell us which nuclear project it pertains to?

Also, for nuclear, we were probably at the final stage of obtaining approval for the primary coolant pump. Is that testing over? Have we received the approval? When do we expect to deliver this development order?

Management: The nuclear power plant orders are for canned motor pumps and primary-side safety packages that we have received. I think the value for both packages would be around 60 or 70 crores. I do not have the exact number; I am sorry. These are safety packages and canned motor moderator pumps that we have historically supplied.

The good thing is that it looks like pumps are starting to be ordered for nuclear power plants. I think there was also a statement [trails off]

Management: Something came out in the press that now 32 primary coolant pumps are going to be ordered by NPCIL. As far as we are concerned, the only thing that I said we had not achieved was the material tests. I am happy to say that we have also been able to prove that we meet all the material requirements, and therefore we should be qualified to participate in the tender and hopefully get the orders.

Manish Goyal – ThinkWise Wealth Advisors LLP: Okay. And how soon would this tendering start, sir? Any sense of that?

Management: I think the tender has been issued.

Manish Goyal – ThinkWise Wealth Advisors LLP: Okay.

Management: I do not know how long the decisions will take. Since this is coming after a long time, I am sure there will be pre-bid meetings taking place now.

Manish Goyal – ThinkWise Wealth Advisors LLP: Thank you so much, sir.

Operator: Our next question comes from the line of Pratik Kothari with Unique PMS. Please go ahead.

Pratik Kothari – Unique PMS: Hi, good afternoon. Sir, one question to Alok. This shift that you are attempting towards utilities and services, given what is happening on the petrochemical and oil and gas side of things—from your comment, this is only a delay, right? There is no change in what you intend to do, and therefore the reflection in margins is purely a delay, with no cancellations or change in direction?

Alok: [pause] Yes, we already have the framework contract, as I mentioned. But it takes us some time to do the ground assessment because what we normally do is go through all the assets. Many

Report is AI-generated and may contain inaccuracies.

of them, most of them, are not our brand; they are another brand. We have to establish with the customer their condition, whether they are in a desperate state or can be refurbished or repaired, because ultimately we have to arrive at a budget, as it is normally a 3-year or 5-year contract. The water one...

After we agree on those things, we can start the contract. After we start the contract, whatever we have agreed on for that year, we start working on it. If it involves refurbishments, we start bringing the equipment into our service centers. If it involves replacement, we replace it, according to whatever we have agreed to do. That is why I mentioned that it took a little longer for it to start, but it has started from this quarter onward. We expect it to hopefully gain a little more momentum next quarter. As those contracts come into effect, you start seeing that change in the mix.

Pratik Kothari – Unique PMS: Correct. Also, after a long while, we have seen very strong inflow again on the international side of the business. Is there anything specific driving this?

Alok: I would say one factor is that oil and gas has picked up again. There are many projects that we already have in Qatar for North Field and NFPS, as well as generally in the Middle East with ADNOC. We have also got projects in Guyana for the upcoming fields that are being commissioned slowly over the next year to year and a half, including jobs like {? Carminho ?}. I would say that this has contributed significantly in terms of new opportunities.

The other area where we have seen a jump is data centers. Even data centers in Europe have started. In Portugal, for example, there is the Sines data center, which has now gone for expansion. It is Europe's largest data center. I would say it is pockets like these that are giving us growth.

AMP 8 has started, but it is not yet contributing numbers of the kind that would be noticeable as of now. We hope that AMP 8 picks up because it is quite a large scheme and is a 5-year scheme, as I mentioned. It is the Asset Management Programme 8 in the UK.

Pratik Kothari – Unique PMS: Right. And one last clarification. You mentioned that margins next year would come back. Just to clarify, are you talking about absolute numbers? In terms of percentage, at least for a while, will we not see it coming back?

Alok: No, I mean absolute numbers, probably similar to calendar year 2024 for the UK, or, if you go by SPP's numbers as KBL's year, similar to FY2024-25. I mean the physical numbers will be comparable because we have been slowly building up that pipeline.

But as I mentioned, with the intake of oil and gas projects, which of course have lower margins, as well as the higher effort required to execute those projects, the margins may not recover next year. Perhaps we will see that more in the following year if I were to make a forward projection. However, it is difficult for me to make that exact projection right now because, as you are aware, there are a lot of upcoming jobs in petrochemicals, midstream, and upstream.

Pratik Kothari – Unique PMS: Hmm.

Alok: We would want to have those jobs because of the future spare parts that come from them.

Pratik Kothari – Unique PMS: Correct. No, great. Thank you, and all the best.

Report is AI-generated and may contain inaccuracies.

Alok: Thanks.

Operator: Thank you. Our next question comes from the line of Prolin Nandu with Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu – Edelweiss Public Alternatives: Hi. Thank you for taking my question. Alok, my question is to you. On the UK business, even if I look at this quarter's numbers as well as the first-half numbers, the growth on the top line has been extremely strong. You mentioned that this is coming despite the fact that the service element is not as strong as it was last year. What is driving this strong growth? You have also mentioned that the AMP contract is not yet in the numbers, and some of the other water contracts are also not in the numbers. In the past, you have also mentioned the deindustrialization that is going to take place in the UK.

Despite those things not being in the numbers, and despite the headwinds of deindustrialization, we are seeing extremely strong growth in the top line. Is it more the currency factor, or are the actual like-for-like numbers also very healthy? What is driving such strong top-line growth?

Alok: I would say that in the top-line growth, there is a currency factor, of course, but I would also say that you are seeing growth coming from the oil and gas division. The margin on the oil and gas division, as I said, is not as healthy. We see a lot of jobs coming in from oil and gas, and we are executing those jobs.

A lot of those jobs have come from the US, such as Louisiana. There are a lot of new oil fields and gas fields in Louisiana that have come into effect. CP2 is a major example, and Plaquemines is another example. We do see those projects coming in, and the margins on them have been healthy, but they are nowhere close to the service side of the business and are not even close to the water side of the business. However, they are large jobs, and, as I mentioned, we are pursuing the spare parts and service revenues from those jobs later.

That is really what is driving it. There is a boom in the US gas fields, a boom in the oil and gas fields in Guyana, and jobs are also currently taking place in Qatar, specifically in North Field and NFPS, which is the North Field Sustainability Field.

As you know, L&T received COMP 4, but SPP as a company has COMP 2, COMP 4, and COMP 5. COMP 2, COMP 4, and COMP 5 are compression platforms; COMP 2 and COMP 5 are with Saipem, and we have all of them because COMP 1 and COMP 3 did not have any pumps on them. They were just drilling platforms.

I would say that all these are areas from which we see growth, and that is where you are seeing the growth. Unfortunately, we do not see margins at that level from this growth.

Prolin Nandu – Edelweiss Public Alternatives: To understand this correctly, you are saying that this is more like exports taking place from the UK subsidiary to the US, Guyana, and so on, rather than domestic growth. Am I correct in that understanding?

Alok: Yes. Domestic growth is finished because, at an electricity price of 30 rupees a unit, the domestic market is completely finished. There is no petrochemical activity, and there is no new drilling taking place. Jackdaw was recently given approval, but those are ready-made vessels being

Report is AI-generated and may contain inaccuracies.

brought into the North Sea. So, the UK economy from an industrial perspective has nothing left.

Prolin Nandu – Edelweiss Public Alternatives: And what will happen locally in the UK would come more from AMP 8, right? Is that understanding also correct?

Alok: Yes. AMP 8 would be the main domestic business. The other big domestic business in which we have strength in the UK is industrial fire.

The reason we see growth in industrial fire is that local production units are dying, everything is being imported, and warehousing is required. Huge amounts of warehousing and warehouses are coming up everywhere for importing material that was once made in the UK. That is why we see a boom in warehousing. All warehouses need fire pumps.

I would say that is really where we are seeing the boom: warehousing and water. I am sure all of you would have seen the letter from Jim Ratcliffe, who owns Ineos. It is not possible to make chemicals in the UK and Europe anymore at the prevailing power prices, mainly because of the price of renewable power. Based on the way overall power is priced, most chemical industries will not survive anymore.

I think he issued an open letter, which one of the investors forwarded to me. I am sure all of you are aware that this is the condition of the industrial side in the UK.

Prolin Nandu – Edelweiss Public Alternatives: That is it from my side, Alok. Thank you so much.

Alok: Thanks.

Operator: Thank you. Our next question comes from the line of Saurabh Mehta with East Lane Capital LLP. Please go ahead.

Saurabh Mehta – East Lane Capital LLP: Hi, sir. Thanks for the opportunity. I wanted to understand the nuclear power opportunity a little better. There will be some repetition, but I am asking again. We have seen the tenders are out for 32 primary coolant pumps for 3 plants. We have said that we are technically approved. Could you elaborate a little more on that? Do we have access to the test bed? What about our sourcing for the large casting for the primary coolant pump? I think that is a hurdle that all competitors other than one are facing, so some clarity on that would be useful.

Also, could you give us a rough timeline? What we read in the tender is that the bids are supposed to open on January 21, 2027. Will this be the financial bid or the technical bid? Lastly, how many orders do we realistically expect to win out of this? This is my first question, sir.

Management: [pause] You have seen the tender, is it? Have you read the tender?

Saurabh Mehta – East Lane Capital LLP: Yes, sir. I have seen the few documents that NPCIL has uploaded regarding the motors and the primary coolant pumps. There are 3 things in that, including the shields. I have seen that document.

Management: Okay. If you have seen the document, I think how the orders are going to be placed is also in there, which I would not like to disclose on an open call.

Report is AI-generated and may contain inaccuracies.

Saurabh Mehta – East Lane Capital LLP: Sure.

Management: But the test bed is going to be at NPCIL, I think, or BARC, right? BARC or one of the DAE's...

Saurabh Mehta – East Lane Capital LLP: The Tarapur one?

Management: Yes, the Tarapur one. I think the first pump that they have received still has not been tested. I hope that does not come in the way when deliveries for this start.

The castings that you mentioned—we have gone past that. We have passed that test and found foundries that are capable of doing it, and we do not expect to have a problem.

I did not know there was a date on which the financial bid or the technical bid was going to be opened. I guess, as usual, it will first be the technical bid so that all of us are brought to the same level, and then the financial bid will be opened.

Saurabh Mehta – East Lane Capital LLP: Got it, sir. My second question is more general and qualitative. I feel we have added quite a few new and more attractive segments that are less competitive, such as petrol pumps. Thermal has revived in a big way, and nuclear is upcoming. Given the strong order book, should we be thinking of a 15% margin in the coming years, perhaps over a 1-, 2-, or 3-year period? Should that be our aspiration to reach?

Management: Your guess is as good as mine. I believe there will be enough competition... [trails off]

Management: Because everyone will be after these orders, and if everything gets bunched up, then hopefully there will be no capacity constraint. If there is no capacity constraint, then prices will be very competitive.

Again, over here there will be spares sales in the energy business and power business. Everyone would like to have a position in there that can generate spares for many years to come. So, I think it depends on each one of us, how our operations are, how tight our operations are, how good our material costs are, and what happens with material costs. As you are aware, these pumps take a long time to be delivered.

All of us will quote appropriately, and we are not in business to make a loss. But how much the margins will be, I cannot say right now.

Saurabh Mehta – East Lane Capital LLP: Got it, sir. Thank you. Thanks a lot.

Management: Thank you.

Operator: Our next question comes from the line of Bharat Sheth with Quest Investment Managers Private Limited. Please go ahead.

Bharat Sheth – Quest Investment Managers Private Limited: Hi, sir. Thanks for the opportunity. Am I audible?

Management: Yes.

Report is AI-generated and may contain inaccuracies.

Bharat Sheth – Quest Investment Managers Private Limited: Good afternoon, sir. Can you give some color on the capital goods side? Which sectors are driving the business at the current time and over the next 12 months? In your view, can you give some assessment of what is driving our capital goods business?

Management: Thermal power is driving it. I think nuclear power will also drive it in the future. Oil and gas will also drive it. You are talking domestically, right?

Bharat Sheth – Quest Investment Managers Private Limited: Correct.

Management: I think water and anything related to infrastructure, whether it is water or the building boom that is taking place, also drives it. Industry also drives it.

Bharat Sheth – Quest Investment Managers Private Limited: What about data centers? Can you—hello?

Management: Data centers are just about starting in India. Fortunately, because of our overseas presence, I think we will be able to offer the best products in India.

Bharat Sheth – Quest Investment Managers Private Limited: Coming back to data centers, since we have approval for nuclear power, there is a lot of discussion about SMR power for data centers in the US. Do we have anything to play there on the SMR side, the small modular reactor side?

Management: I think last time also I mentioned that there are basically 2 small modular reactors available that are running in the world. One is in the Arctic Ocean, on a barge in Russia, and I think China has just commissioned one. GE and Westinghouse have made some, but I do not think they will be available until 2033.

There are many American startups trying to supply their SMRs, but currently they are all just PowerPoint presentations. I do not think anyone has one. There was one company called NuScale that went bankrupt. There was another company called Holtec, and the last thing I heard about them was that their IPO had been delayed. I know that DAE is also working on one, and I believe DAE will also be able to have its SMR ready in the same timeframe.

Bharat Sheth – Quest Investment Managers Private Limited: Sir, this question is for Alok. Over a medium term, say a 3-year timeframe, how do we see the service business contribution overall, given the kind of framework contract we have?

Alok: Over a 3-year cycle, at the KBI BV level, we expect service business to reach up to about 40% of our total business. That is our target.

Bharat Sheth – Quest Investment Managers Private Limited: And currently how much is it?

Alok: We have never given that figure at the KBI BV level, but at the SPP UK level, it is about 35%. We want it to be 40% at the KBI BV level. That is where we are trying to get it.

Bharat Sheth – Quest Investment Managers Private Limited: Over a 3-year period?

Alok: Yes.

Report is AI-generated and may contain inaccuracies.

Bharat Sheth – Quest Investment Managers Private Limited: Which other sectors in the UK business do we see driving growth apart from oil and gas?

Alok: We are seeing data centers. We are seeing more and more traction in data centers. We have received more approvals from the operators, and now slowly from private equity firms such as Brookfield and others that we have approached. So, I think we have more opportunities in data centers. That would be one area.

The other area we see is water supply. We are getting more traction in water supply, both in the Middle East and, of course, in the UK through AMP 8, as well as in the Middle East and Benelux, which comprises Belgium, Luxembourg, and the Netherlands. We are seeing a lot of traction there with Vitens, Watergroep, and Dunea, which are large water companies. We have even signed a service agreement with Vitens.

That is a good way for us to start building the same kind of relationship in the Benelux region that we have in the UK. To answer your question, I would say data centers, water, and services are 3 areas where we see that we can have more traction.

On the industrial side in Europe, we are looking at all the new technologies in industry, including things such as green steel. As you might know, Stegra Green Steel has our pumps because we had the first-mover advantage and our technology is well suited for that.

We believe that in these new technologies we have a good chance, and that is where we are positioning ourselves so that we are not competing at the bottom, but are competing in the premium segment at the top.

Bharat Sheth – Quest Investment Managers Private Limited: How big is the fire pump market?

Alok: The fire pump market at a worldwide level is probably close to half a billion dollars. It is quite a large market, but it is also a competitive market because, in some segments, you have FM-UL, Factory Mutual and Underwriter Laboratories. Over time, we are seeing that many Chinese companies are obtaining the accreditation.

A lot of customers—not the top-end customers, but probably the bottom-end customers—are accepting any company and any product that has the accreditation because FM-UL has stamped it. They only need it for insurance purposes, so they accept the cheapest product.

We do see that it is becoming commoditized at that level because people are simply saying, “If the stamp is there, then it is fine.” We have also been speaking to FM-UL, saying that they really need to audit not just the plant but also the sites, because it is often our opinion that many pumps are not working according to what they were accredited for when they left the plant, in the case of some companies.

Given that FM is an insurance company, it is also in its interest to review that. So, I would say that it is a big market, but, particularly with FM, it is slowly becoming commoditized.

Bharat Sheth – Quest Investment Managers Private Limited: Thanks for the detailed answer.

Report is AI-generated and may contain inaccuracies.

Operator: Our next question comes from the line of Shyam Maheshwari with Aditya Birla Mutual Fund. Please go ahead.

Shyam Maheshwari – Aditya Birla Mutual Fund: Hi, team. Congratulations on a very strong top line and robust order inflow. I had a couple of questions.

Firstly, on the standalone side, we have seen some gross margin compression. While the team has attributed it to sales mix, I wanted a little more clarity on what that refers to. Is it that a few legacy contracts at earlier prices were executed this quarter, and that the newer contracts we have won would now be at higher pricing, with commodity price inflation, and that this should normalize over the next few quarters? How should we think about gross margins, particularly on the standalone side? Is there any major differential between the small pumps and engineering margin mix that came in this quarter?

Management: I explained that it was the rise in commodity prices that caused it. It has nothing to do with any legacy orders being executed during this quarter. It will normalize going forward. There is not much difference between small pumps and the other pumps in that respect.

Shyam Maheshwari – Aditya Birla Mutual Fund: So, they are at comparable margins?

Management: There is no change. There is no change in the composition of turnover that would change the gross margin.

Shyam Maheshwari – Aditya Birla Mutual Fund: With the pricing benefits that we are now taking in, that should normalize going ahead?

Management: Yes.

Shyam Maheshwari – Aditya Birla Mutual Fund: Understood, sir. Secondly, on order inflow, we have seen very robust inflows touching about 2,000-odd crores for the first time, so congratulations on that. I wanted to understand whether there were a couple of large orders that led to this, and whether this kind of inflow is now sustainable. Are you seeing enough of an order inflow pipeline going forward?

Management: There was no single large order of that kind. Nothing material, as we define it. These are many smaller orders that have been received.

As I said a little earlier, some should have come in the previous quarter, but we do not recognize orders until the commercial terms are to our satisfaction. Therefore, while customers do place orders with us, we do not recognize the orders until everything is as we want it to be, including the commercial terms and the price. That is what it is.

Shyam Maheshwari – Aditya Birla Mutual Fund: Got it. Thank you, sir. One question for Alok as well. On the SPP side, our earlier guidance was that margins may normalize in the second half of this year. Considering the strong product pull-through that we are currently seeing, or perhaps that gets delayed by a couple of quarters, from a trajectory perspective, do you still think H2 would be materially better than H1? Are we going to see that trajectory play out in this year itself, or might that also be pushed out to next year?

Report is AI-generated and may contain inaccuracies.

Alok: I think it will be better than H1. When you say materially, I do not know what you mean by that, but it should definitely be noticeably better than H1.

Shyam Maheshwari – Aditya Birla Mutual Fund: Understood. Thanks a lot, team, and best of luck.

Alok: Thank you.

Operator: Thank you. Our next question comes from the line of Mohit Surana with Monarch Networth Capital. Please go ahead.

Mohit Surana – Monarch Networth Capital: Thank you for the opportunity. Am I audible?

Management: Yes, you are.

Mohit Surana – Monarch Networth Capital: Perfect. Sir, my question is to Alok. In the last earnings call, we were informed that there could be some opportunity for us with regard to a large data center EPC operator in the US.

Management: We cannot hear you very well. Sorry.

Mohit Surana – Monarch Networth Capital: Just hold on. Am I audible now?

Management: Yes, much better.

Mohit Surana – Monarch Networth Capital: Perfect. My question is to Mr. Alok. In the last earnings call, we were informed that there could be a significant order coming our way through a collaboration with a large data center EPC operator in the US, and it could be a significant order. Any update or color on that? I think that would be really helpful.

Alok: We are signing the framework for that. Once we sign it, perhaps I can disclose who it is, but until then I cannot disclose who they are. We do expect to see orders. It is not a single job, but many jobs, because we will then be the primary suppliers to them for all their data centers, and they are one of the large operators.

That is what I had mentioned. We are in the process of progressing our framework agreement with them for [cut off]

Mohit Surana – Monarch Networth Capital: Sir, can you share any timeline for when this framework agreement can be signed?

Alok: Sorry?

Mohit Surana – Monarch Networth Capital: Can you share any timeline for when this framework agreement can be signed?

Alok: It has taken us a long time as well. I do not want to share a timeline that is not really in our control because, being a very large operator, they sometimes impose very stringent conditions. We are in discussions and negotiations on many of those conditions because, while the business is quite large, we want to ensure that we are not doing anything too risky.

Report is AI-generated and may contain inaccuracies.

Mohit Surana – Monarch Networth Capital: Understood. That is helpful. The rest of my questions have already been answered. Thank you, and all the best.

Alok: Thank you.

Operator: Thank you so much, sir. Ladies and gentlemen, due to the time constraint, that was the last question for today. I now hand the conference over to Mr. Bhavesh Shelat for closing comments. Thank you, and over to you, sir.

Bhavesh Shelat: We thank everyone for joining the call today [cut off]

Management: We hope we have been able to give {? [unclear] ?} overview of our business and have also answered your queries. Should you have any further queries or require any clarification, please feel free to reach out to us or to SGA, our investor relations advisors. I would like to end by wishing you all a very happy Diwali and a prosperous New Year. Thank you very much.

Operator: Thank you so much, sir. Ladies and gentlemen, on behalf of Kirloskar Brothers Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Management: Yes.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.