

19.08.2022

To,

The Manager
Listing Department
National Stock Exchange of India Limited
Bandra Kurla Complex, Bandra (East)
Mumbai – 400 051

Dear Sir/ Ma'am,

Sub.: Transcript of Q1 FY23 Earnings Conference Call

Symbol: JASH

We are enclosing herewith the transcript of Q1 FY23 Earnings conference call with the Investors held on Friday, 12th August 2022.

You are requested to take the aforementioned information on records.

Thanking You,
Yours Faithfully,

For JASH Engineering Limited

Tushar Kharpade
Company Secretary & Compliance Officer
Encl.: A/a





“Jash Engineering Limited
Q1 FY23 Earnings Conference Call”

August 12, 2022

**MANAGEMENT: MR. PRATIK PATEL - CHAIRMAN AND MANAGING
DIRECTOR**

MR. DHARMENDRA JAIN – CHIEF FINANCIAL OFFICER

Siddesh Chawan:

Good evening and welcome to the Jash Engineering Q1 FY23 earnings conference call. Before we proceed to the call let me remind you that the discussion may contain forward looking statements that may involve known or unknown risk, uncertainties and other factors. It must be viewed in conjunction with our business risk that could cause the future result performance or achievements to differ significantly from what it is expressed or implied by such forward looking statements.

Please note that we have mailed the results, and the same are available on the company's website. In case if you have not received the same, you can write to us and we will be happy to send the same, over to you.

To ask questions, please select the raise hand option. We will call out your name, and then request you to unmute yourself and ask the question. Please note that questions on the chat box will not be monitored on an active basis.

To take us through the results and answer your questions today, we have top management of Jash Engineering Limited represented by Mr. Pratik Patel - Chairman and Managing Director and Mr. Dharmendra Jain – Chief Financial officer.

We will start the call with brief overview of the quarter, gone past, and then conduct a Q&A session. With that said, I will now hand over the call to Mr. Pratik Patel, over to you sir.

Pratik Patel:

Good afternoon everyone. I would like to start the presentation in a way, that those who are new to the company would have some idea of what we are doing and then I will go on to the financial results.

As you're all aware that we are manufacturing company making equipment for water waste, water treatment plant, pumping station conveyance, etc. We have various subsidiaries in the group and our consolidated sales last year was Rs.374 crores year to our five manufacturing units which are worldwide. The company has evolved over a period of time by acquisition and technical collaboration and today, we have brand strength which can help us to introduce our product throughout the world.

The four major acquisitions of the company are Sureseal, Shivpad, Mahr Maschinenbau and Rodney Hunt. And Rodney Hunt was the last acquisition and with these four acquisitions we have enhanced our product range as well as branding in the international market.

We set up five manufacturing units, four are in India and one is in America and with some minor investments which we plan to do in next two years, we will reach a turnover potential of Rs.500 crores from these units. We have the best plant

capabilities in our industry worldwide. The investment in most of the things which are required to produce all the products in house.

We are into water control gates and heavy fabricated gates. The range of heavy fabricated gates have come from acquisition of Rodney Hunt. We also have very big range of coarse screening equipment, these coarse screening equipment are either by Jash itself or through our technical collaboration and also through acquisition of Mahr Maschinenbau in Austria.

We also manufacture big range of valves which are used for bulk solid handling as well as the water conveyor line. And we also make process equipment which are required for treatment of water as well as for pumping of water. We also make equipment for generation of power using renewable energy and for filtration of waste water to give a very good quality of output. Most of our equipment are used in wide range such as water intake systems, storm water pumping, water and waste water treatment plants and irrigation and industry such as power plant, paper and pulp, petrochemical, steel, chemical and all process industries.

Our various products contribute to the revenue, and water control gate is the biggest contributor to our revenue. Mainly 50% of our revenue come from that and balance comes from screening equipment, valves, hydro power and pumping and process equipment. We are trying to broad base our market in the export. Already major portion of our revenue is coming from export and we expect it to increase in the years to come. These are some of the clients and consultants who are key to Jash business in India and out of India.

Coming to financial performance the three principle companies in the group are Jash Engineering, Shivpad and Jash USA. These are 3 main production oriented companies. In case of Jash Engineering we have had a minor growth in turnover and minor improvement in EBITDA in the first quarter. In case of Shivpad there has been a decline in revenue because a lot of material which was lying ready could not be built on account of problems at site or on account of financial situation of our clients. As a result of that, the EBITDA has gone down compared to last year. Similarly in case of Rodney Hunt the revenue has gone down because of issues related to working off ships, materials sent from India could not get birthed in America because of port condition and resulted into significant reduction in revenue of Rodney Hunt. However the EBITDA is not as significant because now things are well under control in America for our Company. I would like to highlight that first quarter whoever is aware about the company knows that the first quarter is always quite bad in our type of Industry. From the third quarter that everything starts picking up. So looking to that I will be not too much concerned about what is quoted over here on the first

quarter results. We expect significant improvement in second quarter in all three companies.

Our consolidated revenue has grown little as a percentage, it is only 2%. There is a small improvement in gross profit also as well as in the EBITDA margin. However profit before tax and after tax both are in the negative because not enough growth in revenues. In comparison to Q1 FY22 and Q1 FY23 we observed that there has been some slight improvement in certain aspect and some slight like deterioration in certain aspects. However the results of quarter one are quite narrow to have a very good comparison. I believe that after Q2 a better comparison can be formed.

Our consolidated order book position is at an all time high. The combined order book is at Rs.586 crores out of which the projects outside India are Rs.435 crores and within India is Rs.151 crores. Shivpad as well as Rodney Hunt has a very healthy order book position, with Jash USA/Rodney Hunt our order book position is also at all time high of Rs.229 crores. Our pipeline is also quite strong, we already have negotiated orders of Rs.69 crores as on 1st August, out of which Rs.59 crores are projects in India and Rs.10 crores projects are outside India. We are already having good future pipeline and also we have under negotiations order worth Rs.58 crores which we expect to finalize within this month and as our site ratio is quite, sometime it is as high as 80-90%, we expect this type of order inflow to continue. We still maintain the same projections for consolidated revenue, as I informed in the last presentation that we are looking for Rs.430 crores of combined revenue with Rs.200 from India and Rs.230 crores from outside India and we are still maintaining the same.

Some of the major development I would like to highlight here is, our order book position in Rodney Hunt is significantly improved, today we have orders in hand which is more than \$30 million. It should be noted here that we are projecting \$23-23.5 million as our revenue for the current year. So, our order book is already more than what we have projected for this year and since 7 months have to go. One of the big problem we had in America was non-bonding facility, we could not bond for orders. Now after the improvement in the financial results of Jash someone in America has agreed to give to us bonding at a cost. And this will greatly help the company in getting new orders where bonding is required.

On the new products we have last year introduced disc filter in the Indian market. We are got orders for two more disc filter machines and for one machine we have got a letter of intent. We expect that by end of this financial year we will have at least references of six machines in India. No, one of the problem with disc filter machines is, this is a German technology completely made of stainless steel, one of the top

quality machines available in the world but it is very expensive and until we do not make this machine completely in India with lot of indigenisation we would not be able to sell these machines in high quantity. I think 50% is already indigenize another 15-20% will be able to indigenize by November December and the final indigenisation pf level upto 95% would be done by March of this year. And once we achieve this in order to ensure that we can help sell the machines in higher volume as well as better profit. We have a policy of developing or adding atleast 2 new products to our basket every year. In line with that policy, we have taken up development of Vortex type Grit classifier and Combined Screening and De-gritting unit for the year. This will be running in association with the European company. However, we had already started marketing of these products for last 4-5 months back and I'm glad to inform that for these new products which we aim to develop now, we have already got orders within this month.

On the expansion front we will start work on unit two this month or next month and this will entail an investment of Rs. 13 crores and the new facility including in unit two as well as capacity additions in other units would be completed by the end of next calendar year. At Shivpad also we have already invested on 2 acres of land and we will start construction of that plant in Chennai by November December of this year. And this plant will also be ready within 1-1.25 years from the start. This will call for an investment of Rs.10 crores but once this is done, Shivpad would be in the position to scale up the turnover from present 25 crores to 50 crores in 3-4 years time.

Overall I would like to say that results are not what you may expect, however Q1 as I said if you see over a year it the results are always subdued in the first quarter. In the second quarter we are looking for quite a good improvement but it is third and fourth quarter which will bring in maximum contribution to our revenue. Last year fourth quarter brought close to 47% of the total turnover and that should be idea of how lopsided our quarterly results could be do. We believe that the modest growth in standalone revenue of Jash Engineering is quite normal. However, dispatches from the subsidiary companies have been quite below par. However, we have seen the movement already and we are quite confident that by end of Q2 the revenue as well as the improvement in profitability will be seen. I would also like to point out that in quarter one our profitability on a standalone basis is marginally improving and this means that the costs of raw material is coming under control. As revenue is expected to grow at a sustained pace, we are quite confident of improving revenue as well as profitability in this year. Our projections for revenue as well as profitability has seen the same improvement before. Thank you I would like to now answer any questions with you have.

Siddesh Chawan: Thank you, sir. We'll now begin with the q&a session. The first question is from Mr. Naveen. Please unmute yourself and go ahead.

Naveen: Thank you for the opportunity. So this is regarding Rodney Hunt, we had a bonding facility of approximately 1.5 million if I got it right. So, with the recent tie up, what will it increase to and what kind of orders require bonding facility?

Pratik Patel: First of all, let me explain why bonding facility? What happens is that, the industry in America knows we were not in a position to offer a bond. Suppose your company is not doing good financially then your competitor will go and say that this company will close down anytime, so if you don't take a bond from this company your project would be in the mess. And they will add up on our clients to ask for bonds, because they can give the bond. In such cases client will ask us to give 100% bonding, say if the order is of \$4 million then they may ask us to give \$4 million bond which is for ensuring that the order is executed. If the order is not executed they can encash the bond. Now this may depend on client to client, some client having only 500-1000 order may also ask for bond and some for \$5 million may ask for bond. But generally it is for higher value and clients are nervous when they see Rodney Hunt financial and that is why they will ask for bond. The \$1.5 million which are telling about, the bank has sanctioned but all the approvals have not come through. So meanwhile we have also talked to one of the partners of our German collaborator we have asked him to give surety for the bond and he has agreed. So he will charges us a cost and the cost is generally within 1% of the bond value and that cost he is within give his surety which will enable the bank to open up additional bond.

Dharmendra Jain: Initially we started for \$4-5 million later on we can go up.

Pratik Patel: So upto \$5 million he is willing to sell the bond. So 5 plus 1.5 that is around is around \$6.5 million, if big order is there and if someone is asking for bond now we can do it.

Naveen: Sir my second question was regarding Rodney Hunt, last year what was our on-time delivery? And if there were any delays, why it was?

Pratik Patel: See, for Rodney Hunt I would say on time delivery was less than 50%, it was not good. We have significantly improved upon that in this year from Orange on an average delivery of 75-80% on time, only very few are not in time and the reason for that is logistic. Materials sent from India does not reach in time in America because of limitation in shipping or port conjunction . So on time delivery is a result of many things also supplying of components from India or anywhere else in the world to Rodney Hunt and the integration of that component and then selling of the product to the client. However, the on time delivery from Rodney Hunt have significantly

improved now, one of the reasons for that also is that we ever tried not to take too many orders in Rodney Hunt which are complex in nature. So now that our order book position is quite strong, we can control the type of orders which we have to take for execution in America.

- Naveen:** Got it Sir. I have few more questions for that I will get back in the queue.
- Siddesh Chawan:** Thank you Naveen. The next question is from Ashish Rampuria. Please unmute yourself and go ahead.
- Ashish Rampuria:** Thanks Siddesh. Pratikji couple of questions, for Mumbai STP I think there was something that some South Korean company has got a new technology and the cost of the entire STP went down. What is the update there and is there any implication for our business?
- Pratik Patel:** There is no implication, that company has been approved. That technology has been approved and they are going ahead with it. So now all the 7 projects are awarded and we have started getting inquiries also.
- Ashish Rampuria:** Okay. So, now for the South Korean company also can we supply our products or our products are going for only 6 projects?
- Pratik Patel:** No, we can supply the products. As a technician I can go in detail but simple explanation would be the size of the project with this South Korean company and Jindal water is going to do is very small compared to all other balance 6 projects. And this technology was found suitable to that size of the project. It is not as if the same technology can be used for 3-4 times scaled up project. So that technology was found suitable and MCGM is going ahead with that.
- Ashish Rampuria:** And our products can go across all the 7.
- Pratik Patel:** Yes, products are general to technology.
- Ashish Rampuria:** Excellent. My second question is, unit two expansion and the incremental capex for Shivpad what will be your capacity broadly in terms of rupees crores once these expansions happen?
- Pratik Patel:** Ashishji, if you understand our business you see our maximum revenue comes in Q4 and Q3.
- Ashish Rampuria:** I know.
- Pratik Patel:** Now how is it possible? How can some company do 45% of its revenue in the last quarter? It is only possible if you have large spaces under crane available to

manufacture and stock the material. So when we built up capex, it is sometimes also we are building up plants so that we have more area to produce and saw when clients are not lifting it. So it is not always machinery but sometimes it would also be plants with crane facility. So that you can manufacture, assemble and stock the products. So this capex in case of Shivpad is completely different, in case of unit two we already had a plant which is being shifted parallel to the road because we are falling short of carbon steel production. Overall I would say, with this two capex, one at Shivpad and one at unit two we should be in a position to touch 500 crores in time to come. However, in case of Shivpad there was no manufacturing facility before, so this is some completely new manufacturing facility being set up for Shivpad so that they can scale up their operations. Today they're dependent on vendors but on a vendor basis you cannot grow the company to a big size and that is why that investment is being done.

Dharmendra Jain: This 500 crores is for standalone. What we are targeting this year is 300 crores for the standalone.

Ashish Rampuria: Okay and USA is separate.

Dharmendra Jain: Yes

Ashish Rampuria: Even the fact that we all were very strong. I think we saw what in July and on the slide also you highlighted that I mean already 69 crores of revenue by large is negotiated. So given the strong order book I wanted to understand the capacity but I got a sense Thank you.

Pratik Patel: So the strong order book also some projects for extended delivery. So even if I make them they are not going to take them this year.

Ashish Rampuria: Understood, so that's why 430 is coming this year and rest I think will spill over next year.

Pratik Patel: Yes

Ashish Rampuria: Thank you.

Pratik Patel: Though we will be trying for more than 430. So, if you remember last year we said 330-340 and we did 365-370. So, if the client is willing to take delivery I can manufacture. My problem is not capacity, my problem is willingness of the client to take delivery. If his project is going late he will not take delivery.

Ashish Rampuria: I agree. Thank you.

- Siddesh Chawan:** Thank you Ashish. The next question is from Sanjay Kumar. Please unmute yourself and go ahead.
- Sanjay Kumar:** Thanks for the opportunity. I don't know if this has been asked before I'll just ask now. So on the BMC so they gave out Rs.26,000-28,000 crores of orders for the seven STPs what would be the size of our products in that 28,000 crores just to get a sense of the potential.
- Pratik Patel:** Base on the inquiries which have been started coming I would say between 300-400 crores.
- Sanjay Kumar:** Okay, and I was going through the slides. We do have NCC, L&T we sell to Suez and SPML also so there are 2-3 other EPC guys like.
- Pratik Patel:** We are selling to everyone. All the 7 contractors who have got the job we are working with them already.
- Sanjay Kumar:** Okay, and all put together it's 300 crores out of 28,000 crore.
- Pratik Patel:** It could be 300-400 crores.
- Sanjay Kumar:** Okay Sir. Secondly last year we introduced disc filters and now we're talking about classifiers, grit classifiers de-gritting and so on. So are there any more product gaps in the entire value chain of our products in our industry or are we all covered in every aspect?
- Pratik Patel:** No, we are not covered in every aspect. If you see the water industry as such, so the first step is always compounding of water in dam. So you collect the water then you pump the water, then you have pipelines coming 60-80-100 kilometers far away to Bombay bringing water. So in the pipelines we are only doing specialized valve which is for water hammer control, but we are not having control valves in the pipeline. So that completes segment and which is a very big segment, on the annualized basis I can say that is Rs.1.5 thousand crores valves business, we are missing on that. Then the water comes to the treatment plants where its treated and we have all the equipment and gates and valves for treatment and after treatment the water goes to your homes and that is for distribution. We do not have valves for distribution, these are the special control valves which many companies are in business in India but we are not in that. Once the water reaches your home then it is converted into waste water where again there is waste water pumping station, where we have all the equipment. Waste water treatment plant we have most of the treatments and depending upon the type of the process, primary treatment, secondary treatment, tertiary treatment, various equipments are required and we have most of the equipment upto secondary treatment.

- Sanjay Kumar:** Ok Sir. Thank you for that explanation. Finally on margin, so Rs.430 crores, and what kind of margins are we expecting.
- Pratik Patel:** I would say the huge increase in cost of raw materials and the uncertainty related to that has tapered down now. So things though not comfortable but are still under control now and as a result of that, I would say that positively we are looking at a 10% PT and if we can further improvement in raw material cost, improvement on the downside than I'm looking at 11% PAT. If along with reduction in raw material rates if I am able to cross the projected turnover of Rs.430 crores significantly, say I could do 450-460 crores in that case we could look for 1% more improvement in PAT.
- Sanjay Kumar:** Great Sir,. Thank you that's it from my side.
- Siddesh Chawan:** Thank you. The next question is from Niteen Dharmawat. Please go ahead.
- Niteen Dharmawat:** Thank you for the opportunity. So Sir you talked about the raw material prices. So going forward, as we build up and deliver for Q3 and Q4 where in maximum revenue come, what do you see the impact since there is some softening in the prices? Will we have a better margin or margin going back to the previous level that we have seen?
- Pratik Patel:** So, Niteenji one year back when this question are asked to me I was expecting PAT margins to go up to 12-13%. However, the steep price has subdued everything and instead of improving we are down to 8.5-9% PAT levels. Now if the price remains subdued than as I said I am expecting between 10-11% PAT margins. If the turnover goes up and if the clients are able to take deliveries and turnover goes from Rs.430 crores to Rs.450-460 crores which is possible because we have got orders in hand, in that case again we will see improvement in margins by a percentage or so. So, I would say depending upon turnover and nothing going wrong now, oil is again started coming down, raw material have started coming down, only shipping is a cause of concern because the shipment is still very vary. So, if all these things are under control anywhere between 10-12% I am looking for in this year.
- Niteen Dharmawat:** Got it and any other major capex that you're planning other than the Shivpad that you talked about.
- Pratik Patel:** No, Shivpad and unit two is capex which is planned and which has to be executed in the next one and a half year and other than that there is only acquisitions.
- Niteen Dharmawat:** Okay, all the best.
- Siddesh Chawan:** Thank you. Next question is from Dilip Sahu, please go ahead.

Dilip Sahu:

Mr. Pratik, my question is not quarter related, you know in last 4 years we have grown from 200 crores odd to let's say 430-450 crores this year, our India Business has kind of grown from 120 to 150, our rest of the world business has gone maybe 60 to 80 or 90, or US businesses of course grown from 30 to 200. So that's a very uneven growth, we have been doing extremely well in US and not so in others. So my question is, if you can just give an overall, what is working for us in the US and that is replicable. And what is not working for us in say Europe or India and how do we bring in, because in terms of the size of the market, of course US is the largest but the others are equally large potential market. So that's question number one.

Pratik Patel:

Can I take one by one. So, let's talk about US first, when Rodney Hunt shut down in 2017, they were doing \$33 million. Today I am still talking about only \$23 million dollars this year. So to reach \$33 million I will still need 2-3 years, but Rodney Hunt was doing in 2008 close to \$270 million. So the potential for growth in America phenomenal. We should get our act right and the act is to make the company first profitable to get bonding facilities, to get banking facilities. This looks easy but we do not have banking facilities in America even today. So get one by one things in place, get the confidence of buyers that we will not hold or collapse. And once that happens, I don't see any stoppage in America because we are seeing that as we are becoming stronger our competitors are becoming weaker. They all thought that Rodney Hunt is gone and they will survive but now that Rodney Hunt has come back so strongly, many of my competitors have started wobbling and I'm sure in time to go 1-2 would close down. So Rodney Hunt is not something freak, it was there and we just are bringing it back. Coming to Europe, see the problem with the Europe is that we have many different languages. It's not easy to do business in every country of Europe we do business with French companies because we have French speaking employees based in France who looks after that business, so we do relatively good there. We do good in UK because UK is the English speaking country and we have good partner in UK. So in Europe the business is quite fragmented and also very difficult because of language. In rest of the world, I would say relatively good in fact we are growing quite fast in Singapore, Hong Kong, Thailand, in Malaysia and so on and as well as we are doing good in Middle East. So, I would say the only soft spot is in Indian, but now India is also booming in our industry, with the big projects coming up in Bombay, Bangalore, Chennai, Delhi, Pune and so on. I think we could witness a good phase of growth even in India. Europe you cannot compare it with America.

Dilip Sahu:

Yeah, I got it. I mean, America is more homogeneous than Europe you are saying. My second question was regarding this Mumbai deal, you are saying our addressable market is around Rs.400 crores in Rs.25,000 crores tender that came out? So my concern or question is that since we are like 1-2% of the size of the project, is there a

risk of somebody bigger coming and having a much complete product offering undercoating us and taking our business even though individually. We know that there are very few competitors we have and we will be better but once we get like somebody comes with a much more comprehensive range and much bigger offering, is there a risk that we might lose the deal to them.

Pratik Patel:

So, let me clarify on two aspects of your question. One is 26,000 crores, 26,000 crores includes 10 years to MR. So, the project cost may not be 26,000 crores, it is inclusive of the operation and maintenance for 10 years. Two, no one on the world market today has the comprehensive product range which we have. The only product which we do not have is in the pipelines. But the Bombay project is not about pipelines, Bombay project is about treating of water which is already coming into Bombay. So, the valves which we do not have for pipelines is not something great in the Bombay project. Maybe if it was a water treatment and you are bringing water all the way from the dams then those valves would have been a dominant business but it is not so, at least in this 7 treatment plants it is not so

Dilip Sahu:

Sure. Okay. So, lastly Mr. Pratik this quarterly fluctuation while you know I've been with the company for like 4 years and understand the rhythms and we have seen that every quarter happening, but somehow it kind of pushing everything to the last quarter. My request would be to figure out if some way we can smoothen out. I understand that the management has been doing this for 50 years. So, you obviously know better, but this kind of pushes everybody to the brink till the last quarter. That's all I had to say.

Pratik Patel:

I also don't like it. You don't like it I don't like it because it puts us great pressure in the last quarter. The problem is not about uncertainty, the order book position gives the certainty. The question is about where to accommodate and how to finance all this thing. And that is a great cause of concern for us also, we hope that by increasing export we would be able to balance it out. Unfortunately, we came to know that Singapore, Malaysia and Hong Kong and all these places also have year ending in March because they are all ex British territories. So everyone is going as per March ending and not December ending or some other ending of the year. Europe is December ending but unfortunately, our sales in Europe is not too wide. So it all depends upon when is the financial year ending in a certain country and their budget norms and things like that and based on that the client are also doing their annual billing.

Dilip Sahu:

Thank you. All the best.

Pratik Patel: Thank you. The next question is from Zaki Nasser. Please go ahead.

Zaki Nasser: Pratik bhai namaskar. So I have two questions. Number one is whatever small capex we are doing in this year, what would be the peak viable turnover in maybe 2024 and 2025 because of this. My question number two is, sir, after hearing you would it be fine to assume that these quarterly variances are more due to the accounting policies of our customers and Jash rather than anything else?

Pratik Patel: So let me address the second question you had and that is about the quarterly due diligence. So, the countries where 1st March is year ending, most of the deliveries which are happening in last week they reach the site in the first or second week of April. And so the client in April every more bothered about is billing and getting that material inspected at etc. So major portion of April goes away in that for the client. So even if you produce equipment and calling for inspection in April he is not willing to come. So let's talk about Q1 standalone for Jash Engineering, I have 120 crores worth of finished equipment lying at my plant in Q1, which I could not dispatch because people were not willing to lift it. Now, why they were not willing to lift it, first is because they are bothered with their internal issues related to huge volume of sales which they have done in the month of February or March, to getting bids fast, getting things approved and so on. Second, as soon as April, May is over from June many places rainfall starts. Now most of our projects are civil oriented, so 50% of the cost of the project is civil work and these are big water tanks and water canals and channels etc. these are all below ground. So as soon as rain start most of the civil works comes to a stop and only those work which are above ground are happening. Also the site becomes quite muddy and not good enough to store materials, so many people who are not ready do not like to take deliver of the material. So the first quarter April, May, June and the second quarter, July August, September to a great extent is affected because of these two reasons. Somewhat third quarter October, November sometimes because of religious reasons, when I say religious reason means Diwali, Durga Puja is there and various other religious festivals are there. Some effect does place but not like the first and second quarter.

Zaki Nasser: So I think it will remain like this because of the nature of the industry. Our accounting processes would remain like this and it would be safe to look at a Jash on a yearly basis rather than track it on a quarterly basis.

Pratik Patel: It would be better to look after third quarter and fourth quarter and not us let say yearly basis, third quarter and fourth quarter results rather than on first and second quarter results. But my wish is not that it should happen like this, and that is why we went into the export market. Unfortunately wherever the year ending is 31st March if we remain strong in those markets, and you should understand everywhere which is

31st March year ending was British. British means English is the language of communication in those markets and that makes for me easy to penetrate those markets because of language, there I will always have this problem.

Zaki Nasser: Okay, and our peak viable turnover for 24-25, what would be.

Pratik Patel: So you know, we have projected for 22-23 Rs.430 crores consolidated.

Zaki Nasser: So that means Sir, if project 430 I think it will be safe to assume 450.

Pratik Patel: Don't assume let us see how it close out. So if it is doing good everyone is happy but don't put that pressure on me because sometimes it is not in my hand, it is my clients hand. So, 430 crores for 22-23 we said and we expect it to go to 475-500 crores in next year and 550-575 crores year after if there is no acquisition. If there is an acquisition that may be something different.

Zaki Nasser: So March 2025 will be safe to assume b2b 550 crores.

Pratik Patel: Yeah, between 550 to 600 crores.

Zaki Nasser: Fantastic Sir. Thanks a lot and best wishes to you.

Siddesh Chawan: Thank you Zaki. The next question is from Sanjay Shah, please go ahead.

Sanjay Shah: Good evening, gentlemen. Sir, you highlighted very well about the company's progress and what we have done in past few years to bring this company to this scale. we have increased our capacity, ramp up that, added new horizons to our sales, we have added new products to our sales kitty and we have set up a capacity where we can do upward of Rs.500 crores turnover. So Pratik bhai now, as far as our company, our products and your team is concerned I think it is very safe to understand the growth trajectory of our company barring unwanted circumstances. But now what can you say us about the future where from here on, how do you see our company growing. Are we adding any new products or are we ramping up our existing new products and do we plan any acquisition in organic growth? If yes, then what are the possible horizon?

Pratik Patel: In the beginning someone asked me where we are not in this water chain? And I said we are not into the water chain related to valves in pipeline, during conveyance of water from pumping station to treatment plant, raw water conveyance we are not in that business of the control valves, and we are not in the business of control valves for distribution. So these are the 2 aspect of the business which we are not into and these two aspects of the business are more like batch production and volume production rather than custom production, which our businesses is. So this is

something which we are lacking, if we go for any acquisition in future it has to be into this. At the same time, I would like to say that I would not like to acquire any company internationally as of now, because after Rodney Hunt me and our energy over. So, until Rodney Hunt is doing wonderfully with more than \$2 million in profit, I will not like to touch any foreign acquisition anymore. However, we are already pursuing acquisition in India of a significant size company, which fits what we are looking for. However, it is a matter of valuation if the valuation is not right. I will not jump into it but if the valuation is right, I think addition of that company would bring us in a position which would be unique in the world because we would be in every aspect of the complete water chain.

Sanjay Shah: So will that be into these valves and distribution valves segment?

Pratik Patel: Yeah.

Sanjay Shah: That's great. So we'll wait for it

Pratik Patel: No one know what happens because in acquisition if someone gives a ridiculous price. So I think we are in the race, but I still don't know.

Sanjay Shah: What time it may take to finalize.

Pratik Patel: 3-4 months.

Sanjay Shah: Okay, fine.

Pratik Patel: December is their deadline.

Sanjay Shah: That's get great. Thank you.

Pratik Patel: And you asked one more question about the product line, addition of products and things like that.

Sanjay Shah: Right.

Pratik Patel: Every year we are adding new products. Now where do we bring these products from? See India as a market is also evolving. New technologies are being brought into India, sometimes by a foreign companies, sometimes coming due to foreign funding and some time because the government's wants to genuinely improve the treatment systems in India. So as things open up, new possibilities also one up and then we bring new technologies to address that market.

Sanjay Shah: Thank you, sir. Good luck to u.

Siddesh Chawan: Thank you. The next question is from Mr. Naveen. Please go ahead.

Naveen: Yeah, thank you for the follow up. So this is regarding a previous participant who asked about lumpiness in our order execution. Just wanted to understand with our increasing order book size and majority of our orders being executed in third and fourth quarter, going forward how are you planning to execute if majority will happen in third and fourth. Are we planning to create extra buffer because it will put a strain on our resources and capacity? There is only so much we can do in third and fourth.

Pratik Patel: So, overall when we are looking for growth of 15% let us see at the end of second quarter. I am quite confident that we will be able to see growth of 15 to 20% in the consolidated as well as standalone revenues. So it's not that first quarter and second quarter would remain the same and all the explosion will happen in third and fourth quarter. I think you will see by the end of second quarter that we have been able to grow 15 to 20% over last year. So when we have grown from 15 to 20% over last year by the end of second quarter to expect the same growth in third and fourth quarter also is possible. Now why is it possible, as in April we added up significant facilities and capabilities to our company by expansion and addition of machinery. And that makes it possible to address these additional 60-70 crores business which we expect to get add this year. So capacity is not a problem, the only problem could be two, as I said before, space to store the material which is finish because our materials big in size and second is financial, you should have the capacity to invest on so much raw material and water components that you can do 50% of your turnover in the last quarter. I would say for both the condition we are quite well place financially as well as space wise. But yes, it does put strain on any company if 50% of your revenue is coming in the last quarter because you start producing not in the last quarter you start producing in second quarter and finally you are billing in the end of third quarter and beginning of fourth quarter.

Dharmendra Jain: Because of it is increasing trend of closing stock. Every quarter it is going up and balance it at the end of the March.

Naveen: Understood sir.

Pratik Patel: That's in our financial strength in short.

Naveen: I have one more follow up. This is regarding disc filters. We are planning to reduce the import content. After this exercise, how much can we bring it down to and post this exercise how competitive will be to other competing products?

Pratik Patel: So, the problem is we have a gone for German collaboration which is very high end technology in comparison to everyone else. And they also use fancy materials in their design like everything being of stainless steel instead of cloth and so on. However,

the performance is very high efficiency is very high. Now, I cannot go for years on PowerPoint presentation just saying that I'm very efficient, I'm very good at etc. we have to show it in the field. So that is why the target is that first 6 machines should be in the building this year. With those 6 machines operational, we should be able to show to our various clients and then do that it is not only what we say but it work also accordingly. This would never become a cheap product, the German machine and the German designer will always remain an higher end product offering. So to make it economical only way is to reduce the import content. Import content is presently close to 50%, this year we intend to bring it down to 5%. And initially our collaborator was not ready to allow us to make one of the item which is the heart of the machine the filter panels, but we had a discussion with him and now he has agreed. So once he is agreed we start development activity in October and hopefully by February March there that would be developed. Once the filter panel is developed the import content will come down to less than 5% maybe it wouldn't be as good as nil. And at that time, we would be well placed to push this product aggressively in Indian market.

Naveen: So, if I understand we are selling the product at loss so post this exercise will we be profitable in that particular product.

Pratik Patel: Definitely. So just to explain suppose I am buying a machine from Germany would be around 1.5-2 crores but if the same I produce indigenously completely in would be between 50-60 lakhs. So there is a huge difference between the German price and our price and we can significantly reduce the cost of production so that we can improve our margins there.

Naveen: Got it Sir. Thank you.

Siddesh Chawan: Thank you. The next question is from Sanjay Kumar. Please unmute yourself and go ahead.

Sanjay Kumar: Sir, the 300-400 crores from BMC, is it factored in our 430 crores or 530 crores?

Pratik Patel: No, these projects are getting just awarded. Infact in some of the companies do not have a team, they are recruiting people. Every company is now recruiting people, imagine for last 8-9 years there was no project involvement and suddenly there are 7 projects together. None of the company bearing say Larsen and Toubro or even that L&T will also not be having sufficient resources and team to execute such a project. So they are building teams and putting enquires lead to that and I think the final enquiry will start coming at the end of this year, early next year. Orders booking will start taking place from first and second quarter of next financial year and you can talk about delivery in 2 years down the line.

Sanjay Kumar: So FY25.

Pratik Patel: FY24-25

Sanjay Kumar: And second, on the control valves which we spoke about, you said that the market size is almost 1500 crores which is 2x of our existing market size in India. So, the company operating there might be bigger in scale so will the acquisition size will also be significantly large or how are we thinking about it.

Pratik Patel: I can only say that the company we are looking for acquiring is between 50-150 crores of turnover.

Sanjay Kumar: Ok, and when are we expecting to close this. I think you said December, did I get it right?

Pratik Patel: I do not expect it to close it because to sell to me or not is in my hand. So, the whole process is over by December and we have to see it who wins.

Sanjay Kumar: Okay, do we have other options or we just narrowed down to this particular company.

Pratik Patel: Given a chance I will not like to do any acquisition this year. I will like Rodney Hunt to be settle and I will like everything to stabilize and maybe go for acquisition in FY23-24. But if an opportunity comes I cannot way I didn't plan to do, so I will do only in FY23-24. The opportunity has come all of a sudden so we will jump into it. When I get the next opportunity, I do not know if I get the next step opportunity in FY23-24 I will be more aggressive.

Sanjay Kumar: So, funding for this will be

Pratik Patel: Funding could be loans, could be some equity stake given as well as raising some fund through right issue or some other way or strategic investor. Please understand we have not given any offer. We are still evaluating.

Sanjay Kumar: Got it. Thanks so much.

Siddesh Chawan: Thank you, Sanjay. The follow up question is from Ashish Rampuria. Please go ahead.

Ashish Rampuria: Just speaking on what one of the participants was asking in terms of variability, now in terms of the revenue. Now with US business increasing, today we' are talking about 23 million USD this year, and a higher amount next year and so on so forth. Would we expect this variability to reduce a bit going forward or reduce significantly going forward for that matter?

- Pratik Patel:** See our year ending in US also is 31st March.
- Ashish Rampuria:** That is our year ending I understand. I am saying from our Q1 which is your April to June, per se in the US system that becomes their Q2, right? Because we had the problem that most of other markets in the rest of Asia, etc, are all British colonies, so we had a similar problem of everything getting towards the end of Q4. Now if you're targeting markets, like US which follow that Jan to December year as the financial year, then that becomes Q2 for them.
- Pratik Patel:** Correct. But what happens is when you put all your effort into your Q4 revenue, you like sort of empty yourself in the Q1. If you see the US revenue this year has fallen because we have not been able to give them enough deliveries that is also because of 2 reasons, shipment also is one of the reason not only production but shipment is also one of the reason. So, yes as US turnover increases our lopsided situation will improve, as Euro America and all those countries which are not 31st March oriented increases, this type of lopsided business will reduce.
- Ashish Rampuria:** Got it. Okay, that was the only question. Thank
- Siddesh Chawan:** Thank you. We'll take a last question from Mr. Naveen. Please go ahead.
- Naveen:** Thank you. My last question, I just wanted to know the potential market size for grid classifiers and the de-gritting unit which we are planning to develop and is it only for India or outside India also we are planning to target/
- Pratik Patel:** So, any new product or any new technology which we bring in collaboration with anyone in the beginning 2-3-4 years is always restricted to India. The reason for that is if we make a mistake abroad to rectify it is very costly. So basically all these new products, we'll restrict it to India. Now talking about revenue potential from this business I would say these are all being introduced in the Indian market recently, not only by us but our competitors also. I would say for the market to mature it will still take three four years. So the new technologies are going into new projects but slowly it will shoot up and I'm sure that over next 3-4 years it would become a mainline product. And when that happens, we are looking at annual market size for these two items close 40-50 crores. So if we can address 25-30-40% of that market we are looking at 15-25 crores.
- Naveen:** Got it sir. Thank you. Any update on the Singapore order which one of our competitors have bid and last moment won't execute which you spoke about in the last call?
- Pratik Patel:** So, there were 2 orders one was Tata project for Kudankulam nuclear power plant that also they had given to our competitor and now portion of that order I have

already received the LOI. So this 59 crores which we have said negotiated for India 48-90 crores is there. Singapore we have still undecided. I am going to Singapore on 16 than I will be meeting a client. So Singapore nothing has happened.

Naveen: Thank you. That's all for my side.

Siddesh Chawan: Thank you. There are few questions on Chat box from Nitin Gandhi. "Share thoughts on EBITDA margin for FY23? What is the tax rate going ahead? What will be revenue potential of unit 2 capex 13 crore? Bonding cost - fixed and variable?"

Pratik Patel: On EBITDA Margin, going back to 18% we should be near that by this year. Tax rate will also be nearly the same. 13 crore is not only in unit 2 it also including in unit 1 and some capex in unit 3 and 4. The potential after that investment would be at least 22-25 crore. Fixed bonding cost is around 1% as of now when someone else is giving if company is giving it would be less.

Siddesh Chawan: Thank you. That was the last question. I will request Pratik Sir for closing comments.

Pratik Patel: So, I am thankful to everyone for sparing your time and attending this investor conference. I'm sure that as the year progresses in Q2, we will be able to improve upon the last year Q2 and will keep on doing this. The things to me look quite satisfactory. The concern related to huge price wise which had happened last year at the end of the year has gone and so I would request all the investors to have some faith in us and look for improved results in Q2 and Q3. Thank you.

Siddesh Chawan: Thank you everyone for joining us today. If you have any additional questions you can reach out to us anytime. We wish you good health and look forward to seeing you again next quarter. Have a good day.