



“Shakti Pumps (India) Limited Q4 & FY22 Earnings Conference Call”

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Moderator: Ladies and gentleman, good day and welcome to Shakti Pumps India Limited Q4 and FY22 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Anand from Ernst and Young LLP, thank you and over to you, Mr. Anand.

Rohit Anand: Thank you Nirav and good afternoon, everyone. On behalf of Shakti Pumps India Limited, I welcome all of you to the company’s Q4 and FY22 earnings conference call. I am Rohit Anand from Ernst and Young IR practice and we manage investor relations for Shakti Pumps India Limited. You would have already received the Q4 and FY22 results and investor presentation which is also available in our filings with the BSE and NSE. To discuss the company’s business performance during the year and outlook, we have with us today, Mr. Dinesh Patidar – Managing Director, Mr. Ramesh Patidar – Executive Director – Exports, Mr. Dinesh Patel – Chief Financial Officer and Mr. Ravi Patidar - CS and Compliance Officer.

Before we proceed with the call, a disclaimer:

Please do note that anything said on this call during the course of the interaction and in our collaterals, which reflects that outlook towards the future and which should be construed as a certain forward-looking statements, must be viewed in conjunction with the risks the company faces and may not be updated from time to time.

More details are provided at the end of the investor presentation and other filings that can be found on our website www.shaktipumps.com.

Should you have any queries, or you need any further information, at the end of this call, you can please reach out to us at the email addresses mentioned in the company collaterals. With that, I would now hand over the call to Mr. Dinesh Patidar, over to you, Sir.

Dinesh Patidar: Thank you Rohit. Hello Friends, good afternoon, hope you all have a good day. My heartiest welcome to all of you for the Q4 results conference call of Shakti Pumps (India) Limited. As this may be my first interaction with many of you, before we discuss our results with you, I would first like to share a brief profile of the Company to everyone.

Shakti Pumps started in 1982 an MSME company which used to make pumps. After that, we started a little bit of government supplies and gradually moved forward. In 1985, we went for a public issue, post which we moved our attention towards export business and started developing stainless steel pumps. We were the first company in India, which was producing steel pumps and were the only company to get the certificate for a 5-star rated in the energy efficient pumps. We make all kinds of steel pumps which is well supported by our R&D team. We onboarded Mr. Amitabh Bachchan as a brand ambassador for our solar pumps in 2013. Post that, we started focusing in the solar market only and started making energy efficient pumps. The most critical

item for this industry was VFD which is an instrument to convert the solar energy into the electrical energy. These were being mainly imported in our country. So, we thought that now since solar market is being developed in India, so we should manufacture these VFM in-house. And six years earlier the dream that we had visualized, we got success in that and we developed manufacturing capacity of producing 2,00,000 VFD. Today we have a capacity of around 5,00,000 pumps and motors annually. I feel a great pleasure in informing you that today our country's one of the largest schemes, wherein the Indian Government has aimed to install 40,00,000 solar pumps, which is a scheme of Rs. 1,00,000 crores, Shakti Pumps has been contributing a major chunk in this since the last two years.

I am very happy to announce that we have ~30% market share in the KUSUM scheme. Our capacity utilization is standing at 30% to 35% because gradually the market is being developed in solar and the customer's requirement is also coming good, and even farmers have well accepted our products. We have around 1,200 models and all our pumps are energy efficient of about 30% to 40%.

Now we are also focusing on India and have built a network of about 500 dealers. Through, this we are directly dealing with customer; say in B2C and focusing directly on our customers. We are developing a 'without subsidy' market as well (non-KUSUM market). In that we have developed a very good product which runs by two panels, which will support a lot in Bihar and UP in the agriculture. The market which used to run with diesel until now, we are trapping that market also as the cost of diesel has increased so much now that it is becoming difficult to do Agriculture with that, so we are looking to replace it by solar pumps as well. We feel that in the coming year we will be able to install 1,00,000 solar pumps in our country.

For our in-house R&D we have been issued a certificate from Indian government in Science and Technology about our excellent work in it. We have also filed about 29 patents for approval, and I am happy to state that we have received our first patent which we had filed about 5-6 years back. The details of which are even uploaded on the exchanges. I would like to inform you that this patent was our aim, and we are happy to have received the same. The patented solar pumps that we will install are on-grid pumps, means it has an inbuilt electrical connection. The farmers generally do irrigation for around 200 days, so our objective is to that in the remaining time, they can export the extra electricity to grid. That is the reason the on-grid pump concept has started in India. There are about 17.5 lakh pumps reserved in the KUSUM scheme, but we had seen even a bigger dream and developed this on-grid pump which can be adjusted depending upon the demand-supply; if our farmer feels that he does not require that much water, he can set up the pump's speed and supply the remaining electricity to the grid. We have received this patent because of a very good technique and in the coming years will be benefited through this.

Apart from this, we have just done another work in R&D, in the off-grid solar pumps scheme. It is mandatory that the farmer should not have any electrical connection, then only he will get the pump in the off-grid scheme. So, when we give the pumps in off-grid, the farmer also has other machines, equipment, which he would want to run, like flour mill or freezer or grass cutter, he requires even more things to run. So, this is a very good thing that all these things were running

and the Ministry had given this earlier only but I believe and the field information that I had, we should add single phase also, due to which the farmers have single phase connection and single phase instrument only. So, we have added our USPC and due to this now you will be able to cook food with the solar pumps, prepare tea, charge your EV, and charge any inverters and batteries. This means that if you have a solar pump with a USPC controller, then you will be relieved off all the electrical issues. So, I feel that in the coming time, there can be a value add from this as well.

During the last year, we have installed nearly 22,340 pumps in the KUSUM scheme, and we wish to install 1,00,000 pumps in the coming times, which probably has a total market size of Rs. 6000 crore. We expect a growth of 25% to 30%, in coming years. Now, I will hand over the call to our CFO, Mr. Dinesh Patel to share the financial details of the company. Over to Dinesh.

Dinesh Patel:

Thank you sir, good afternoon everyone. The company reported a consolidated revenue of Rs. 385 crore in Q4 FY22, a 20% growth as compared to Rs. 320 crore in Q4 FY21. The EBITDA for Q4 FY22 at Rs. 36 crore, declined by 27% as compared to Rs. 50 crore in Q4 FY21. The EBITDA margin for Q4 FY22 stood at 9.4% as against 15.6% reported in Q4 FY21, a 619 BPS decline year-on-year basis on account of sharp rise in raw material cost and other operating costs. The profit after tax for Q4 FY22 is at Rs. 22 crore as compared to Rs. 31 crore in Q4 FY21.

During FY22, consolidated revenue was at Rs. 1,179 crore, a 26% growth year-on-year basis as compared to Rs. 930 crore in FY21. This is the highest ever revenue for us since inception and a milestone as we cross the Rs. 1,000 crore mark in revenue. EBITDA at Rs. 111 crore, a decline by 22% year-on-year basis as against Rs. 142 crore in FY21. EBITDA margin at 9.4%, declined by 591 BPS year-on-year basis as compared to 15.3% in FY21. PAT for the year was at Rs. 65 crore as compared to Rs. 76 crore in FY21. This is all from my side, with this we can now open the floor for questions and answers, thank you.

Moderator:

Thank you very much, we will now begin the question-and-answer session. The first question is from the line of Mohit K from DAM Capital Advisors, please go ahead.

Mohit K:

I have few questions, so I will start with the KUSUM scheme. Sir have you started selling pumps under the KUSUM scheme? And as per your presentation, there is a total market is of 3,70,000 pumps. So, do you think it will be executed completely in this year i.e. FY23?

Dinesh Patidar:

Mohit this is a very good question because 3,70,000 pumps is in this KUSUM-2 scheme and we are planning that we will do 1,00,000 pumps in that. So, definitely we are working from all sides, it was a bit late in the initial stage. We have got the enquires from Maharashtra now, in Rajasthan we have already signed, in Haryana and Punjab we are already selling it and in UP we will start in this month.

Mohit K:

And Sir, we have around 35% increase in the market size. So, are we confident of retaining the 35% market share going ahead as well?

Dinesh Patidar:

Yes, definitely.

- Mohit K:** Okay and so how much are we targeting the revenues and EBITDA for next year from inverters?
- Dinesh Patidar:** We are planning that we will install 1,00,000 pumps but when you talk about the revenue, we will grow from 25% to 30% year-on-year basis.
- Mohit K:** For coming two to three years?
- Dinesh Patidar:** Yes.
- Mohit K:** Okay, that was it. And how much on inverters, specifically?
- Dinesh Patidar:** We have started on inverters also, now on initial stage we have installed around 1000 inverters. We are waiting a little for the feedback, as soon as we get this feedback within one, one and a half month, we will start its one-shift production then.
- Mohit K:** Okay fine, that is all from my end, thank you.
- Moderator:** Thank you. The next question is from the line of Nirav Ashar from Latin Manharlal Securities, please go ahead.
- Nirav Ashar:** I have three, four questions, first is the guidance that you have given of installing 1,00,000 pumps. Is it the EPC or is it, we say EPC to OEMs?
- Dinesh Patidar:** No, we have changed some strategy, we are only doing EPC now
- Nirav Ashar:** It is only EPC for 1,00,000 pumps. And sir can you give us the price of a normal 5 HP pump because in the last conference call you had mentioned that there is some approval received from government side for 4% - 5 % price hike?
- Dinesh Patidar:** Yes, the price of 5 HP pump varies across the states, like in Maharashtra it is Rs. 2,35,000 and in other places it is Rs. 2,40,000 and at some other places it is Rs. 2,20,000.
- Nirav Ashar:** Sir on an average can I take as Rs. 2,40,000?
- Dinesh Patidar:** Yes, you can.
- Nirav Ashar:** And sir the 1,00,000 pumps is our target for the next year and sir you told in Kusum we have 20% market share, so who are the other competitors?
- Dinesh Patidar:** It is 30%.
- Nirav Ashar:** Okay, so who are the other competitors?

- Dinesh Patidar:** We can assume that we are competing with Tata. Tata do not build pumps or structures, but we build the structure and VFD too, so Tata just makes solar panels, and they purchase externally the VFD, pump and motors. There are a few MSMEs which will do this together.
- Nirav Ashar:** Okay. Sir as you said that Tata makes solar panel by himself, but for us we have tie up with Adani for solar panel, right?
- Dinesh Patidar:** Right and we have more companies also.
- Nirav Ashar:** Solar panel prices have gone up in the last quarter?
- Dinesh Patidar:** Yes, the effect that you can see on the margins, our margins have declined because there has been price increase in all the raw materials, it has increased in solar panels as well. Prices have increased for steel, copper and zinc too. So, that is why you are seeing a hit on our profit.
- Nirav Ashar:** So, what is the expectation for this quarter Q1, what can be our margins?
- Dinesh Patidar:** As I mentioned earlier, we will be doing about 20% - 25% year-on-year growth. It could be one or two quarter here and there, but we will grow at the same pace.
- Nirav Ashar:** No, I asked about the margin, with regards to the margin; like for the entire year our margin was 9.3%, so can it become 11% - 12% or like the 15% which used to be historically, it can jump up to those levels going ahead?
- Dinesh Patidar:** See, you assume that we will try our best to maintain 10% - 11% because the scenario of this war is such that we are not able to gauge at what prices we will get zinc, SS and what will be the rate of solar panels also, so we are not able to understand that.
- Nirav Ashar:** So, in our product what is the majority raw material which is used in pumps?
- Dinesh Patidar:** See, you assume that of the Rs. 2,50,000 pumps, 40% will be the price of the solar panel. In 60% we have the structure, pump, motors, VFD and cables as well.
- Nirav Ashar:** In this 60% what are the major items?
- Dinesh Patidar:** In this the major items are stainless steel, for VFD chip is required and for structure MS and zinc is required and for motor it is copper and silicon sheet and for pump stainless steel is there.
- Nirav Ashar:** And sir one more thing I wanted to ask, what is the scene of our Africa exports?
- Dinesh Patidar:** Yes, Africa exports will start, like I had told you in the previous call also that we will start in the next quarter and we are now in such a stage that in the coming months we will start its sales.
- Nirav Ashar:** And are we expecting better margins in that?

- Dinesh Patidar:** Yes.
- Nirav Ashar:** And overall, our margin in the export increase, are there any other countries where export like you were telling that due to COVID you were not able to do trade in US but now everything has opened up, so can we focus on US and other markets also?
- Dinesh Patidar:** Yes, our sales team has started touring from last month and I am also going to Europe now, so in the coming months we will be travelling and meeting the customers too, which was almost not happening since the past 2 years.
- Moderator:** Thank you very much. The next question is from the line of Nitin Dharmavat from Aurum Capital. Please go ahead.
- Nitin Dharmavat:** Sir, like you were telling that our R&D team is very strong, so what is our R&D budget, in terms of sales percentage?
- Dinesh Patidar:** We spend around 1% - 1.5% of our sales on R&D.
- Nitin Dharmavat:** Okay and the numbers that I am seeing, our receivables are also increasing a lot, so what do you think, in which direction these receivables numbers will progress, our receivables are outperforming sales? And like you said we do government work, like the KUSUM project and other government projects too, so what would be the direction of the receivable number?
- Dinesh Patidar:** If you go to see in government also, we can get good payments on time and if you go to compare both the quarters also, then in them also the payments are coming in the timelines of 90 days to 100 days from the government. We will continue to get payments like this in future too and we firmly believe on this.
- Nitin Dharmavat:** In receivables you are not concerned of any bad debts getting converted?
- Dinesh Patidar:** No, in government usually there is no bad debt, and we pay keen attention to this and work accordingly, like we have an offer with us now that we are able to establish ourselves in the South but we know in South, the state government has not done budget planning, so we are not supplying over there at present.
- Nitin Dharmavat:** And what is our total debts on books now, consolidated?
- Dinesh Patidar:** Consolidated debt, Dinesh will answer this to you.
- Dinesh:** Around Rs. 100 crore.
- Dinesh Patidar:** It is working capital, term loan is Rs. 10 crore and the rest is working capital.
- Moderator:** Thank you. The next question is from the line of Hardik Vyas from The Economic Times. Please go ahead.

- Hardik Vyas:** Sir you told earlier that 40% is the solar panel cost of the Rs. 2,50,000 cost of the pump set; this means approximately our solar panel costs Rs. 1,00,000 to us, so how much has the solar panel prices increased currently, like do we have to pay Rs. 1,10,000 or Rs. 1,20,000 or Rs. 90,000, how are the prices panning out?
- Dinesh Patidar:** If you go to see 6 months earlier the price was Rs. 20/watt for solar panel and now it Rs. 24.5, there has been an increase of 20% in the price.
- Hardik Vyas:** And will the prices remain here only or are we anticipating it to go up further?
- Dinesh Patidar:** We anticipate the prices to go down.
- Hardik Vyas:** Now we are paying Rs. 24.5 instead of Rs. 20, right?
- Dinesh Patidar:** Yes, because of this only Hardik our margins have hit.
- Hardik Vyas:** No, I can understand sir. Steel and Zinc prices have also increased and the margin that was there in the December quarter or the September quarter definitely it has gone down from that level, so from now on we will work on this 10% - 11%, you told someone previously that we will work here only and maybe increase as we progress ahead, so I wanted to understand some guidance, that how much will the steel and zinc prices affect as we progress ahead. In the coming year, I understand that there is war situation and everything else is there but how are we looking at the raw material prices moving from here?
- Dinesh Patidar:** Yes, you are correct. We are hoping that the raw material prices will start coming down from here and little bit decline has also happened and if you go to see today's SS price for Jindal, the price has declined by 2.5% - 3% in this month and we are assuming that in the coming times the real prices of Stainless steel or Zinc or Copper or Solar panel that are trailing higher than 30% - 40% than the realistic price, so if it declines by even 10% - 12% in the coming one or two quarters, then our margin will definitely improve.
- Hardik Vyas:** Okay understood and sir we do not have that clause in our KUSUM that where if we have to increase the prices to maintain our margins, or we will have to take a margin hit and do work like that only, is there something like this?
- Dinesh Patidar:** We have requested in the Ministry and in the upcoming tenders the ministry has promised that they will add the price increase clause.
- Hardik Vyas:** Now, KUSUM 2.0 is operating, right? So, when will be the next tender be, it will come next year, sir?
- Dinesh Patidar:** The next tender will be in the next year. Till then we will have to work on this tender only. Yes, we have increased our Domestic and export prices and we are going in the B2C market also where we feel in the upcoming times, we will create a very good market for us and the small farmers of India, the two panels concept that is there, which requires 1 HP pump, the farmer will bring that

back to home in the evening on his cycle and in the morning, he will go back to his farm and take the pump back with him and water his farm. We are going to market such pumps in Bihar and from the next month our B2C campaign will be in full force.

Hardik Vyas: Sir what is the margin in the export. This is a blended margin 10% to 11% then our export margins should be a little higher?

Dinesh Patidar: Yes in export we work in a good margin. In USA we have a good margin available, 50% export comes from Middle East there also the margin are pretty good.

Hardik Vyas: Sir my last question is that as you have said that in EPC we are working and 1 lakh EPC we are targeting for next year 2022-2023, so OEM we are not selling much why?

Dinesh Patidar: Strategically we have decided that we are not going to give to OEM.

Hardik Vyas: Low margin is there or more competition is there what is the scene?

Dinesh Patidar: It is business style that we have to think how we can move forward. We will discuss the same separately apart from this call.

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

Forum Makim: I have a couple of questions sir last year we had around 1.5 lakh pumps tenders and out of that only 80,000 got implemented, so this year what comfort it is giving that whole 3,17,000 pumps will get installed considering slow implementation is going on KUSUM scheme?

Dinesh Patidar: Last year, 3, 5 HP pumps were more and there is not enough margin in that and there are many such things which we are not able to do and now 7.5 HP, 10 HP, 5 HP in that we have around in UP contract is there, Punjab also it is there, in Haryana also it is there and in Rajasthan it is there, in MP it is there and in Maharashtra also it is there. So, we think that we would be able to do a good numbers.

Forum Makim: From the government side implementation has been little slow this year you are confident that you will be able to do?

Dinesh Patidar: In this year what happened the two quarters were on hold because of that we stopped it but now there is no such situation.

Forum Makim: 1,50,000 contract which was there in that 80,000 got implemented and the remaining pumps what happened?

Dinesh Patidar: That has been carry forward and later the ministry decides that they have to take it in next year or they have to do scrap. Now they will do it in 3,17,000 and if they will do 3,17,000 then previous tender also they can do some quantity it is up to them once the numbers gets achieved.

Forum Makim: So, in this 3,17,000 there is nothing of last year?

Dinesh Patidar: Yes.

Forum Makim: Sir this 3,17,000 the number which is there out of that in this quarter how much has been implemented?

Dinesh Patidar: It is around 9,800 pumps. In Quarter it is 9,000.

Forum Makim: Out of 3,17,000 pumps 9,000 has been installed?

Dinesh Patidar: Yes.

Forum Makim: And from that how many are of Shakti Pumps?

Dinesh Patidar: Presently I am telling of last quarter 9,300 pumps has been installed. Total 23,000 pumps has been installed the data is not complete I can tell you my data that 9,300 it is our and the remaining 30% market share is there so you can multiply with it.

Forum Makim: Sir you are saying that in this year 1,000 pumps we will do so 2 lakh price, in that 2,000 crore top line gets done which is higher?

Dinesh Patidar: That is why I am saying 25% to 30% grow ever year minimum that is why I am saying.

Forum Makim: So, sir this is a very conservative guidance has been done?

Dinesh Patidar: Right.

Forum Makim: And sir solar panel do we feel any shortage?

Dinesh Patidar: In this Atmanirbhar Bharat policy is coming into play and we see no issues any availability related issue for solar panels.

Forum Makim: Means Adani and the other suppliers they are not facing any shortage?

Dinesh Patidar: Only rate has been increased.

Forum Makim: Sir our inventory has increased a lot, so is this a finished good it is there or it is for raw material security?

Dinesh Patidar: This has been piled up with finished goods. The next orders which are there, there is no major hike in remaining raw material and WIP. However, there is an issue going on for chip and everybody knows that and it is required on the VFD as it is electronic. Raw material for VFD which costed us Rs 15 crore last year, now it is Rs. 40 crore and for that we must do investment and the remaining electronic components which are there that stock level we have to increase as we have to do the

timely delivery and when we face any difficulty then we have to do lot of stock which results in inventory.

Forum Makim: So, 1 lakh pump what we are expecting in that inventory would we able to fund that?

Dinesh Patidar: Yes definitely.

Forum Makim: And for that the working capital requirements which is there are those ready?

Dinesh Patidar: Already bankers who are there we have tied up.

Forum Makim: Sir can you please give the volume numbers for this quarter and for FY22 breakup KUSUM, OEM and in export?

Dinesh Patidar: I will give you the total solar EPC like in this quarter 9,302 and in solar agri we have done 1,200 and in remaining 5,000 we have done in domestic and in export we have done around 20,000 and I will tell my IR team so they will send you.

Forum Makim: And from next time onwards if you will include then that would be of great help?

Dinesh Patidar: Okay.

Forum Makim: Sir these 250 crore orders which is there when will it get implemented?

Dinesh Patidar: Actually, that is a project and we will be able to start this from next month onwards.

Moderator: Thank you. The next question is from the line of Jatin Kumar from Alpha Capital Advisors. Please go ahead.

Jatin Kumar: Sir my first question is that ma'am was asking me that we are going to do 1 lakh pump costing Rs 2 lakh so it should be Rs 2,000 crore from here, plus we have domestic also and export, so why are we giving a conservative guidance of 20%, 25% growth?

Dinesh Patidar: We are comfortable with a growth of 25-30%.

Jatin Kumar: And in 20%, 25% growth what we are meaning non KUSUM and domestic and exports how much revenue it can give?

Dinesh Patidar: Everywhere we will grow 30%. 25% to 30% we will grow in exports also and 25% to 30% we will do it domestic also and solar I have already said the numbers.

Jatin Kumar: Sir from KUSUM we are expecting around 1 lakh pumps, is it from every quarter equally is it getting equally distributed or in some quarters or in some months it is little less how it runs?

- Dinesh Patidar:** State plan their budget and sanction quantity and announce in state nodal agency portal. Because it is a pilot project and in initial stage, condition is set by central government and state government accepts that and move forward. Maharashtra has Rs 500 crore budget already planned and Rajasthan 300 crore. Haryana already has taken a NABARD loan and Punjab already has some budget, so all state is planning, and things are moving in a right direction to achieve the overall number.
- Jatin Kumar:** So sir, speed got increased in in Q4 people or in every quarter the speed will come, what are you expecting?
- Dinesh Patidar:** In every quarter the speed should come this is my thinking and now everything has been set.
- Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.
- Anurag Patil:** Sir we have applied for the PLI scheme so what is the status of that?
- Dinesh Patidar:** Yes, PLI already done, and the government has accepted the registration request. In this, we have Shakti Green and we are going to do EV things in this. We have paid lesser dividend of about Rs. 2 per share as compared to Rs. 8 per share last year. This difference we will be using as EV capital and further proceed at a good speed.
- Anurag Patil:** How much investment you are planning?
- Dinesh Patidar:** Capital investment we are planning for 50 crore in the initial stage.
- Anurag Patil:** Mean in FY23 it will be done of 50 crore?
- Dinesh Patidar:** Yes.
- Anurag Patil:** Can you explain about the products or revenue potential?
- Dinesh Patidar:** In EV we have done a good R&D and from last two, three years we are thinking about it because power electronic unit has been running from last five years. We have already done the work from the controller and auto rickshaw motors and have sold 4,000, 5,000 motor in market. So, this is a two wheeler motor which is going to run from battery and three wheelers motors which is there that is going to run from battery, and four wheeler motor we have started the R&D. And we are working on one more project that is fast charger which will charge your 75% battery in just 60 minutes and EV battery also they can charge that 60%-70%. All these EV work which is there the automobile motors, which is there, the two wheelers motors which is there the three wheelers or four wheelers motors controller and their motor and their charger we are going to work on that and for that we have started one company called Shakti Green and for that we have registered in PLI.
- Anurag Patil:** Sir from this segment can we expect revenue in FY24?

- Dinesh Patidar:** Right.
- Moderator:** Thank you. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Sir I just want to know that your foreign operations that is in US and UAE, Shanghai, Bangladesh, in that can you give some guidance that in coming future how it will be used?
- Dinesh Patidar:** We are in USA since last 10 years and have gradually established there as a marketing company in USA which is a 100% subsidiary of Shakti Pump. Second company which is in Dubai serves our Middle East customers and provides after sales service. We also received invitations from Bangladesh as they wanted to work with us in EPC and senior officers, ambassadors, and others have visited our factory. We have done trial run in Bangladesh and it has been very successful. We believe the Bangladesh venture will also augur well for us in future. So, these three companies which are abroad are performing well. We have also invented an automatic structure which rotates as per the direction of the sun which can save around 30% of solar energy. Earlier also, it was invented but costed 30% higher. But now we have redesigned it and have minimized the cost because of which savings from one year will be able to pay back.
- Moderator:** The next question is from the Aditi from Niveshaay. Please go ahead.
- Aditi:** So, the structure which you were talking about that you are talking about the China subsidiary?
- Dinesh Patidar:** No. 100% holding Shakti Pump company which is in Pithampur they only make the structure and used in our EPC project. We were not able to do timely delivery due to sourcing of structures and thus decided to form the structure company and that company has done the innovation and by doing the R&D structure which can be made in Pithampur.
- Aditi:** And sir China company subsidiary what is the update?
- Dinesh Patidar:** We are not working there and China subsidiary why we have started because there are so many things are there which we are importing from China like magnet or many such things which we are not getting from anywhere else, and we have some components because of which we have started the company and now there has not been any transaction from last 6 months.
- Aditi:** Sir capacity utilization for solar pumps how much is it?
- Dinesh Patidar:** We are working at around 35% to 37% capacity.
- Aditi:** Sir any reason for this capacity utilization or we are targeting to do more than this?
- Dinesh Patidar:** As we said we will be doing 1 lakh pump, so definitely capacity utilization will improve to around 50% to 60%.
- Aditi:** And sir regarding CAPEX, how are we funding it for our EV plans?

- Dinesh Patidar:** We are investing for it from Shakti Pump.
- Aditi:** Sir going forward we have with us one CAPEX plan in which we are introducing controller motor and charger?
- Dinesh Patidar:** Yes and apart from that routine CAPEX which is there in the company that you know around 15 to 20 crores.
- Moderator:** Thank you. The next question is from the line of M. S. Rajashekar Individual Investor. Please go ahead.
- M. S. Rajashekar:** The company what we have we are basically a solar pump company and if we see that you are mostly dependent on the government scheme KUSUM scheme, but from two years, three years KUSUM scheme it is not running well and because of that our company performance which is there that is running not good, so my request to you is that KUSUM scheme or government scheme I think you should not depend on that you should depend on OEMs and other aftermarket or other installations because KUSUM scheme if you depend on the government scheme our performance is not good so can you tell us about that how do you come out of KUSUM scheme. KUSUM scheme if it comes it is good and if does not come then also company should run good what is your thought on that?
- Dinesh Patidar:** Actually the solar pumps what we have made we have told you in the previous question that we are working on B2C Bihar region which is there in Bihar who is a small farmer who have only 2 to 3 acre land and he wants to do the education so that panel either by keeping the cycle or by keeping the pump they can do the education and they can take the pump at their home, they can bring the panel and take it away and they can do their education that product we have developed recently. So, we are going in B2C and in that market we are going to cover and made the program and from the other months we are covering that also who is our diesel market, who is our customer already who are forming in diesel for them also we are focusing and third thing is that slowly and gradually our solar replacement market is also getting started and if you will see that 1.5 pumps is ours and in the market around 5 lakh pump in the previous 8 years people have installed the solar and for that replacement market is also coming and we are slowly and gradually from our networks who is our dealer network from that network solar pump directly we are working on that.
- M. S. Rajashekar:** One more thing I want to add buyers who are selling of solar that is around 60 crores which is last year 33 crores so a good growth we can see and in market there is acceptance also.
- Dinesh Patidar:** And your worry is right. KUSUM how far it will run and how it will run that is a little different, but Government in Lok Sabha has sanctioned 40 lakh pumps. The advantage government has is that in the electric poll transformer they have to spend Rs. 1 lakh per pump per farmer, so through this scheme Rs. 1 lakh discom loss can be saved. Farmer also has an advantage, state government also has an advantage, we and you both of us has an advantage because we can help the environment through green energy.

- M. S. Rajashekar:** You are absolutely right it is advantage for everyone, but the implementation is not happening that is the biggest problem?
- Dinesh Patidar:** KUSUM we are treating them as pilot project to show to the farmers that from this the farming can be done and work can continue and even, they can make money. There is a replacement market as well and we are addressing them. We believe that still in India there are around 4 crore farmers who need solar pumps. If we are able to address them efficiently, we can take care of our growth.
- M. S. Rajashekar:** Your marketing team are we strengthening them?
- Dinesh Patidar:** Yes, we had made a separate team and our solar team is different, our EPC team is different and government team is different and agri team is different and in Bihar what we are making B2C for that also we have made a separate team.
- M. S. Rajashekar:** In two, three years you should depend on the other market other than KUSUM it should be like that?
- Dinesh Patidar:** Yes definitely this is our vision.
- Moderator:** Thank you very much. Ladies and gentlemen due to time constraints that will be the last question for today. I now hand the conference over to Mr. Dinesh Patidar for closing comments.
- Dinesh Patidar:** I hope that our team has been able to answer your questions well and if there are any queries which are unanswered post this call, you can contact our IR team at Ernst and Young. Thank You.
- Moderator:** Thank you very much. On behalf of Shakti Pumps India Limited that concludes this conference. Thank you for joining us you may now disconnect your lines.