"Kirloskar Pneumatic Company Limited Q3 FY 23 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Kirloskar Pneumatic Company Limited Q3 FY 23 Earnings Conference Call hosted by Antique Stock Broking. 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. Dhirendra Tiwari from Antique Stock Broking. Thank you and over to you, Sir!

Dhirendra Tiwari: Thank you. Good evening ladies and gentlemen, welcome to the Q3 FY 23 post results conference call of Kirloskar Pneumatic Company Limited. We are pleased to have with us Mr. K Srinivasan, the Managing Director and Mr. Suhas Kolhatkar, CFO of the Company. Before we start let me congratulate the entire management for a strong performance for the past many quarters despite the adverse external environment.

Now, I invite Mr. K Srinivasan to give initial remarks. Over to you, Sir!

K Srinivasan: Thank you and good evening to all of you. Before we start, I request my colleague, Mr. Jitendra Shah to read out the safe harbor clause, please.

Jitendra Shah: Thank you, Sir. Good evening to all. The discussion on the financial results during the earnings call and the presentation uploaded on the website of the Company may contain statements relating to future business developments and economic performance that could constitute forward-looking statements. While these forward-looking statements represent the Company's judgments and future expectations, a number of factors could cause actual developments and results to differ materially from expectations. The Company undertakes no obligation to publicly revise any forward-looking statements to reflect future events or circumstances. Further, investors are requested to exercise their own judgments in assessing various risks associated with the Company and also the effectiveness of the measures being taken by the Company in tackling them as indicated during the discussion. Thank you.

K Srinivasan: Good evening to all of you once again. So, at the outset, let me start, by wishing you all a very Happy New Year. The FY 23 has been so far going to plan. Sales YTD are about 41% higher than what it was the previous year led by strong growth in exports. Execution during Q3 which is generally a short quarter with many holidays was stepped up to meet the customer needs, particularly of Gas packages. Both, availability and price of inputs were steady, allowing for smooth execution of orders.

The general business environment of the company looks stable and what is generally been seen as a BANI world – Brittle, Anxious, Non-linear and Incomprehensible world. So, we are generally seeing a very steady sale in the business. Sales YTD was at Rs. 880 Crores as compared to Rs. 620 Crores of the previous year, a growth of over 41%. This is largely driven by Gas package shipments to the MENA region. Profit before tax grew from Rs. 41 Crores to

Rs. 101 Crores, a growth of 147%. All the businesses – Air Compressors, Refrigeration and Gas Compressors were to plan. Export sales in the first nine month were at Rs.152 Crores, nearly seven times than what we have done the previous year. This is some kind of a record. We expect to do about above Rs. 170 Crores during the full year. The cooling down of the gas prices in Europe on the back of a moderate winter and significant stock of gas means an easing in the rush to implement new gas projects in the MENA region. This is meant but the order finalization is now taking longer than what it was in the first two quarters. The overall order bank improved to Rs. 1,300 Crores plus compared to the Rs. 1,200 Crores, even with this stepped-up execution that we are doing now. We have committed on a capex spent so far of about Rs. 48 Crores – Rs. 49 Crores as against the overall plan for the year of above Rs. 60 crores and we expect to complete this during the course of the year. This when completed will give us the capacity and capability to meet the next year's ambitious budgets.

Let's discuss business based on the product lines.

Air Compressor business: The Air Compressor business continues to grow strongly and delivering a superior solution to various niche applications. The standard 'off-the-shelf' stock and sell compressor sales continue to grow, albeit at a slower pace. The Centrifugal Compressor packages have been selling well and also encouraging with demand coming in, particularly from the accelerating investments in the various PLI projects. We have seen the first sign of export picking up in the Air Compressor business with the strong enquiry pipeline and we hope to see this converting into orders as we go forward.

Refrigeration and Compression Systems: There was a strong revival of compressor demand from the cold chain, ice plants, food processing, etc. However, the shipment of large compression packages, particularly to the Middle East was delayed due to protracted inspection and approval process. We will complete this project in January / February. We have finalized a few large package orders for execution in FY 24 in the refinery space and this boards well for our execution for the next year. The Khione Screw Compressors for refrigeration has now been scaled up and we believe will quickly become the preferred choice for the dairy, pharma and the food processing industry. We are putting in more models in this space and so we expect this to give volumes by FY 24.

Process Gas Compression Systems: We completed the installation of two large packages at site in the Middle East region during the quarter. This is a good achievement, having them both done in a difficult environment. We have also dispatched yet another large package to the MENA region. With this our credibility as a reliable and efficient supplier of Gas packages for the MENA region is well established. We hope to benefit from this in finalizing various offers under discussion / negotiation. We are strengthening our marketing team to reach more geographies for this range of offerings. The dispatch of CNG packages continues to be sluggish, though we see indication that this could pick up in Q4 with the declining price of gas in the global market. We commenced shipment of our 'Cālanā' range of booster compressors. As we speak, we are shipping two more this month, so this is getting into a volume growth as we see going forward. This is clearly a best in class offering and we should be able to scale up in FY 24. The oil and gas business is globally in a flux and things could get better in FY 24. However, the long-term prospects in this space remain undiminished. The O&M services business is growing with some of the older installation of other suppliers being offered to us. This is a positive development as we see and clearly a testimony to our reputation as one of the finest operators of O&M in this space. Payment from gas companies are also improving, which will give some relief to us in terms of the working capital management.

Outlook for Q4: The moderating gas price should once again revive CNG installation pace. We expect to finalize more orders in the overseas market. We continued to have strong order enquiries and this boards well for the future. We will also benefit from the larger range of products that we have brought to the market during this year. We are confident that we will be able to maintain our growth momentum and remain committed to meet our aspirational target of being a Rs. 2,000 Crores Company in the next two years.

I would now request Mr. Suhas Kolhatkar to take it forward from here.

Suhas Kolhatkar: Good evening ladies and gentlemen and a very Happy New Year to all of you. I hope you were able to go through the results which were posted a little while ago on the BSE website after the conclusion of the Board Meeting. We have also, as usual, uploaded a presentation on the trends of Q3 results on our Company's website. I do not know whether you have been able to go through that but do visit it. However, for the benefit of those who probably did not get a chance to have a look at these presentations and the results, let me summarize the results for Q3 and the quarter ended Q3 of FY 23.

Before I touch upon the various elements of financial performance, three quick highlights; we have achieved export sales, as Mr. Srinivasan said, over Rs. 152 Crores having done about Rs. 86 Crores in the first half, we even did another Rs. 65 Crores – Rs. 66 Crores in Q3. This is the highest ever export performance by the company, driven by the overseas oil and gas sector. YDT Q3 PBT crossed the Rs. 100 Crores mark. This almost represents 89% of our annual PBT of the FY 22. Again, for the first time in nine months, we have crossed Rs. 100 Crores mark and the order board has crossed Rs. 1,300 Crores even after executing sales worth about Rs. 880 Crores.

I will now turn to the business results for Q3 and the period ended as on December 31, 2022. Sales for the Q3 were Rs. 312 Crores against Rs. 227 Crores - Q3 sales of the previous year. So, there has been a growth of 37% Y-o-Y. Sales of Q3 also showed a modest growth over Q2 sales as well. With other income remaining more or less same at about Rs.8 Crores in the current year and the previous year; YTD December 2022, total income was Rs. 880 Crores compared to Rs. 631 Crores in the previous year, a 41% growth over previous year.

Rising input cost which were witnessed in the first quarter and the mix of the project and the product which remained at about 60% in favor of project and 40% in product, pushed the overall material cost to about 56.8 % for the nine months ended December, 2022 , as compared to 54.2% of the previous year. It is marginally lower as compared to H1 material cost, where it was close to 57%. ERE for all the quarters remained more or less same around Rs. 35 Crores. YTD Q3 ERE at Rs.108 Crores represents 12.1% of the total income as compared to Rs. 96 Crores, at 15.2% of the total income of the previous year.

At this juncture I want to state that the company has a net cash position of over Rs. 200 Crores around January 1, 2023. We have no borrowings. You may observe that during the past one year, the Company incurred a capex of over Rs. 90 Crores, paid dividend close to Rs. 25 Crores and also repaid the loan at the end of the last quarter of the last financial year to the tune of Rs. 40 Crores.

Depreciation is in line with the previous year and the additions to assets. Other expenses are a mix of fixed and variable costs and are at 17.4% of the total income compared to 20.3% of the previous year. So, there has been a significant drop almost to the tune of 3%. There is no significant variation in the level of expenditure during the current quarter, except that the normal level of pre-COVID expenses, are being incurred. EBITDA in Q3 improved to 16.6% compared to 10.5% in the previous year. This was mainly on account of growth in sales and control on other expenses, despite rise in material cost and ERE. YTD December 2022 EBITDA also improved to 14.2% from 11.1% in the previous year. PBT for the Q3 was Rs. 43.6 Crores, higher at 13.9% as compared to 6.8% in Q3 of the previous year when it stood at Rs. 15.6 Crores. YTD PBT also crossed, as was highlighted initially, Rs. 100 Crores mark, represents 11.4% as compared to Rs. 41 Crores representing 6.5% in the previous year, this is equal to 180% growth over the previous year for Q3 and 147% growth in YTD PBT. We have done the necessary tax provision and the PAT rose to Rs. 76.3 Crores and stood at 8.6% compared to Rs. 30.6 Crores in the previous year when it was about 4.8%, representing growth close to 550%.

The company issued 1, 72, 900 Equity Shares during the period ended December 31, 2022 under its Employee Stock Option Program. Consequently, the paid-up share capital increased to Rs. 12.92 Crores compared to Rs. 12.89 Crores at the beginning of the year. Basic EPS improved to Rs. 11.83 per share compared to Rs. 4.74 per share in the previous year, these are YTD EPS.

The board has declared an interim dividend of Rs. 2.50 per share on Rs.2 paid-up share which represents 125% as against 80% in the previous year. With 95% of the revenue coming from the compression segment; it remains the only reportable segment. The segment earned a profit of about 20% in the current quarter significantly higher as compared to the previous year when it was at 14.9%. YTD segment results shows 17.9%, a growth of over 15% on the previous year and is directionally set to achieve previous annual trends of around 18% - 19%.

The Company has order book, as talked about, close to Rs. 1,300 Crores plus, as against Rs. 1,200 Crores which was there at the end of the previous quarter. While segment assets more or less remained at the same level, despite a rise in volume, current liabilities were reduced, resulting in rise in capital employed. As indicated earlier, during the quarter about 50% business was projects and balance came from the products. In H1, however, it was tilted in favor of project business having 65% share.

I think this gives an overall picture of the sales composition, the sales mix, the orders in hand, the profitability and some sense on the liquidity of the Company.

So, that is it from our side. If there are any questions, we are willing to answer the same.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Shivam from Noak Tech. Please go ahead.

Shivam: Sir, I just want to know if you can give the bifurcation of margins in domestic and export. I just missed, if you mentioned.

K Srinivasan: We did not have these numbers put out yet, like we said, it’s earlier days. The first package that we did during the first quarter, that we mentioned was at a significantly lower margin. All we can say at the moment is that, by and large the margin both in domestic and export is around the same, if you leave out the first quarter order.

Shivam: Ok and sir can you elaborate, like you have got a fantastic topline this quarter. So, can you elaborate from nine months point of view that from which sectors you are seeing a good demand in Air Compressors.

K Srinivasan: We have been always saying that the split between the three would roughly be in the range of about 25% from Air, about 30% - 35% from Refrigeration and about 40% - 45% from Gas. What has happened this year in the first nine months, the Gas business has almost gone to about 50%. Consequently, it has taken away about 5% from both the Air and Refrigeration business, this is only a snap shot number, and we still believe the general trend is what will play out on a long term basis.

Shivam: Okay and sir can you highlight any points on the opportunity size that we can have like I am not talking about the Rs. 2,000 Crores numbers that you have given, that you will achieve in the next year or two. Like in terms of the total market size, the opportunity size that we have in the specific area that we cover.

K Srinivasan: We have said about the market size several times; the compressors and compression system market globally is very large if you include the comfort air-conditioning as well, this business is over $80 billion in size. The opportunity is big, so what we seek to address is a very small part of it. So, the market opportunity is not a constraint.

Shivam: And sir can you give us some guidance that will we be able to increase the margin or so like you have given the guidance for a Rs. 2,000 Crores revenue. Can you give a guidance of margins or so or the margins will pretty much remain stable.

K Srinivasan: I think Mr. Suhas Kolhatkar, colloquially clarified that our margin directionally will move towards 18% - 19% as a Company. The compression segment as it is delivering nearly 18% and we expect that it will move towards this 18% - 19% on a short-term. Medium and long term, obviously our target is to take it towards 20%.

Moderator: Thank you. The next question is from the line of Dhavan Shah from Alfa Accurate Advisors. Please go ahead.

Dhavan Shah: Congratulations, for the strong operational quarter. First of all, my question is on the order book numbers. So, this quarter the order book is more Rs. 1,300 Crores plus versus the Rs. 1,200 Crores plus in the last quarter. So, in a way segment wise, can you please share which segment has registered the highest inflows during the quarter.

K Srinivasan: See the order book is about Rs. 1,300 Crores and as of today the general direction of what we said is what it will go towards, that is, we are seeing more orders coming in the refrigeration and other segments. So, that will compensate for whatever little change that we had between the gas and the other segments. So, by and large, like I said, that the in long term it will play out the same way as we have been saying.

Dhavan Shah: Right but this quarter is more towards the Gas side in terms of order flows or is there any other supplies.

K Srinivasan: There is no dramatic change in this percentages and I am being careful about giving out these numbers because it is a very competitive business. So, by and large, it is in the same space, there is nothing different that has happened.

Dhavan Shah: And in terms of the order outlook can you please share your thoughts, I mean for both domestic as well as the overseas market. How is the overall environment in terms of the order flows across all three segments? And how do we see the order book numbers growth may be for FY 24.

K Srinivasan: See like I said, the finalization of enquiries has slowed down, which means, we have passed the crisis point where we are quickly finalizing orders, particularly on the Gas space. So, there is a bit of a stabilization of the market, so there is no rush to finalize orders. The general enquiry flow is pretty strong. There is no recession or anything, but there is a general slowdown in this quick finalization. So, we will see a more steady order flow in the export market particularly. In domestic, it has always been fairly long cycle order finalization that continues. There is no big change in the order inflow or the order visibility.

Dhavan Shah: Okay and sir the last one is on the margin trends. We have seen the strong operational margin for the core segment. So, is that mainly because of product mix changes or we are also seeing the reduction in other cost. So, any exceptional thing into that part if you share and this 20 odd percent margin do you foresee that this will be a sustainable margin.

Suhas Kolhatkar : Generally when the sales mix changes in favor of product, your margins improve because there is a lot of value addition inside the factory. Now, as I said in my briefing that during the last quarter about 50% business was from project and 50% from the products which was more in favor of projects in the earlier quarter or in H1. Now, with higher products contribution to the tune of 50%, the margins improved to 20%. If you look at our directions particularly and the 20% that I was talking about, are segment margins, which represents anywhere 95% of our business. Overall, if you look at annually, we have been delivering about 18% - 19% in that segment and directionally we are close to that level. At the end of nine months we have achieved close to 18%. So, that is where the trend would be and we would go close to whatever we have delivered in the earlier years.

Dhavan Shah: And sir what is the margin differentiation between product and project business?

Suhas Kolhatkar : We do not directly track that but overall if you look at 18% - 20% coming when the product business was more and about 18% was coming in while the project business was more. You can generally assign the product differentiation and the margin differentiation.

Dhavan Shah: Sure, and this quarter the other costs were lower. So, any reason for that?

Suhas Kolhatkar : Other costs were lower because you have a very standard format in which the results are required to be declared. The other expenses also include some subcon charges which are essentially packaging charges. So, if the project business is low, your other cost will also come down. So, there is an element of some variable cost included in the total other expenses. That is what I said that other expenses have got mix of both fixed and variable expenses. So, with the product sale improving to 50% in the quarter, the other expenses are lower than the previous quarter.

Moderator: Thank you. The next question is from the line of Suraj Nawandhar from Sampada Investors. Please go ahead.

Suraj Nawandhar: All my questions have been answered. Just one question any update on NSE listing?

K Srinivasan: As far as the NSE listing is concerned, we are in process.

Suraj Nawandhar: Alright thank you sir and congratulations on a good set of numbers. All the best. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

Mihir Manohar: Congratulations on a great set of numbers both on the revenue and margin front. Largely, sir I wanted to understand, you made a comment at the start with the reference to Air Compressor on the export side, which you are seeing the first time of pick up happening on the Air Compressor side on the export thing. Just wanted to understand what is our right timing to gear. I want to understand that we are good on the Gas export side, but how will the Air Compression plan out for us. What are the steps that we are taking in; are there any new appointments or any of the tie-ups that we are making and which geographies are running this demand and what could be the potential business which could be there from the export of Air Compression over the next 2-3 years for us. So, just wanted to understand around that and my second question was on the Gas space side, now with Kirit Parikh Committee recommendations coming in and more stabilization coming in the sector so how are you seeing the pickup happening once again in this particular space. So, any color around that would be helpful.

K Srinivasan: As far as the Air Compression business is concerned, like we have been saying earlier, this is considered as, what is called the local business. We need to be present locally in the market that we seek to address. Our target would be to look at only what we call Package Air Compressors for specific applications. So, these would not be the standard Air Compressors sold through distribution, like it would be with other Indian exporters, we are primarily looking at application specific packages. These unit values would be higher and there would be much fewer in number. So, that is what we are looking at, that is where the enquiries what we are quoting for and we expect to finalize more of them. At the moment our business in Air Compressor export is almost negligible and we expect with this that it will pick up. We will talk about the numbers as it goes forward but we are seeing the first signs of a model in this business working out.

Mihir Manohar: Sure and just to understand which geography is driving the demand on the Air Compressor side?

K Srinivasan: And all this would be in South East Asia, Middle East and Africa market.

Mihir Manohar: Sure, and if I can understand what is running it. Is it China Plus One or is it like industrial production taking up in those countries. What is driving that demand?

K Srinivasan: We are too small for those kind of big trend. These are basically very specific application requirements where there are specific application where we have a very cost effective solution. So, like I said, we are not talking about the standard stock and sell distribution kind of product, these are application specific solution for targeted customers.

Moderator: Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Sir with respect to your order book while it has increased from Q2 to about Rs. 1,300 Crores right now, from the start of the year. It is largely very good and you did allude to some amount of slowdown or delay in terms of conversion of enquiries. In light of that, what is our expectation of growth for the next year?

K Srinivasan: That is a tough question. There is confidence coming out of the order bank. There is also like you said, yes, our aspiration for growth is much higher than the kind of growth we are seeing in the order bank. So, we need to find quicker finalization and quicker execution. So, our growth aspiration remains. We have put out a number saying that we would like to be a Rs. 2000 Crores Company in two years. So, we have to get there and we are working on it as we always keep saying visibility for the next 4-6 quarters is going to be quarter-on-quarter. We will have to come back and tell you how we will do quarter-on-quarter.

Alisha Mahawla: So, if we get an order today it will still take us at least 2-3 quarters to execute it. So, what we are seeing the order book size now would give us visibility of three quarters or is the execution longer?

K Srinivasan: For our growth aspiration, the ideal thing we would like to see is to have an order bank of at least about Rs. 1,500 Crores - 1,600 Crores. We are short of that but having said it, I must also say partly this is coming from our ability to execute better now. We have to look at it in that term that we can today do it, a shorter cycle compared to what we were doing earlier. So, to that extent even a Rs. 1,300 Crores order bank to start with would still meet our growth aspiration as long as we can get the flow going. As of now the inflow of enquiries is strong enough to give us the confidence that we will meet our growth aspiration.

Alisha Mahawla: And is the current order book also more product heavy versus package heavy that is currently being witnessed in the revenue.

K Srinivasan: No. This is a normal mix that we have very roughly 60 % - 40% that is where it is and we have significant project orders that is giving us visibility, particularly, in the refrigeration space and we expect that the split would remain around 60% - 40%.

Alisha Mahawla: And just one last clarification, the execution for projects would on relative basis be more than 6 months?

K Srinivasan: Yes, the larger projects take anywhere between eight months and above. The shorter projects, we do it in about 4 months - 6 months. So, we have a mix of projects that is coming in when we talk of projects again I must clarify we always talk in terms of packages, we do not actually go and do site work as per se. We send them as pre-tested proven packages on skids. They are only installed at site.

Moderator: Thank you. The next question is from the line of Amit Shah from Antique Stock Broking. Please go ahead.

Amit Shah: Sir, my first question was on the total order backlog of Rs. 1,300 odd Crores, how much orders would be from the export market, with the proportion of export orders?

K Srinivasan: Roughly less than Rs. 100 Crores would be on the exports side. Export is fairly small we would have finished most of the orders by the end of the year. But we are like, I said in discussion, with couple of more big requirements and we will see how it plays out.

Amit Shah: Okay. Sir, our target was to reach somewhere roundabout 20% - 25% of the revenue contribution from exports. So, can we expect a similar sort of contribution in FY 24. Do we expect that particular target to be achieved or do we believe that exports is slightly, given that the order backlog currently is slightly on a lower end and it would be slightly difficult for us to reach that particular target.

K Srinivasan: We will not reach 25% of sales numbers from export next year. It will be definitely lower. We will have to work towards getting there, because most of our exports is even today predominantly coming from packages which makes it lumpy, which makes it difficult to do a year-on-year growth. We will work towards getting it into a mix of packages and products which will allow us to have a far more move in the export market.

Amit Shah: Sir, my next question was on the booster compressor side of the business where we were planning to introduce a booster compressor. So, what is the status of that and have we received any orders or enquiries on the booster compressor side?

K Srinivasan: We have received orders, in opening comments I did mentioned that we have installed two of them already, working on couple of more, going out this month, as we speak. So, there is a happy establishment of this product with customers who see a big difference between what we offered to what is in the market, big orders are being negotiated. The challenge in this space remains that the overall availability of Gas being what it is, the number of packages and orders finalized in the year has been very small. So, to that extent it is not scaling up as quickly as we expected but hopefully it should start scaling up from next year.

Amit Shah: Sir, on the Khione Screw Compressor, that is another product, that we were optimistic about where India is dependent too much on the imports. So, how is that particular product portfolio shaping up. So, if you can explain it.

K Srinivasan: So, this product, what we did was we launched one model out of it. Now to get the full range in place we need to have at least nine models ready. We will be in a larger range in the next couple of quarters. So, the full nine more models will be ready only by the end of the year but we are scaling up. The key thing in this product is it has passed all the IP, we have got all the IP registrations done. It has finished a life cycle testing which means it has to run for few 1,000 hours and that is all come out in flying colors. So, as we speak, it is being launched at various places across India. So, the early days of scale up is complete. So, now we will have to get into a more rapid scale up across various markets and geographies where we get into installation and projects on a regular basis and then as a number of models start going up. The numbers would also go up and the volumes will go up. This is a 800 - 1,000 compressor market, we expect to get to a significant number only from the next year. This year we will still have good numbers, not very big numbers.

Amit Shah: And sir what would be the pricing of this particular product on an average, what would be the realization that we receive on the Khione Screw Compressors and what kind of numbers can be delivered from next year onwards, once we introduce these nine models. So, what is the kind of contribution?

K Srinivasan: These are the early days. We do two things, one is we offer what is called as Bare Shaft Compressors, the OEs eventually make them into packages. Now at the moment initially we are only offering Bare Shaft Compressors to our package customers who build the packages. We also expect some of the critical applications, like in food processing and in pharma they would expect us to build the smaller packages. So, the market can be anywhere between a Rs. 100 Crores – Rs. 300 Crores market size. So, we will take it step by step.

Moderator: Thank you. The next question is from the line of Parin Gala from Sage One Investments. Please go ahead.

Parin Gala: Sir, two questions, one was that couple of months back when you hosted investors at your factory, you showcase certain products for the defense sector. Just wanted to understand do we see this sector has strategic and you think that it can contribute meaningfully over the next 2 - 3 years?

K Srinivasan: Defense, it is a feast or famine kind of a business, we have periods of good orders, we have periods of very limited order. So, we always under play the opportunity in this. It has been very visible during this year for various discussions, etc. but the actual orders that we have executed is about the same as what you have done in previous years. We do it in all the three spaces. We do it in the refrigeration business, primarily getting into HVAC for ships, we do it in the Air Compressor business, where actually it is for Air handling in the ground level for various aircrafts etc. and we do it also a little bit in the transmission side for the transmission lines for tanks and other things. It is a business that we do not talk too much about because it is a very restricted small business as far as the opportunity is concerned. We will leave it at that, for the time being.

Parin Gala: And sir, the second question is again during that interaction, you had mentioned a couple of inorganic opportunities or some joint ventures with other peer companies and all. Just asking that would inorganic growth be an important strategy to reach the Rs. 2,000 Crores mark, is anything fructifying or anything on the table?

K Srinivasan: It is a difficult question to answer because inorganic is something we continuously look at, it must meet a couple of criteria, one - it must enhance our value chain and our offering, two - it must be something which can be a differentiation as far as we are concerned in terms of taking our current offerings to market. We continuously look for it and we can announce it only when it happens. At the moment it's all difficult to announce till it really is done.

Parin Gala: But would it be in discussion sir, just to understand.

K Srinivasan: Again, difficult to answer this, right so all of us have NDAs and all kinds of things. So, as a strategy like we said there are three legs of our strategy, organic growth in our existing business by enhancing geographies; innovative growth by creating new products and solution; inorganic growth by enhancing value chain as well as enhancing market sale presence. So, all three legs of strategies are active and we will announce inorganic only when it happens. Otherwise, we are bound by non-disclosure, etc.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Amit Shah for the closing comments.

Amit Shah: Thank you everyone for joining the call and I would also like to thank the management for giving us the opportunity to host the call. Sir, would you like to make any closing remarks before we close the call?

K Srinivasan: Only wanted to say thanks to all of you and wish you all well for the year ahead.

Moderator: Thank you. Ladies and gentleman, on behalf of Antique Stock Broking that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Note: This transcript has been edited, wherever required, to ensure quality.