



KILBURN ENGINEERING LTD.

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14th August, 2023

To
The Corporate Relationship Department
BSE Limited
P.J. Tower
Dalal Street, Fort
Mumbai - 400 001
Scrip Code: BSE 522101

To,
The Secretary
The Calcutta Stock Exchange Ltd.,
7, Lyons Range,
Kolkata – 700 001
Scrip Code: CSE 21022

**Sub : Transcript of earnings conference call on the
Financial Results for the quarter ended 30th June 2023.**

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith transcript of the earnings conference call held on 8th August, 2023 to discuss the unaudited financial results of the Company for the quarter ended 30th June 2023.

This is for your intimation and records.

Yours faithfully,

For Kilburn Engineering Limited

Arvind Bajoria
Company Secretary
& DGM (Costing)
M.no. ACS - 15390



KILBURN ENGINEERING LTD

Q1'FY24

POST RESULT CONFERENCE CALL

Management Team

Ranjit Lala - Managing Director
Anil Karnad - Whole Time Director
Sachin Vijayakar - Chief Financial Officer

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit:

Good afternoon, ladies and gentlemen. I welcome you all to the Q1'FY24 Post Earnings Conference Call of Kilburn Engineering Limited. Today on the call from the management we have with us Mr. Ranjit Lala, Managing Director; Mr. Anil Karnad, Whole Time Director and Mr. Sachin Vijayakar, Chief Financial Officer.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements which may involve risk and uncertainties. Also, a reminder that this call is being recorded. I would now request the management to quickly brief us about the business, the performance highlights for the quarter that went by, the growth plans and vision for the coming years post which we will open the floor for Q&A. Over to the management team.

Ranjit Lala:

Thank you, Vinay. Good afternoon to everybody. At the outset, I would take this opportunity to welcome all the participants to this call. As already informed by Vinay, along with me are my colleagues Mr. Anil Karnad, the Whole Time Director of Operations; and Mr. Sachin Vijayakar, our CFO.

I will be briefing on the company and its business and this will be followed by some financial figures from Mr. Sachin, and then the question answer session. About the company, Kilburn Engineering is a company which has been here for around four decades and we are based at MIDC Saravali at Kalyan, the adjoining suburbs of Mumbai.

Kilburn is into engineering and manufacturing of customized process equipment and industrial drying solutions and packages like rotary dryers, calciners, paddle dryers, fluid bed dryers, VFBDs amongst others. We also offer customized solutions and packages for air, gas and liquids, and instrument utility gas drying. In addition to these customized projects, we also have our standard products like tea dryers, withering systems, dryers for the sugar and the coconut industry.

Recently we have also forayed into fabrication of critical equipments like silos and pressure vessels at our customer sites. One of them being in the eastern part of the country. Our diversified portfolio caters to various key sectors. Some of them are the chemicals which include carbon black and soda ash, the specialty chemicals, the petrochemicals, oil and gas industry, tea and food industry, pharma, fertilizers and the wastewater management.

A little bit about a collaboration. We have collaborations with a few companies globally one of them being Nara Machinery from Japan for engineering and manufacturing of paddle dryers, fluid bed dryers and flash dryers. We also have a collaboration with Carrier of USA for engineering and manufacturing of VFBDs. Recently we also tied up with an Italian company Idreco, which is into industrial drying systems and we represent them both as a sales agency as well as kind of a manufacturing arrangement with them.

About a manufacturing facility, which entails various operations like fabrication, machining and assembly, is located at MIDC Saravali which is in the Thane district. It is spread over a plot of around 30,000 square meters. We have factory shed of around 13,400 square meter than admin building. The manufacturing shed consists of four bays which are well equipped to handle the fabrication activities of our diversified portfolio. This includes the machining bay and three assembly bays. In addition, we also have an R&D center where we carry out process trials for some of our customers.

As an organization, I would say that we have the strengths, which include the following, partnering with our customers from the stage of conceptualization. A strong reference list of our equipment supplied over last four decades, and our manufacturing capabilities of handling an array of materials like the aluminium, carbon steel, stainless steel and nickel-based alloys like Hastelloy, Monel and Titanium. To further reinforce our strengths, we have recently inaugurated an engineering center in our premises to enhance our capabilities in the mechanical design systems in the process engineering and system engineering.

For our growing business, we continue to hire new talent, invest in training and development of our employees, and endeavor to provide a conducive ambience to all our employees. All in all, I can say that our manufacturing abilities and in-house talent with a well-established outsourcing arrangement and four decades of experience, we endeavor to provide optimum solutions to our customers.

I would request my colleague, Mr. Sachin, to throw some light on the recent financials.

Sachin Vijayakar:

Good afternoon, everybody. As you can see, we have been able to maintain the momentum of the last quarter. So, we achieved a top-line of ₹66 crores during the first quarter with EBITDA margin of 17.5%.

We have received around ₹32 crores of orders during this quarter and ended this quarter with an order backlog of around ₹213 crores.

Ideally what happens is along with the orders in hand as on 1st April and what we receive in the first four to five months that is what we go ahead and execute during the year. So going ahead, it will be our endeavor to continue with this good performance. That is what all I would like to say.

Question-and-Answer Session

Moderator: Thanks, Sachin. Thank you, Mr. Lala. We'll now open the floor for Q&A. Anybody who wishes to ask a question may use the option of raise hand. If you're unable to use the option of raise hand, you can put in the chat box and we'll invite you for the question. Yeah, Nikhil, you can go ahead.

Nikhil Chandak: I had a very basic question on the promoter construct at the company. So, post the restructuring exercise I just wanted to be very sure who is really qualified as the promoters of the company. Is it still the Mcleod Russel group? Is it a related party to the Mcleod Russel group or who exactly is the promoter body?

Moderator: We have Mr. Amritanshu Khaitan from the promoter group on the call with us. Amritanshu, would you like to give a quick reply to this? Hello Amritanshu? Nikhil, would you like to ask any other questions in the meanwhile?

Nikhil Chandak: No, this was my, I mean, since a new company just wanted to be very sure of the bigger picture first before we get onto the granular things. Mr. Ranjit or Mr. Sachin can answer this, I'm sure management will be aware of...

Amritanshu Khaitan: Sorry, I'm at a little bad connection. Can you give me five minutes?

Moderator: Sure, Amritanshu. Anybody else who wishes to ask a question may use the option. Abhay Jain, you can go ahead and ask your question.

Jinesh Sipani: Sir, may I ask a question, please?

Moderator: Yeah, one second. Abhay has raised his hand. We'll invite him and we'll definitely invite you.

Jinesh Sipani: Sure.

Abhay Jain: Yeah. Thank you for the opportunity. So just wanted to understand, so how are we different from our competitors? Are we present in different segments of the equipment that we make or is it some other differentiation that we have? And second, so the segment that we are in, what would be the overall market size?

Ranjit Lala: Well, how are we different from our competition? I can tell you that, first. Basically, you can see that we have four decades of experience. So, there's a lot of in-house knowledge which has developed over years, and I also mentioned that our strength is that we work with our partners from the stage of conceptualization. So, it is not something where we are bidding after things that happen. But we are part of the whole journey of setting up their requirements or their plants. In addition, our manufacturing capabilities, we are able to handle exotic materials like Inconel and nickel-based alloys and titanium apart from the regular aluminium steel, carbon steel and nuclear steel. So, these differentiate us from our competitors.

About the market, it's -- I can always say that this market for the equipment is a couple of billion dollars globally, but it would be very difficult to identify how much market would be relevant to us, because there are many small players also wherein, we don't really venture into. So, I think overall, when I look at just to give you an idea, we are having enquiries worth more than ₹1,500 crores today, but we are focusing around ₹700 crores to ₹800 crores. So that tells you the size of the market as of now. If that answers your questions.

Abhay Jain: Yeah, understood.

Amritanshu Khaitan: Vinay sorry, I had a bad connection. I couldn't hear the question. If it can be repeated, please.

Moderator: Yeah. Nikhil, would you like to ask a question which you had asked before?

Nikhil Chandak: Yeah, hi. So, I'm still new to the company and hence wanted to just understand who exactly are the promoters of the company post the restructuring exercise? Is it still the Mcleod Russel group? Is it like a party related to the Mcleod Russel group. Just wanted to be sure of the promoter construct out here?

Amritanshu Khaitan: So, the promoter group is basically two parts. One part is the promoter group from the Khaitan family, which has been the erstwhile

promoters as well. And then we have had a strategic investor who has invested by the name of Firstview Investments. It's an investment arm of the OCCL group, which is Oriental Carbon group.

Nikhil Chandak: Okay, understood. And how much is the shareholding pattern split between the two promoter groups?

Amritanshu Khaitan: The Khaitan family holding is approximately 22% - 23%. And the balance, the larger percentage is held by Firstview Investments, about 35%.

Nikhil Chandak: Understood, perfect. Thank you so much. Thank you.

Amritanshu Khaitan: But just to clarify, the management is completely professionally run. Promoters are there just to give strategic guidance, but it's a professionally run company.

Nikhil Chandak: Perfect. Thank you. Thank you so much.

Moderator: Thanks, Amritanshu. We'll continue with the business question-and-answers. Subrata, you can go ahead and ask your question.

Subrata Sarkar: Yeah, my question is on the business side, basically, like after very long time, for last one year, we are performing really well. Our top-line has almost doubled and accordingly our profitability has also come back. We are doing very well. So, in this context sir, since we don't get much chance to interact with you prior to this. So, if you explain a little bit more like what are the markets you are targeting? Is there anything change which has happened in last 1.5 year, because of that, our performance has improved in the market condition? What kind of order we are bidding for and what is our existing order book and what is the pipeline which we are targeting, on those sides?

Ranjit Lala: Sure. So, what has changed? I think one of the big changes that has happened is the management change. Mr. Khaitan just explained that now it's a professionally run business. So, the decision-making processes are far more faster, quicker, and very focused. This is a big change that has happened from the past.

Now coming to what markets we're talking about. As I mentioned that we are actually into a number of verticals like the chemicals, the specialty chemicals, petrochemicals, and the food industry that is the tea dryers. Of late we have also ventured into the wastewater management with the paddle dryers, and the latest vertical that we

have gone into is fabrication of critical equipment at sites, and this is only fabrication. We are offering services and we have kept the raw material outside as well. So, this is how we are trying to penetrate. Maybe in the past, the focus was to attend to a certain level of enquiries which were more product centric.

We have moved away from that and we are now a solution provider. So, what we offer along with the dryers and calciners are also the peripherals, the balance of plants. So that also adds value to our portfolio. Anything else you have to ask on this? I guess I've answered your question.

Subrata Sarkar:

Yes sir. So now sir, I was just trying to understand like what is our pipeline? As you have mentioned you are looking for ₹1,500 crore of opportunity size. So, what is the pipeline and how we are planning to approach it? How this industry work? Do you have a concrete order book also? Like how much time does it take to convert order into revenue? What is the turnaround cycle? And another thing since we are a very old company and we were operating at a suboptimal level for a very long time.

Now since there is a rebound in the demand we are anticipating. So, like is our production capacity equipped well enough for a much higher kind of a revenue turnover? How much can we cater with our existing capacity? What can be our peak per day? What kind of revenue we can target, if there is sufficient demand with existing capacity?

Ranjit Lala:

Yeah, that was a very long question. Many questions in it. I will try to do justice. So, what I mentioned is there is a pipeline of ₹1,500 crore enquiries, but that is not what we are looking at. We are very focused and we are focusing on, let's say, around ₹700 crores to ₹750 crores or ₹800 crores. Because at the end of the day, there's also a hit rate that one has. So, our focus is around on ₹700 crores to ₹750 crores. And what we endeavor is to reach a turnover of around, let's say, ₹450 crores to ₹500 crores in two to three years' time.

Going by where we stand today, we have an open order book of around ₹220 odd crores on 1st April, and whatever we get in the first quarter, or let's say in the first four to five months, that along with the open order, we would be executing in this year.

So, I would expect that we would be in the range of around ₹300 crores plus for the current year. Now, coming to your question on

whether, if the order book goes up, whether we will be able to execute?

So, as I mentioned that we have a manufacturing facility apart from that, we also have a good network of our qualified vendors. And the third thing that we are doing is offering services at various sites, customer sites.

Now, not everything gets manufactured in the company. What are the critical components where there's depth of manufacturing that is retained in the organization and quite a few things are also outsourced, especially the balance of land.

This whole thing, along with the work that we are doing at site today, I would expect that this would give us turnover around ₹300 crores plus in the coming year. And definitely with the current setup and the current capacity, we can easily touch around ₹400 plus crores, ₹450 crores to ₹500 crores.

Subrata Sarkar: Thanks for the elaborate answer, sir.

Moderator: Thanks Subrata. We'll take the next question from Jinesh Sipani.

Jinesh Sipani: Thank you for the opportunity, sir. Is my voice audible?

Sachin Vijayakar: Yes, very much.

Jinesh Sipani: Can you please put some light on how much time does it take to convert the enquiries into order? Like, what is the procedure you follow for conversion of enquiries into order? This is my first question.

Ranjit Lala: Yeah, so can I answer that? Yeah, so as I mentioned, we have, I would say broadly, two verticals. One is customized solutions and one is standard products. So, when it comes to standard products, the enquiry to order could be anything between two, three months to four months, let's say six months.

And for our customized solutions, it can take anything up to a year also. We can also close it in two to three months, but it can also take up to a year if we are working from a very, very basic...

Moderator: I think his connection, yeah. Mr. Lala, you are back.

Ranjit Lala: I think there was a blip, can you hear me?

Moderator: Yes sir.

Ranjit Lala: So, anything between two, three months, it can take to convert an enquiry into an order. You have another question?

Jinesh Sipani: Yeah, another question. Yeah, I got the answer. Another question. Sir, the products which we supply to industries you mentioned chemicals, petrochemicals, food industry, pharma industry. So how these products are so critical in the entire CapEx which the company is doing or the industry is doing?

Ranjit Lala: Well, if you talk about our standard products like the tea dryers and withering machines, they are very critical to the tea industry. And we are in fact the pioneers as well as one of the key business in the country and abroad.

When it comes to the other equipment like the calciners and rotary dryers, these are also very critical equipment wherever they have to be set up. For example, in the carbon black mini rotary dryers, it is a critical equipment and not everybody can set it up for the customer.

So definitely we are in a niche market where the equipment that we supply is not easily available.

Jinesh Sipani: Okay. And sir, add on who all are the competitors which operate at the same scale you operate. Was that audible?

Moderator: Mr. Lala, your voice is not audible. I would suggest that if you have bandwidth issues, you can speak with your camera off.

Ranjit Lala: Yeah. Can you hear me now?

Moderator: Yes.

Ranjit Lala: So, you asked about the competition. Well, depending on our product line, we have different competitors. For example, if we talk about our rotary dryers, we have GMM Pfaudler, we have FLSmidth, Walchandnagar Industries. When it comes to applications in the carbon black, we have a couple of companies in Europe, one of them is ARVOS in Germany, then Doright in China. They have a complete range of equipment what we also manufacture, the Chinese company.

When it comes to soda ash, we have a few Chinese players like Dalian and IOC. We also have, Andritz in Chennai. When it comes to paddle dryers, we have a few competitors mostly, most of them are small players. But we also have companies like Raj Process, Arrowhead and Mojj Engineering.

For the Tea segment, we have competition from Vikram Forgings, TMI Global, Gem Forgings, when it comes to our offshore equipment, we have companies who are more of EPC contractors, I should say, Multitex and BGR, for fluid bed dryers we have GEA Process.

So yeah, these are competitors, but it would be -- I'm not able to give one competitor who can manage all this portfolio.

Jinesh Sipani: Okay, so you mean to say that you are the like one of the country's who can give all the products under a single head?

Ranjit Lala: True, under a single umbrella we can offer an array of products.

Jinesh Sipani: And coming on margins, we see last year on the same quarter we had EBITDA margins of 10% and now I guess this year it is around 16% to 17%. So how do you see the margins further and like what are all the critical components in raw material or anything which impacts the margin?

Sachin Vijayakar: The margins, if you see the top line growing. Margins have definitely improved. Margins don't -- there's nothing, no thumb rule sort of thing. Margins depend on the type of products we execute, type of orders we execute, so it keeps on varying on the product mix. So, this year and going ahead, we have got orders in the pipeline which have a good margin.

So going ahead, we endeavor to keep this margin of around 15% to 17% of EBITDA margin, continue with this type of margins.

Jinesh Sipani: Which industry gives the highest margin or which product segment gives the highest margin?

Sachin Vijayakar: No, as I told you, it depends in the single product also, if it is for a different application, it will have a different margin. If it is for a different customer who has a different requirement, then again it will be a different margin.

So, we cannot straightaway point out that this particular product will give us high margin. But across the range of products and multisectoral equipment we supply, this is what we propose to maintain and we hope to maintain in the future.

Jinesh Sipani:

And the products which we supply are CapEx intensive. Like if an industry is doing a CapEx, we'll recur the products. So, sir, which of the industries you see in the coming couple of years who are incurring CapEx and you anticipate the orders coming from them?

Ranjit Lala:

Yeah, so I'll take that question. You see as I mentioned that we cater to various industries, various verticals like the chemical, specialty chemicals, the pharma, the oil and gas. Now let's take for example the carbon black industry.

Today we can see that that industry is growing at a CAGR of 9% or so. Today the industry is in the range of ₹80 billion or something and it's expected to cross ₹125 billion in another five to six years. So definitely when the industry is growing, their CapEx requirements also would be growing both for the greenfield as well as brownfield projects as well as for the replacement of their critical equipment in the plant.

When talk about soda ash, that is growing around 5% per annum and it would keep growing for the next, let's say seven to eight years. Similarly, the tea industry is growing at around 4% per annum, 4% to 5%.

We talk about petrochemicals, we are the sixth largest country in the world, and if you go by what the initiatives government is taking, this will continue to grow for next 5% to 6% per annum or maybe even more.

And what they are trying to put up is the integrated refinery come petrochemical plants. So, when you look at these individual segments, I'm sure each of these companies into the manufacturing of these chemicals or composites, they would need equipment and they have to plan out the CapEx.

They may plan out CapEx at different points in time in the next five to seven years, but this whole thing would definitely go on and more so because the government has also put a thrust on Make in India and they have come out with the PLI scheme for 17 or 18 industries. So, we are going to get definitely the benefit of this.

Jinesh Sipani: Got it sir. And the last question, once the industry has incurred the CapEx and you have supplied the machinery to the respective industries, so what after that like what relations we hold in terms of operations and maintenance and what are the margins we get from this? Can you please throw some light on that part?

Ranjit Lala: Right. Well, as I mentioned that apart from the Greenfield projects, there can also be brownfield as well as replacement of the old equipment. Now, this is a continuous process. For example, whatever was supplied by Kilburn or any other organization globally to the key manufacturers, let's say, like PCBL or Birla Carbon or Reliance, they have to replace the equipment over a period of time.

So, this whole cycle has already started, and this is expected to go on for another 10 to 12 years or maybe even 20 years. So, if you're seeing that, are we going to have the Greenfield projects? Answer is no. There will be probably a time when the CapEx cycle ends. There could be a time. It's very difficult to forecast that, but for sure I can tell you that the replacement market is one area where we are looking at, and margins would by and large be same.

Because finally, at the end of the day, it is the same equipment that we have to supply.

Jinesh Sipani: Okay, got it, sir. I'll stay in queue.

Ranjit Lala: Thank you.

Moderator: We'll take the next question from Uttam Purohit. You can unmute and ask your question.

Uttam Purohit: Thanks for the opportunity. So, my question was on the competence side. So, as you stated, we compete with many big names in our field. So, I just had a question about what niche do we have compared to those or what mode we have compared to them in terms of our tech and our product side?

Ranjit Lala: Well, I think our biggest strength is our relationships with our customers. And we start working with them from the drawing board itself when they're conceptualizing the whole plant. I think that is our biggest strength.

And you talk about on the manufacturing front, as I mentioned, we are able to manufacture with different kinds of exotic materials, which not many companies would have. I'm sure each one of them has their own strengths, but these are our strengths. And then whatever talent or knowledge we have built in-house over a period of time.

Uttam Purohit: Great. Another question was on the product side, like what are the key raw materials or components which can impact our gross margins heavily?

Ranjit Lala: Anil, can you take that question on the key raw materials?

Anil Karnad: Yeah, sure.

Ranjit Lala: Thank you.

Anil Karnad: Anil here. See the key raw materials, which fluctuate normally is related to the steel, basically austenitic stainless steel. So, this component really goes up and down. And we need to close what Ranjit said before that from the time of the enquiry and closing of the order. Sometimes it may take three months or five months, whatever. So, we try to close it earlier. Of course, we have a validity period for our quote on the price, so we try to reduce the impact on this. But sometimes when there is a delay in the ordering, and there is a very high fluctuation in the raw materials. We do have to go back to the client with open book on this and discuss, and then mutually decide.

So raw material is one of the major component where there is very high fluctuation. Not carbon steel, but stainless steel. And there are certain exotic materials like duplex stainless steel, Hastelloy. These are all imported items where there can be changes not only in raw material. Sometimes, since we are importing them, there can be change in freight, which we saw during the pandemic. The freight cost increased by almost 3x - 4x the normal.

So, I mean these kind of things do happen, and there is a normal escalation in the cost of components like gearboxes, motors, forgings which is a normal thing, where annually it does increase. So, we do take care of it, while preparing our estimates, cost estimates and our proposals. I hope I have answered your question.

Uttam Purohit: Yeah. So, like you mentioned, we have multiple SKUs under one roof. Like we are the solution provider for multiple issues to our clients. So,

doesn't it impact our operational efficiencies to handle so many SKUs?

Anil Karnad: So many, sorry?

Uttam Purohit: Products, as you said, in terms of calciners, dryers, heat exchangers?

Anil Karnad: Ranjit, I think the question is to you.

Ranjit Lala: Yeah. So, when we talk about a number of products that we are manufacturing. Now, let's take for example, I would like to say the tea dryers. We have an exclusive bay for that. So that's more like a standard product, which we manufacture and it's a separate vertical by itself. So, we don't find any challenges over there. When it comes to other equipments like calciners and rotary dryers, these are more project centric and they are customized solutions.

So obviously, when you are fabricating or manufacturing a customized solution. It has its own price levels and own margins, and it doesn't really impact the overall efficiencies also, because we have teams in place to handle these kind of fabrics. So, it doesn't really impact the overall operational efficiency. We have dedicated bays for each of these, and dedicated vendors.

Uttam Purohit: I think that's it from my side. If I have any more questions, I'll come back in queue.

Moderator: Thank you. We'll take the next question from Vinay Nagori.

Vinay Nagori: Good afternoon, sir. So, can you throw some light on the export opportunity available to us with the cost of manufacturing in India being pretty less than European countries and U.S.?

Ranjit Lala: Right. So, when you look at our split of export and domestic, so far, it has been probably in the range of 15% to 20% max, if I recall from the numbers. Sachin, you can correct me if I'm wrong. But definitely we are looking at the growing export market. When you talk about the price levels or increase in the prices in the European part of the world, well, it is not always that we have that advantage. Sometimes the international prices are more competitive than you would get in the domestic market. So that keeps changing from time-to-time.

Nonetheless, export will always be a focus area, and we have plans to further penetrate in times to come.

Vinay Nagori: Okay, sir. Sir just wanted to understand the kind of arrangements we have in the three tie ups with Nara, Carrier, and Idreco and what kind of opportunity it opens up for us?

Ranjit Lala: Right. So, with Nara and with Carrier, we have had tie up for many, many years. It's been there for a few I mean [indiscernible] [00:35:43]. And we have a technology tie up. So, we manufacture paddle dryers of Nara design for the Indian market. And we're also in talks with them where we can offer them for the other markets from our factory. So that's the kind of arrangement.

For Carrier, we have been manufacturing some of the equipment of their design. And now we are working out on offering them engineering services from India and an arrangement of a contract manufacturing where if they get an order somewhere in other part of the world, let's say the United States or in Europe then we would support them with our manufacturing base over here.

Idreco is a recent tie up and we are still working out the finer details. But we have already started getting orders from them for some spare parts and other small equipment. So, this is one area which is set to grow.

Vinay Nagori: Thank you sir.

Moderator: We'll take the next question from Sunil Kothari. Sunil, you can unmute and ask your questions. We'll move on to Ashok Patel. Sunil has unmuted. Sunil, you can go ahead.

Sunil Kothari: Yeah. Thanks a lot, sir. My question is little broad. I mean you said that this is now professionally run company and we have written off some ₹126 crores during 2021. If you can talk something on this change in management, the professional management's experience and their background and that one-time ₹120 crores written off. What was related to that? What has changed, some past about the company, what was wrong, what is changing and what is in the right direction?

Moderator: Amritanshu, would you like to address that? Hello, Amritanshu?

Amritanshu Khaitan: Yeah, I'm here.

Moderator: Yeah, Sunil, can you repeat your question again?

Sunil Kothari: Yeah, so basically, let me take one-by-one. We have written-off ₹120 crore during, I think 2020-21. So, what was related to that and from which timeframe we are seeing that now it is a professionally run company and if you can talk more about the professional team and their experience and what was wrong with the company?

Amritanshu Khaitan: So, this write-off which is pertaining to 2020-21, has been there because of certain ICDs, which were given to the group before the group went into stress at that time, and that was Board approved at that time. When the group was in stress, the new management felt that it is better to do a provisioning for this money and clean up the balance sheet.

The current management team, if you see Mr. Lala, is a Managing Director who was brought in, post Mr. Chaki's demise. Unfortunately, the earlier Managing Director had passed away. And then you have Mr. Anil Karnad who has joined, also in the last, I would say in the last two years. So, you have a new management team running the company going forward. And that is the background to the earlier write-offs which had taken place.

Sunil Kothari: So, if you can talk more about this new professional, which has come and now running. So, they improved the performance like anything from 6%, 7% EBITDA margin to now almost 17% margin? Other expenses, which normally was almost 20% of the revenue, came down to 10%, 11%, 12%. What has changed? I mean, how this substantial...?

Amritanshu Khaitan: I think I would request Mr. Lala to highlight some of the changes which have been done. But all I can tell you from our side that there's been a lot of focus on improving economies of scale in terms of getting better product mix, scaling up the order value, ensuring better payment terms. And also I think there's been a tailwind of the whole sector demand, which has come in.

So all this put together has increased the profitability and the order book of the company. And a lot of best practices, the management has also brought in, in terms of adding machinery and also developing some new products like for example, we were not there in the air preheater market and that has a segment, which we have entered in the Carbon Black segment.

So, there are steps being taken to increase the overall dynamics in terms of the product offering as well.

Sunil Kothari: So, just before Mr. Lala replies, Mr. Khaitan, can you tell us with the confidence that there will not be any promoter driven interference in the company now onwards? And from your reply, what I understand the problem was with the management, past management, some practices were not right or maybe this ICD was the reason, maybe it was not professionally run. So how as an investor we are given assurance that there will not be any interference from any...?

Amritanshu Khaitan: Company was always professionally run. Unfortunately, the Williamson Magor group went into a debt trap due to McNally Bharat and Kilburn also had an impact due to that. The idea of change in management, bringing in outside investors and strengthening the management team was to ring fence Kilburn. And in the last three years that has been the focus. And the promoters are there to support the company and infuse funds into the company, which has been done over the last two years. There's been three rounds of fundraising where the promoters are only contributing to the growth of the company.

Sunil Kothari: Yeah. Mr. Lala can reply.

Ranjit Lala: Yeah, I'll take it up from here. So, the first thing that has happened is I think we have scaled up our operations and definitely that impacts the overall margin levels. If you recall that, Anil, just mentioned a while back that one of the critical areas for our manufacturing is the raw material. Yeah, we have ensured that whenever we get orders, our raw materials orders are placed back-to-back on our suppliers within 48 to 72 hours. So that kind of mitigates any major fluctuations. So this is one area, which we have focused on and we ensure that we can improve it further. We'll definitely try to improve it.

Mr. Khaitan just mentioned about the new products, but we also have started a new service, which we are providing at site. I mentioned about fabrication of silos and pressure vessels. We have recently backed the project with Technip for the IOCL refinery in Paradip. So, we are looking at all these areas also where a lot of work can be done more at site and not necessarily inside the factory.

Of course, for that we need to mobilize the site well with whatever infrastructure required over there. And I think I can confidently say that we are doing a fairly good job. And this is one more area where we'll continue to look into.

Sunil Kothari: I understand sir. Again, my request will be, if you can talk a little bit more about the experience and the knowledge with which you came, the team member came. What is your background? A little bit more will be really helpful, because the Kilburn Engineering the past was very volatile and very uncertain. That's why we are trying to understand?

Ranjit Lala: Okay. Fine. So, I'm basically a Mechanical Engineer from Mumbai University and I have three decades plus in different companies and across various functions. Like I have handled marketing and sales, manufacturing, supply chain, the service industry, international sales and then I went on to become a CEO of a business unit in a company. And then before coming here I was an MD of a German company based in Baroda.

My colleague Anil comes with equally robust experience. He has worked with a number of EPC companies into various projects in the oil and gas industry, and his experience has been both in India and abroad. He has spent a number of years in India as well as a number of years in the Middle East, which probably he can throw more light on that.

Apart from this, we have other people. Mr. Sachin is our CFO. We also have in the management team Mr. Harbhajan Singh. He is our Vice President, Operations, and he comes with 30 plus years of experience in the fabrication and manufacturing and factory management. And our Marketing Head, Mr. Kazi, also has 30 plus years in the industry. So collectively, when you look at five of us, we all come with a substantial experience, and each one of us have our own strengths. If that satisfies your question, sir.

Sunil Kothari: Thanks a lot, sir.

Ranjit Lala: You're welcome.

Moderator: Thanks, Sunil. We'll take the next question from Aashav Patel.

Aashav Patel: Thank you for the opportunity, sir. Thank you for very detailed explanation with regards to our products, which we are catering to and how we are improving on that front and also the management change a bit. But just wanted to reconfirm. I'm new to the company. Just wanted to make sure that the entire shareholding under the promoter bracket by Firstview Trading, does it still belong to the Khaitan group?

Ranjit Lala: Sachin, can you take that?

Sachin Vijayakar: As Mr. Amritanshu Khaitan mentioned, it is the OCCL group. First view belongs to the OCCL group. It is not the Khaitan group.

Aashav Patel: Okay. So now in terms of ownership of the company, I understand that the management has completely been revamped, but in terms of ultimate ownership of the company, is the Khaitan group still involved?

Amritanshu Khaitan: So, we are joint promoters. To give a clear answer to this. We are joint promoters along with Firstview, where Firstview is a majority. We are a minority.

Aashav Patel: Sure. But now Firstview is not involved into day-to-day operations of the company, right. That is still run by...?

Amritanshu Khaitan: The day-to-day operation is looked after by the professional management. The promoters are not involved in day-to-day management.

Aashav Patel: Okay, got it. Okay sir. That's it from my side. All the best.

Sachin Vijayakar: Firstview has around 33.71% of holding, so that is a single largest shareholder.

Aashav Patel: Okay, sir. Thank you. All the best.

Moderator: Thank you, Aashav. We'll take the next question from Rahil Dasani.

Rahil Dasani: Yeah, hello. Am I audible?

Moderator: Yes.

Rahil Dasani: Yeah, this is Rahil from Smart Sync Services. I have three questions. First of all, how do you retain customers? Is there any switching cost for your clients? That's the first one.

Ranjit Lala: Well, if you look at our business, it's a combination of the old or existing customers as well as new customers. So, we are not talking about switching customers, but we definitely retain our customers, because we have been working with them for a long time. Just to give you some examples, like Birla Carbon, PCBL, they have been

working with us for quite some time. When it comes to Reliance, these companies have been working. Tata Chemicals they have been working with us for quite some time. Derma is another one, okay. So, they have faith in our products and our solutions that we offer them. And based on their experience, they would keep the relationship continuing.

At the same time, we are often on the lookout for new customers. And obviously, if you have to grow the business, we need to spread our risk. And a lot of small cap companies are setting up plants in the country. So that's an opportunity for us. So, we keep looking out for new customers. And I'm not able to recall exactly what was the breakup of our order intake. Sachin, do you know how much was from the existing customer?

Sachin Vijayakar: Yes, last year out of ₹350 crores of order, around ₹220 crores were from new customers. Others were repeat customers.

Rahil Dasani: Okay, so got that. Yeah, so the second question is compared to your competitors, do you have a faster delivery time, lower product cost, additional services? Because I'm trying to understand your competency in comparison to your peers?

Ranjit Lala: Delivery times, I would not say that we are fast, but definitely if a customer has some timelines or milestones in mind, we try our best to match them. That's for sure. Okay. In terms of having an edge, as I mentioned, our manufacturing skill sets within the factory are very good and ability to handle different types of materials is good. So that does give us an edge over the competition.

And about technology, we already tie up with some foreign companies as well as we have a lot of knowledge in-house. So that also gives us an edge.

Rahil Dasani: And what about the product cost?

Ranjit Lala: Not necessary, product cost we are not always one.

Rahil Dasani: Okay, last question. What are the margins in the service segment and how do you plan to scale it and what's your end goal with it? Any significant revenue chunk you want to take out of it?

Ranjit Lala: So, I would say that the service segment would probably have two verticals. One is the replacement market, which I just mentioned. That

is as good as supplying new equipment. So, the margin levels would be same. As of now, as far as the service by itself portfolio is concerned, that is small and we are working on to scale it up over a period of time and maybe that may take a couple of years more. That definitely will have higher margins because service always has a little more, service always has higher margins than the manufacturing.

Rahil Dasani:

Got it, thank you.

Moderator:

Thank you, Rahil. We will take the next question from Abhishek Shah. Abhishek, you can unmute your line.

Abhishek Shah:

Hi, sir. Good afternoon. Most of my questions are answered. Just one thing. I was just trying to sort of do the math. Maybe I'm reading too much into this, but the quarter order intake that we had for this quarter was just about ₹32 crores, and we've executed much more than that.

Are we seeing any slowdown in order intake or probably that's just an anomaly for this quarter?

Ranjit Lala:

So, if you typically look at the Indian landscape, my observation is that the first quarter of the financial year, the order intake is generally on the lower side. Okay, so this always catches up in the second quarter and so on. And probably the last quarter is always the best in terms of order intake, this is my observation. About the execution part or the revenue part, we had an excellent order pipeline in the last year. The opening was ₹246 crores. So that gave us and if you have a good open order book, so definitely that doesn't stop you from executing that goes on.

So even if the new orders are flowing and a little slower, you still have a lot of orders which are pending. And that's how we have had a good turnover in the first quarter.

Abhishek Shah:

Got it. So, what would be the, let's say would you have orders worth, say, one order, ₹100 crores, ₹50 crores of that magnitude? Or these are generally smaller orders of have ₹10 crores, ₹15 crores?

Ranjit Lala:

Sorry, you'll have to repeat the question. I didn't get it.

Abhishek Shah:

Yeah, so I'm just to trying to understand the average size of orders that we have. Are these generally ₹100 crore ticket size or there are smaller ones also with, say, a ₹1 crore, ₹2 crore, ₹5 crore ticket size as well?

Ranjit Lala: Yeah, the smaller ones also, when you look at our standard products like the Tea Dryers, they would be in the range of ₹40 lakhs to ₹50 lakhs. Yeah, when you look at the paddle dryers, they would be anything between ₹30 lakhs to ₹1 crore, ₹1.5 crores. When you look at calciners, they would be in the range of ₹10 crores to ₹12 crores or ₹15 crores, depending on the size.

Then there could be rotary dryers in the range of ₹8 crores to ₹10 crores. But when you talk about the ticket size, like, there is one case I would like to quote wherein we had a single order of ₹50 plus crores that was from one of the pharma companies. Yes, you can expect orders of that size also.

Abhishek Shah: Got it. All right, sir. And one last thing on the export front, any major geographies where you're seeing serious amount of traction coming in, something worth talking about it?

Ranjit Lala: Well, when it comes to Tea Dryers and all, I think we are well present in the Far East and the African market, and we only want to penetrate further. As far as the other equipment is concerned, the customized solutions and drying packages and all, we are open to any part of the globe.

And as I told you, we are also looking at Europe and U.S. through our partners. So, if they get some orders in that part of the world, we would support them in manufacturing from here.

Abhishek Shah: Right. So, on the export front, do we have our own team in Europe and U.S., or is generally the tie up with these guys that we execute their orders?

Ranjit Lala: As of now, it's a tie up, but definitely going forward, we will have a team maybe another six, eight months to one year.

Abhishek Shah: Yeah. All right. Okay. All right. Thank you so much.

Moderator: Thank you. We'll take a question in the chat window. He's raised his hand from Abhay Jain. Abhay, you can go ahead and ask your question.

Abhay Jain: Yeah, sir, on the orders and pipeline which is of ₹700 odd crore. Can you give us brief details in terms of what stages these orders are in?

Ranjit Lala: At what stages?

Abhay Jain: Yeah.

Ranjit Lala: I would expect that if we were to book these orders, most of them would get booked in this year.

Abhay Jain: Okay. You mean you're expecting to receive confirmations on most of them?

Ranjit Lala: Well, there's always a probability. So, I would not like to be overconfident at this stage. The number that I give is the enquiry pipeline, rest, all depends on how we perform.

Abhay Jain: Okay.

Ranjit Lala: For the first quarter, I would expect that all of them would close in the current year.

Abhay Jain: Okay. And out of these, how much would be the exports and how much would be domestic? And do we have a margin differential in exports versus domestic?

Ranjit Lala: How much would be exports and domestic? I'm sorry, I would not be able to answer that. I don't have readymade. But on the margins, I can tell you sometimes the margins on the exports can be lower than it all depends on project-to-project and customer-to-customer.

Abhay Jain: Okay.

Ranjit Lala: We are very choosy on what we pick as of now.

Abhay Jain: Okay, thank you, sir. That was my only question.

Moderator: We'll take the next question from Karthikeyan. Karthikeyan, you can unmute please.

Karthikeyan: Thanks. I hope I'm audible.

Ranjit Lala: Yes.

Karthikeyan: Yeah, thank you. Sir, two, three questions. One is, can you talk a bit about the role of imports and unorganized sector in your industry from a competitive perspective, how do you see that evolving?

- Ranjit Lala:** Anil, can you take that? The role of imports and the local competition. Anil, are you there? Well, I guess he's dropped out. Okay, fine. So, when it comes to imports, for sure, some of the challenges would be the Forex fluctuations, the pricing levels, at times, like when you had this war, which is still going on, the Russia and the Ukraine, and there we had seen a rise in the prices of nickel based alloys.
- So, although we managed it very well but that can always be a challenge. Sometimes the sea freights can go haywire, they can rise. So, these are the challenges on the exports, on the imports front sorry.
- Karthikeyan:** Sorry if I may interject, I was asking you more from the competition from imports for your business, sir.
- Ranjit Lala:** Oh, competition, sorry, you mean the competition from abroad?
- Karthikeyan:** Yes.
- Ranjit Lala:** Yes, we do have competition from China, Chinese companies. I mentioned about one company called Doright and they definitely are a strong competitor to us.
- Karthikeyan:** Doright, right and what gives them an advantage over us, sir?
- Ranjit Lala:** Well, they have also been present in the global markets for a long time. The scale of manufacturing, they have equally good references. So definitely they are a tough competition to handle.
- Karthikeyan:** Given that these are replaceable components effectively with defined lifetime, doesn't the OE have a natural advantage? So, if you supply for the project, shouldn't you naturally be the preferred partner for subsequent cycles as well?
- Ranjit Lala:** Listen, it all depends on the situation at that point of time. So, we have managed to get some replacement jobs which were supplying the competitors. Sometimes some of them don't exist any longer. So, it all changes from time to time.
- Karthikeyan:** Right. And what would have led to the evolution of an unorganized sector in a business like this given that these are reasonably critical components and reasonably expensive components, why would there be an...

- Ranjit Lala:** Yeah, yeah, I got your question. So, when it comes to equipments like rotary dryers and calciners and all, which are huge jobs weighing into hundreds of tons, there you will not find competition. But when it comes to tea dryers and some paddle dryers of the smaller size, those are fairly easy to manufacture. And then when it comes to certain skids which are supplied in the oil and gas industry, I think they are also easy to develop.
- So, it's all related to how much one can develop in house and after sometime, these would be meant more for the unorganized sector than for an organization like Kilburn, let me say, let me put it that way.
- Karthikeyan:** Interesting, interesting. So, in terms of the process of manufacturing these post design, would fabrication and machining be the most critical process aspects? Can you elaborate a bit on that?
- Ranjit Lala:** Yeah. So, fabrication, machining and assembly of all these components put together, and then the welding, the most critical aspect is the welding and commission. So, these are the critical aspects. And here also, what we do is the critical machining processes we try to retain in house. And whatever is not critical, we leverage to our vendors.
- Karthikeyan:** Right, right.
- Ranjit Lala:** That's a call we take from time to time.
- Karthikeyan:** Sure. And what kind of machining capacities would you have, sir? Would you have very complex machines, five-axis kind of a thing, or these are relative.
- Ranjit Lala:** No, we don't have five-axis machines, these are simple machines and farming machines. But definitely we are looking at enhancing this, which we look into over the period.
- Karthikeyan:** Sure, one quick last question. How does Silo segment fit in with your traditional business? I don't know, so kindly clarify.
- Anil Karnad:** Ranjit, can I take this question?
- Ranjit Lala:** Yeah, please do. Please do.

Anil Karnad: Karthikeyan, this is Anil. The silos, it appears like tanks, and structurally or the construction, the sequence of construction is similar to tanks or vessels.

Karthikeyan: Okay.

Anil Karnad: Only difference is they are very huge in size. Very heavy in weight. So, the handling process or the transportation process after they are fabricated and ready is very difficult. It's impossible, you can say. So that's why they are preferred to be fabricated at site where they will be installed.

Karthikeyan: Right, right. So, what capacity would you have for...

Anil Karnad: Let me answer your first question. So how they are similar to our business is we are experts in fabrication, number one, we have mastered all kinds of welding processes; automatic, semiautomatic, manual. We have around 450 welding procedures which we have certified and qualified in workshops for different metals, different material of construction, different thicknesses.

So, we have a very big advantage in terms of fabrication. Yeah, and the experience really counts and matters. That's how we qualified for this job. In fact, for the silos, there was absolutely no competition from any Indian manufacturer.

Karthikeyan: Sir, one quick interjection here. So, in terms of number of sites that you can handle at any point of time, given that this is site intensive, so can you give some perspective on that?

Anil Karnad: With my background, I can see that every new site needs a new organization. Okay, because it's a temporary phase. A site may be alive for six months or 12 months or 18 months. After that, we don't require these resources in terms of manpower. So, we have to have a kind of arrangement where few key personnel are from our factory and the rest are on temporary assignments. So, there is absolutely no issue in hiring this kind of talent because it's available in the industry from India, some of which have already worked in the Gulf and have returned to India and would like to continue in India.

Karthikeyan: And you have the necessary equipment bank to support multiple sites?

Anil Karnad: Yes, yes. Equipment is not an issue.

- Karthikeyan:** Equipment is not an issue. Sure. Thank you very much, sir. Thank you very much for answering my questions, and I'll get back in queue. Thank you.
- Moderator:** We'll take the next question from Sarvesh Bodani. Sarvesh, you can unmute and ask your question.
- Sarvesh Bodani:** Yes. You mentioned that there's an enquiry pipeline of ₹1,500 crore and addressable for us would be around ₹700 crores. So, what would be our expected win rate in all this pipeline?
- Ranjit Lala:** Well, we would target any between 25% to 40%.
- Sarvesh Bodani:** All right. And sir this U.S. and Europe opportunity, you mentioned which you are currently doing via tie-ups. So, in terms of the whole market, what could be the opportunity for us here over, say, five years, seven years?
- Ranjit Lala:** Well, we are not looking so far as of now. As I mentioned earlier, we are trying to get to that number of ₹450 crores to ₹500 crores, yeah, with our local business as well as the export business, and then we will see how to go further.
- Sarvesh Bodani:** Is there any timeline on this ₹450 crore to ₹500 crore revenue in three years can we do this?
- Ranjit Lala:** Yes, we are looking at this timeline of around three years or so, two to three years.
- Sarvesh Bodani:** And if I look at your order book, revenue order book mix. So, industry wise, carbon black is making up a very large share. But let's say these orders dry up a bit. So, can other segments compensate for it? Because it seems fairly diversified.
- Ranjit Lala:** Yeah. So, the diversification helps us mitigate our risk. That's one. This percentage breakup that you're seeing for carbon black, this actually keeps changing from year-to-year. So, this year it may be carbon black, next year it may be soda ash. And then we are looking at pharma.
- So, this keeps changing from time-to-time. But because we have foray into different segments, it really helps us in mitigating us. So, if any sector not having investment, somebody performs.

Sarvesh Bodani: To that extent, the cyclicalities in our order book and in our revenue should be fairly less, right?

Ranjit Lala: Right. Except for the tea dryers, because those could be seasonal at times, but that is only year-to-year I'm talking about.

Sarvesh Bodani: All right. Thanks, sir, and all the best.

Ranjit Lala: Thank you.

Moderator: Thank you so much. I believe that is the last question for the day. Hello, yeah, thank you so much sir. I think that is the last question for the day. Would you like to give any closing comments before we end this call?

Ranjit Lala: Yeah, I would like to thank all of you for the time you spent with us and trying to understand our business. That's all from my end.

Vinay Pandit: Thank you. Thank you so much. I thank you all for participating on this call, and I thank the management of Kilburn Engineering for giving us their valuable time. This brings us to the end of today's conference call. You may all log off now. Thank you so much.

Ranjit Lala: Thank you.

Sachin Vijayakar: Thank you.