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20th November, 2023

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Company Scrip Code: 517041

NATIONAL STOCK EXCHANGE OF INDIA LTD.
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex
Bandra (East), Mumbai - 400 051.
Company Symbol: ADORWELD

Dear Sir/Madam,

Sub: **Transcript of the Analysts / Institutional Investors Meet**

Pursuant to Regulation 46(2)(oa) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that the **Transcript of the Analysts / Institutional Investors Meet**, which was held on Thursday, 09th November, 2023, through the electronic medium of video conferencing (Zoom Platform), is attached herewith.

The Transcript is also available on the website of the Company at:
https://www.adorwelding.com/wp-content/uploads/2023/11/Transcript.pdf

We hereby request you to make a note of it and acknowledge its receipt.

Thanking you,

Yours Sincerely,

For **ADOR WELDING LIMITED**

ADOR WELDING LIMITED FORT MUMBAI 400 001. REGD. & CORPORATE OFFICE

VINAYAK M. BHIDE
COMPANY SECRETARY
Encl.: As above

"Ador Welding Limited"

"Analyst Meet"

November 09, 2023

MANAGEMENT: **MR. ADITYA MALKANI -- MANAGING DIRECTOR --**
MR. VINAYAK BHIDE – COMPANY SECRETARY
MR. SURYA KANT SETHIA – CHIEF FINANCIAL OFFICER
MR. H. P. LEDWANI - MANAGING DIRECTOR --ADOR FONTECH LIMITED

Management: Good evening everyone, thank you for joining, Happy Diwali to start with. So, as usual we have Aditya Sir, Bhide Sir and Surya Kant Sir. Incidentally, Mr. Ledwani was also in Mumbai, so he also joins us. We'll start with a short presentation by Aditya sir and then we'll take questions answers.

Aditya Malkani: I hope you guys can see our presentation; I hope it's up. Good afternoon, thank you for taking the time to attend. Very quick overview, we yesterday had our board meeting, the results were announced. As you all may know, Q2 sales were at INR 229 crores, which is our highest second quarter sales and quarterly increase of 23%. We had some margin expansion, which goes along the lines of what we've been working towards. Given the fact that Q1 was disappointing in that regard, we had pushed a lot. And we are now coming closer to the normal where we want to be and keep improving from there onwards, HY1 data.

On the ground, demand seems to be fairly good and our continuous hard work is going on in terms of meeting the requirements of the market, growing internationally, growing domestically, especially for different industries. We are moving all of that, so that's where our focus areas remain.

Standard data, I think most of you would have calculated this already, 9.8% is the PBT margin that we had for HY1 and ROCE at 25%, which we're going to build on as we go through the rest of this year. Working capital and borrowings, Q2, fairly indicative again as well over the year [under 9.8%] in terms of working capital and borrowing at INR 32 crore at the end of HY1 and debt-to-equity ratio of 0.1%.

From a business perspective, we have two very interesting updates that have happened. One is, we have launched India's first battery-powered welder. The interesting part about this was it was started in February, March of this year. We worked with our technical team to say that we were very keen to have a product launch ready by September at the world's largest welding exhibition in Germany and this goes to show that what we keep talking about is to make, research, and create in India and the investments we have in that regard, which is we have about 38 people in our technical team, 5% of our profits go towards it.

All of that, we were in a position to be able to launch a product by September. There's a lot of interest for it. The official product launch and readiness should be around Jan-Feb. We expect that to take off and lead to strong demand as well.

As I mentioned, the SN Trade Show was very important. It's the first time we have participated, especially at a very large level. Given positive India factors that are in play, given the brand placement, given our own focus on the international markets, it was something that went off very well. In fact, we had a virtual reality experience to understand our plans, to get confidence from the customers, that as well.

The merger, as you all know, is still going through the NCLT process. However, the vote has happened in both companies and we're very pleased that the vote went off in favour of the amalgamation in both companies.

We now leave it open to questions and answers. Thank you for your time.

Moderator: Good evening, everyone. I'm your moderator for today's Q&A session. Our first speaker for today is Mr. Pritish. Mr. Pritish, you're now being placed in the meeting. Please proceed to ask your questions.

Pritesh: Just a few questions, if you could give what is the volume growth in your consumables in H1 with the tonnage number, if possible? The second question is, there is a lot of variations that we keep on seeing on the margin front on the consumable side of the segment. As you scale up further, could you call out what kind of margins are possible in your business combined with the capacity utilization that you have today?

And my third question is, we had this ONGC order, which was a large order in the flux. What is the progress on that order in terms of execution cycle? Because the segment still didn't show any large execution probably from that order? Thank you.

Aditya Malkani: Yes, sure. So let me go one by one. I'll just answer those questions quickly, Pritesh. So just to be clear, our volume growth on the consumables was 22%. And our volume growth in the equipment was 35%. Our margin variation was a dip in terms of Q1 due to factors related around primarily a bit of a product mix issue plus slightly slower lower volumes. And that was meant to happen.

I think what you're seeing is in Q2, the normalcy is what we would like to say is that this is a factor that we want to play at. It's definitely much closer to where we want to be. And Q2 is more reflective of that as we go forward. Secondly, we do expect volumes to continually pick up and allow that to keep going. So we should be in a position to hopefully sustain what we just saw in the second quarter.

On the ONGC run flare order front, we are entering what we call, pretty much the hot billing phase of everything. From December onwards, Jan onwards, until June, July is where most of the execution will happen. We are tracking it very, very closely. As you said, at the end of the day, it's INR125 crore order. It's a large execution of a flare job. And it requires continuous sort of drive in that regard. But it will start from approximately December and Jan onwards is where we get pretty into the kicker of most of the project for the next six months. I hope that answers your question. Anything else?

Pritesh: Okay, so the execution will be in six months from Q4 to Q2, that's what you want to call out?

Aditya Malkani: Jan till June, July is where 90% of this gets executed.

Pritesh: And what is the capacity utilization that you're running at?

Aditya Malkani: On our consumables?

Pritesh: Yes.

Aditya Malkani: Anywhere in the region of approximately 75% to 80% and we're adding a lot of capacity over the next -- a lot of capacity means a couple of 6,000 tons, 7,000 tons, about 8,000 tons to 10,000 tons over the next six months.

Pritesh: And my last, what is the progress on the flux product line?

Aditya Malkani: Flux core wire product line?

Pritesh: Yes.

Aditya Malkani: Flux core wire product line, we're actually building up quite a bit right now at the moment. We're pretty much running at 90%, 95% of our capacity and that's the line where we'll be adding quite a lot of capacity in the coming months. Okay.

Pritesh: Thank you. All the best and Happy Diwali. Thank you.

Aditya Malkani: Thank you.

Moderator: Our next speaker for today is Mr. Harshil. Mr. Harshil, you're now being placed in the meeting. Please proceed to ask your questions.

Harshil: Hi, sir. So what I wanted to know is apart from the ONGC order, are we seeing in any other big orders which are coming in of a similar size for the flares business?

Aditya Malkani: No, not at the moment. Not at the moment. We aren't. Because we aren't. So if you remember, we talked about the fact that this is an order that gives us also a PTR, PQR to be able to do debountable flares and stuff like that at a higher level. So we're waiting to execute this order.

We are bidding and submitting orders on flares that we did earlier in the past, which was more on the line of approximately sub-20, sub-20 floor type of things. So we're working on those and we're taking that. We have not bid for such a large order at the moment.

We have some other stuff in the process equipment, but it's not as large as this, but we are bidding on stuff related to desalination and stuff like that as well. So that is ongoing. But we have not won any order of this size or neither have we bid for a very large order of this size at the moment. We are in a position to prove how we execute this correctly.

Harshil: Okay. So you said that you're not bidding for orders of sub INR20 crores or something. So can you just help us with your order bid pipeline if possible? A ballpark figure is also fine.

Aditya Malkani: INR30 crores I think we have anywhere in the region of approximately INR35 crores to INR40 crores, I think INR30 crores to INR35 crores right now in terms of pending orders over the next year.

Harshil: This is the bid pipeline, correct?

Aditya Malkani: No, that's the confirmed order pipeline in the region of approximately INR30 crores. And the bid pipeline will be another about INR100 crores beyond that.

Harshil: And just to get a sense of the demand environment. So are we seeing such kind of desalination or the FGD orders or enquiries on a steady state basis and the demand being robust?

Aditya Malkani: Demand is fairly good on that. Demand is not a problem. I think the demand is fairly there. It's about selectively doing the right order. It has to meet all our criteria like we keep saying about our cash flows, about our ROC, anything like that. But yes, there's enough business that is definitely coming out of that.

Harshil: Okay. Thank you.

Aditya Malkani: Sure. Thanks.

Moderator: Our next speaker for today is Mr. Chandresh. Mr. Chandresh, please proceed to ask your questions.

Chandresh: Thank you for the opportunity and congratulations on such good set of numbers, sir. So on the consumable side, can we expect Q3, Q4 is the better quarter for us in the historical? So can we expect a similar rate of growth going forward?

Aditya Malkani: I don't like to give a forecast in that front or anything like that. But in general, the demand indicators seem to prove yes.

Chandresh: Okay. And so secondly, we had a BIS Hallmark litigation. So can you update on that?

Aditya Malkani: Yes, sure. So I can actually. It's good you asked that question. So we had a BIS issue that came up that started off approximately two years ago. It was on some material that was imported at the time. And there was a BIS notification that said that you could not import without a BIS stamp.

We made an error on our part on two things. And the first part was that once we knew that the BIS notification had come, we stopped further import. But what had been imported, we were still selling, which is an error on our part.

We should not have been doing that. And the BIS filed a case and that went on. When they filed the case and we applied for compounding, like you would very normally, you're going to have this very small quantum box of goods, approximately five crores, six crores, something like that.

And we applied for compounding accordingly. We believe that unfortunately, the BIS was quite unfair in its compounding order to us and give us a compounding order in the region of 25 crores, which we believe is very, very unfair. So we challenged that order and we were left with the legal recourse to go to high court and put a stain on the matter, which is what we've done.

We have managed to do that. So we can continue to work it on a legal basis. And we're quite confident that a better sense will prevail in terms of the size of that order. Because it's quite irrational the way we see it. Having said that, we work with the BIS on a regular basis. We are part of many committees of the BIS on technical fronts and stuff like that.

We actually, as a company, stand to gain a lot. BIS being more and more proactive in the welding industry. We are firm believers that that's a great thing. It suits us for our main research, philosophy, but the quality works really well for us. And we have good relations with BIS and everything else on that account. It's just that we feel this order was unfortunately not done very fairly to us. And we're following the legal recourse on it. That's it.

Chandresh: Okay. And sir, what was our export contribution in the H1?

Aditya Malkani: H1, I think we hit about INR60 crores, on H1, yes. So we touched last year pretty much almost.

Chandresh: Okay. Thank you, sir. Happy Diwali and all the best.

Moderator: Our next speaker for today is Mr. Dhwanil. Mr. Dhwanil, you are now in the meeting.

Dhwanil: Hi. Good evening, everyone. You're able to hear me? So hi, Aditya. Congratulations for a very good set of numbers. So my first question is, I think you indicated 22% volume growth for this quarter, right? So that's a pretty healthy number, you know, even given the very buoyant capex in infra environment. So what is it that is working in our favour? Are we kind of gaining market share from somebody or the demand is so buoyant that we are getting this kind of volume growth? Can you throw some light on that?

Aditya Malkani: Unfortunately, it's not a large enough industry that I can give you the exact science behind a lot of it. But we do have a little sense of how we play in the market. I would say most of it, approximately 80%-90% of it may be in some way demand driven.

Not only in India, but also in the North, which we're seeing good movement. So I would say demand drive for the Indian market, I'd say 80-90% of it is demand driven. Maybe some part of it where we are with some market that is working well for us.

And on the other part, in the international markets, there is both like we keep talking about supply chain favourability for India. We are putting a lot of investments and effort into going in those markets, creating the brand directly, and definitely eating into a little bit of share of other players globally over there. So depending on the market that you're talking about, it's a question of demand and some areas eating in.

Dhwanil: Okay, got it. So second question on equipment side, I think we've done pretty well, both in terms of volume and value on equipment side. And the only thing I think we're still slightly away from is the margin side of it. I think you had indicated that equipment is equally good margin business. But we're yet to kind of see that. So what are the factors which are still preventing equipment to kind of go to its desired margin level?

Aditya Malkani: So I think you will see equipment has a little bit of more room for scale margins to come in. So it needs to scale up a little bit more. I think the benefit of the merger will also allow that to happen.

And you will see little more margins kick in a little better from that regard. The second is, of course, you're dealing with parts of it that need to be reorganized and stuff like that. That'll come in in time.

Product mix improvement, which we're actually starting to see a bit of product mix improvement happening. So that'll definitely help. But it'll take some time. It's sort of quarterly, sort of an answer that'll come at the end of every month. And you suddenly see the big jump. But over time, as you keep working towards all of this, you will definitely see that the potential is there.

Dhwanil: Okay.

Aditya Malkani: Also the automation part of the business is very critical to this. Automation is not yet at a high enough scale. So I think that's actually probably the number one, number two reason if you can scale up the automation part of the business much higher, you will be able to see that margin improvement significantly.

Dhwanil: Okay. Got it. And last question. So I think international business, we are doing a fantastic job, Aditya again. So whatever that we are reading, you know, Saudi Arabia is running very big capex. We are present right in that market.

We are also scratching the surface in South America. So very, very large opportunity is in front of us, even if we get a very tiny market share. So are we becoming more aggressive in our approach towards international business, you know, kind of taking it to maybe much higher level than what we thought a couple of years ago?

Aditya Malkani: Yes, I would definitely agree. We are very encouraged by what we're seeing. So we keep investing like that accordingly. But I think the very important part that we have to get right over here is, okay, Saudi Arabia is a very good example of where the brand is known. But you're building it up, you're keeping it. There's a lot of capex that's happening.

So you have to do that very smartly and, you know, enter correctly, and make sure you have the right partners, which we fortunately do. And then where you want to enter. But if you're going into the Americas, you're going into a Brazil market, the Ador brand isn't known.

The Middle East Ador brand is known. So you're going to those markets to get our value that we want. It's a longer period because you have a long gestation cycle because you have to do approvals, testing, you have to do all of those things.

You have to be able to prove the value addition product that you want to do. So the timeline for that takes a little longer, six months, eight months, but it'll hopefully break. And then you're part of that cycle as you go.

So I think you have to deal with these markets separately. But you're 100% right that I don't think we, I think the potential ahead is absolutely tremendous, even better than the national market. Okay, great.

Dhwanil: Okay great. Thanks a lot and all the best. Wish you a happy Diwali.

Aditya Malkani: Thank you.

Moderator: Our next speaker for today is Mr. Devansh. Mr. Devansh, you are now [in the meeting].

Devansh: Yes, thanks for the opportunity and congratulations on a great set of numbers. Sir, in case of exports, how, we are able to scale up, like you mentioned, we have already clocked last year's sales in terms of exports. Because here we'll be competing with China and domestically also we have faced margin pressure because of cheap Chinese imports.

So in exports, how, you know, we are managing to navigate that competition. Some thoughts if you can share and what can be the bigger picture, blue sky scenario in exports that is possible.

Aditya Malkani: So again, it varies market to market, varies application to application. So let's talk about the Middle East first from a little perspective. Like I keep saying is, we've been in the Middle East for a long time [better rewarded as brand].

We were undersold irrespective of what's happened post-COVID where people are reorganizing supply chains. Even prior to that, we were an undersold brand in the Middle East where we were just operating. So the first thing is, what we're doing now is we're just getting a lot more structured in our approach, the right distribution partners, building in, getting appreciation to the brand, understanding how to service the customer correctly.

And we've built that part up. And we've competed there against anyone in the world. And we've been anywhere between a Tier 2 to a Tier 1 player. So it doesn't have to typically be a cheap competition that you're fighting against. And we've done that in the Middle East market very well for a long time, which is oil and gas trade, which is great for us.

When you go into other markets, you're entering from two or three perspectives. You're entering either as your plus one to a China supply chain. So people want to have a different opportunity, which they're coming to you saying, we want to certify you. We want to work with a non-same partner that we had earlier for whatever reason. It's fine. That works for us well.

Second part is, like I explained earlier, you've got to get into the entire value segment part of it. You've got to go through the approvals, testing. It takes six months to get the right partner. Go through all of that and then just fit into the supply chain and then it becomes part of the regular ordering process. I don't think we're fighting anywhere. I don't know anywhere that we're going, I need to be cheaper than China, cheaper product. I don't think we're doing that. I don't think we can do that.

And I don't think that they need to do that. I think you have to look at where you fit in and where you can earn margin. And look, there'll be five people in the Indian market who are cheaper than us. So if my only strategy is to go in cheap, it won't really last us very long. So we're doing it in that sense. I hope that helps answer the question.

Devansh: In case of working capital, the kind of improvements you were looking out in inventory has still not happened. Despite, we have still not executed the ONGC order. So where are the scopes for improvement over there?

Aditya Malkani: There is scope for improvement over there. I won't get into the detailing of all of that right now. There is definitely scope for improvement. I'm fairly confident that in the next quarter or two quarters, you should see a significant improvement on that front.

Devansh: In terms of what can be the synergy benefits? In terms of operating cost when the two entities merge? What benefits?

Aditya Malkani: From the manufacturing cost, at the end of the day, the Ador Fontech range of products has a different margin than the Ador Welding range of products. So it's more your importance of being able to sell at that correct price, being able to position the value correctly is one of the matters. There is a little bit of service benefits, back-end service costs, manufacturing costs, all of that will come in.

Devansh: Okay. But in terms of G&A or those kinds of fixed costs, what benefits?

Aditya Malkani: There are benefits. I don't want to give an exact number, to be honest. We have done the math internally, there are benefits. But I don't want to give you an exact number. But yes, there will be benefits to range anywhere in the region of at least 7% to 10% off the top of our head from what we can see.

Devansh: Okay. Just last question, what has been the reason for delay in execution of ONGC order? I think we were expected to commence it...

Aditya Malkani: Yes, the execution is going on, yes, you are right. It's approximately a slight delay that is going on back and forth for many reasons regarding site, design, many, many things that we are in touch with ONGC and working with them. But we expect the catch up to happen during the execution period as well.

Devansh: Okay. Thank you. Thanks a lot.

Aditya Malkani: Thank you.

Moderator: Our next speaker for today is Mr. Pankaj. Mr. Pankaj, you are now being placed in a meeting.

Pankaj: Thank you for the opportunity. Sir, my first question is, if we see current six-month numbers, so equipment sales were grown by more than 50%, so it is only the impact of volumes or is there any price increment too?

Aditya Malkani: It's primarily volumes and slight product mix. No major price appreciation as such on a per unit basis, on a per product basis.

Pankaj: So are we expecting to rise price in the coming future?

Aditya Malkani: I don't have an answer to that exactly. I have no reposition to give it. I think it just depends on the market forces. If the market is in a position to allow us to do it, then we can definitely do it.

Pankaj: Okay, got it. My second question is, what is the breakup of automation, cutting and other equipment in our equipment segment? And is there any margin difference among them all?

Aditya Malkani: It's small at the moment. It's approximately 10% to 12% of our equipment sales. And should be -- we are investing and working towards the fact that it should lead up to approximately 1:1. Because it's small, on a gross margin level it's quite okay. It will be somewhere in the region of

25% on a gross margin level. But we are not big enough on a scale level, so you are always going to hurt over there. So I think the scale level needs to go up. But it's definitely -- this is an area which is definitely the big driver for margins.

Pankaj: Got. It. My next question is, what is our current revenue mix of high value items and conventional products in the consumable segment? Along with the previous period mix, and how do margins differ between the two?

Aditya Malkani: We are at approximately 85% of the standard range of products and probably about 15% of the higher end kind of products right now. So we keep going down and get to about 80-20 depending on how we invest and how we try to do that. Margins would differ by approximately 3% or 4% or 5% depending on the range on a gross level.

Pankaj: And any future guidance for high value items?

Aditya Malkani: Sorry?

Pankaj: Any future guidance for high value items?

Aditya Malkani: Guidance? I think we have no choice but to be a seriously good player in it. So we have to keep driving that, which we are doing. We are spending a lot of time and effort on that. And we have to grow that. Yes, we are trying that.

Pankaj: Okay. Just one follow-up question. As you said that our Flare business, so there is a delay in Flare business. So is there any liquidated damages that we can expect?

Aditya Malkani: Not at the moment. If there was, we would have taken already a provision for it.

Pankaj: Okay. And just one last question. So what are the total number of dealers and distributors as at the end of the period and total number of SKUs?

Aditya Malkani: We have at Ador Welding, we have approximately 180 distributors and a sales team of approximately 90 people. At Ador Fontech, we have approximately 80, 90 distributors and a sales team of another 60, 70 people.

Pankaj: And SKU?

Aditya Malkani: Sorry?

Pankaj: Total number of SKUs?

Aditya Malkani: SKUs in the welding front are dealing with steel of different sizes. You are talking of anywhere in the region of 5,000 SKUs. It's a 90, 10 rule, not 80, 20.

Pankaj: Okay. Yes, that's all from my side. Thank you.

Aditya Malkani: Thank you.

Moderator: Our next speaker for today is Mr. Ankit. Mr. Ankit, you are now being placed in the meeting.

Ankit: Thank you for the opportunity. Congratulations for a great set of numbers, Aditya, and the team. On the consumable side, we have seen margins of around 16.5% at PBIT level in Q2. And you were saying that these are one of the highest margins in any quarter for the past four years, five years at least. And you were saying that you hope to build on this kind of margins and this is the base level and we will build on this. So, what all has led to such a significant jump in our PBIT margins on the consumable side? And where do you see this heading towards over the next year or two?

Aditya Malkani: I think as long as we remain a little smart on product. It comes under the same principle. We remain a little smart on product mix. We will get some sourcing advantages with the scale that we are doing. And as long as we understand the value selling in the market. Those are the basics that we keep following. And for AI, for the international and the domestic together, we keep doing this so that we have a lot of benefits going forward. So, I am hoping that this pace we just keep incrementally building up. [inaudible 0:30:32].

Ankit: The volume growth that we have seen in H1 is like normally whenever we have interacted with you through con calls, you have always maintained that the industry growth has been at high single digit or low teens kind of things. And our endeavour has been to slightly better that. But this quarter has been a significant improvement in the volume growth and you are saying the momentum continues even in October. So, which segments are driving this volume growth, such a huge volume growth?

Aditya Malkani: The domestic market and the Indian market. General Infra is driving growth. Railways is driving growth. Auto is going on a little bit. We don't do excess amount in auto, but auto is going okay. Railway ship building is coming in. we have Power plants little bit, cement also little bit. Yes, cement -- adding infrastructure in cement, that's also helping. So, I think all-in-all in general, that's sort of picking it up in that regard.

Ankit: On the player segment, we will be starting the execution for the ONGC contract as you said from December onwards. So, can we expect a billing of around INR70 crores to INR80 crores for the full year for FY '24 in this segment?

Aditya Malkani: That is what we are pushing very hard to do.

Ankit: And the losses which we have incurred in the past two quarters that will also get adjusted in the subsequent quarters. Let's say, we will try to reach 10%, 11% kind of margin that we have always endeavoured to reach in this segment?

Aditya Malkani: You are right. That's exactly what we are trying to do. Let's hope we can do it.

Ankit: Got it. My last question was on the Fontech side. We are somewhere in the vicinity of around INR50 crores, INR55 crores quarterly run rate. So, what kind of demand are we seeing in the sector that Fontech or in the segment that Fontech is catering to? And what kind of growth rates do we expect in Fontech over the near to medium term?

Aditya Malkani: So, it's a slightly different product mix that you are dealing with. What we have been trying to do ever since we decided to push the merger, what we are trying to do is get the product mix even better at Fontech or higher margin products. Understand where the overlap with Ador happens, with welding happens. Understand where those commodity range might be better suited at welding. And try and take those out of play as much as possible and try and push the right product mix whether it's service or product in Fontech more-and-more.

So, I don't think pushing excess top line growth is going to help. I think it's a question of margin improvement. We have been seeing that in the results. We are able to get that mix of decent level of growth but better margin product mixes. And that I think will suit us in the merger as well. So, that's what we are trying to do.

Ankit: So, overall can we expect 10%, 15% kind of growth in Fontech, or its…

Aditya Malkani: I think, 13% to 10% range is kind of okay here.

Ankit: Okay, thank you and wish you all the best.

Aditya Malkani: Thank you.

Moderator: Our next speaker for today is Mr. Kaushik. Mr. Kaushik, you are now being placed in the meeting.

Kaushik: Hi sir, congratulations for the good set of numbers. Sir, my basic question is on the PBI numbers. What is our Middle East market that we are going to have? It's like in the export side, we are telling that we have the good market on the Middle East. So, what basis are that? We are just present there from the longer duration is the only thesis or the supply chain is the thesis?

Aditya Malkani: So, the point that we have been there for a long time is allows us to operate on a platform. It allows you to operate on a certain brand level where you don't have to keep producing the brand. It's a very well-regarded brand in that. Now, and then there's the supply chain changes which happened. But I wouldn't say the supply chain changes in the Middle East are excessive. I think in North America, they are more excessive or demanding about supply chain changes.

Middle East is going to get driven a lot by oil and gas expenditures that is happening. Saudi Arabia, capex expending that is happening. In the UAE also, we are seeing a lot of that happen, especially in Abu Dhabi and all of that. So, it's an oil and gas related, given the good period that oil and gas has and they are planning to invest for at least a few more years, about 10 years, more years of investment. So, that's another driver. And lastly, I think the most important driver for us is the team that they have been very smart about getting into projects early, getting approvals early, being aggressive at distribution, being aggressive with customers.

I think that has also helped a lot. So, it's just those main things that will help. Middle East is approximately 80%, I think of our export sales.

Kaushik: Got it. Sir, how long will it take to replicate the same thought process on the US side and European market side? It's like we can assume…

Aditya Malkani: Europe is not a focus area at all for us right now. Europe is not really, it's something that comes up, it will come up. The US a little bit, but other parts of America, Brazil, Mexico, a little more interesting. And then we have other parts like the CIS and all of that is also interesting. To replicate that, I don't think we can replicate it. I don't think we are in a position to replicate it.

I think we are in a position to do it again, create value in some other way, which is through the supply chain, through testing, through a lot more distribution-oriented way of working. I think value addition, selling may be limited. However, ensuring the product meets all the standards and all of that may be more accepting, maybe something there. So, it varies. I'd say it's a different way of looking at it. I don't think you can just say that we'll replicate the Middle East way based over there.

Kaushik: Got it. Sir, last question. Can you give more clarity on BIS

Aditya Malkani: Yes. So, as I mentioned earlier, the BIS issue is… We had, about two years ago, we had run afoul of a BIS notification that had come in that says that you could not import without the BIS approval. We had stopped the imports at that time. We made the error of agreeing to sell the product, which we should not have done. That error, at that time, the description of the product report was confusing. There were some things that happened. All in all, there was an error that was made.

We then applied for compounding. The quantum of goods was only INR3.50 crores. Given what had happened in the past, the compounding events would have been fine, which is fair enough, and move on. The fine would have been quite understandably fair. However, for some reason, the authorities decided to impose a very large fine on us, which was INR25 crores, INR26 crores, which is the max possible allowed.

We felt that it was highly unfair on their part, and therefore, we challenged it. We stayed at the High Court, we stayed on the compounding order, and now we are going through the legal process of hoping for a resolution. Like I said earlier also, we have a very good relationship with BIS. We work with them on many different fronts. We work on their technical committees, and we have a lot to gain with BIS. It's not a confrontational sort of thing. I think it's a question of just getting everything sorted out over time. That's it.

Kaushik: Got it. Thanks, sir. I'll get back in the queue.

Aditya Malkani: Thank you.

Moderator: Our next speaker for today is Ms. Ruchi. Ms. Ruchi, you are now being placed in the meeting.

Ruchi: Good evening, everyone. Congratulations for a good set of numbers. I have just some basic questions. Like, the current quarters margin is 12.8%, and FY '23 was 11.2%. Is this sustainable for FY '24 and next years? And in the similar context, is the risk manageable in your business if there is any kind of spike in metal prices?

Aditya Malkani: I think our endeavour is to ensure that this level of margin remains through and through, and we keep building on it. That's what we are pushing towards. The risk is there in terms of steel prices up down a little bit, but we are not in a position to be able to pass it forward and all of that within a one-month lag. There are obviously rate contracts that you have with larger customers which require a little more detailing, but most of them are fairly raw material linked most of them are from South America.

Ruchi: Okay. Is it sustainable for over the next two years? Can you specify this?

Aditya Malkani: That's what we are all working very hard in our goal.

Ruchi: Okay. In the similar context, as you have given the guidance in the con call as well that volume growth was of 10% for FY '24. Are you on same guidance for this year and next two more years?

Aditya Malkani: I can't give any guidance. I can only tell you that we hope to completely outperform on the IIB front which is exactly what we have been doing and we will keep working on that. Beyond that, I'm sorry I can't give any guidance.

Ruchi: Okay, thank you.

Moderator: Thank you. Our next speaker for today is Mr. Nitish. Mr. Nitin Nitish, you are now being played in a meeting.

Nitin Nitish: Hi, sir. Congratulations on the good set of numbers. Sir, just a few questions. From what I understand, a lot of welding equipment right now is imported from China. So, are Made In India products right now, is it finding more acceptance in India?

Aditya Malkani: Yes, there is a lot more acceptance. Look, at the end of the day, you can't just get away with that. Indian market is very value oriented. You can't get away with perceived value and real value, delivered value to be very different. So, we have been working very hard to ensure that we provide a very good product and we have a price margin that's built in over a cheap alternative that may be imported. But yes, we feel that the market is very responsive in many ways.

Nitin Nitish: Okay, and any guidance on the timeline for the merger? When will it get completed?

Aditya Malkani: That is in NCLT hands. They are working for us and still hoping.

Vinayak Bhide: Earliest in the Q4

Aditya Malkani: Yes.

Nitin Nitish: Okay. That's all from my side. Thank you.

Aditya Malkani: Thank you.

Moderator: Our last speaker for today is Mr. Harsh. Mr. Harsh, you are now being placed in the meeting.

Harsh: Yes, sir. Thank you for the opportunity. Congratulations on a great set of numbers. I wanted to understand, with demand being very strong in the domestic market, do you have any plans for gaining the market share in the Indian market also? Like you mentioned, for exports you are gaining market share.

Aditya Malkani: Very much so. It's definitely a very important part. In fact, there was a question tying in about higher end special products per se, where we do tend to focus a little bit on gaining market share over there. In certain industries, we are trying to gain, like in the general infrastructure space, or in the shipbuilding space, yes, we are trying. Yes, so we do, of course. Look, at the end of the day, the Indian welding business drives the business. So I think and given the fact of what we see as great growth opportunity in India, that is where we spend a lot of our mind space as well.

Harsh: Got it. So, just a follow up to that is, we will still have tough competition from imports for the lower end, right? For the higher end, we will still be able to…

Aditya Malkani: I don't think that will change. I don't think competition is going to reduce in any way or form.

Harsh: Okay. Got it.

Moderator: We have a follow up question. So, Mr. Kaushik, you are now been placed in the meeting. Please proceed.

Kaushik: Hi, sir. Thanks for another opportunity. Sir, I just wanted to understand on the ONGC, this thing. Sir, post-December, or January, we will be having the order for next six months. That comes out to be around INR135 crores. And 90% of the work will be done in that six months. Is my understanding right? And what about post that six months? Any order that we are chasing very currently?

Aditya Malkani: Yes, okay. So, I'll try and break it down as much as I can. So, it's approximately INR125 crores. INR125 crores net of GST. INR122 crores- INR125 crores. We have built till date anywhere in the region of INR15 crores. INR15 crores- INR16 crores, we have built already till date. So, you're left with INR110 crores. Approximately 80%-90% of that balance should be happening in time between Jan and about July. That's the plan.

So, that gives you the math in terms of that breakout. We are at the moment bidding and have been bidding to add projects into our timeline for next year. So, we are able to look at a growth of 20%-25% minimum. If not more, 30%-35% maybe or next year as a division. So, I hope that answers it to some level.

Harsh: Yes.

Aditya Malkani: Anything else?

Moderator: We have one more follow up question from Mr. Ankit. Mr. Ankit, you are now being placed in the meeting.

Ankit: Sure, thanks for the follow up. Just one question on the margins of the equipment side. There were some supply chain issues that we were facing for this equipment segment. So, how is the situation on that front? You have maintained that in the medium term, we want to have mid-teens or 14%-15% margins in the equipment side. So, any timeline on that? When are we looking to reach that? Or at least double-digit kind of margins can we expect in that segment?

Aditya Malkani: So, firstly, most supply chain issues at the moment are kind of okay. If you don't see any foreseeing any major issues like there was earlier. I think the answer to the double-digit margin lies in our ability to ramp up our automation very fast, very well, and make that a significant contributor, which it can. But it will not happen on a monthly basis. It will not happen on a quarterly basis; this is the only growth. You have to just give us a little time. You will see that coming.

Ankit: Okay, thank you so much.

Aditya Malkani: Thank you.

Moderator: That was the last one.

Aditya Malkani: Thank you, guys. All done.