



# “GMM Pfaudler Limited Q4 and FY19 Earnings Conference Call”

**May 30, 2019**



**MANAGEMENT: MR. TARAK PATEL – MANAGING DIRECTOR, GMM  
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**Moderator:** Ladies and gentlemen, good day and welcome to the GMM Pfaudler Limited Q4 and FY19 earnings conference call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Diwakar Pingle from Christensen IR. Thank you and over to you sir.

**Diwakar Pingle:** Thank you Janis, good afternoon to all the participants on this call.

Before we proceed to the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors and must be viewed in conjunction with our business risks that could cause future result or performance or achievement to differ significantly from what it has been expressed or implied by such forward-looking statements.

Please note that we have mailed the results and the press release and the same is available in the company's website. In case you have not received the same, you can write to us and we will be happy to send the same to you.

To take us through the results and answer your questions today, we have the top management of GMM Pfaudler represented by Mr. Tarak Patel – Managing Director; Mr. Ashok Pillai – COO; and Mr. Jugal Sahu, Chief Financial Officer.

We will start the call with a brief overview of the business for the year and then conduct the Q&A session. With that said, I will now hand over the call to Mr. Tarak Patel.

**Tarak Patel:** Good afternoon everybody. Let me give you a brief highlight about FY19, the year that we just finished on March 31st. I will start with the standalone highlights of our GMM Pfaudler. The standalone revenue grew by 34% to 418 crores versus 312 crores previous year so that the revenue increase of more than 100 crores. The EBITDA improved by about 43% year-on-year. We had a total EBITDA of 65.7 crores versus 46.2 crores previous year. As a percentage of revenue, EBITDA increased by 1% from 15% last year to 16% this year. PBT is up 40% year-on-year, 61.3 crores versus 43.9 crores previous year. PAT is up 43% year-on-year, 40.7 crores versus 28.4 crores previous year.

On a consolidated basis, revenue grew by 24% year-on-year. We closed the year at 502 crores versus 405 crores previous year, again an increase of nearly 100 crores. The EBITDA on a consolidated basis improved by 23%, 77 crores versus 62.1 crores, and as a percentage of revenue remained at about 15%. PBT is up 19% and PAT is up 17% on a consolidated basis. So, we have had a pretty significant year. Improvements have been made at the GMM

standalone basis. Significant improvements have been made both in terms of revenue and profitability. We also recently completed the acquisition of the industrial mixing solutions division of Sudarshan Chemicals which should further improve revenues going forward and our order backlog currently is very healthy which puts us in a very strong position for the next financial year.

- Moderator:** Ladies and gentlemen, we will now begin the question & answer session. We will take the first question from the line of Rohit Ohri from Progressive Shares. Please go ahead.
- Rohit Ohri:** I read about this in the newspapers that GMM wants to occupy the office which is in Cuffe Parade area via the Lodhas. What exactly was the rationale behind this?
- Tarak Patel:** The new office space that we are moving to?
- Rohit Ohri:** Yes, that's correct.
- Tarak Patel:** The rationale is that we need more space because we are growing and we thought that would be a very nice location for our new office. It is in New Cuffe Parade, not Cuffe Parade.
- Rohit Ohri:** The expenses going forward, are they going to increase or do you see the cost would be reducing for us?
- Tarak Patel:** Because of the new office or you are talking in general?
- Rohit Ohri:** Because of the new office.
- Tarak Patel:** The arbitrage is there. The current office that we are operating out from is owned by us. We will lease this premises out and then we will lease the other premises in. So, there won't be much incremental lease payment that we will have to make.
- Rohit Ohri:** There is next phase of expansion that we can see that it is coming through GMM Pfaudler. In order for you to grow further – correct me if wrong – I think you will have to strengthen your marketing team going forward. So, should we see the employee cost going up?
- Tarak Patel:** As we are growing at a rate of about 34% or 35%, whatever we do in terms of employees, whatever employees we add, it will still be significantly lower than the rate that we are growing at. You are right that we need to definitely improve and strengthen some areas, especially in areas that we are trying to make a breakthrough in and we will continue to do that, but as a percentage of revenue, I don't think you will see a large increase in employee cost. It might remain at the same or might even decrease as a percentage of revenue.
- Jugal Sahu:** Currently, it is about 10% of our sales probably will continue at that rate.

- Moderator:** We will take the next question from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.
- Kashyap Jhaveri:** In our heavy engineering division, we have seen significant contraction in EBIT margins despite strong revenue growth. If you could comment on that?
- Tarak Patel:** Specifically on HE, there might have been 1 or 2 jobs that probably reduced our profitability but going forward, heavy engineering still remains a very important part of our business, and looking at the backlog that we have, we are quite confident that we will meet the revenue as well as the profitability percentages that we are planning.
- Kashyap Jhaveri:** So, should, on a full-year basis, next year margins get back to normalcy?
- Tarak Patel:** Yeah, I think so. As a company, we are definitely looking to increase the profitability again. We are around 15% level right now. We would like to at least add 1% at this point over the next year. We have a good backlog and we have good export orders also in the backlog which should help us really come back to.
- Kashyap Jhaveri:** You also alluded to this order book strong position in the opening remarks. Would you be able to disclose that number as of 31st of March?
- Tarak Patel:** We don't disclose order book numbers but we started this year with a 50% higher backlog than previous year. It's the revenue growth that we have, we still managed a 50% higher backlog as the starting backlog and the first couple of months have also been quite strong in terms of order book. The good thing about the order backlog is it is well spread out between all our product lines. So, we are quite confident and we have good amount of visibility for this next financial year.
- Kashyap Jhaveri:** On our recent acquisition from Sudarshan Chemicals, if you could help us with a bit of numbers over there?
- Tarak Patel:** I think it would be premature to talk about numbers really but I think they closed the year somewhere around 30 crores or so. Maybe we will have more information for you in the Q1 con-call that we have, but right now, I think as a revenue, they had about 31-crore revenue and a profitability of about let us say 20% EBITDA margin, something around that.
- Moderator:** We will take the next question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Sir, we have seen quite a decent growth in proprietary products also. Is it that the filtration & drying and mixers also doing well for us? If you can elaborate on that.

- Tarak Patel:** Filtration & drying as well as the mixing are important segments for us. They are growing well. Our market share in filtration & drying for example is relatively small if you compare that of market share that we have in glass lined. So, yes, we plan to grow both the mixing as well as filtration & drying as we go forward.
- Ankit Gupta:** How is order book and enquiries on that in this segment?
- Tarak Patel:** They both are very strong.
- Ankit Gupta:** Is it also related to the CAPEX which is happening in agrochemicals and pharma sides?
- Tarak Patel:** Absolutely. Just to give you context, the filtration & drying typically comes down stream of glass lined reactor. So, if the glass lined business is strong, you can expect that we have the businesses that are downstream to it are also strong. The mixing business on the other hand is almost industry agnostic. So, it spreads across industries and it is vitally used so that market potential is much, much larger than we are dealing with right now. And with this acquisition in Pune, we have bigger markets and bigger market segments that we were not previously exposed to.
- Ankit Gupta:** On the gross margin side, there has been a sharp contraction in the gross margin side in this quarter. Can you just quantify the reason for that?
- Tarak Patel:** That question was answered earlier. There was some contraction in the heavy engineering.
- Management:** This is mainly due to the product mix. Normally we have 70% glass lined and 30% other product lines. In this quarter particularly, we had 63% of glass lined and 37% non-glass lined.
- Ankit Gupta:** If I look at your EBIT margins, the EBIT margins at least for the glass lining have remained quite stable.
- Tarak Patel:** Yeah, our glass lining EBIT margins not only have they remained stable, I think we will see them improve as well because now we will get the benefit of the reduction in metal prices. The trends are showing that steel plates are decreasing in pricing and the new orders that we have in the backlog are at much higher prices. So, you will probably see some improvement there. And this is a one-off quarter where we had a couple of large orders, about 13 to 15 crores was the business for a single customer, which obviously was very large, but strategically to get our foot into the door, we had to take it at probably a slightly lower margin than we normally do.
- Ankit Gupta:** How is the pricing on the glass lining side given the flow of orders we have? Are you seeing any improvement in pricing?

**Tarak Patel:** As I mentioned before, I think in terms of glass lined, we still control about 60% of the market which is a very dominantary position from the point of view of also the ability to cater to the demand of the customers. I don't think anybody else has the capability to do complete large turnkey orders. So, most customers will come to us. When we talk about the chemical segment of agrochemical and specialty chemical, the sizes required for those business lines are much higher. The quality requirements are much more stringent. So, most customers will prefer to come and go with GMM Pfaudler. We feel that recently when we got a very large order from PI Industries, the entire order which was for 127-odd equipment amounting to more than 25-26 crores. Nobody else can cater in the Indian market for such a large requirement. We are head and shoulders above everybody else, and I think with that, people are willing to pay us premium pricing. With our new furnace coming in, in September, additional capacity will be added. So, I think we are growing from strength to strength when it comes to glass lining and the backlog that we have will also help us achieve the target we want. As you see in the last couple of quarters, glass lining has been the growth driver for us, has been the major contributor to both revenue and margin, and I think we will see that improve in the coming quarters.

**Moderator:** Next question is from the line of Jatin K from Alpha Capital. Please go ahead.

**Jatin K:** My first question is on Mavag. The numbers seem much weaker there than we were guiding. Anything you would like to say on that?

**Tarak Patel:** There, we were also a bit surprised. However, it is a one quarter kind of aberration because it was about 2 large equipments which were not able to be shipped out by this March ending; however, we will make up for the shortfall in the coming quarter. It is not a trend that we see. It is more about a specific order which did not get completed in time and could not be shipped out in time, but that will be made up in the coming quarters.

**Jatin K:** What was the amount of that large order?

**Tarak Patel:** About 2 million was the order value which would have translated into a decent EBITDA margin because as you know, anything over 10 million Swiss francs of sales in a financial year, Mavag adds about 50% contribution.. They were short in terms of revenue; hence the profitability looks a little bit weak, but as soon as they ship those orders out, they will come back to the normal run rate.

**Jatin K:** In terms of domestic standalone GLE numbers, what was the sales volume and what are we expecting in this coming year?

**Tarak Patel:** Sales volume as in number of equipments?

**Jatin K:** Yes, sir. tons equivalent.

**Tarak Patel:** I don't have that off my head. But if I remember correctly, I think last year was about 1750 EUs. This year, it is more than 2000 and also for the first time, last year we hit our magic figure of 200 EUs per month. Going forward, we expect to continue in those trends. So, glass lining will continue to improve quarter-on-quarter.

**Moderator:** We will take the next question from the line of Anand Jain, individual investor. Please go ahead.

**Anand Jain:** Most of my questions have been answered. The only question that I have is that the glass lined equipment industry is pretty much like oligopoly or duopoly between our company and Swiss Glascoat being the #2 player. And with the demand going up so significantly, the margin increase doesn't seem to have come the way we had expected at the beginning of this year. Is that a fair assessment? Are we also competing on market share with our competitors and kind of compromising on margins because of that?

**Tarak Patel:** First of all, there is more than Swiss Glascoat in the market. There are 3 other players also in the market; two in the south and one also in Gujarat itself. So, there are totally 5 players in the market. So, we have seen appreciation in the margins as we have grown in the last year as compared to the previous year. But there is a certain amount of cost that we can pass on to the customer and a certain amount of margin improvement that we can expect and we are trying to balance between market share and profitability.

**Anand Jain:** The second question is what will be the number on the glass lined, what is total export amount in the glass line business? And are we receiving orders? Or are we like still in that position saying that, no, we will cater to the local market and we are not focused on exports right now?

**Tarak Patel:** Right now, the export market, we normally go through Pfaudler because they have an excellent network all over the world. We are stocking our equipment in Europe. It is being sold in Europe, it is being sold in Israel, and it is being sold in the Far East and South Africa. We are selling over there, but the volumes are not that significant.

The domestic business does get our attention. That is where our business strengths are, that is where our market share is being maintained, and we are focusing a lot on that.

We are saying that the rest of the world is primarily taken care of by Pfaudler, but whenever they have a cost issue or they have a price issue that they can't deal or there is a customer that is not familiar with Pfaudler, then we are the preferred company that comes in the front.

**Anand Jain:** What has been the amount of exports this year?

**Tarak Patel:** I think in Q4, we did about 12% to 13% and in terms of the order booking that we had, that is also still remaining at 12% to 15%. The company as a whole, going forward, maybe about 12% to 15% would be the exports that we are planning.

**Moderator:** The next question is from the line of Saravanan Vishwanathan from Unifi Capital. Please go ahead.

**Saravanan Vishwanathan:** Mavag, I think earlier you had indicated about 15 to 16 million is the revenue potential considering the current capacity and we seem to have done around 12 million, right?

**Tarak Patel:** No, we have done for 13.2 million, I think.

**Saravanan Vishwanathan:** So, which means the big profit potential was what was achieved last year, like around 14 crores. Was it the peak or how do you see it?

**Tarak Patel:** If they do 15 million, they will do about 2.5 million Swiss francs profit. If they do 16 million, it will be 3 million. So, 50% contribution after 10 million. But I think right now, 15 to 16 million is something that we can expect for the coming year, and they have a good order backlog to meet these numbers.

**Saravanan Vishwanathan:** In the heavy engineering segment, what sort of growth rates are you expecting? I also missed the update on why the margins were very low in heavy engineering in Q4.

**Tarak Patel:** There was a specific order which we had taken for a strategic reason that it was a large, about 12-15 crore order which had probably a slightly lower margin profile than we normally accept but it was more strategic in nature and hence that entire order was shipped out in Q4, hence a slight reduction in profitability, but we still expect heavy engineering to be a key growth area for us. We do have a strong backlog in heavy engineering. A large chunk of it includes export business. We have some good profitable orders in the backlog as well. So, we are probably expecting to come back to the profitability levels that we have and we plan.

**Saravanan Vishwanathan:** In terms of business growth, will it be higher than the company growth rate or it will be in line with the company growth rate? Heavy engineering division.

**Tarak Patel:** I think 15% CAGR is something that we plan at the GMM level that we have been planning over the last 5 years, but we expect heavy engineering to grow slightly faster than that.

**Saravanan Vishwanathan:** Your expansion plans are on track, right? You would want to expand in the GLE segment from 2400 units in FY20 to 2900?

**Tarak Patel:** Yeah, our expansion plans are on track but we want to expand all our product lines. So, GLE expansion is already currently underway. The new furnace comes in and we have also looked at outsourcing some of the fabrication activities to increase our throughput. We have also done a lot of internal improvements in efficiency which is also increasing the output but I think we also need to look at what we are doing also expansions in heavy engineering and filtration & drying. One of the ideas of acquiring the mixing business was to consolidate both the mixing businesses of both companies and move it to a new facility outside the factory that they are



currently to give it the focus that it needs and at the same time free up some capacity at Karamsad as well.

**Saravanan Vishwanathan:** What is the consideration we paid for the industrial mixing solution?

**Tarak Patel:** We paid about 4 times the EBITDA margin which was about 28.5 crores.

**Moderator:** The next question is from the line of Prasan Hazariwala, individual investor. Please go ahead.

**Prasan Hazariwala:** You have mentioned something about 5 years' plan. Can you please explain what is the 5 year reason for us?

**Tarak Patel:** I will just brief you a little bit. When we started our last or the current financial 5-year plan, this will finish at the end of this financial year. So, on March 31st 2020, we will complete this 5-year plan which we call mission 2020. We are on track to meet the plan that we had set out 5 years ago. We will be very, very close to achieving that number. We are already working on our plan for the next 5 years which we are launching sometime in the next few months and we have a clear idea in terms of where we want to be in the next 5 years.

**Moderator:** The next question is from the line of Aman Deep Singh from Ambit Capital. Please go ahead.

**Aman Deep Singh:** Sir, in the last call, you had mentioned that you were seeing enquires from pharma players in Hyderabad and Vizag area. Any developments on that front?

**Tarak Patel:** The market seems to be picking up again. I think a lot of people were waiting for the elections to get over and for the dust to settle down. So, I think we will start seeing enquiries coming in hopefully in the short term since everything has already happened.

**Aman Deep Singh:** Sir, guide us on capacity addition for FY20 and 21 in the EU.

**Tarak Patel:** I think we are now going to plan to hit at least about 2400 EU this financial year if not more and the year after next probably again a jump of about 20%.

**Moderator:** We will take the next question from the line of Kiran Naik from Mody Fincap. Please go ahead.

**Kiran Naik:** Sir, what is the market share of GMM in the industry?

**Tarak Patel:** In glass lining, I would say it is close to 55% to 60%. And for the other product lines, obviously there is much, much larger market. So, it is very difficult to quantify but definitely not as high as glass lined.

**Kiran Naik:** What is the time lag for passing on the raw material price increase to the customers?

- Tarak Patel:** It is basically a lag of a quarter. Sometimes we buy plates and then we use it about 3 or 4 months later, that is the normal cycle. Right now, the plates that we have bought will be used and manufactured in the coming 4, 5, or 6 months, but most of the price increases have already been passed on, and however, we are seeing a reduction in metal prices going forward. So, we will see some benefit.
- Kiran Naik:** Swiss Glascoat is a competitor?
- Tarak Patel:** Swiss Glascoat is a competitor, yes.
- Moderator:** The next question is from the line of Rohit Ohri from Progressive Shares. Please go ahead.
- Rohit Ohri:** This is related to the development of Interseal and Normag. What I remember from the last con-call is that Pfaudler was looking at localizing and Indianizing Interseal and that time you had mentioned that we are working on 6 or 8 numbers which were related to Interseal. Any development or growth or any breakthrough that you see in that case?
- Ashok Pillai:** The customers have appreciated the product and continued to place orders directly on Interseal because sales across, that is going on. But there has not been much touched about Indianization of the product within India. We have supplied parts to them to Europe for them to make the product lower cost than what they have right now, but we have not started working on making the product in India as yet. We will review the progress of this in a quarter away.
- Rohit Ohri:** In terms of Normag, I thought that you have been working on CV system. That is what Tarak had mentioned in the last conference call. Any breakthrough in Normag?
- Tarak Patel:** Here I think you will see some breakthrough very soon. We are now currently in very advanced talks for 2 large systems for acid recovery and I think there will be some good success there. As you know we have hired 2 or 3 senior people from the industry who carry a wealth of knowledge and I feel they will be good additions to our team because in the acid recovery business for us because it contains glass lined component as well as heavy engineering component will be a good fit plus the technology is already available with the Pfaudler group. So, I think that is going to be a new business stream for up going forward.
- Moderator:** The next question is from the line of Alisha Mahawala from Avendus Wealth. Please go ahead.
- Alisha Mahawala:** I just wanted to understand that despite a healthy revenue growth Q-on-Q, I don't think it has translated into profitability. Is this also because of heavy engineering?
- Tarak Patel:** Are you comparing it with previous quarter, right?
- Alisha Mahawala:** Yes.

**Tarak Patel:** Again, that was this 1-quarter aberration where our profit did go down because we had a very large chunk of heavy engineering that were shipped out in this final quarter which reduced our profitability by about 2% or so.

**Alisha Mahawala:** You expect it to normalize from the next quarter?

**Tarak Patel:** I think it is going to actually not only normalize but probably be a little bit better because the glass lined equipment backlog that we have – As we mentioned, we have a 50% higher backlog – we pretty much know the pricing and the margin that are available in our backlog. So, we see this number to bounce back quite easily.

**Alisha Mahawala:** Can you share the average price per EU?

**Tarak Patel:** Average price per EU is now I think close to 15.5 or 15.7 something like that I would say in the backlog.

**Moderator:** We will take the next question from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

**Kashyap Jhaveri:** Just wanted to check the order book. Would you be also able to disclose the mix or probably just a tilt in favor of whichever the segments? And second question is on this acquisition that we have done where you mentioned the revenues are roughly about 30 crores for this year. It seems like we have paid roughly about more than 2 times sales and more than about 12 times EBITDA. So, ROC of that business is roughly about on our book basis will be sort of about single digit number. So, once we club our business with theirs, how long a fairly high double digit number?

**Tarak Patel:** I just want to clarify; we did not pay anything close to any sales. The company's revenue is about 32 crores and their EBITDA margin were about 21% to 22%. We paid 4 times EBITDA margin for that company and their mixing system business plus our mixing system business is about a 60- to 70-crore business.

**Kashyap Jhaveri:** So, when you mentioned 30 crores, that was a quarterly number?

**Tarak Patel:** No, it was the revenue number for the entire year.

**Kashyap Jhaveri:** Didn't get that number.

**Tarak Patel:** It was 30 crores revenue for the entire year.

**Kashyap Jhaveri:** And that business has 21% EBITDA margin?

**Tarak Patel:** 22% EBITDA if I am not mistaken.

- Moderator:** We will take the next question from the line of Sunil Jain from Nirmal Bang. Please go ahead.
- Sunil Jain:** This Mavag, you said that current year revenue was 13.2. Can you tell how much it was in the previous year?
- Tarak Patel:** Last year, Mavag was about 15.3. This year, it was about 13.1. That was about a \$2 million difference between previous year and this year. As I mentioned, there were some large shipments which could not be completed, hence you will see those shipments coming through in the following quarters.
- Sunil Jain:** Maybe the lower growth margin at Mavag level is also because of steel prices and all?
- Tarak Patel:** No, I think that is only because of the drop in sales. On a profitability basis, they are all the same. And as I mentioned, if we had had about \$2 million of sale, they would have seen the same profitability numbers.
- Sunil Jain:** And next year you are talking about 15 million we can again bounce back possibility is there?
- Tarak Patel:** Yeah, at least 15 million is something that we want, maybe a little bit better than that.
- Sunil Jain:** Sir, since you have a very good order book position, whatever the standalone growth what we had seen in the current year, can that be continued without considering the acquisitions?
- Tarak Patel:** Yes, that is what are targeting because if you see our backlog has increased by 50%, we should try and maintain the similar growth level that we had in this current year.
- Moderator:** We will take the next question from the line of Siddharth Purohit from SMC Global. Please go ahead.
- Siddharth Purohit:** Congratulations for the good set of numbers. Just one question, what was our CAPEX in FY19 and for the coming year?
- Tarak Patel:** Our maintenance CAPEX is about 2% of our revenue. In terms of really the large CAPEX items have been, one was the furnace which was probably purchased last year but will be installed this financial year and there was also a new manufacturing shed that we had built which will now be commissioned in the coming month. In terms of value, I think it was about 17 crores total on these 2 items.
- Jugal Sahu:** It includes intangible assets of 5 crores.
- Siddharth Purohit:** And for FY20?

- Tarak Patel:** We have a plan for FY20 but right now for the next 6 months, I don't think you will see much CAPEX coming in. I think we need to first utilize the new shed as well as the new furnace. I think there will be only maintenance CAPEX that really will go through.
- Moderator:** We will take the next question from the line of Kashyap Karthik from Table Tree Capital. Please go ahead.
- Kashyap Karthik:** From an order book perspective, is it fair to say that 70% of this order book is glass lined equipment and engineering is the rest 30%. Is that a fair estimate?
- Tarak Patel:** The backlog I have the details. I would say more than 60% is glass lined.
- Kashyap Karthik:** Just wanted to understand the dynamics here. Given our advances from customers have gone up about 60% to 70% that we can see in the balance sheet, we get more advances like 20% of advance for glass lined equipment and 30% advance for heavy engineering. How does the advances from customers work in terms of different product lines?
- Ashok Pillai:** For glass lined specifically it is 20%. That is true also for the other proprietary products like filtration & drying and engineered systems. For heavy engineering products, the advances could be different where some advances are received along with the order and there could be progressive advances that are received because the amount of project signed is much larger and the cost of material is much larger. So, it could be an advance along with the order, pro rata advance with the drawing approval, and finally sometimes also with the arrival of material into the factory.
- Kashyap Karthik:** So, it is completely dependent on that particular order in the engineering segment whereas glass lined and filtration is mostly 20% of the standard?
- Ashok Pillai:** That's correct.
- Moderator:** We will take the next question from the line of Jatin K from Alpha Capital. Please go ahead.
- Jatin K:** One question regarding this Sudarshan mixing division that we acquired. The numbers there, revenue has increased around 100% in this year and profitability has improved around 3x. Are those numbers sustainable?
- Tarak Patel:** Yeah, I think 30 crores is something that we can definitely sustain. I think mixing is something that not many players have really focused on. I do believe that by combining both our strengths – bringing their 30-crore business and our 25-crore business to make it a 60-crore standalone business – we will become the market leaders in India. We are looking to really become the premier mixing company here in India. The margins in mixing are significantly higher than other business lines. And I really believe that we can rebrand ourselves to really becoming the solution provider when it comes to mixing. The only thing that we probably need to add at

some point is some technology. Even though we have technology available, I think for the next level of technology, we will have to partner with somebody of international repute. But I think mixing is definitely an area where most people are not focused on and I think being the early adopters in this business line will give us a lot of benefits plus the stainless steel have to reactors that we also make do all go along with agitators and I think that is something complementary to our business line.

**Jatin K:** Sir, what would be the market size of mixing business and do we have any synergies in cost terms also?

**Tarak Patel:** I think with the business size of about 250-300 crores in the market that we operate in, obviously there is a whole different mixing segment when it comes to oil & gas and stuff like that, but one of the rationale we had in this acquisition was that the Sudarshan mixing division had a lot of installations especially in minerals, in metals, in fertilizers where we currently don't have much of a presence. Our presence is mainly in agrochemical, pharmaceutical, and chemical. Now, if you combine both these markets, it gives you a very vast kind of industry segment that you cater to and we need to focus on these segments because there is definitely a lot of fragmented players who we don't even count as competitors but that is definitely a market that is available to us.

**Jatin K:** Sir, we have got it at a very good price as in 4x EBITDA, isn't that like a very good deal?

**Tarak Patel:** Yeah, I think so, because Sudarshan themselves were looking to divest their non-core businesses. If you look at the Sudarshan history, they had sold off their masterbatch business. So, I think we were at the right place at the right time and we were a serious contender, and I think for them also, they wanted to sell this business to somebody who would grow this business and who would take care of the employees. All in all, I think we have got definitely a good asset at a good price.

**Moderator:** We will take the last question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta:** Can you tell me how big is the market size for filtration & drying products that we manufacture and how is the market growing in that segment?

**Tarak Patel:** Market size is about 400 crores. The market size is growing at almost the same percentage as the glass lined business is growing. As I explained earlier, that market size is dependent on the glass lined market in some ways. But then other products in filtration & drying, especially dryer which doesn't have a big market presence in India and that could add to the total volumes and also the growth percentage if we are able to successfully convert those opportunities into sales.

**Ankit Gupta:** Is there also a shift happening from centrifugal dryers to rotary dryers which is helping the industry grow at a higher pace?

**Tarak Patel:** That is correct. Many of the customers are now abandoning centrifuges that is what you meant and they are moving to agitated nutsche filters which is the product that we make. There is a move in the industry to move from one type of filtration device to another type and that is helping us improve our market.

**Ankit Gupta:** Sir, what we understand is like glass lining, this also is an industry where the market share among the top 3 or top 4 players is like 70% to 80% like what we have in glass lining. Is it true?

**Tarak Patel:** That is also true. That means that there are 4 players in India that really control maybe 75% of the market.

**Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for their closing comments.

**Tarak Patel:** Thank you so much ladies and gentlemen. I think that this year significantly has been a bit of a game changer for us. We are now at a level where we have crossed 500 crores on a consolidated basis. We have very big aspirations in terms of what we want to do and what we want to grow to in the next 5 years. I think we have a good foundation in place. We are financially quite sound and the CAPEX that we have done in the past 2 or 3 years will really help us expand and capture market share. We have obviously part of a group who will help us with technology and we have the Mavag as well. Also the new acquisition of IMSD will help us grow the mixing business line. All in all, I am quite happy with how the last 5 years have grown. I am quite excited also about the next 5 years. I think some of the strategies that we have been spending some time building will start showing fruit in the coming months, and hopefully we can continue to grow at the pace that we are growing at and at the same time maintain profitability. Thank you very much and we look forward to talking to you again during the next quarterly call.

**Moderator:** Ladies and gentlemen, on behalf of GMM Pfaudler Limited, that concludes this conference. Thank you all for joining. You may disconnect your lines now.