



HLE Glascoat Limited

Conference Call on Acquisition of Thaletec GmbH

September 21, 2021



Management

1. Mr. Himanshu Patel - Chairman and Managing Director of HLE Glascoat Limited
2. Mr. Aalap Patel – Promoter & Executive Director of HLE Glascoat Limited
3. Mr. Harsh Patel - Promoter & Non-Executive Director of HLE Glascoat Limited
4. Mr. K.V Unnikrishnan – Chief Financial Officer of HLE Glascoat Limited
5. Mr. Nilesh Ganjwala – Senior Advisor of HLE Glascoat Limited

Moderator: Ladies and gentlemen good day and welcome to HLE Glascoat Limited Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "" then 'o' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Himanshu Patel – Chairman and Managing Director, HLE Glascoat. Thank you and over to you Sir

Himanshu Patel: Good afternoon, everyone. Thank you all for joining in for today's call. I am joined by Mr. Aalap Patel - Executive Director; Mr. Harsh Patel - Non-Executive Director; Mr. KV Unnikrishnan – CFO; and Mr. Nilesh Ganjwala - Senior Advisor to the Company.

On Friday September 17, 2021, HLE Glascoat announced the signing of definitive agreements to acquire the global business of Thaletec GmbH, Germany as well as its 100% subsidiary Thaletec USA as a part of its strategy to strengthen its position further in the global markets with innovative technology.

Pursuant to the acquisition, Thaletec will become a wholly owned subsidiary of HLE Glascoat with the entire business of Thaletec being consolidated into the company. This is indeed a historic milestone in the journey of HLE Glascoat.

Thaletec is engaged in the business of manufacturing specialized process equipment and reactors and has its manufacturing facility in Germany. It is a market leader in the glass lined equipment business in the highly sophisticated market of Germany. Thaletec offers sophisticated customized and innovative technical solutions with glass lining equipment and services in the chemical, pharmaceutical and environmental process industries.

Thaletec has its headquarters in Thale, Germany with two additional service centers in Germany and a business development and service center in North Carolina, USA. Thaletec operates a 40,000 square meter manufacturing facility with more than 160 employees. The facility has capabilities to manufacture equipment with the dimensions of up to 1,00,000 liters volume. The facility is equipped to work with carbon steel, stainless steel, nickel-based alloys and other materials.

Since both HLE Glascoat and Thaletec are engaged in similar and synergistic lines of business and operations, incremental improvements in the operations of the two companies are expected. The acquisition will enhance efficiencies and combined the similar business interest to both the entities, resulting in operational synergies along with streamlining and optimization of the businesses. It would also lead to administrative efficiency and optimal utilization of various resources and provide a common leadership position for the consolidated global business, economies of scale and integration of processes.

HLE Glascoat intends to provide its global expertise and management capabilities to ensure the growth of Thaletec primarily through increased focus on expanding territorial coverage, improving competitiveness and greater penetration of European and American markets. In the coming months, the Company intends to use the marketing and post sales network of Thaletec to promote and market various additional equipment manufactured by the Company to increase the product offering of Thaletec to its customers in the same user industries.

The two companies would use each other's manufacturing technologies and expertise to bring about commonality of the product specifications in India and globally. The acquisition is in line with the company strategy to expand its footprint globally as it reinforces its position as a market leader in manufacturing innovative and specialized process equipment, customized solutions and systems and would also result in overall value accretion to all the stakeholders.

Coming to the terms of the transaction, HLE Glascoat will purchase 100% of the equity shares in Thaletec and the consideration will be Euro 12 million payable in cash. Thaletec will continue to have its distinct brand identity and remain a separate business entity post the acquisition. After the acquisition, one of the founders, Dr. Reinemuth, will continue to act as the Managing Director of Thaletec and the other founder Mr. Bergmann will act as Advisor.

Coming to the financials of the Thaletec business, it clocked revenue of Euro 26.27 million, EBITDA of Euro 2.56 million and a PAT of Euro 1.33 million during the year ended December 31, 2020. The audited financials of Thaletec, yield an EV to EBITDA multiple of 5.1x and price to earnings multiple of 9x.

With this we will now open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: Thank you very much for the opportunity. Congratulations for the acquisition. Sir, if you can share a little more colour on the acquired company Thaletec, what is the kind of position they have in Germany and the market share? We have of course reckoned that it is a market leader, but also about the total market size maybe not just in Germany, but even in the European region where potentially the company can target and also the likely benefit since it has a presence in USA also. So maybe some thoughts or some colour on that part as to how we can potentially take this over the next few years and what is the potential market size that is available for us?

Aalap Patel: Good afternoon first of all and thank you for the question. I think, I will begin with throwing a little bit more light on who Thaletec is and what their expertise is. As already mentioned a few minutes ago, Thaletec is engaged in manufacturing of glass lined equipment; however,

Thaletec is a highly innovative company manufacturing very specialized glass lined equipment and solutions. Thaletec has a number of firsts to its credit as far as innovation in the glass lined industry is concerned and I think they have been able with their wholly innovative approach to capture the largest market share in the German market. Since all other companies operating in this area are private companies, the exact data might not be available, but the market share is approximately 50%, mostly slightly above 50%.

Kaushal Shah: In the German market?

Aalap Patel: In the German market, yes, which is also the largest market for glass lined equipments in Europe. As you know, a large number of chemical and pharmaceutical manufacturing companies are located in Germany or in the German speaking areas of Europe. As far as the market size is concerned, Europe as a whole would be between Euro 50 and Euro 60 million that is the understanding we have. This is of course excluding the UK.

Kaushal Shah: Though it is spaced out of Germany the growth in the last two years' data that is available seems to be pretty healthy. With the acquisition and now HLE working kind of in tandem to kind of expand this and maybe even a geographical expansion, so where would you kind of target to take this Company over the next say two years or five years?

Aalap Patel: Yes, I think the possibilities are very good in the near future as it is very evident Thaletec is currently a highly focused company, not only in terms of its product offerings but also in terms of the market it serves. It is very well focused on the German and German speaking countries. We hope that with the strengths of HLE Glascoat and Thaletec coming together we would not only be able to expand the other geographies within Europe, but we also feel that we would be able to take the products that HLE Glascoat already manufactures and market them in the market that Thaletec is already strong in. I think that synergies are really strong, and we hope that we will see a substantial growth in the geographical reach and the product offerings of Thaletec and HLE Glascoat in the coming future.

Kaushal Shah: One last questions, before I end so even in India we have a sizable business in glass lined equipment. Now that we have acquired this Company, which you are saying has a distinct edge in glass lined equipment, what are the likely benefits for us? We already have a capacity expansion underway in India in glass lining also and of course in our other main product which is ANFDs. So, any tangible benefits that we see in terms of either adding products offering here in India for our company because of this acquisition and any maybe tangible off shoot that is visible over let us say the medium-term or maybe in the near-term future?

Aalap Patel: Yes, so of course Thaletec has a lot of products in its portfolio that currently not only in India but globally also a lot of manufacturers simply do not have. I think the trajectory opens up quite a few opportunity I would say as far as Indian market is concerned; however, we should also understand that the Indian market and the western markets in terms of the maturity and

the kind of products that are accepted and the price point that we are at are substantially different. I think the journey of what products could find its way to India is an explorative one and we will hope to maximize on what are the technologies and product offerings that Thaletec has to also complement the strengths that HLE Glascoat already has in India.

Kaushal Shah: Great. Thanks. That was helpful.

Moderator: Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Congratulations to the entire team. Sir, only one question, what is our current exports base and for Thaletec, would you be able to quantify what sort of revenue can we build up for HLE in terms of the export opportunity?

Nilesh Ganjwala: Thank you for the question and good afternoon to all of you. I think the total exports that HLE Glascoat currently has is roughly about 4% to 5% of its revenue from India which translates to about Rs. 25 Crores. With the availability of the marketing and the post sales network of Thaletec, it would be possible now to offer a lot of products from HLE Glascoat's portfolio to the international markets because we would now have a capability both to promote, market, distribute as well as service the products post installation. So, this is obviously a large opportunity, the actual number, or the actual extent to which this will culminate into is something that is obviously in the realm of the future but yes we are very confident and quite hopeful of the opportunity.

Dhaval Shah: Thanks. Second question is what sort of benefits can we get out of our merger in terms of procurement of certain raw materials and which other benefits can we have now and how can this help in increasing the profitability of Thaletec or maybe overall as a group?

Aalap Patel: I think sourcing is a very natural synergy that evolves from this acquisition. For our Indian operations HLE Glascoat has access not just to the sourcing markets of India but also the sourcing markets of Asia in general. I think we can use this capability strategically to source materials for the Thaletec operations and I think this will bring substantial benefits to the operations of Thaletec.

As far as the other synergies are concerned, we are the same line of business in different geographies with different strengths for instance Thaletec has a lot more products to offers while at the same time the production technology in terms of automation, machinery and tooling is an inherent strength for HLE Glascoat. I think both of these strengths put together could result in substantial synergies, not only in the German operations but also in the Indian operation.

Dhaval Shah: So, the cost of steel is a lot different in Europe versus in India so can we, and that is the biggest part of our or maybe a large part of our raw material basket. So, would you be able to

capitalize anything by procuring from here? Is it possible or we need to have buy steels from Germany only?

Aalap Patel: I think shipping steel is not the objective anyway and in any case steel is approximately less than half of the material cost, the other half is composed of a lot of value added material so there are a lot of other kinds of materials that are used. For instance, there are castings, there are forgings, there are small fabricated items, so we possibly source these items from some of the low cost markets.

Dhaval Shah: Fair enough. Thank you. I am done with my question. Thank you.

Moderator: Thank you. The next question is from the line of Amar Mourya from AlfAccurate Advisors. Please go ahead.

Amar Mourya: In Thaletec, out of this Euro 26.2 million revenue how much would be basically from the glass line reactor revenue?

Nilesh Ganjwala: The actual mix of the revenue in Germany in Thaletec, not just in Germany but the Thaletec's global operations would be roughly about between 40% and 50% of the revenues from sale of new equipment, which includes reactors, tanks, heat exchangers and so on and almost about 35% to 40% of the revenue comes from what is known as relining which is a substantial business across entire Europe and the balance small portion would comprise of balance after sales services, spare parts, consumables and so on.

Amar Mourya: So you are saying that 50% business is the lining business or heat exchanger right.?

Nilesh Ganjwala: 60% is the sale of new equipment and 40% is the business which is related to relining of existing equipment

Amar Mourya: Relining meaning refurbishing

Nilesh Ganjwala: Yes, it is basically complete re-glass lining of the entire equipment.

Amar Mourya: So, now the first thing is that in terms of the acquisition of Thaletec what we get as HLE I mean one is that we get a new market that is understood but what as we get from that and because lot of these are glass lined reactors, I believe exporting or importing of glass lined reactor is a difficult task, so wanted to understand what was the key reason for the acquisition? Is it like new technology, new market or what is it do you think that?

Nilesh Ganjwala: Thank you for the question. I think, to a large extent, your question gives the answers too. So I would agree with you. Obviously, with the alignment of technologies, we will have access to best-in-class technologies and the sharing of technology between Thaletec and HLE Glascoat will obviously lead to the better product offering for both the companies. So that would be number one.

Number two of course it gives us access to the territories in Europe and also to some extent in the US.

The third and probably one of the largest reasons would be the capability of having an existing marketing and aftersales network, which would allow us to now actively promote and sell the filters, dryers, and other equipment that HLE Glascoat currently manufactures but which Thaletec does not. The mix of all of this put together as well as the fact that the Thaletec even currently is quite a good efficient and well-run company, I think makes it an attractive proposition for HLE Glascoat.

Amar Mourya: Sir let me rephrase my question, number one as you indicated that new technology was one part while we looked at Thaletec and on the other part you said that there are lots of products which we can export from India which basically Thaletec is not having in its current portfolio. I have two part question in terms of the few new products which basically we can now get from Thaletec which were missing in our existing domestic portfolio. So, if you like say include that what would be the addressable size or the market size of those portfolio or those product in the HLE which were missing in the HLE portfolio?

Nilesh Ganjwala: Let me put it differently. I think it is not just about a couple of more products which would be fairly small and incremental, but I think the critical part is in the quality of the manufacturing processes and the quality of some of the inputs that we have and that is where there are lots of things that both companies could learn from each other. For example, a simple thing like the lining of the glass. So, there is a process, every company has a different processes which lead to different end results, say in terms of efficiency in the production process in the customer's plant. So we are going to evaluate the best in class between us and then incorporate that so that we can have far more improved equipment both in India and globally.

Amar Mourya: Okay, that is one, like when you say that the technology or the quality which are going to improve, so in India was that these things were missing earlier?

Nilesh Ganjwala: I think improvement does not necessarily mean that it was missing. Improvement probably means that we want to continuously improve. I would not say these were missing.

Amar Mourya: Second thing is that the export opportunity you talked about. What kind of the addressable opportunity we will be having in terms of the export?

Nilesh Ganjwala: It is a large market. I think we have said in earlier calls as well it is a large market. We are currently already exporting in small quantities to Europe and to the US, we already have access now through this acquisition to the same user segment because for Thaletec also, its customers basically belong to the agrochemicals, APIs, and the chemical industry. So, I think the end-user segment is common and I think it will be a great option for us to leverage that and be able to sell our filtration and drying equipment.

- Amar Mourya:** Let us say today the quantum of export is approx. Rs. 25 crores, whatever you are exporting today and with this new network like if I say take a four years view I mean is that you can add few more products into this and what kind of the addressable size you have available like Rs. 1,000 Crores, Rs. 2,000 Crores now including all this?
- Nilesh Ganjwala:** The overall global market would not probably be just for filters and dryers space and probably may not touch the Rs. 1,000 Crore mark so I would say probably the number is smaller than that. Having said that the basic constraints that HLE Glascoat always had in the past were two. Number one was the availability of manufacturing capacity simply because the Indian market itself is growing at very high rates. And number two, of course, was the availability of the marketing and post sales network in those countries which is what we now get through this acquisition.
- Amar Mourya:** Basically, you are saying that even few products which you are manufacturing here now those products could be manufacture there in those facilities also so that will?
- Nilesh Ganjwala:** No, sorry, no I do not think that was the intent. The intention was to sell the products made in India into those markets. I think the intention is not to get the same products manufactured, but I think the idea was to sell the products. I will just give an example of the filtration and drying equipment that we manufacture in HLE Glascoat in India. Currently, these products are not being manufacturx'ed by Thaletec. It would be a great opportunity for HLE to use the Thaletec network to access the same customers and user industries that Thaletec is already in touch with.
- Amar Mourya:** So with this cross selling like what kind of network effect we can get like currently the export is 25 Crores let us say with this cross selling opportunity and the network effect what kind of the export quantum we can effect over a four, five years timeframe?
- Aalap Patel:** Sorry I just have to add to Nilesh Bhai's answer to the previous question. So, while it would be beneficial to sell a made in India equipment in Europe, I think the possibilities that exist are far bigger than that. I think the possibilities to use the expertise of both the companies even in the filtration and drying space, do exist so it could very well be achieved that basic fabrication or manufacturing is done in India and the finishing and fit outs and automation is done in Europe. I think such a model will also be a very effective way to capitalize on both the companies' strength and also to meet the customer's very specific requirement in the European markets.
- Amar Mourya:** Sir my question on the export opportunity if you can give some details?
- Nilesh Ganjwala:** Yes, I think the opportunity is very large. Today with our approx. Rs. 25 Crores exports, we currently do not even address 5% of the market so it is a huge market. It will really be up to us to go out and penetrate deeper, yes, so I do not have a number today for you unfortunately but obviously the possibility of that market being considerable and substantial is huge.

- Amar Mourya:** Okay, so the filter and dryer would be what 500 Crore market today.
- Nilesh Ganjwala:** Again, you are asking me for specific numbers, unfortunately I do not really have those specific numbers for you.
- Amar Mourya:** Last from my side Sir any scope of margin improvement in the Thaletec standalone business like it is currently around 9.5% kind of EBITDA margin?
- Nilesh Ganjwala:** Yes, we are already seeing considerable improvement in margins over the last two years, so we have seen margin growth already happening over the last two years and this is really happening on the back of higher volumes, so yes, there is scope for improvement in their operating margins as well, yes.
- Amar Mourya:** Thank you Sir. I will come back in queue.
- Moderator:** Thank you. The next question is from the line of Vivek Gautam from GS Investments. Please go ahead.
- Vivek Gautam:** Sir, congratulations on this acquisition and three questions from my side. Your manpower cost is supposed to be quite high in Germany with the sort of five days of work culture and two months holiday in a year, whereas we are into much more hardworking atmosphere for Indian weather so how will the gelling happen and second question was about how do we improve the margin side because the margin I believe is quite less in Thaletec compared to India so can we improve it with this whether our lower men labor cost in India and somehow amalgamate that and that help us both the companies Sir? Thank you.
- Harsh Patel:** Basically, I would like to say that first of all yes the labor cost per person is high if you count it that way but at the same time the productivity there is also substantially higher so direct comparison of a person to person cost is not the right way to compare it. We do believe Thaletec positions itself as a made in Germany company, and has been really successful, very successful in fact. We are proud of it and that is one of the main selling points for them which have made them successful. Yes, there are many ways despite the labor cost being high in Germany, there are many other means of rationalizing the costs and we will basically go about implementing those other things right now. So I hope that is the first part of your question what is your second question you have asked.
- Vivek Gautam:** Margin improvement.
- Harsh Patel:** For margin improvement, labor cost is one aspect but there are many other ways which we can see already, and we will go about implementing them to improve the margins.
- Vivek Gautam:** Basically can we now sort of get at least there is a sort of a duopoly market wherein our main competition thanks to their former connection and other swiss connection is able to get

premium pricing and so we can also expect our pricing part to improve number one, number two, the FDA approval also sort of for our clients in pharma or other sectors also might become more easily thanks to the Thaletec example of high quality and that sort of growth expectation also increases develops in India.

Aalap Patel:

I do not believe that any kind of pricing premium is enjoyed by any manufacturer, at least the glass line manufacturers in the Indian market. Having said that I think with this acquisition of Thaletec, we do aim to continue our philosophy of providing the customer innovative solutions to the very specific processing requirements. I think Thaletec and HLE Glascoat have a very common philosophy in that regards where we pride ourselves for working very closely with customers and understanding their exact processes needs and then coming up with solution. It would be unfair to say all other products and innovations being offered by Thaletec in Europe could be a direct fit for an Indian customer. I think solutions that are cost effective yet innovative could also be evolved so I think the spirit, or the idea is that we will continue to work closely with our customers and we would try to offer them solutions, ready solutions, if they need it, or develop solutions that will fit their needs. So, currently that is the idea that we are working at.

Vivek Gautam:

Sir last question is what I had is slightly long-term basically now India seems to be the manufacturing hub for glass lined equipment and filtration and other equipment thanks to the lower manpower cost and big capex happening in the pharma, agrochem, API sector so the demand is also large so is there a sort of a long-term story wherein manufacturing is bound to shift to India and it becomes a very attractive acquisition in that Thaletec acquisition is going to be attractive in terms of getting high quality products and slowly imbibing the technology improving our product perception in India and how is the opportunity size looking like at right now for India, China Plus One, China Blue Sky policy which you think which you like to have the CAGR expected for the sector in time to come? Thank you.

Aalap Patel:

Yes, as you very rightly said, with the opportunities in the Indian market is giving right now, the future for our user industries or rather our user segments are good. There are strong tailwinds, and we expect the market to continue growing for at least the near visible future. I think as far as the Indian glass lined market is concerned, we will kind of have our hands full, it will be our endeavor to meet the existing user demand and cater to the requirements of our customers. As far as the reduction of manpower cost is concerned in India we are continuously engaging in projects on operational excellence and initiatives that help us not only control but also control cost but improve efficiency. I think that will continue to be our endeavor and you will keep on striving to improve the margin.

Vivek Gautam:

Thank you Sir. Keep up the good work.

Moderator:

Thank you. The next question is from the line of Samir Desai from Phillip Capital. Please go ahead.

- Samir Desai:** Just want to check up with you Thaletec besides engineering activity there is another group globally what are the other interests they have any way the businesses would have any interest?
- Nilesh Ganjwala:** I do not think they have any other interests. Thaletec is basically founded by two gentlemen who hold the entire 100% stake shareholding the company currently and other than Thaletec they have no other business interests.
- Samir Desai:** That is it. Thanks.
- Moderator:** Thank you. The next question is from the line of Saket Reddy from Polsani Enterprises. Please go ahead.
- Saket Reddy:** Good afternoon. Just gone through the investor presentation in the table that has been given for the financials of Thaletec we have seen that Thaletec does 21x fixed asset turns and we, HLE in India do like 4x to 5x so can you explain sir what is the difference between Thaletec and HLE or any German players asset turns be having such high asset turns?
- Nilesh Ganjwala:** There are two main things, one is of course Thaletec's asset block is relatively depreciated and hence their net blocks of assets as reflected in the books is considerably low, number one. Number two is of course the breakup of the revenue profile which I have just mentioned, 40-45% of which is coming from relining and supply of aftersales and spares and so on. So, I think the both of them put together probably account for a much higher asset turn compared to that in India if you see a lot of expansion and investment in new assets has been happening over the last four to five years so a lot of the asset block which appears in the books is relatively new and hence it is at more current prices and current values which is the reason why the two asset turns are slightly different, yes.
- Saket Reddy:** My last question is Sir you mentioned the market share number in the German markets of Thaletec Sir can you just repeat that?
- Aalap Patel:** The market share is in excess of 50%.
- Saket Reddy:** 15% or 50% Sir?
- Aalap Patel:** 50%.
- Saket Reddy:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Aspi from AB & Company. Please go ahead.
- Aspi Bhesania:** Sir our share price has increased from 3500 to 6500 from August end onwards and the announcement of acquisition has come on the exchanges on September 17, 2021 whereas

the share price started increasing from end of August sir can you comment on insider trading?

Nilesh Ganjwala: We have followed all the insider trading guidelines and we are very, very sure that there has been no insider trading.

Aspi Bhesania: Then why should the share price go up

Nilesh Ganjwala: One other thing that you may have looked through the exchange, that the Company has of its own suo moto included a trading window closure which is not even required as per the Regulations, so yes, the Company is conforming to the highest standards of corporate governance in that regard.

Aspi Bhesania: Yes, I hope there is no insider trading because everybody is commenting on that. Thank you very much.

Moderator: Thank you. The next question is from the line of Amit Khandelwal from Sicomoro Advisors. Please go ahead.

Amit Khandelwal: Good afternoon. Congratulations on this wonderful deal. I had a question to understand in the addressable markets that HLE and the acquired company together will have what kind of competitive edge and what kind of competitive landscape exist and to that extent what is the combine entity competitive edge in those markets? Thank you.

Aalap Patel: I think it is very clear that both the entities put together will have a substantial competitive edge not only in terms of the product offering so like we have said several times Thaletec caters to several industries and has several unique products and I think being the innovative company that they are they will continue to lead the industry with innovations even in the times to come. So, I think apart from this being an inherent strength, I think the ability of HLE Glascoat to optimize manufacturing and bring about production efficiencies really opens up the opportunity to do much more in the German, European and the global markets. If you have noticed I think the manufacturing facility of Thaletec is quite large and the possibility to add production volume and different products is substantial. We feel that there is good opportunity for Thaletec to grow in the global space.

Amit Khandelwal: Thank you and congratulations once again.

Moderator: Thank you. The next question is from the line of Anupam Agarwal from Lucky Investment Managers. Please go ahead.

Anupam Agarwal: Good Afternoon and congratulations on the deal. Sir my question was basically on the market if you could highlight how has the market grown, our German market over the last three, four

years and how much have we grown the same period basically we have a market share of about 50%, 55% what was that four years back?

Nilesh Ganjwala: I think over the last decade or so, so we are all aware of the Germany's growth, trends in the European market, just the growth trend will obviously not be comparable to what we have seen in India; however, over the last decade or so Thaletec has been able to not only double its revenue but also it has been successful in becoming a market leader in the very specialized glass lined equipment business. Even over the last couple of years, the company has grown to the tune of approximately 10% year-on-year and with these other synergies and strengths of the combined entity, we hope not only to continue but hopefully improve on this growth rate.

Anupam Agarwal: Thaletec has grown at 10% how much would you say the market has grown I mean the German market specifically?

Nilesh Ganjwala: The German market would have grown in single digits. The German market growth is in single digits.

Aalap Patel I think the growth rate is below 5%

Anupam Agarwal: Sir, secondly just wanted to understand we spent about €12 million what would be the payback period for HLE combined entity going forward and what is the kind of ROCE profile that Thaletec has currently and can at optimal utilization of the plant like you mentioned there is enough scope for capacity expansion at optimal utilization what will be the ROCE profile on both the either Thaletec rapidly or combined entity for HLE and Thaletec?

Nilesh Ganjwala: On a simple straight-line method as Himanshu bhai mentioned the enterprise value to EBITDA multiple is around 5 currently and the business is growing even assuming just a current rate of growth without any incremental support from HLE Glascoat, we believe that this would be a payback of about three to three and a half years for the investment. Obviously, we hope to do better, and it is not just a financial parameter that we are really looking at to have this capability to expand globally so as we said territorial coverage and also expanding the portfolio of products that could be made available in the territory, so I think it is the combined capability of doing all of that which makes this very exciting for us.

Anupam Agarwal: So, is it fair to assume that post utilization and post synergy Thaletec ROCE profile will be similar to HLE business currently?

Nilesh Ganjwala: Based on its current financials their ROCE, ROE profile is already similar to what HLE reports on a regular basis.

Anupam Agarwal: Fair enough. Got it. Thank you and congratulations for the deal again.

- Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.
- Kaushal Shah:** Thank you for the followup. Sir if you can share the current year numbers, is it possible for you to share maybe the half year numbers for the current year are they on track to grow at that same 10% numbers and the second question was on the capacity utilization I heard there was a mention that they have a large manufacturing space so if you can share maybe some and the utilization level I mean do they have that the utilization available to ramp up operations from here on?
- Nilesh Ganjwala:** Obviously, we do not have audited numbers available for the current financial year but based on the management data and the unaudited numbers we are seeing topline growth in the first seven months in excess of about 15% on an annualized basis and operating profitability growth of about 20% in the current year so the current year so far looks very promising.
- Kaushal Shah:** Great and about the utilization?
- Aalap Patel:** I think with the sort of environment that we are used to in India, utilization is a function of multiple parameters, having enough floor space is just one tool or one means to an end. I think as a company we continue to grow, and we will aim to continue to have more and more skilled and trained people to execute the larger volumes. Having said that I think having enough floor space will enable us to do that faster than if we will have to make an expansion in terms of Brownfield expansion.
- Kaushal Shah:** That helps. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen that was the last question for today. I now hand the conference over to Mr. Himanshu Patel for closing comments.
- Himanshu Patel:** Thank you gentlemen. I take this opportunity to thank everyone for joining in on the call. I hope we have been able to address all your queries. In case you require any further details you may please contact us or Mr. Deven Dhruva from Orient Capital. Thank you.
- Moderator:** Thank you very much. On behalf of HLE Glascoat Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.