

“GMM Pfaudler Investor Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the GMM Pfaudler's Investor 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 '0' on your touchtone phone. 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 Janise. Good evening to all participants in this call. Before we proceed to the call let me remind you that this discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our business risks that could cause actual results, performance or achievements to differ significantly from what is expressed, implied by such forward-looking statements. To discuss the recently concluded OFS transaction and answer your questions today, we have the top management of GMM Pfaudler, represented by Mr. Tarak Patel, Managing Director and Ms. Mittal Mehta, Company Secretary. We also have Mr. Thomas Kehl, CEO of Pfaudler International and Mr. Alexander Pömpner, CFO of Pfaudler International to talk about the international side of operations. We will start the call with a brief background related to the transaction and then open the floor for Q&A session. With that said I will now hand over the call to Tarak Patel. Over to you Tarak.

Tarak Patel: Thank you Diwakar. Good afternoon everybody. I think most of you have seen a few of my interviews over the last couple of days on TV. We were never planning to have this investor call today but because of the misrepresentation of information out in the market, in the news channels and other mediums we decided that we should clarify and be transparent to our shareholders like we have always done in the past and we wanted to also clear the air in terms of certain rumors that have been floating in the market.

So let me just start off briefly by giving you a brief about the OFS transaction. I will also touch on some other points and then maybe speak a little bit about the business outlook going forward and then I will open it up for Q&A. So let me talk about three important points about the OFS. I think it's very important to understand who and why the promoters are selling. So, the promoters that have sold and have sold about 18% stake in DBAG, which is the private equity company which has owned Pfaudler Group since 2014, for the last 6 years. So as part of the larger transaction when we acquired the international business of the Pfaudler Group, there was definitely a monetization, a liquidity event for DBAG. As I mentioned earlier, there are financial investors, they want to see their returns and which was an opportunity for them to take some.

Sorry everybody, my network is quite poor, so if I get logged off again just bear with us. So I was saying that DBAG sold 18% and we as a family also sold about 2%. These proceeds for the sale of the family 2% will be directly reinvested in the international business. The international business as you remember clearly was purchased for equity value of close to \$50.4 million for a company that clocked about one \$175 million of revenue. So all in all we got a very good deal for the Pfaudler International business and by ways of that DBAG monetized some of the additional funds from here in GMM Pfaudler. So again to reiterate, we are committed to

business, DBAG still will hold around 32%, we as a family will own about 22% and we are committed to the business and we are locked in for the next 3 years. So it will be no further dilution of shares, there will be no liquidity event. After the 3 year period is completed we will take a call on terms of what needs to be done. But I want to make it clear to you all that again please remember DBAG is a private equity company and they will look to monetize their stake after the 3 year period. When and how they do it that is something that is not decided today and we will take the decision when the time comes. From our standpoint also I want to make it clear to everybody that we as a family are a long term investor in the business, we have been part of GMM Pfaudler for the last 60 years and continue to be and will be a part of this company going forward. As we will also look to increase our stake, we do want to emerge as the dominant promoter. After a 3 year period we would like to increase our stake close to 30% and that is something that we will time the right mechanism to do that at that time.

I also want here kind of bring in a few more points. Our company if you know was a very closely held company, many investors at many calls always asked me how do we bring in high-quality investors, how do we increase the free float, how do we bring more stability to the price in the market and being a privately owned—sorry not privately owned but the—bulk 75% being held by the promoters, it was not really an opportunity for many new investors a lot of visibility to come into this company. And that is one of the reasons that we have decided to bring in high-quality investors to increase the free float to close to 45% and I have seen many people complaining about the price. But please understand for shareholders it's still a notional loss while for me and my family it's an actual loss, so us selling at this price is something that we were very careful about. We believe that the value is a fair value, there has to be price discovery when the stock is so closely held in a niche business, in the business that is not very was able to bring in very high quality investors it's really like a re IPO for there is definitely price discovery that happens and I am very happy to share with you today that we have a very-very strong shareholders roster. Unfortunately, I cannot share the names with you but you will see that on the day of the Board meeting, the funds will be only more than 1% of the company or their needs will be there. We have about 3 or 4 top money managers from the US, we have a very strong institutional investor base here from India which includes the top 3 to 5 mutual funds as well and these people will not come in unless they have done all the diligence. They have checked on the governance, they checked on the business aspects, they have looked at every minor detail of the company and they found it good to invest in. And that's something that we are very proud of and going forward there will be stability. These are long-term investors, they normally hold for 7 to 10 years, they give the management bandwidth, time and space to really work out and do and focus on the business. So from that standpoint again we have got in, we have increased free float and I think that is going to change the outlook of the company going forward. As the company has a journey, its lifecycle there has to come a time when we have to open it up for new investors to come in, really give it that international appeal, that focus where people will speak about it more, will know about it more and that will only happen when the public stake is a much larger amount.

From a pricing point of view, there has been a lot of backlash and again like I mentioned there is a price discovery. The price of our stock has seen significant improvement over the last few years and maybe in the last 3 to 4 months as well compared to the price one year ago. So as I was saying that when these new investors come in and the price that we have got is something that they believe that there will be significant upside, so if you are an existing shareholder I don't see any reason why you need to change your outlook if you found this company valuable and attractive at 4000 or 5000 I don't see why it should not be even more attractive at the current price. So from my standpoint and the way that we are priced and you have comfort of about 1000 crores investment that has come in to the business, they all found it very attractive to invest at that price, so I feel no reason why this company should complain about it.

Let me also spend a couple of minutes just talking a little bit about the SLB matter. I think that has something that has dragged our names, our company's name into a very negative limelight, again I don't know what I am expected to say about this. But nobody had pointed a finger at us over the last maybe 5 years since I have been MD and I think probably even a bit longer since my father, my grandfather have done this business. So we have always had the best interest of the business at heart. We always respect and want to be transferred into our minority shareholders and there is no reason why any of that should change now. So just from a logical standpoint when we have done the biggest transaction that we could do as a company when we bought out a global parent, when we are bringing in high-quality investors, the names that you will know in a few weeks' time, it doesn't make logical sense for anybody to take a risk on short term benefits which in the long-term will have more reward for people like us. So that's something again that I want to just reiterate that our conscious is clear. We are willing to help any agency that would like to check or need information from us. We as a company are very conservative when it comes to governance. We actually closed our window on September 2nd, much-much longer than what is actually required and we do that every quarter as well. So just to reiterate and reassure investors from that standpoint there will never be a question mark, there will never be any kind of compromise from our side.

Lastly let me also spend a couple of minutes, lots of questions around Indian company buying an international business, people have not done well. So again I would like to make a few points here; one of the reasons that we actually invested as a family is to show our commitment and belief because that was one question we believe would be asked quite often that why the Indian company was going out and buying an international player when they have not been very successful. So the idea here is to take some of the risk with us as well. We believe in the business, we know the Pfaudler Group for now 30 years. We know the DBAG team, Alex and Thomas who are on this call, for the last 5 years. We have a very clear idea, vision and what we want to do for this company, not only we want to be the world leader in glass-line and anti-corrosion space but we want to be more than that. We want to be the biggest name when it comes to chemical and pharmaceutical processing. We have DBAG and Thomas and its team as well, all aligned in terms of businesses. We know exactly what we need to do over next few years. We know what acquisitions, what new products, what new technology and there are lot of synergies that we can extract from joining hands.

So one of the big synergy that I would like to just maybe I like the play is India has a much lower labor cost, so that entire arbitrage will come into India. We have already sold equipment into Italy but we are now looking at bringing a lot of the production of the metal fabrication here to India like we have done with our Swiss subsidiary. We also believe that the Pfaudler brand name is strong enough so that sourcing can come from India with a finer, finishing, testing glass lining can be done locally as well. There are a lot of new products that Pfaudler had acquired in the last few years. We are now in the process of localizing that and bringing that into the Indian market as well, so from that standpoint we believe that there are lot of growth opportunities for us here in India as well.

Lastly there is definitely a cross-selling opportunity and if you have gone through our presentation which is on our websites you will see what these opportunities are and as we are happy to answer any questions.

Just to give you some guidance in terms of numbers, so for GMM Pfaudler this entire financial year is going to be very strong. We started the year with a very strong performance in Q1. We aim to improve that. Our order backlog again has reached the highest it's ever been. We are about a 1000 glass-lined equipment backlog, we have our Hyderabad facility that will come online in the next 5 to 7 days, so we have additional output going from there. We have two new gas furnaces which have already reached our factory and should be started in the next 2 or 3 weeks. So we can timely switch-off our electric furnaces and all our production will come out of the gas furnaces now. So India is looking very strong, the order book for the entire year has been completed and we are now looking at booking orders for next year. Both the chemical and pharmaceutical sectors will continue to grow and we will be happy to ride on the back of those two industry segments.

Pfaudler International also has done quite well. They also have a very strong backlog and over the next few quarters you will see a lot of improvements flowing into the GMM Pfaudler P&L. Just to clarify, every single rupee of the international business will flow into and consolidate into GMM Pfaudler. GMM Pfaudler currently is about a 600 crore company. We will go to a 2000 crore company overnight on a full-year basis, so our guidance is 2000 crores at a 13% EBITDA margin for this year and then eventually going to 2800 crores with a 16% EBITDA margin by 2024. This is still a conservative estimate. We believe that there are definitely synergies and when we add those synergies we can increase another 100 to 150 basis points to our EBITDA margin.

So all in all obviously in spite of the last few days we are still very optimistic on the business. This is probably the last interaction that I will have with media or with investors so that the true numbers are out. My job now is to make sure that we perform and let the numbers do the talking and at the end of the day whatever happened has happened. There is nothing that I can change or control. So my now focus is to be back on the business and to make sure that we perform as per plan. With that let me open this up for Q&A and I will be happy to take any questions that you may have and if I need to bring in my colleagues in Germany as well, they will be happy to jump in as well. So thank you very much and open for Q&A. Over to you Diwakar.

Moderator: Thank you very much. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Namit Arora from Indgrowth Capital.

Namit Arora: Could you talk us through the OFS mechanism and is it required you to specify the floor price and also what's the professional advice you received from your advisors in terms of the thought process of the OFS specific price which you specify it? And my second question was in terms of your global acquisition, did you at that point also consider the entire acquisition could be done through the listed company and what were your considerations to come up with the hybrid structure over the acquisition partly is done through the listed company and partly by the promoter family? Thank you.

Tarak Patel: Thanks Namit, a very good question. So yes in terms of the OFS, normally this is how OFS are structured. We followed the entire process as per SEBI and all the listing agreements as well. So the process of price discovery, everything was done in the right timelines in the right manner that is supposed to be done. Again, it's a very standard process, most companies do it this way as well and we have a certain amount of time frame which by we have to inform the markets and that's exactly what has been done. Every rule, every regulation has been followed to the T. Regarding not having the entire listed company purchase the international business, as I mentioned earlier buying 26% from our family standpoint makes sense because it gives or sends a very positive signal to the market. We believe in the business, we believe that we can turn around the business and that's a reason why we invested along with it. However, we also didn't want to over leverage our GMM Pfaudler balance sheet. Currently the GMM Pfaudler investment is only about \$27.4 million, out of which we have \$10 million of internal accruals. So the debt on GMM's book for this international deal is going to be only \$17.4 million. So again obviously we do believe that after the 3 year period we will find the right mechanisms to move or align the entire 100% into the GMM Pfaudler that's something that we are aware of and that is something we will do it. Eventually GMM Pfaudler will own 100% of the international business.

Moderator: The next question is from the line of Deepak, Individual Investor.

Deepak: Mr. Tarak I would like to bring to your notice that price band was quite wide 3500 to 4200 and as retail investors who have already invested and wanted to add to our holdings in GMM we were not sure because I think being a smaller company, the visibility in the media was not much regarding the subscription, how much it has got subscribed and at what rate and such things. So we ended up putting in our bids at the 4200, not knowing and not having the option of a cut-off price and all those things, so could you please share something for the retail investors who have probably not got the best price and only later after the OFS was closed we came to know that the bigger institutions and funds they have probably got it closer to 3500 whereas retail people like me, we have invested to the maximum allowed at the highest possible band of 4200? Thank you.

Tarak Patel: So I think there was a mechanism by which you could have gone into the NSE website where it showed the bid, it showed the kind of pricing band and the offers was available. Unfortunately

I guess you did not have access to that. Again even though you have got it at slightly higher price, I still believe that if you are a long-term investor, I don't see a problem with this at all. Once our consolidation starts happening, once this performance starts improving and GMM as you know still remains very strong, so nothing changed at the GMM level. I think I can't tell you specifically how much time but I don't think you have to wait very long to see some kind of upside in that as well.

Moderator: The next question is from the line of Manish Gupta from Solidarity Advisors.

Manish Gupta: Mr. Patel, question on the international acquisitions, if you look at Indian company traditionally they have not been very successful when they ventured overseas, perhaps it because of cultural differences or whatever. So right now you are acquiring a company which is got plants in multiple countries, China, Italy, Germany. Do you believe that given the opportunity that is in front of you in India which itself is a very attractive opportunity and you have such a dominant position in the marketplace that the company might be getting a bit too adventurous?

Tarak Patel: Yeah, so again very good question. Just to kind of give you some background, we have been now associated with Pfaudler since 1988, so we know the business really well, we know the people really well, we know how this company functions, the cultural issues of this company. This company has also changed hands multiple times and had been neglected. Since 2014 when DBAG came in there are definitely a lot of improvements that have happened in the last 3 to 4 years. Three plants have been modernized; DBAG has spent close to \$23 million to get three new facilities. The old plant in Germany was shut down; the plant in China was relocated, the plant in Italy was shut down and new one was purchased. All these have not started flowing into the P&L. We expect that to happen in the coming quarters and that was one of the big kind of—we had to—convince DBAG to sell this company to us at this right time before all the infusion starts flowing through because once this will happen then obviously this company will become much-much more expensive and being an investor and being retailing their stake in the business we understood that and that's why we were what able to these transactions at this time and also at the valuation that we got. But having said that I think there is a lot of culture related work that needs to be done as well, the employees are all very good but there has been some amount of neglect that has happened in the past. We may need to motivate these people, we need to get the momentum going and I believe that Thomas and I share a very common vision. It is not that the Indian team is going to go in and start micromanaging the international operations. Thomas and Alexander are very capable, most of the initiatives that they have started, they would still want those initiatives and also important point to note is part of a small co-invest, many of the employees of the Pfaudler Group have also invested in the Pfaudler International business. So that's something will also give them a lot of commitment and the alignment and maybe right now, Thomas if you don't mind can you maybe just say a few words about how we plan to integrate and how we believe the companies can synergize in a much better manner.

Thomas Kehl: Yes, thank you Tarak. My name is Thomas Kehl – CEO of the Pfaudler Group since 5 years and let me phrase about our strategy when we took over the company in 2014-2015, we will need to recognize that we have to implement the strategy including some restructuring of sides that

needed a significant cost improvement and process saw improvement. We also look at the culture of the people and the culture of ourselves and we enable ourselves to bring in new people, outside people, outside people as it is globally a service product, we should globally to drive the business on a global aspect of the trade at the global sales channel that this being the platform for new products and new portfolio products that we are looking at and all other global business on the global basis and the company the Pfaudler Group and GMM Pfaudler is working very closely since they first became united in 2015, strategically aligned, we have shared the same vision and we have more further plans now that we are fully integrated to take advantage of the resources like low labor cost and so on and having a better competitive position and as Tarak said the structuring of the sites is well-placed and the benefits will flow to the P&L in the next couple of quarters and the benefits will come now to GMM Pfaudler rather than the Pfaudler Group and its owner and we always had in mind that one day as those two companies will be integrated and this now was a great opportunity to get it done and going forward into future because we have a very successful and bright future.

Moderator: The next question is from Vipin from ABC.

Vipin: Can you please break down the new shareholding pattern after this transaction? It will be good if you give us the background like how much is holding by Patel family, how much is from the DBAG after this dilution and maybe the other shareholders. Thank you.

Tarak Patel: The DBAG is going to continue holding 32.68% where previous holding was 50.44%, so they have sold about 17.76% to bring it down to 32.68%. We as a family were holding 24.56%, we sold 2.29% and now we come down to 22.27%, promoter holding has come down from 75% to 54.95% and public float has gone up from 25% to 45.05%.

Moderator: The next question is from the line of Srinivas Iyer from Rockford Consulting.

Srinivas Iyer: Tarak bhai I'm excited by your vision of making our company global leader for chemical process equipment company. God bless you. I have two small questions, in our glass-line equipment; our market share in India will be 75% to 80%, isn't it? Then when can we expect the global result to be included in our results?

Tarak Patel: So our glass-line market share today is about 55% but like I mentioned to you, we have the highest backlog that we ever had. We want to reduce our backlog and what is going to help us in the very-very short-term is our new Hyderabad facility which we will get in the next 2 to 3 days, so we have already started manufacturing metal body. We have already shipped them from Gujarat, so immediately as soon as we get the keys to that factory we will start the glass lining and start catering the Hyderabad market. So we believe that we definitely will have an opportunity to increase our market share in the South plus with the new furnace is coming in Gujarat as well, we have additional capacity. So I'm confident we can bring down our backlog very quickly over the next quarter or so and then go and try and improve and increase market share. Like you know now GMM Pfaudler does not have a equal in terms of quality competitor in India. We used to have a French company, who sold us their factory in Hyderabad and had

signed a 3 year non-compete. So in terms of technology, in terms of brand we are the only international player all the other competitors are now basically local player, so they don't have technology kind of background that we have. Like I mentioned and I am not sure I got your question right, the closing of the transaction is expected to happen sometime in November. From November onwards the entire revenue and entire profitability of Pfaudler will flow into the GMM Pfaudler P&L, so from that day onwards we will then be consolidated entirely as one group.

Moderator: The next question is from the line of VDS Prasad, Retail Investor.

VDS Prasad: My question to Mr. Patel sir, basically what is your plan to give back the confidence on retail investors community because investors like me we bought the price at very high level and what are your plans to give back that confidence from retail investors community like are you going to issue any bonus shares or interim dividend or what exactly is company planning? Thank you.

Tarak Patel: I think firstly I don't see a reason why anybody should lose confidence in us because everything is done as per the book. But I completely understand where people are coming from but again my only advice to everybody is like we need to also see a bigger picture. There has been certain new floating around which obviously did not anything to do with us and we know once somebody picks it up it just starts circulating more and more and bring a lot of negativity. But definitely we always would like to reward our long-standing shareholders. If you have been invested and you have bought at a higher price, my only advice is to hang in there. The company remains very strong. We will completely work our heart out to make sure that we do not lose further valuation. We will only try and improve it. We have done that over the last 5 years while we were taking the share price when I took over as MD it was Rs. 250 and until last month it was 6900 and people were very happy with me till then. So I would just say that please you can count on us. We will put in the blood, sweat and tears and at the right time we will definitely reward shareholders either through the boners or some kind of mechanism which is going to be EPS accretive for all shareholders.

Moderator: The next question is from the line of Kunal Krishna, Individual Investor.

Kunal Krishna: There is always room for improvement when it comes to transparency and corporate governance. But having said that going forward what steps are you going to take in order to ensure that the interest of retail investors is protected amidst any new developments and considering that there may be individuals or entities privy to the company's future plans which they may use to their advantage at the cost of retail investors interest? Thank you.

Tarak Patel: I think good question again. I think we will definitely need to strengthen our, we already have a very strong corporate governance policy in place but there is no harm of like you said always improving. I think with the quality of investors who will come in now during whosever subscribe in the OFS I am sure they will also demand a much higher level of corporate governance. We will learn a lot of new things and we will hopefully implement best practices better than what we have currently and we will obviously always be transparent. And that's one thing that I have

done and the people who have been following GMM since 2015 since I took over in June I have held a conference call every quarter without fail. Personally I have been in all these calls and I have never shied away from asking and being transparent and having a very open conversation with anybody. That is something that will remain the same. Obviously that is something that we don't want to change and we want to continue as being as practical, transparent and pragmatic as we can. However at the same time like you said we will try and bring in some more corporate governance measures that strengthen our corporate governance going forward.

Moderator: The next question is from the line of Vidya KR, Individual Investor.

Vidya KR: My question is in the time from now up to the integration of the two entities, the global part of the Pfaudler Inc. and GMM Pfaudler, what benefits do I receive as a shareholder of GMM Pfaudler? Point number one. Point number two is, what mechanism do you envisage to integrate the two businesses entities?

Tarak Patel: I think until the time when the businesses are consolidated sometime in November, you obviously have our Q2 performance to be recorded. We have a Board meeting planned on October 21st, like I mentioned to you in spite of COVID we were managed to get the factory up and running very-very quickly. There are not many businesses that have been able to get through this crisis starts enough, quick enough. One for us, we have been very lucky because our order book was very strong and we expect the performance of Q2, Q3 and Q4 to also be very-very strong. In terms of integration globally the idea is that there is no real integration because since we have been working together for the last 5 years with DBAG and Thomas Alexander and for the last 30 years with Pfaudler, it's not that we're going into a new factory that we have never seen before or meeting new people that we have never met before. So from an integration standpoint I don't see a problem at all. Integration has already started. We are already working together in many ways. One example is that Pfaudler had bought a company called Interseal which is a mechanical seal company, that entire product range is going to be manufactured now locally in India. The localization has already started. Currently we buy the steel from the seals from EagleBurgmann and from Flowserve. Now we will be producing our own branded mechanical seals and applying them to every reactor that we sell, so again a huge kind of benefit both in terms of revenue and profitability. These are also very-very high when it comes to after sales market business, so that's a great opportunity. So things have already started happening. We are sharing technology on glass, we are sharing technology on acid recovery, we are selling our heavy Engineering products, we are selling their products, they are allowing us to go into Southeast Asian markets. Taiwan is an order that we've recently got from, some orders from Malaysia. So I think the integration is going on and before you know things will start flowing through into GMM.

Moderator: The next question is from the line of Deepak Mehta from MetLife Insurance.

Deepak Mehta: My question is about the disclosure of this OFS; at the time of acquisition also I think there would have been discussion with the private equity DBAG. So even at that time if you would have disclosed I think it would have made more sense and transparency.

Tarak Patel: Right Deepak, good point. There was definitely a conversation but nothing was decided at that point when would we do it, how would we do it, at what price would we do it, who would do it, what investors would come in. So it would have been too speculative in nature to disclose anything at that standpoint and as you know disclosing something that is speculative will cause even more problems than early disclosing. So only once we were certain and as per the guidelines issued by SEBI is when we disclosed. But as you said that yes conversations and we knew and we knew actually from day one that when DBAG came in that they are the financial investors and they will liquidate at some point. We always knew that but the exact timelines is not that we knew for certain and hence we could not disclose.

Moderator: The next question is from the line of Arun Kumar Ohri, Individual Investor.

Arun Kumar Ohri: I am an investors since 2006, 14 years when the face value was Rs. 10. I never had a concern on the company. However, the entire transaction in the last 3 months the way it has gone, when the price was running near 7000, there was no alert and I find very difficult. In the last 14 years I never had any issue with the share with which I was sleeping. That's the way I would say. But it was shocking when the price was 7000, when it was going out of range and there was no alert given to the market. Not to say that I am seller in the share, my cost is Rs. 70, so I would say sense for me to worry. But it does take our confidence, what is the kind of steps you are intending to take to rebuild the confidence of the person who took the share of the company as a rock solid, without any problem, without any issues like a clockwork dividend used to come every quarter, good balance sheet, transparent balance sheet, never had any issue. But the entire thing the way the whole exercise has been done.

Tarak Patel: I completely agree with you. I mean on market pricing and market demand I don't like to comment on that. But I hope that by bringing in additional free float, bringing in strong investors, long-term investors there will be less opportunity for people to play with the price. I think that is something that as the company grows in size as we grow in scale as the more number of investors and visibility comes in, it will be beneficial for all shareholders going forward was talk on the other aspects of dividend, in the other aspects of corporate governance, balance sheet, accounting policies, nothing has changed, nothing will change. So you can be rest assured. I know many people have seen what has happened in the last few months and enjoyed it while the price went high and then when it came down because of the OFS you were very distraught and unhappy. But again like you have been a shareholder for the last maybe 14-15 years I would still urge you to remain a shareholder. We will not let you down and there will be no opportunity where you can point a finger at us for any kind of wrong doings on this deal. This is something that the market pricing is not in our control and from our standpoint; our only focus is to continue making the business successful and trying to grow both revenues and profitability.

Moderator: The next question is from the line of Atul Modi, Individual Investor.

Atul Modi: I have got two questions. I am a small investor since last 1-year. One thing is that why was this OFS, declaration of OFS not done prior, you declared on 21st and then OFS was open for non-retail investor from 22nd and only retail investor only for 23rd. I actually couldn't apply for OFS

at such an attractive price. Had it been a little more transparency I could have done that that was the question number one? And question number two is why was the opportunity of rights entitlement not given to existing shareholders rather than straight away going to the public? These are my two questions.

Tarak Patel: In terms of the OFS notice, everything was done as per the SEBI laws what it required to be done. So that is something that was basically dictated not by us but by what SEBI allow. So that was your answer to question one. The OFS I think is a mechanism by which we are not at all increasing the shareholder base, the shareholder capital, the number of shares still remain the same. You will be earnings for share is going to increase significantly over time and that is one thing that we wanted to maintain. We did not want to increase the number of shares in the market. That's the reason why we decided to go with an OFS.

Moderator: The next question is from the line of Ashil Shah, Individual Investor.

Ashil Shah: I had one question regarding the competition that you currently have. From what I understand you guys have done backlog of let's say 7-8 months. What is, and you all don't have competition from the international companies, the rest of the companies are here are local and you have a technology advantage. What is stopping you out from increasing the prices and just essentially getting a much larger share on the profits?

Tarak Patel: So again we have to be very careful. We have to find the right balance between price and demand. The customers have been part of our growth journey and have been very-very mutually beneficial relationship between us. They depend on us and hence after a point pricing is something that we also have to be a little bit careful about but having said that over the last 4 to 5 years we have increased prices regularly. Being the market leader, we have been able to do that and the rest of our competitors have also followed and a lot of the improvement in profitability as well has come because prices have been increased. Going forward what I do see and what we see in India now is the mindset of the Indian customer has changed significantly. When I came back from the US in 2000 it was a very price conscious market, it was only about price, we had to match prices but today people are willing to give you a premium for good quality, for faster delivery especially people who are building world-class facilities. So a PI Industries, Divis Lab, the Dr. Reddy's and SRL and RT; we are not going to compromise anymore on quality. Their customers are all international players, they are all multinational players, they have regular audit. So the Indian customer is also changing and you will see now overtime that need for high-quality branded equipment is going to increase.

Moderator: The next question is from the line of Kumar from Century Link.

Kumar: My question may sound little repetitive but the problem is on the OFS was announced on the evening of 21st September and OFS open from 22nd September. Maybe this is as per SEBI rules and SEBI may allow this but this came as a surprise to the individual investors like me. So what made this kind of sudden surprise to be given? Is this because of planning was made suddenly or is this how things work? And second question is on 21st September evening the announcement

was made but on 21st September morning there was a steep fall in the share price. So is this because that the information was already leaked?

Tarak Patel: Yeah so again I can't really comment on this but I know one of the reasons why they don't have a big gap between announcement and actual OFS is probably because there could be a lot of pressure on the share price, right. So that's why they keep it very-very close together. I can't comment on why and who and what the share price has done over the last few weeks. I don't comment on it when it increases nor can I comment on it when it decreases. Again I just want to reiterate to everybody that share price is something that everybody looks at but I think the fundamental of the business, the share price will improve over time and the business keeps improving and again if you have a long-term view, I don't see any reason why this is still not a good opportunity for you.

Moderator: The next question is from the line of Samir, Individual Investor.

Samir: Being an old shareholder of your company why all these details about how much the DBAG is selling or how much the Patel family is selling? Why all these details could not have been published in your OFS letter itself so as to avoid any doubt?

Tarak Patel: So Samir I think most of the information is already there. It's already on the stock exchanges; it's also on our website, all the discussions, the amounts, the who is selling, why this been sold. I think most of the information has already been shared. Unfortunately did not get picked up and only few small portions of it got picked up but the information has been shared in a very clear and transparent manner. The only thing that we did not do and in hindsight we could have done it made a more of a general statement about this transaction but since it's not through the company, through the promoters, the company cannot really make a statement but maybe as promoters we could have made broad level statement but I don't know what kind of locus standi we have in terms of this and how would we have to make the statement to the stock exchanges. So again normally we follow exactly as per our legal advice and our investment banker advice, the standard process followed for OFSs.

Moderator: The next question is from the line of Saurabh Jain from SSJ Finance.

Saurabh Jain: My question is based on the premise and my understanding that GMM Pfaudler will acquire about 54% in Pfaudler Inc., Patel family will acquire about 26% in Pfaudler International and what I understand from you is that eventually GMM Pfaudler will own the entire 100% or maybe the 80% in Pfaudler International. The question is based on this premise, why is this considered a better alignment of interest of the promoters and GMM Pfaudler versus maybe GMM Pfaudler having acquired the entire 80% at this stage itself. Could you comment on that?

Tarak Patel: Saurabh so yeah good point. Again so this 100% is something that will happen after a 3-year period, it won't be 80, it will be 100% that's already been decided. The reason again like I mentioned is to show commitment and belief in the business. Most Indian investors would have asked me saying that why are you buying into a business that's growing at 7%-8% where the

profitability is so much lower, India is doing great, you are making 19%-20% EBITDA margin, you are growing to 20% CAGR over the last 5 years, so why are you really taking this step? And the idea here is to really show to the investors and to the general public that we as a family are putting in our own money to show that we believe that we can turn this business around, we believe that there are a lot of synergies, we believe that there are a lot of improvement that we can make hence we decided to do that. We also believe that by doing this we are not over leveraging the GMM Pfaudler balance sheet. It makes it much more comfortable for GMM Pfaudler anyway because they own 54%, the entire revenue and profitability will get consolidated and at the end of the 3-year period like I mentioned to you, we will find a mechanism by which GMM Pfaudler will own 100% of the international business.

Moderator: The next question is from the line of Bayan Shah, Individual Investor.

Bayan Shah: I want to give an honest feedback that lot of retail investor who bought the GMM shares recently, they feel dejected by seeing the OFS which is coming at very discounted price and some of them are now even feeling the trap. So this is one honest feedback that I would like to give from the retail investor. Now my question is on the debt that we have taken to fulfill this acquisition so what is the timeline that GMM is looking to repay this debt?

Tarak Patel: So on your first point, your point is well taken. I understand and that definitely a thought that went through my mind earlier but there was no other way around it. If the price were lower and we were a higher over price and one would have been happy but in this case, it was the other way round. Hopefully once share price will return to normal levels in the foreseeable future and the retail investors will again be quite happy in terms of the performance. Now in terms of the debt level we have about \$17.4 million of debt that we will be taking on GMM Pfaudler balance sheet about 12 million at GMM level and 5 million at us with subsidiary level. So that is the quite a comfortable level. Pfaudler currently has a net debt of about \$23-24 million however that net debt is going to be changed to a vendor note so DBAG, it also going to show commitment by giving us a vendor note from their side without any kind of covenants or the collateral at the same interest rate that the banks would give it to us. So that is going to give us a lot more flexibility and we believe that we can easily pay back the GMM debt in about 2 years or so, 2 to 3 years and similarly for the Pfaudler International business as well.

Moderator: The next question is from the line of Yash Kadu, Amrita Investment.

Yash Kadu: I have two questions for you. The first question is you said that eventually you will be increasing your stake to 30% in GMM Pfaudler, right now you have come down to approximately 22%. So when you are going to increase it to 8% eventually by 3 to 4 years? What is the mechanism like how are you going to raise the money to increase your stake to the 30%? And the second question is again keeping in mind that you have increased your sales revenues and profit margins approximate 20% CAGR last 5 years and keeping in mind that you will be able to continue. Do we see any increase in CAPEX and if so then where do you see it coming from?

Tarak Patel: So let me maybe speak about the second question first. The second question is both at Pfaudler International and at GMM Pfaudler, I think the next 12 to 18 months it's not going to see significant CAPEX like I mentioned to you here in India we have now readymade facility in Hyderabad plus our two new gas furnaces have also come in. So that should put us in a good standing for the next 12 to 18 months for sure. We have enough capacity now. Internationally as I mentioned earlier Pfaudler has spent \$23 million in CAPEX over the last 2 to 3 years. We have shut down a 100-year old German plant, they have moved to a much smaller manufacturing facility with much lower number of people. In China as well they have moved from Fuzhou to a factory which is twice the capacity and in Italy, they closed down their old factory and bought a competitor out. So these investments have gone in already so there is no significant CAPEX going to happen in the next few years. Maintenance CAPEX will be actually lower because these plants are all brand-new now. On the first part of your question I believe it was around I am sorry I think it skipped my mind. Can we get the gentlemen back and just have that question repeated please? So I think I got it so I think he was asking about how we are going to increase our stake, right?

Yash Kadu: Yeah because you said you are going to like you will have to fund it, right in the next 3 to 4 years. So how are you going to fund it because you said that 2.5% stake that you sold in GMM Pfaudler to buy the parent group so again I just want some clarity about how are you going to fund to take your investments back to 30% for GMM Pfaudler eventually 3-4 years down the line?

Tarak Patel: Right so one of the mechanism and again it might be a bit complicated but like you said and like you know 26% in the international business is owned by the Patel family and eventually I said that 100% will be owned by GMM Pfaudler so there will be a merger of sorts where we will combine the international business with the India business and that 20% stake will then get converted to a small stake here in GMM Pfaudler depending on what value and what kind of improvements we can bring over time. So that would help us increase our stake maybe for 3% to 4% and then obviously with DBAG we have a right of first refusal so whenever they do plan to exit we do have some ability to buy some amount of stake obviously as a family we will not look to dilute anymore. If the opportunity comes we would look at some kind of financing options or some kind of selling of our properties, land properties and the things that we own and then we can reinvest that into the GMM Pfaudler business.

Moderator: The next question is from the line of Karan Khanna from Ambit Capital.

Karan Khanna: So Tarak, I had one question just following up from the previous participant. You mentioned that eventually in the next 3 to 4 years you intend to increase the stake of Patel family from 22.5% to roughly 30% in the next 3 or 4 years. As I look at the current pricing itself or the current valuation of the company this would imply around 400-450 crores of outgo assuming that the pricing was to stay where it is today. This would still imply 400-450 crores requirement to be able to buy the 7.5% incremental stake in the company. Now if I look at the international business even if you were to be able to turn it around say in the next 3 years from 100 crores EBITDA to say 200 crores EBITDA in the next 3 years and if you were to conduct the transaction

at the same price, same valuation as which you have acquired it from DBAG that could still imply that for your 26% stake for 100 crores you will be able to get around 200 crores valuation for that when you sell it back to GMM. At that context just wanted to understand that whether these valuations would be same as the valuation at which you have acquired the business from DBAG or there will be some changes to it and if not, how will you fund the remaining 250 crores odd to fund the acquisition of shares at GMM Pfaudler?

Tarak Patel:

So honestly we have not thought that far but I would just give you a little bit of guidance in terms of what and how the valuation will be done. The valuation, there is no pre-agreed price, there is no put or call options on either of us. The idea is to do a fair value when we believe the timing is right, being related parties both DBAG and the Patel family cannot vote on this transaction. It will have to be done by the minority shareholders which will include the new shareholders are coming in, the FIIs and the DIIs and the HNIs. So it will be a very transparent and above-board manner. The idea is to not really worry about that right now. The idea is to really focus on building value in the business. All this is something that we hope will happen but if we can't create value then obviously the money that the Patel family has put in is also at risk. Now the idea is to create value, we believe there is value to be created and hence we have invested our own funds into the international business and taken some of the risk away from GMM Pfaudler as well and taken some risk on to our head as well.

Moderator:

The next question is from the line of Dr. Danish Irani, Individual Investor.

Danish Irani:

I think now we should only concentrate on the positives. I have been holding the shares since 1991 and I am probably the largest individual investor minus the promoters. So let's forget the negatives, let's forget what's happened and whatever has happened isn't really good. Hasn't left a very good taste but then forget it. Let's see further, let's have faith as we had till today in the management. I have seen Tarak come to this company as a joinee and I've seen him rise to what he's risen today. And it think as an investor, as such an old investor and such a large investor, I think I have full faith in him and I think he will take up where he wants to take up. That is the world #1 we are, the world #1 hopefully we will always be. So Tarak I hope you will maintain what you have maintained and probably look back into the deficiencies which have occurred during this whole last two weeks. And I think we should see you where you can take us. So without asking any questions, I think I would only like to look forward very positively as I have all through and I will always remain committed to this company and I hope everyone else should also remain committed and let's just forget the past and think about the future. Thank you. This is all I wanted to end myself on a very positive note.

Moderator:

We proceed to the next question from the line of Anand Jain, an Individual Investor.

Anand Jain:

I think whatever the speaker ahead of me said makes lot of sense but there's just one question which I think picking up from the thread of the previous two speakers is that there is still a transaction that will happen going ahead 3-4 years down the line. And whatever has happened in this transaction has certainly left a bad taste. As a minority shareholder I would really expect the management to provide us some kind of guarantees in terms of how the future transactions

where the Pfaudler gets bought over completely by GMM takes place happened in a way which is completely team and which is not decided at that point of time but which gets decided way ahead maybe even now if you can give an assurance that, not just an assurance more like some kind of it's going to be driven by maybe an interest rate driven exercise or whatever exercise but a far more transparency in terms of that would be very helpful in taking back the trust on the management.

Tarak Patel:

Yes Mr. Jain I think that's a very good point and that point is well noted. I think it's something that we've also assured the incoming investors that when we do decide to do the next transaction we will take you all on board, we will keep a very transparent and open manner, we will learn from our mistakes and I think going forward we want to be as transparent as possible with our shareholders, minority shareholders as well.

Some of the information can obviously not be shared earlier because of price sensitivity and things like that but whenever we can share information and we will find the right mechanism and I don't think that we will repeat the same mistake twice. So we will learn from our mistakes and definitely make this company much more transparent, I believe there's already a lot of stability coming in with new investors coming in and there will robustness in the price and there'll be more visibility and these investors will also bring more investors with them so I think overtime we will see that the face of this company will change and that's something that I personally believe is very important if we want to see this company go to the next level. So being small 75% promoter controlled company I don't think that's the right place for us, we have to pick up really a global multinational company and the only way today to do that is by increasing the public float, bringing better governance standards, bringing in more transparency and things like that and that's something we'll work hard to get done.

Moderator:

The next question is from the line of Priyam Vada, Individual Investor.

Priyam Vada:

My question is two parts, one is that with this international acquisition, the profit margins what will be the impact on the percentage profit margin? Will we go up or down? And other part is can we can we have any EPS guidance, growth guidance for the next 2-3 years post this acquisition?

Tarak Patel:

So there is some guidance available in our website, if you got to the investor relation section there's a very large presentation with all the details of the transaction, I would urge all shareholders to go through it. In terms of EBIDTA margin there will be a drop in EBIDTA margin in the near time but we expect that to already improve. Like I mentioned the three new facilities are now making money, they were making losses because of the move but in March of this year German facility broke even. So you will see that uplift coming in. Italy is also making money and China was delayed because we could not start up because of COVID, has now started up also and we have about a 20 months backlog on the books. So all in all the three new facilities plus the new products that Pfaudler has bought in, you will see improvements coming in and that will start flowing through into GMM Pfaudler P&L for coming quarters.

Moderator: The next question is from the line of Arun Laharuka from MH Capital.

Arun Laharuka: Mr. Mehta I had a question on the business side. I am just a two day old investor, thanks to the OFS, I have become an investor. Basically my understanding is that GMM's float is directly proportional to the CAPEX plan of the pharma and allied companies, the chemical sector. And again my understanding is that there has been a significant capacity addition that has happened in the last few quarters and with an adequate pipeline to be delivered in the next few quarters. What is your confidence on growth over the 12 to 36 month period going forward because by the time you will think it's streamlined, are we still confident of growth coming in or are there any other, what are the other legs to grow other than capacity addition on the Indian side?

Tarak Patel: So firstly my last name is not Mehta its Patel but since you're a new investor I think that's okay. No problem. So I'm very bullish. Currently we have seen a lot of growth coming from chemicals in a company like Arti, SRF, a lot of the China production, the China pollution control norms, that has shifted a long lot of production into India. And that has been really our growth driver for the last 3 to 4 years. Pharma historically has been our biggest segment accounting for nearly 55%-60% however we have seen that drop to about 35% and we have seen chemicals, when I say chemicals, agro chemicals and specialty chemicals take up for that shortfall. So we are still seeing that chemical is strong, we are already seeing big projects coming in from the PIs and SRFs of the world. We are also seeing chemical companies now moving into pharma intermediaries. So SRF, PI have already announced that they are going to get into pharma intermediaries as well. Now from a pharmaceutical standpoint we are seeing some amount of traction, we see a resurgence in pharma as well. We are not seeing it right now in the big pharma, but we are seeing it at the second level, the guys who supply into the big pharma. So the smaller companies with one or two reactors are now buying 10 or 12 reactors. So they are ramping up their production because these companies are now looking at alternatives to China. So I believe going forward India market looks very strong. I would like to just add here that the European and US markets are also seeing some traction in pharma. Those geographies and those countries are looking at building redundancies in these markets. Our Swiss subsidiary has a backlog of close to €20 million which it never ever had in lifetime. It was a 15 million swiss franc company so it has a backlog now that pretty much goes on for a year and a half. So there is action happening there and maybe if Thomas is still around maybe he can give you a quick view on some of these investments that are coming in on the international shores.

Thomas Kehl: This is what we see. Due to the COVID crisis the world is going to look at itself in a different way than it did in the past. Many more international investors as well of off-shore for their manufacturing facilities to be local and also low cost manufacturing, so the supply chain disruptions businesses. They're now urge to really deal with redundancies and backups and this will create additional demand, increasing the demand, as they are not shutting down there offshore offices but they add new facilities in their home turf and this will boost our demand and will create additional opportunities for us.

Moderator: The next question is from Viraj from Validus Wealth.

- Viraj:** Just two small questions mainly on the numbers. So in the resultant post transaction shareholding structure at the top of the tree, what's the holding of DBAG in Pfaudler Inc., USA and in of Pfaudler Inc. USA in GMM Pfaudler?
- Tarak Patel:** So DBAG through Pfaudler Inc. will hold 32.68% after the OFS. So they will still continue to be the largest shareholder and they are still committed to the business and this holding will not change for the next 3 years.
- Moderator:** We take the next question from the line of Kalpesh Goti from Valentus Advisors.
- Kalpesh Goti:** Sir you already mentioned what is the Revenue and EBIDTA after the merger of the transactions, can you throw some light or mention what will be the debt level on consol levels?
- Tarak Patel:** Alex maybe you can take that but I think it's there in the investor presentation or maybe Alex can give you some guidance on that.
- Alexander Pompner:** We are at the end of this fiscal year of the GMM amounts 32 million on a combined level net debt plus 32-33 million net.
- Tarak Patel:** I think he said 32 million consolidated net debt.
- Alexander Pompner:** Yes 32 to 33 million.
- Tarak Patel:** 32 to 33 million on a consolidate and revenue was about 275 million.
- Moderator:** Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Diwakar Pingle for his closing comments.
- Diwakar Pingle:** I think Tarak will give the closing comments. I know there are still some people on the call; in case you have any queries and questions my email id is there on the presentation deck. Please put it down happy to engage in a conversation with you guys. Tarak your closing comments please.
- Tarak Patel:** Thank you everybody for your questions and comments as well. I think your feedback is well received, I think we will have some internal kind of improvements that we will work on to make it a more transparent and more open company going forward, that's something that we will work on. But from a business standpoint, a governance standpoint, or management standpoint I don't think anything has changed. Just believe in this company a month ago, I see no reason why you should not believe in the company going forward, and obviously now is the time for performance to speak for itself and I hope that our performance can speak for ourselves and I look forward to interacting with you again after our Q2 numbers. Thank you very much and have a nice weekend.
- Moderator:** Thank you. On behalf of GMM Pfaudler that concludes this conference. Thank you for joining, you may now disconnect your lines.