



“GMM Pfaudler Limited Q4 and FY 2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the GMM Pfaudler Limited Q4 and FY 2021 Earnings 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 call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Priyanka Daga from GMM Pfaudler Limited. Thank you and over to you, ma'am.

Priyanka Daga: Thank you, Janis. Good morning, afternoon and evening, ladies, and gentlemen. Thank you for joining us today to this quarter four and financial year 2021 earnings call of GMM Pfaudler Limited. On this call, we will be referring to the earnings presentation that has been shared with you and is also available on our website. Hope all of you would have had a chance to go through the same.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Please note, the disclaimer mentioning these risks and uncertainties is on Slide #2 of the presentation shared earlier.

From the management we have with us our Managing Director – Mr. Tarak Patel; our Chief Operating Officer – Mr. Ashok Pillai; our Chief Financial Officer – Mr. Manish Poddar; and our CFO of International Business – Mr. Alexander Poempner.

Referring to the agenda given on Slide #3, we will start the presentation with a business update from Mr. Patel. Over to you, Tarak.

Tarak Patel: Thank you, Priyanka. And Good evening, everybody. I hope you and your families and loved ones are safe. Let me start off by giving you a business update in terms of the financial year that we just finished. Obviously, our business has shown incredible resilience. We have completed the year in a very strong manner by showing both revenue and profitability growth. This is our best performance ever and we are very proud and happy that not only could we improve upon last year's performance, but we were able to, in spite of the slow start of the year, make up for the lost ground. I must at this point also mention the resolve of our employees, our people who have put in a lot of hard work over the last few months to make sure that we finish the year in a very strong manner.

It was also a very eventful year when it comes to M&A. We did three acquisitions this year. We started the year with acquiring a manufacturing facility in Hyderabad from one of our competitors. In August, we then announced the acquisition of the Pfaudler International business. And then in March of this year, we announced the acquisition of HDOT at Ahmedabad, which will help us resolve some of our capacity issues over the next few years.

We are now truly a global company with a 40% global market share. We have 13 manufacturing sites across eight countries. And we employ nearly 1,500 people. As a milestone, by

consolidating two months of Pfaudler International financial year February and March 2021, we have also crossed Rs. 1,000 crores of revenue. Lastly, looking forward, we have a healthy backlog across the group. GMM Pfaudler India has a strong backlog spread very evenly across all our product lines. Mavag, our subsidiary, had a record order book and an order backlog close to nearly \$18 million at the starting of this year. And Pfaudler as well has a very strong order book, and the visibility of the order intake continue to look very positive.

Let me now turn to the standalone results for the quarter four. As you can see in the presentation, our revenue grew by about 38%, Rs. 190 crores versus Rs. 113 crores last year. EBITDA increased by 150%, Rs. 52 crores this quarter versus Rs. 20 crores last quarter. And then, the PAT also grew by around 214%, a Rs. 31.5 crores versus the same quarter last year of Rs. 100 crores. Our order intake has increased this year by about 50%, close to about Rs. 190 crores versus Rs. 127 crores in the previous quarter.

As the standalone results go, we finished the year at Rs. 640 crores versus Rs. 515 crores previous year, a 24% growth. Our EBITDA margins grew by 55%, Rs. 153 crores versus Rs. 99 crores. In terms of percentage of revenue, which is 24% now versus 19% in the previous year. And profit after tax grew by 53%, Rs. 95 crores versus Rs. 62 crores previous year. As far as the opening backlog goes, on April 1, 2021, we had an opening backlog of about Rs. 415 crores versus the same time last year about Rs. 322 crores, which is about 30% higher, and give us greater visibility for this financial year as well.

Just to quickly take you through the Mavag results as well. As you can see, very similar to the GMM Pfaudler standalone, so the standalone plus Mavag results is similar in nature. And maybe I will just kind of take you through the yearly results. So, for the entire year, revenue of the group has increased by 28%, so we are now Rs. 757 crores versus Rs. 591 crores last year. EBITDA at Rs. 166 crores, 50% higher than last year of Rs. 111 crores. PAT at Rs. 105 crores, 48% higher than last year's Rs. 71 crores. The order backlog of GMM standalone India and Mavag together is about 46% higher at close to Rs. 556 crores, like I mentioned, giving a good visibility for the financial year.

I would now like to hand this call over to Alexander Poempner – the CFO of Pfaudler International, who will quickly take you through the Pfaudler International business performance. And then to Manish Poddar, who will take you through the consolidated numbers as well. Alex?

Alexander Poempner:

Yes, thanks, Tarak. Welcome, everybody. Now I would like to give you an introduction of the performance of the top-line international business. First of all, I would like to say that we are very satisfied with the performance in the last 12 months. We achieved revenue growth of 7%, improved our profitability, as well as we benefited from continued strong order intake. We finalized our site modernization and relocation project and set a strong foundation for future successful development.

Now, I would like to say something about the regional development, starting with Europe. Europe was performing very well in the last 12 months. We had our entity in Germany, Pfaudler GmbH, where we implemented performance improvement measures, they are paying off now. We are benefiting from improved cost structure, and are also supported by a strong marketing numbers, not only in Germany but also, for example, in Switzerland or Russia. Other entities in Europe like Italy, U.K., or our Interseal entities, they are also performing well. And it is partly driven, for example, in Italy by a strong pharma business. We faced, however, also some challenges. And I would like to mention there, for example, our unit in Benelux where we see some changes due to COVID because this is the unit which is dependent on service business.

With regard to the America, it was more or less muted year last year. However, tech and technology and systems business are developing okay. They are driven by a strong pharma business and chemicals, and services is lagging partly behind. However, we expect a good upturn also in the coming months. Edlon was little bit in the challenges, because the Edlon business is dependent on a weaker semiconductor business. But also, here we see signals for good performance in this calendar year. The outperforming units in Americas is Brazil, and this is driven by a really strong pharma business as well as a strong agrochemical business, and strong growth in Argentina and Chile.

Tarak Patel:

Sorry, I think we have lost him. So, coming back to China, our site location in China is also complete, and this increases our manufacturing capacity as well. So, we can now focus on long term sustainable growth. Like I have mentioned in the past, China is one market, we believe, that we have a strong position to increase our market share. And the first sign of the China turnaround is already in place, the month of April has been a very strong start for the Chinese performance as well.

Just to take you back, the next page is to give you an overview, this is for the last 12 months ending March for Pfaudler International business. So, you have an apple-to-apple comparison. The revenue grew about 7%, the adjusted EBITDA grew about 32%, so we are around 9% mark now. And the order backlog also has increased by about 18%. So, all in all, the Pfaudler International business looks good. And like I mentioned to you, obviously, that the journey begins now. We are now a much bigger group now and our focus is now to kind of extract the post-merger synergies and make sure that some of the initiatives that we have been planning start bearing fruit as soon as possible.

I would now like to hand it over to Manish Poddar, the CFO GMM Pfaudler to take us through the consolidated results.

Manish Poddar:

Thanks, Tarak. Good evening, all. So, if we look at the consolidated results, we have broken the financial year 2021 results into various columns, just for a better understanding. So, if you see the first section of standalones plus Mavag, for like-to-like comparison, FY 2020 verses 2021. The Rs. 591 crores revenue has gone up to Rs. 757 crores, which is a 28% increment. Similarly, the EBITDA for the year for standalone and Mavag has improved from Rs. 111 crores to Rs.

166 crores, that is 49% improvement. Similarly, the PAT as well has increased from Rs. 771 crores to Rs. 105 crores.

Now, in column B, we go to the Pfaudler International's two months business. So, as you know, we acquired the business and got consolidation started on 1st, February 2021. So, we have two months of revenue and the profitability thereon. So, on a pure business performance, column B refers Rs. 255 crores of revenue and Rs. 17.7 crores or EBITDA, which is a 7% EBITDA on a two-month period. Thereafter, if we see column C and D, are basically the acquisition related and the one-thing PPA impact. So, this Rs. 457 million that you see in column D is basically, as per IFRS 3 under business combination, when you acquire a business, all the assets and liabilities have to be fair valued to the date of the acquisition, which 1st February.

Under that regulation, we have to revalue the opening inventory of \$61 million, up by \$12.6 million. Therefore, that \$12.6 million has now to be amortized into next four months to two months in February, March, and next two months in April and May, which is \$6.3 million each. So, that is why you see a Rs. 457 million or Rs. 46 crores of charge to the P&L in this. Again, this is just an inventory revaluation and there is no cash impact, this is just from an accounting adjustment standpoint. Similarly, there is an amortization of intangibles identified of Rs. 124 million in this quarter, which obviously goes on to very insignificant numbers in future.

Next in line is the exceptional item, if you refer column C, you have a Rs. 13.3 crores of expenses, on account of acquisition related charges on account of legal consulting fees and statutory filing fees. Similarly, we had incurred some Rs. 20 crores of that expenses in India. So, therefore, you see a Rs. 335 million of exceptional cost being incurred, purely towards the Pfaudler acquisition. So, net, net, the audited results, how does it stack up, they stack up to revenues of Rs. 1,001 crores of revenue, and Rs. 138 crores of EBITDA, with a Rs. 63 crores of PAT.

And as we move along to the next sheet, which is the balance sheet, so you see a very healthy balance sheet with a strong liquidity at Rs. 243 crores of cash in hand at various geographies of course. And at a global level, even after having so much of the debt in the Pfaudler International, our net gearing ratio remains pretty healthy at 0.5. After this acquisition, CRISIL also re-rated us and they retained the same rating for us at AA-minus. So, that's validation for the healthy balance sheet of the organization.

Similarly, on the cash front, if you see, as we discussed, those PPA items are just non-cash items. So, you see Rs. 68 crores of profit before taxes. However, your net cash from operating activities are Rs. 157 crores. So, that itself tells you that when a profit has been lower, but because of this non-cash item, the profit has been impacted, otherwise, the cash generation happened is same. And net, of course, we have the investment and financing activities contributing to a bit more of cash. So, net, we have got Rs. 195 crores of increase in cash for the year.

And now, we can move on to the integration update. Tarak, over to you.

Tarak Patel:

Thank you, Manish. So, I will quickly just run through this because I know many of you will have specific questions. So, integration update, we have already begun our integration process. We have an outside consultant onboard for the last couple of months. We have a project management team. We have workstreams identified. We have regular reviews. We have a steering committee, and we are on track to kind of extract as many post-merger synergies as possible.

Obviously, the three pillars that I would like to just kind of re-mention of what are the pillars and the rationale behind the acquisition was obviously the operational excellence, taking some of the learning from India into the other geographies to make them more efficient, to look at sourcing components and vessels from India. And then lastly, cross-selling. So, just a few updates here. One is in terms of the value sourcing; we have made some significant breakthroughs. We have actually been able to sell Indian made equipment into certain European markets which were kind of price sensitive in nature, so that has been a good win for us. We are also standardizing on components that can be sourced from India, so you will see some improvement, both our exports going from India as well as cost reduction measures internationally. In China, also we have seen some improvement. And like I mentioned, we have a team of people now working in China to help them ramp up production. So, we can really go after market share improvement in China.

Lastly, on the cross-selling front, again, I think one of the big updates for us here in India is that we finally received our first asset recovery order, that is in the region of about \$2 million, so that is really a good win for us. We have technology coming in from Pfaudler International business, but this really kind of really opens up a lot of doors for us. We have also had a certain amount of breakthroughs, where we have been able to package many of our equipment together and sell them to customers around the world. Be it Glass Lined, be it Normag, be it filtration and drying, we have been able to do that quite successfully. So, that is definitely a positive.

Now looking at the outlook, before I close. So, the India outlook remains very strong. We expect the India business to grow at a very similar way to what we had shown in the last couple of years. We have two facilities that we have added, Hyderabad is now fully operational and will account for significant capacity in Glass Lined for the financial year. The Vatva facility which we had planned to open a couple of months down the line, we have actually inaugurated it last week on May 24. And we plan to start manufacturing immediately. The good news on the heavy engineering front is we have seen significant order intake. We recently received about Rs. 50 crores of business from one of the big EPC players here, so that puts us in a very strong position for heavy engineering, and we will be manufacturing this entire large order at the Vatva facility. So, that is definitely a positive for us.

Like I mentioned earlier, we have a robust order backlog across all our business lines. We are focusing on growing our aftermarket business by increasing our service centers and being closer to our customers. Export is something that is a priority for us also and using the Pfaudler's international network. And then we also plan to build some additional capacity. Now that we

have Vatva available, we will free up capacity in Gujarat. And we have some additional capacity that we would like to add in Hyderabad as well. This capacity will come online maybe in Q4 or Q1 of next year. And we will give you more information on that in the coming months.

The outlook for the International business is obviously business stabilization. There will be revenue growth, however, our focus is now to really improve the margins. We have a lot of initiatives to be worked on. And we have a lot of kind of initiatives that have already been completed. Like Alex mentioned, the three sites have been relocated and the momentum is picking up, the order backlog remains strong. And now that the relocation is complete and these are new facilities, there is not too much expenditure when it comes to maintaining and CAPEX. We also will look to access and penetrate new markets. Southeast Asia is one market that we believe has a lot of potential. And that is an area we are planning to also kind of focus on and look at improving our market share in that business.

So, all in all, obviously, quite a positive update across most of our business lines. Obviously, like I mentioned, the focus now shifts to really stabilizing the international business. And at the same time, making sure that the GMM Pfaudler India business is on autopilot, which we believe we are quite capable of doing. And then looking at synergies and extracting as much value from joining hands together with the Pfaudler international business.

So, with that, I thank you all for your time. And I now would like to open it up to a Q&A session, and we will be happy to answer any questions that you may have.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Niket Shah from SN Investment. Please go ahead. As there's response, the next question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.

Amandeep Singh: Thanks for the opportunity. Sir, firstly on the domestic business. So, recently you have announced the acquisition of assets of HDO Technologies. Can you help us understand revenue potential here and how much of GLE capacity you will be able to expand at Karamsad consequently?

Tarak Patel: Yes, so a good question, Amandeep. So, I think the potential, obviously, at Vatva is significant. I think in an ideal scenario, with minimum CAPEX, I think around Rs. 400 crores mark with the right mix is very easily possible. They have seven sheds there, about 12 acres of land, and they have state-of-the-art heavy engineering equipment and machinery. So, they have two deep-hole drilling machines two of them, they have rolling machines, they have 200 tonnes of crane capacity, really a factory built purely for heavy engineering. This year we plan to use both Karamsad and Vatva for heavy engineering since the order backlog is already so strong. And we have also received very large orders from the EPC players that I mentioned earlier. So, for the short to medium term, we will look at using both facilities. We do not want to have the capacity that is idle. And by Q4, we will start moving the Karamsad HE business into the Vatva facility.

We plan to install a new furnace in Karamsad in our glass lined business with some ancillary equipment, that should come online in FY 2023 and that should give us about Rs. 100 crores to Rs. 115 crores of additional revenue in the first phase. And then obviously, since we have a lot of capacity available, we can still add more furnaces Gujarat. At the same time, we also plan to make some CAPEX in Hyderabad is well, and obviously some of it might flow into Q4 of this year, but we again expect the growth to come into Q1 of next year.

Amandeep Singh: Thanks. Sir, just as a follow-up, how much would be the total GLE capacity in equivalent units after this, any sense?

Tarak Patel: So, not conflicting the two new capacities that I just spoke about, so Karamsad is about 2,400 odd right now, and the Hyderabad is about 400, 450.

Amandeep Singh: Sure, sir. That is helpful. And secondly, you mentioned about receiving your first asset recovery order in India. And you also mentioned about order size to be around USD 2 million. Can you also add an execution timeline and margin profile for the same, if possible?

Tarak Patel: So, for the active recovery, since it is obviously based around glass lined equipment, and its obviously technology, the margin profile is obviously decent. And I think the delivery time is about 9 to 11 months. So, most likely, some of the components will go into this financial year, but there could be a little bit of spillover into the next financial year.

Amandeep Singh: Sir, lastly, with respect to your order intake. We know that Pfaudler Inc.'s international order intake grew by 3% Y-o-Y over the last 12 months ending March 2021. So, in that context, can you help us with the outlook here and your growth guidance?

Tarak Patel: Yes. So, our Pfaudler International business, and Alex can add to it, we expect that business to grow at single-digit growth. The market in Europe and U.S. are growing at about 6% to 7%, the chemical and pharmaceutical market. We expect the Pfaudler business to also track at that rate. However, that is a conservative estimate and there are ideas and thoughts around how we can kind of increase that growth rate. But that is what we have guided towards in our investor presentation. At the same time, our idea here is to really start to focus on improving the margin profile. And I think that is what the integration effort really is, to trying to ramp up the margin profile as soon as possible. Alex, do you want to add something here?

Alexander Poempner: I could definitely echo what you just said. I just would like to point out that currently, if you look at the order intake, it is already 8% higher than our current revenues. So, the guidance that we provided, I think it is definitely justified. But on the EBITDA, or profit level, something will definitely come out of our profitability improvement.

Moderator: Thank you. The next question is from the line of Jayveer Parekh from Sunidhi Securities. Please go ahead.

Jayveer Parekh: Congratulations on excellent set of results, just one question. In terms of the margin profile for your domestic business, we see that the margins have increased substantially. Is this an enabler and in the future we see going ahead in FY 2022, FY 2023?

Tarak Patel: So, you are right, the margin profile, especially for Q4 was I think close to 27%. Obviously, it is something that was much, much higher than what we had guided towards. However, having said that, and with the backlog that we currently have, we believe that is something that can be sustained, so a 24% yearly EBITDA margin is something that we plan to sustain. And we believe that the incremental revenue that we will be going through our new factories as well will help kind of, there will be some operating leverage as well. So, we are quite confident that we will be around that same number, if not slightly better. There has been some amount of carbon steel price increases, which we have passed on to the customer. But all in all, we are quite confident that we should be able to track to around the same level of margin for the coming year, here in the India business.

Moderator: Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.

Sanjay Shah: Congratulations for a good beginning on a global level. To begin, I have one tiny suggestion or request to Mr. Poddar. That now we are a global company, and much bigger than what we were previously, so we will appreciate if you could give us some time between our result outcomes and conference call so that we can prepare ourselves for the queries.

Manish Poddar: Point very well taken, sir. The only challenge we had was a small technical issue which we were facing. So, we just wanted to make it more readable format and all that, so that was the issue. But point very well taken, we will definitely take care of that.

Tarak Patel: Sanjay bhai, we were actually ready to post it on four or so but there was a reversion and a conversion. And I knew that this would be something that people would not appreciate. But yes, I think that is a point well taken, we will kind of give you more time, so you have a couple of hours to read the document before the conference call.

Sanjay Shah: Correct. Because now we have to even read your international business and everything.

Tarak Patel: Yes, I agree.

Sanjay Shah: So, coming back to my two questions. One was, sir, you mentioned about penetrating new market through value source and cross-selling. Can you elaborate on that, what opportunity you see on that side?

Tarak Patel: Yes. So, we have actually had some positive developments here. There is a market that in Europe, which is a value market, I do not want to name the market. But Pfaudler did not have a big presence in that market. However, the local sales team have been quite proactive and aggressive to go and win business here. And maybe Ashok can jump in and kind of speak a little

bit about that, but we won a large order there and the equipment will be made in India. Similarly, there was an order which we received from Singapore, a large order, which was a package that we have given them a glass line. So, not only did we managed to take the whole order, but we have different components of glass lined equipment coming from different parts. So, we have stuff that is being made in the U.K., we have stuff that is being made in Europe, we have stuff that is being made in India. But we put it all together so that at least from a cost standpoint, the customer was kind of comfortable. And at the end of the day, he caught the Pfaudler product. I have updated you all largely that we have also now a GMM Pfaudler representative, a person who is based in Singapore, who is going to be in-charge of the Southeast Asian market. He comes with many years of experience in this business itself. And I believe that this is going to be the starting point for us to kind of grow the Southeast Asia business as well. Ashok, you want to jump in.

Ashok Pillai:

Apart from the Southeast Asian market, there are markets in parts of Europe which are also, like Tarak mentioned, value buyers. And in the recent past, we have had some good success there, in fact, there we had a nice order from one of those countries. So, things are looking really good with all the safety and now fully in-charge and enthused about this whole value chain that is available to them, not only from the Pfaudler companies or the Pfaudler factories in Europe, but also from India. So, those markets are looking good for us now.

Sanjay Shah:

So, my second question was regarding, you mentioned about focus on growing aftermarket business. So, can you highlight what is the opportunity what we see, and which are the product verticals we see we can go through that after market?

Tarak Patel:

So, Pfaudler has close to 40% of their revenues coming from aftermarket, in India we are nowhere close to that, we are about 12% or 13%. But we believe that as companies become more stringent with their quality standards, with the kind of plant maintenance, companies will have regular audits, FDA issues always, so people do want to go back to the manufacturer for spare part replacement and services. So, that is an area we want to focus on. We also believe that many of the plants that we supplied 15, 20 years ago are now coming to that kind of age where they will need to systematically replace a lot of components and parts. So, that is something we want to do. We also have opened up service center, one Vizag, one in Ankleshwar, one in Mahad, we opened one in Roha as well just to stop spare parts and be closer to our customers. And then I also wanted to just kind of bring to your notice that we have also launched, or we will be rather launching Interseal in India, we have locally manufactured steel for the Indian market, the technology has come from Pfaudler International. And we believe that this will also be a good business to generate aftersales, because these are items that are used very often, they have a lot of moving parts, a lot of replacement business comes from that as well. So, all in all, we just want to be closer to our customers, make sure that any kind of support or service or sales or setup that they need will be, and they will be coming or buying it from us.

Sanjay Shah:

So, they are consumables, we can call it consumable product?

- Ashok Pillai:** They are actually wear-parts, that means the parts that get worn out. So, you need to have replacement parts for that all the time. So, in some ways they are consumables, but they are more properly called as wear-parts. They wear over a period of time. Thank you sir.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.
- Ravi Naredi:** Very good job for the company. Sir, you have shown order backlog, that is nice you are doing fine. Will you tell what will be margin on these orders? What is in India and where in other countries also? So, margin will be same throughout the world or there will be some differences?
- Tarak Patel:** So, Ravi, I think the margin profile in India is very different from what we have internationally. But having said that, there are initiatives in place where we are looking to increase the margin profile and improve the margin profile in the international business. We have had a good amount of success with our subsidiary Mavag which we bought in 2008. Today, that company is clocking around CHF 17 million and making at least 16%, 17% EBITDA margins. So, if we can use India low-cost sourcing as a way of increasing revenue; of increasing output from these facilities and reducing the cost, there is definitely margin improvement possible. Alex, do you want to jump in and maybe talk about some of the measures that we are taking to improve margins as well?
- Alexander Poempner:** Yes, definitely. So, we had cost improvements, that we have already launched, and we are benefiting from. And therefore, we already see an increase in margin. I mentioned before that we have, for example, in Benelux, but also in the U.S., the service business is currently lagging behind. And the service business is our high margin business. So, currently, with the uptake that we are expecting, or that we are seeing even, and the uptake especially in the service business, we should benefit from an additional push in margins.
- Ravi Naredi:** But will you quantify what will be margin for India and what will be outside? Some broad range you may give.
- Tarak Patel:** So, maybe we will have a better picture for you, Ravi, during the next conference call. It is a little bit early for us right now, we have only consolidated two months.
- Ravi Naredi:** I understand, yes. And sir, second question. So, international order will be done more from India or other locations outside India, any labour arbitrage you want to play with India?
- Tarak Patel:** Yes. So, the arbitrage definitely will be done here in India. We have already started work on sourcing components from India. There are also other areas that we can work together, but yes, sourcing from India, because currently India has capacity, we have the quality standards to supply into the European markets. And we recently supplied a very large vessels to Pfaudler Germany, Ashok, maybe you can add, and the quality was very much appreciated by them. Ashok?

- Ashok Pillai:** So, it is a 32,000 liters reactor that we supplied, it is a very large vessel that went into the German factory. All our colleagues from Germany were very keen to see the quality and they called back immediately seeing that all the glassing experts and the other people in the shop were very impressed with our quality. So, that was a full testament to the way we do work over here. And also, gives a lot of confidence to the people in Germany that the program that we have now in place of having supply chain starting from India has a very good chance of succeeding and will do very well.
- Tarak Patel:** Right. But at the same time, we do not want to destroy the market. There is a market there for Pfaudler, European made Pfaudler equipment, we have to be very careful where we kind of want to penetrate and look in to and also kind of differentiate our product, so we do not cannibalize our own market. So, that is something that we are quite careful about. But yes, all in all, we will definitely look at India to kind of reduce cost for the other geographies in Europe and Americas.
- Ravi Naredi:** Tarak, you have more responsibility now to run the company because more big company you have made, and we pride on your leadership. Just last if any CAPEX plan if you can give for one year.
- Tarak Patel:** So, for the international business, there is no CAPEX planned, Mr. Naredi. For India, we will probably have CAPEX in the range of about Rs. 30 crores to Rs. 35 crores for this year. The CAPEX will be used to implement glass line capacity in Karamsad and in Hyderabad, because as part of this Vatva move, we will free up capacity and we believe that we should add capacity in glass lined. So, that is probably the next area that we will focus on.
- Moderator:** Thank you. The next question is from the line of Srinivas from Rockford Consultancy. Please go ahead.
- Srinivas Jonnalagedda:** Good evening, sir. I have two questions, first is the other expenses what you have shown, Rs. 54 crores in the Q4, can you give some bifurcation, what is the items of other expenses? **Its in the consolidated numbers.**
- Manish Poddar:** So, these are basically all the SG&A expenses, only this employee cost and the material cost primarily goes up in the line, all other expenses per SEBI format gets clubbed into the other expenses. So, essentially when you have the more elaborate pieces in the detailed annual report, you probably get the entire detail of the expenses.
- Srinivas Jonnalagedda:** Okay. Now, the second question is, what is the funding pattern for the Vatva acquisition?
- Manish Poddar:** So, Vatva, as you know, for our Pfaudler acquisition we initially planned to borrow something like \$11 million, but we ended up borrowing only \$6 million. So, therefore, we had borrowed less, and we had consumed our internal cash. Now, when this opportunity came in at Vatva, so that is being funded through a long-term loan from an Indian bank.

Moderator: Thank you. The next question is from the line of Azlan Ahmad from Bright Warrior. Please go ahead. The next question is from the line of Madhu from Symbiosis. Please go ahead.

Madhu: I have one quick question. So, keeping in view India and China's current political and business relationship, which is traditionally at the lowest point, how is it going to impact the Pfaudler's business going forward, especially in procuring raw materials from China?

Tarak Patel: Yes, so we do not have any procurement of raw materials from China, most of our raw materials are locally procured here in India. So, we have good enough steel mills here, ArcelorMittal, Jindal, and SAIL, who we get most of our raw materials from. And most of the glass required also is all sourced locally. So, we are not dependent on China at all. Unfortunately, you are right, the relationship between the two countries is not at the greatest, but however, the China business is not dependent on the Indian market, and the Indian business is not dependent on the Chinese market. So, luckily for us, we are completely tepid. So, we do not see any changes in any of our local businesses in both these countries. Thank you.

Moderator: Thank you. The next question is from the line of Deepak from Narnolia. Please go ahead. As there is no response from the current participant, we take the next question from the line of the Pritesh Vora from Mission Holding. Please go ahead.

Pritesh Vora: Congratulation on very good sets of numbers. I just want to understand, in the cash flow statement there is an entry called actuarial gain on gratuity of classified OCI. Can you clarify what is this entry for?

Manish Poddar: Yeah. So, if you recall, we had some \$70 million of pension liabilities being acquired as part of the Pfaudler acquisition. Now, that pension liability at every balance sheet date has to be revalued by the actuary. So, basis the last drawn salary basis, basis the life expectancy, basis the interest rate and all the other variables, those numbers get revalued every year. This time it has given us a positive impact or something like \$8 million, so that is the difference between the P&L and the cash flow. So, that impacts our cash flows to that exchange.

Pritesh Vora: Right. So, basically, it is a non-cash item.

Manish Poddar: It is a non-cash item, exactly.

Pritesh Vora: My second question is, we are sitting mostly on the overseas, of because of our creation, we are gaining the plant in the Netherlands and Germany and other places, basically, at the end of the day it is a pressure vessel manufacturing, and you added the glass lining. How viable are these plants which you have purchased from the advanced geographies, how economically viable they are to run efficiently as we are running in India?

Tarak Patel: Right. So, I think one of the important thing to realize here is that, before we purchase this, there was a private equity company that purchased Pfaudler in 2014. And we were lucky, the time when we bought it, they had already finished all the restructuring. So, all the old plants in

Germany, Italy, and China were shut down and rationalized and they were moved to much, much smaller, more efficient facilities, and with a much, much lower number of people. That has already been done. So, we are going to benefit from this because we are now taking over much smaller but much more efficient plants. Now from a business model standpoint, it is always very important to have glass lining furnaces close to our customers. A customer in Germany would not buy a reactor from India if we could not guarantee him local service and support in case the reactor was damaged. So, what could happen if the reactor is damaged, we could quickly send it to the German facility for it to get relined. So, at the end of the day, we will always need local facilities. But obviously, like you rightly said, we do not need very large facilities, we need to have very efficient and cost-effective facilities. But it is very important from the customer standpoint that they have local support, service support and quality support available.

Pritesh Vora: And last question if I can squeeze in. What do you see the current momentum in the order book? In India, a lot of chemical companies and pharma companies are going for expansion. What is your timeline? What do you see? Is it for two-year, three-year five-year period? What do you see this current wave in ordering will last for?

Tarak Patel: So, I mean, like many of you might be knowing now, I think chemical was the buzzword of the market for the last few quarters. And every chemical company was on everybody's radar. Our growth personally has been driven by Agro and Speciality chem over the last maybe three to four years. Big, big project by PIs, SRF, Deccan, UPLs and then recently, obviously, we saw some traction coming in with the pharmaceutical players. We have also seen many of the chemical guys now also diversify API, so that is also a positive sign. But from what we hear across the ground, I think many, many companies are planning large CAPEXs. We are also seeing the second and the third level of pharma companies, not the big guy but the smaller guys, who are kind of ramping up their capabilities and capacities because people want to be less dependent on China. And with the government push on local production. I think some of these companies will also benefit. Ashok, you want to add something to this.

Ashok Pillai: I think you have covered most of it. The first was in the bulk chemicals, Speciality and Agro. So, the pharma sector in the Hyderabad region is picking up now with many of the companies over there adding capacity and also some amount of renewal of the old plant that is 10, 15 years old, with Tarak alluded to earlier, that is also happening. So, all in all, for the next three to five years, we see a strong demand continuing from sectors that we normally cater to.

Moderator: Thank you. The next question is from the line of Saurabh Shah from AUM advisors. Please go ahead.

Saurabh Shah: It is great to see the financial numbers, especially for GMM Pfaudler, and the fact that now Pfaudler is part of the historical, I am sure it took a lot of time, but that is behind you. The first question was really about the management team, you know. Thomas in Germany, what is going on there? How are you looking to change that management team over there? In terms of tracking

the other international markets, are you looking at any incremental business development hires? And what is the focus for that if you could share?

Tarak Patel:

So, yeah, I think from an international management team, we do have Thomas Kehl and Alexander Poempner – CEO and CFO. They will be charged with the international business, we have a long relationship with them, and we are very aligned in terms of what the next steps are, both in terms of organic as well as inorganic growth. So, that is something that we obviously have oversight over. But, from a day-to-day operational perspective, both these gentlemen are very hands on, and that give us a lot of bandwidth from our side as well. In India, obviously, we have a good team here in place, as well. And we have a good presence across all the regions here. And then, lastly, as we look to grow the international business, we are looking at hiring some people across all the different work streams. So, some of the important hires that we have done, are basically Southeast Asia is something we have added a person there, we are in the process of bringing in somebody from the U.S. as well. And then even for operational excellence or group operational excellence, the person has joined the German facility. So, we have the kind of roles that we are now adding to, so they will be responsible for more of the global manufacturing, cost control, operational excellence. And we are making that a very important part of our business going forward.

Saurabh Shah:

The second question, Tarak, was about Asia. I think you mentioned that as an initiative now, can you give us some sense of how large is the market in Asia relative to the other geographies? And what is the competitive environment over there? And how does the China piece currently fit in, in terms of size?

Tarak Patel:

So, let me just bring Asia in to China and Southeast Asia. So, the Southeast Asia market is really a black hole. Pfaudler used to have a good amount of presence, but over the last maybe 8, 10 years, we have really kind of not really invested nor have we kind of had people there, we have lost most of our customers. So, it is really like starting from scratch. But we do believe from what we are hearing, Singapore, Thailand, Indonesia, Malaysia, Taiwan, all these countries do have requirements of glass lined equipment. Again, it is not a market that is very structured. But again, we have to make a very strong push there, because I think that is one area we see a lot of growth, even countries like Vietnam are seeing a good amount of investment. China, on the other hand, is going to be a big market for us. We are not the market leaders there, but Pfaudler does have the brand name. The new facility that we have added is state of the art, has significantly higher capacity than what our old facility added. And we have a lot of high hopes for this China facility. Maybe Alex, could you jump in and maybe speak a little bit about China?

Alexander Poempner:

In fact, what you said is fully correct. I think we have set up this new facility is state of the art. And it sets really a good foundation to further grow the business, the Chinese market is developing quickly, especially compared to Europe and Americas. So, I think, yes, we are really looking forward to the expansion of the business in China.

Tarak Patel: And just to add to that, the April month for the China facility was a phenomenal month, so hopefully if they can continue on that level, that will be one area that we need to definitely look at and make sure that Pfaudler becomes or is becoming the market leader in China.

Saurabh Shah: Just one last bookkeeping point, you have two months of financials for Pfaudler Inc. Is it possible to have the earlier 10 months, and that without the extraordinary charges, just for us to get a pro forma of how Pfaudler Inc. was for the earlier financial year? So, going forward it helps us to get a benchmark, just a suggestion.

Manish Poddar: So, Saurabh, you have that in the financial deck that has been presented. So, you can refer that. The last 12 months of FY 2021 and last 12 months of FY 2020, both of them are being sent.

Tarak Patel: Yes. But if there are any specific questions, you can always reach out to Priyanka and Manish, they will be happy to help you out.

Manish Poddar: I believe that is Slide #13.

Moderator: Thank you. The next question is from the line of Lokesh Jain from Stonebridge Capital. Please go ahead.

Lokesh Jain: My question is, when I was going through this consolidated result, under that, standalone plus Mavag, I find the employee benefit expenses are 14% of the revenue. Whereas for international business, they are around 38% of the revenue for two months. So, does this employee benefit expenses for international business includes any one-time item or these are regular expenses? If these are regular expenses, then I find them very high, being 38% of the revenue. So, what steps we are taking to reduce these employee expenses, because this only can improve the EBITDA in international business according to me. That was question number one.

Question number two is, on a consolidated basis, without considering the one-time items, what will be yearly PBT and PAT of the company.

Tarak Patel: So, before I hand it over to Manish and Alex to answer your financial questions, you have completely hit the nail on the head. So, the idea for us is to obviously look at reducing costs. And this is obviously a low hanging fruit. But let me also give you an example of Mavag. When we acquired Mavag, they had 35 employees and their 35 employees were more expensive than 400 employees of GMM Pfaudler. Having said that, today, Mavag has tripled its revenue, and it is profitable. So, as soon as we start improving, and we start increasing our revenue, these costs will obviously start decreasing. We are obviously looking to reduce costs at every chance we get. But the idea here is to use the same base, but to really grow the business 2x or 3x, that is something that we want to do. And then Manish and Alex can jump in, in terms of the financials.

Manish Poddar: So, Lokesh, as Tarak mentioned, like Mavag, these are high base countries, so therefore you have two choices, either to reduce costs from an employee perspective, or you expand the business. I think the latter is a better choice to make, so that is exactly what we did in Mavag

over past decade, and that is what we intend to do in Pfaudler International business as well. Inherently, these are expensive countries so employ cost will continue to be higher, but we will focus on improving on the efficiency perspective. And yes, there is a small element of one-time bonus as part of the performance appraisal. Alex, you want to take it forward.

- Lokesh Jain:** One is, that one-time expense, how much is the amount? You said bonus element.
- Alexander Poempner:** It makes instead of 38%, 37%. But nevertheless, your calculation that employee benefits in the international business on relation to sales significantly higher, so you are fully on the point. Yes.
- Lokesh Jain:** Because I find in your EBITDA that 15% difference majorly comes from employee benefit. So, for the reduction in cost, we have to concentrate there only, either by increasing the revenue or rationalize the employee count and the salaries and everything.
- Tarak Patel:** Right. So, we are in the process of doing both. So, as you can see, it is obviously a low hanging fruit, something that is obvious. And we as management are working on that to make sure that our profitability improves significantly.
- Lokesh Jain:** So, second question is, what would have been consolidated profit before tax and profit after tax without considering one-time items?
- Manish Poddar:** Lokesh, we mentioned, kindly referred Slide #13 in the presentation, that gives you a reference of the normalized adjusted EBITDA and all those numbers. You will have that reference on Slide #13. That will give you a direction
- Priyanka Daga:** I think, Lokesh, you are talking about the consolidated numbers without the impact, right?
- Lokesh Jain:** Yes.
- Priyanka Daga:** So, if you refer to the Slide #16, if you add column A and B, and you take out the elimination, you will get the numbers without the one-time cost and the exceptional....
- Manish Poddar:** And further, we stand by our direction of Rs. 2,800 crores and 16% EBITDA margin by FY 2024.
- Moderator:** Thank you. The next question is from the line of Rohit Ohri from Progressive Shares. Please go ahead.
- Rohit Ohri:** Tarak, two questions. First one, knowing how critical the processes related to Interseal, what sort of opportunities do you see for Interseal Dry 9000 in India, if you can put a number to that? And second question is, what is your estimate of your market share for ANFT or the filter dryers, if you can just share that?

Tarak Patel: Rohit, I will let your good friend Ashok answer the questions, because he is the one who is working on the Interseal. So, Ashok, over to you.

Ashok Pillai: Rohit, the Interseal business is something that we will first concentrate on getting the glass line share of the market, which is going to be in-house consumption in many ways, before we look at it from the outside. This year is the first year that we are going to launch it. We are expecting to sell about 120 seals in the market, and that will be around Rs. 2.5 crores, Rs. 3 crores worth of seals is what we said in the first year.

Tarak Patel: And then he was asking about the filtration drying market share.

Ashok Pillai: So, filtration and drying market share, we are probably number three in the marketplace. And there are two other suppliers who are supplying much higher volumes than us. Having said that, the high-end filter dryer customers who come to us for that, because we have technology of Mavag, we have the knowledge of how to deal with cytotoxic project hazardous chemicals. So, we have a good strength in that and customers who want to put up plants for those chemicals reach out to us.

Rohit Ohri: Ashok, this is in terms of percentage, what would that be and over the next two three years what kind of percentage do you have a vision for NFD.

Tarak Patel: So, very difficult to come up with a percentage, because the values of the equipment that we sell sometimes are much higher as compared to these type of equipment that the others would sell. So, very great difficult to give a percentage number for that. But having said that, Rohit, our filtration drying business is growing, we are a sub supplier to Mavag as well which is obviously a good business, continuous business for us. And then on top of that, like Ashok mentioned, we are focusing on high end kind of solutions with very good dryers, and clean room, MLD unit, glove boxes and things like that. So, we have not really calculated a market share number, but we are probably number three or number four, if I am to be honest. But again, we go after profitable business, and stuff that we really want to do.

Moderator: Thank you. The next question is from the line of Jehan Badha from Nirmal Bang. Please go ahead.

Jehan Badha: Sir, just regarding again the Slide #13, just wanted a profit figure for FY 2021 and FY 2020 for Pfaudler.

Manish Poddar: Kindly appreciate that these were numbers being taken from the previous management, so these are only for references. So, it will be difficult for us to provide any numbers which are actually being owned and performed by the previous management.

Moderator: Thank you. The next question is from the line of Harshil Kedia from AUM Advisors. Please go ahead.

Harshil Kedia: Can you give me the breakup of businesses between heavy engineering, filtration drying and glass line for India and Mavag on a full year basis?

Tarak Patel: Yes, so I can give you some ballpark numbers. Out of the Rs. 640 crores of revenue that we had in India, if I am not mistaken, about Rs. 100 crores came from proprietary products, Rs. 100 crores came from heavy engineering, so the balance Rs. 430 crores, Rs. 440 crores came from the glass line business.

Harshil Kedia: How do you see the outlook in the heavy engineering business going ahead in terms of, you said that you wanted to foray in to different industries rather than, like oil and gas and oil prices being stabilized now?

Tarak Patel: Yes, so that is something that I spoke to you about earlier, heavy engineering, we are very bullish on that. In the month of April, we have received nearly Rs. 50 crores of business from an EPC company for heat exchange. I mean, in the oil and gas space, which is exactly what we wanted to do. 950 tonnes of carbon steel material, 200 odd tonnes of stainless-steel heat exchangers, so really large equipment, and stainless-steel is one of the biggest ones that we have been making. The carbon steel is going to be close to 200 tonnes weight, so really massive heavy engineering business, the ones that we always wanted to. And that is definitely a good start.

And while we also added people on the HDOT, we will start to kind of cater to the some of their customers as well, like the Nuclear Power Corporation, and some other players who they have very good relationships with. So, yes, heavy engineering is an area that we believe we will see significant growth. And like I mentioned earlier, we are going to be running two facilities currently, so we have enough capacity between Karamsad and Vatva to make sure that we can cater to the market as much as possible.

Harshil Kedia: Okay. And considering the Karamsad and Vatva facility that we have now, will we say that we would be able to do a bottom-line of Rs. 1,100 crores to Rs. 1,200 crores on India plus Mavag business in FY 2022?

Tarak Patel: So, in terms of guidance also, just to be on the safe side, I do not want to commit any numbers. But similar growth rates for India that we have had in the last maybe couple of years, will be maintained here in India, if not better.

Moderator: Thank you. The next question is from the line of Udit Sharma from Investing. Please go ahead.

Udit Sharma: Congratulations, Tarak, for clocking strong set of numbers. I mean, I am really sorry, I think I am just repeating my question, but I think you have already answered. But just the ballpark number, I wanted. So, as you already answered so many questions related to EBITDA margin. So, when we consolidate Pfaudler International with the Indian business, I just want to know the ballpark number, you can say, the aspirational targets and the EBITDA margin for FY 2022 and 2023, what EBITDA margins you are targeting?

- Manish Poddar:** So, Udit, we had mentioned in our guidance earlier that we expect to start at 13% EBITDA margin on a consolidated basis for the full year basis, to next year you can take that as a starting point. And we target to improve it to 16% by FY 2024, we maintain those numbers.
- Udit Sharma:** Okay. Roughly for FY 2024, you are targeting a Rs. 3,000 crores revenue, I mean, on the higher side, right?
- Tarak Patel:** Rs. 2,800 crores, yes. So, when we gave this guidance, obviously, GMM standalone was at about 18% to 19% margin, we have also significantly improved since then. So, 16% margin, Rs. 2,800 crores by 2024 is what we have given. We had maybe, if we believe, there is some reason to up the guidance, we will come back to you in the next few quarters. But as of now, you can continue with that.
- Manish Poddar:** There is another \$5 million of synergies that is on top of this 16%, so you can count that as well.
- Moderator:** Thank you. The next question is from the line of Aditya, an individual investor. Please go ahead.
- Aditya:** Congratulations on this acquisition. One question I had was regarding the GLE business, what is your total count now that you have acquired the business in Ahmedabad?
- Tarak Patel:** So, we have about 2,400 that will be manufactured in Karamsad in this financial year. And we have another 400 in Hyderabad. Eventually, that will increase by another 700-odd vessel in Gujarat, and other 100 to 150 odd vessels in Hyderabad. But this will come into effect from FY 2023 onwards. So, currently for this financial year, 2,400 in Gujarat and 400 in Hyderabad.
- Aditya:** Understood. And sir, initially when you had given the guidance of this, what you just mentioned Rs. 2,800 crores top-line FY 2024 and 16% margin, you have not acquired this recent acquisition that you have done in Vatva. So, even including that you would be sticking to the same volumes?
- Tarak Patel:** Yes, good point. But we have not thought it through yet. But definitely need to add that as an additional revenue item. We will probably kind of up our guidance which includes this facility as well.
- Moderator:** Thank you. The next question is from the line of Somshekar, individual investor. Please go ahead.
- Somshekar:** Thanks a lot for giving such a wonderful opportunity to directly speak to Mr. Tarak. And thing is, I am basically going through the slides and I am basically at Slide #15, you did mention here like other expenses is about Rs. 1,091 crores. Could you please try to help me understand what exactly is that other expenses over here, sir.
- Manish Poddar:** So, these are all the expenses clubbed together in the P&L that we have. So, if you see, above you have only the raw material and the finished goods or material related expenses, and the employee related expenses being taken out separately. All the expenses relating to freight,

cartage, travelling, employees, staff welfare, sales, marketing, all these expenses are clubbed under one single line for convenience. And as we release our annual report, you will obviously have a much more detailed understanding and a breakup of all these expenses.

Somshekar: Thanks a lot, sir. I have a second question on OFS, because I have been with GMM Pfaudler since four years and I proudly say I am one of the loyal investors with our company, GMM Pfaudler. But only thing is, how we are going to give the confidence to individual investors like me going forward? Meaning, after three months, where we will be in terms of consolidated results or company performance?

Tarak Patel: Sorry, I did not understand the question. Can you repeat, Som, please?

Somshekar: So, basically, thing is like I just wanted to see the management's confidence on giving the outline, where exactly we are going to be after three months, by taking the acquisition of GMM with Pfaudler.

Tarak Patel: Right. So, I think, the only thing that I would like to mention, Som, is that you have seen our performance over the last five years from 2015, when I took over, to now this year. And this year, in spite of COVID, during the most difficult period that mankind has seen, maybe in the last 25, 30 years, we went out and did three significant transactions, transformative transaction. So, when business improves, when things open up, we will be really very well played to take advantage of this. So, I think this acquisition is timely, we have not over leveraged our business. The management intention is clear of growing the businesses. We have good people, both here in India and internationally. The brand of Pfaudler is a very well-known brand, the quality that we manufacture is world-class, and we have about 40% global market share.

So, if you look at this as a business, and you look at this from a moat standpoint as well, there is not too much more that you can ask for. Your company is now no longer just an Indian company, we are a global company, tomorrow India will slow down, you have multiple other jurisdictions where you can keep growth coming from. So, we have mitigated the risk of being a one country company as well. So, all in all, we are trying to build a long-term business that stands the test of time, we are not here for quarterly gains and quarterly improvements. This is really a long-term vision we have. And not only stopping at glass lining, but we really want to build a company that is well-known in the chemical, the pharmaceutical. The first name that comes to mind when you think about putting up a chemical or a pharmaceutical plant. So, that is really the end vision. Things like this do take time, they need a lot of hard work, it does not come easy. And if you are a long-term investor and you believe in the story, I think you will be quite satisfied. So, I do not know about the next three months, but if you ask me three to five years down the line, I can quite confidently say that we will perform very close to what we have planned to do.

Moderator: Thank you. The next question is from the line of Khush Joshi from Kitara Capital. Please go ahead.

Khush Joshi: I have just a couple of questions. One question is with respect to Hyderabad facility. So, what was our utilization level in FY 2021 for Hyderabad facility?

Tarak Patel: So, we only started manufacturing sometime in November, Khush, November, December. So, to be honest with you, we actually only had maybe three to four months. What I can tell you is, we have already broken the record of the previous management by doubling the monthly output. I think in the month of February or March, we had maybe 2x or 3x of what the old management had produced during that time there. And with the things the way they are going, we expect the Hyderabad facility to perform quite well in this financial year.

Khush Joshi: Okay. And just another question with respect to the newly acquired entity at what Vatva. So, we are getting the full benefit of that facility in FY 2022, or we will take time to get the full benefit in the next year? So, maybe split over 2022, 2023.

Tarak Patel: Yeah, exactly. So, this year since we have just started, we are going to ramp up in a phased manner. We will start off by the building two shed, and then slowly by the beginning of next year, we will really ramp it up, so that all seven sheds are utilized. But currently, like I mentioned, we will be using two sheds in Karamsad and two sheds in Vatva in the short term. But yeah, by the end of the year, everything will move to Vatva.

Khush Joshi: My last question is with respect to consolidation. So, today, the GMM at parent level, along with Mavag, what is the percentage it is holding in the Pfaudler entity, that is 54%, right?

Tarak Patel: Yes.

Khush Joshi: So, when you have done the consolidation for the two months, so the consolidation is at 50% for all the line items or how it is done, so can you just explain?

Manish Poddar: Sure. So, this is basically a line-by-line addition. So, assuming the entire 100% is owned by the consolidating entity, and thereafter, 46% of the profits are taken out and given to the non-controlling interest.

Khush Joshi: So, when you mention the PBT in D column on the Slide #15, which is Rs. 21 crores.

Manish Poddar: This is the 100%.

Khush Joshi: Rs. 21 crores is 100%?

Manish Poddar: The entire B column or all the numbers in B, C, D, E column are all pertaining to 100% of the business. And that is how the consolidation once you have the ownership, and the controlling interest, you do a line by line 100 out of 100 additions, and then the net profits are charged out in the non-controlling interest.

- Khush Joshi:** So, Rs. 100 crore in column last, A plus B plus C plus D plus E, the PBT which is Rs. 101 crores is 100%?
- Manish Poddar:** Yes, PBT at Rs. 101 crores is 100% of the Pfaudler's performance during the two months.
- Khush Joshi:** So, we do not adjust minority interest here to come to Rs. 63 crores of PBT?
- Manish Poddar:** If you go to the SEBI, the outcome slide, the filing that has been done, in that if you go to...
- Khush Joshi:** We can take this offline, I am fine with that, not a problem.
- Manish Poddar:** Yes, we can connect offline. But if you if you go to the consolidated P&L, in the lower line item, you will see a profit attributable to the equity shareholders and to the non-controlling interest. And there you will see a real growth in the number on a full year basis as well. So, that should satisfy your question. But if you have any further questions, we can always take it up, that is not a problem.
- Moderator:** We get the last question from the line Saurabh Shah from AUM Advisors. Please go ahead.
- Saurabh Shah:** Question was about getting into heavy engineering, just want to check how we are looking at the steel cost, which has increased quite significantly in the last few months. So, what is your policy for procuring steel and passing on the cost to the customers?
- Tarak Patel:** Yeah. So, luckily, for heavy engineering, since this is a much more kind of bigger order and takes longer delivery, we have escalation clauses built in. However, what we also do is take a little bit of a longer delivery period, so that we have a flexibility of giving orders when we think the time is right. But you are right, when it comes to heavy engineering, it is very important to buy material at the right price. And that is why we need to be very quick and proactive to the type. But yes, it is a big change, the customers usually will allow us to kind of pass on that price increase to them.
- Saurabh Shah:** So, increasing this business, Tarak, you anticipate the margin profile changing from what we have this year, as you said, 24% odd?
- Tarak Patel:** Yes, so we had a conversation around this a few days ago. We do plan to grow this business significantly, but it does not have any significant impact on our Indian number EBITDA, we do not see that playing any kind of major impact of reducing that number.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference back to the management for closing comments.
- Tarak Patel:** So, thank you, everybody, who joined us. Nice talking to you. And hopefully, next quarter you will be back, and we can then talk a little bit more about the initiatives and the improvements that we are seeing. And we would like you to be part of the story and the journey going forward.

This is only the beginning. And over the next few quarters, hopefully we can give you some good news in terms of all the different things that we are working on. So, thank you for your time and stay safe, and look forward to speaking to you during the next investor meeting. Thank you once again and good night. Thank you.

Moderator:

On behalf of GMM Pfaudler Limited, that concludes this conference. Thank you for joining. You may now disconnect your lines.