November 21, 2024

To, **The Manager (CRD)** **BSE Limited** **Phiroze Jeejeebhoy Towers,** **Dalal Street, Fort,** **Mumbai - 400 001**	**To,** **The Manager - Listing Department** **National Stock Exchange of India Ltd** **Exchange Plaza, Plot no. C/1, G Block,** **Bandra-Kurla Complex, Bandra (East)** **Mumbai - 400 051**
Scrip Code: 522215	**Symbol : HLEGLAS**

Sub: Transcript of Earnings Call for Q2 & H1 FY25

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby enclose the transcript of the Earnings conference call held on November 14, 2024 regarding discussion on operational and financial performance for the Quarter and Half- Year ended September 30, 2024 (Q2 & H1 FY 2024-25).

This same will also be available on the Company's website at www.hleglascoat.com.

This is for your information and records.

Thanking You,

Yours faithfully,
For HLE Glascoat Limited

THAKKAR ACHAL Digitally signed by THAKKAR ACHAL Date: 2024.11.21 22:28:21 +05'30'

ACHAL S. THAKKAR
Company Secretary &
Compliance Officer

"HLE Glascoat Limited
Q2 FY'25 Earnings Conference Call"
November 14, 2024

MANAGEMENT: **MR. HIMANSHU PATEL – MANAGING DIRECTOR – HLE GLASCOAT LIMITED**
MR. AALAP PATEL – EXECUTIVE DIRECTOR – HLE GLASCOAT LIMITED
MR. NAVEEN KANDPAL – CHIEF FINANCIAL OFFICER – HLE GLASCOAT LIMITED
MR. NILESH GANJWALA – SENIOR ADVISOR – HLE GLASCOAT LIMITED

MODERATOR: **MR. RONAK JAIN –ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1FY'25 Earnings Conference Call of HLE Glascoat Limited. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ronak Jain from Orient Capital. Thank you and over to you sir.

Ronak Jain: Hi. Good afternoon everyone welcome to the Q2 and H1FY'25 Earnings Conference Call of HLE Glascoat Ltd. Today on this call we have Mr. Himanshu Patel, Managing Director and Mr. Aalap Patel, Executive Director, along with the other senior management team. This conference call my contain forward looking statements about the company which are based on beliefs, opinions and expectations as of today.

Actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on page number two of company's investor presentation, which has been uploaded on the stock exchange as well as company's website.

With this, I hand over the call to Mr. Himanshu Patel for his opening remarks. Over to you Sir.

Himanshu Patel: Good evening and warm welcome to all the participants. Thank you for joining us today to discuss HLE Glascoat Q2 and H1 FY'25 financials and operational performance. Today on the call we have Mr. Aalap Patel, Executive Director Mr. Naveen Kandpal, CFO and Nilesh Ganjwala, Senior Advisor to the company and Orient Capital, our Investor Relations partner. I hope everyone has had an opportunity to go through our financial results and the investor presentation, which has been uploaded on the stock exchanges as well as on the company's website.

The current global environment continues to pose challenges with evolving dynamics, including regulatory changes, geopolitical tensions and commodity price fluctuations. Despite these headwinds, I am pleased to report that HLE Glascoat has delivered a strong performance across key metrics, revenue, operational efficiency, profitability and a significant uptick in our order book. While we have faced a few challenging quarters, our focus on strategic initiatives has allowed us to stay resilient and position ourselves for long-term growth. These include acquisition and expansion.

Our acquisition of Kinam Engineering Industries has been transformative. As a leading manufacturer of heat exchangers and pressure vessels, Kinam's integration is progressing well, with the third phase of integration underway. We have received stock exchange approval for scheme of amalgamation of Kinam Enterprise Private Limited with HLE Glascoat Limited and are now in the process of filing the application with NCLT.

The synergies are evident, as demonstrated by a recent order win in the oil and gas sector, further unblocking opportunities in newer segments like paints, petrochemicals and more. Launch of Thaletec products. Our innovative Thaletec range has gained strong acceptance in the domestic market. This quarter, we have seen encouraging order inflow. We believe this product line will continue to drive growth in India, contributing significantly to our overall performance in the coming quarters.

Clean energy investments

We are excited to announce the joint venture with Clean Max Enviro Energy Private Limited by acquisition of 26% stake in Clean Max Anchorage Private Limited for a total investment up to INR 3.36 crores. Clean Max Anchorage Private Limited will develop a captive solar and wind power facility in Gujarat with a solar capacity of 2.31 MWp and a wind capacity of 3.30 MW.

Order book and business outlook

As of September 2024, our consolidated order book stands at a robust INR 602 crores, representing sequential growth of 27%. While the chemical sector remains under pressure, we have observed turnaround in order booking and pricing this quarter. The order book now provides visibility for the next eight months in our international business and five months in the domestic market. We are also witnessing renewed momentum in our filtration, drying and equipment segments, particularly in the southern region, driven by a revival in the pharmaceutical sector.

Meanwhile, our glass-lined equipment business continues to deliver exceptional results, outperforming last year's performance. Looking ahead, we remain cautiously optimistic about the coming quarters, with a promising pipeline of opportunities across both domestic and international markets.

I will now hand over the call to our CFO, Mr. Naveen Kandpal, who will take you through the financial performance for the quarter and the half-year. Thank you, and over to you, Naveen.

Naveen Khanpal: Thank you, Sir. Good afternoon to all the participants. I am pleased to share our financial results for the quarter and half-year ended September 30, 2024.

The company reported consolidated revenue from operations of approximately INR 236 crores with a growth of 5% compared to Q2 FY'24, EBITDA of INR 35.4 crores, witnessing a growth of 19% year-on-year from Q2 FY'25 and with an EBITDA margin of 15%. And PAT of around INR 14 crores, a 33% year-on-year jump in correspondence to Q2 FY'24 with a PAT margin of 6.1%. On a sequential basis, we achieved a revenue growth of 3.8% up from INR 227 crores and a 50% increase in EBITDA and a significant 166.1% growth in PAT.

For the half-year ended, our revenue grew by approximately 10%, rising from INR 422 crores to INR 463 crores. Our EBITDA grew 10% year-on-year and margin stood at 12.8%. In Q2 FY'25, our filtration, drying and other equipment segments we de-grew by 36% compared to Q2 FY'24. We reported a revenue of INR 65 crores in comparison to INR 100 crores in the corresponding quarter.

Likewise, in H1 FY'25, our revenue dropped by 20% in this segment. Although we de-grew in this segment, we were able to maintain the double-digit margin at 11%. Meanwhile, our glassline equipment business generated about INR 144 crores of sales compared to around INR 122 crores last year, reflecting a growth of 18.4% with EBITDA of INR 20 crores, growing by 124% in comparison to Q2 FY24.

Sequentially, our revenue and EBIT grew by 8.4% and 224% in comparison to Q1 FY'25 with a margin of 13.4% in Q2 FY'25. Our new segment, Heat Transfer Equipment, showed a revenue growth of 17%, contributing INR 25 crores to our sales, up from INR 21 crores in Q1 FY'25.

Talking on the debt, we are pleased to announce that we are on the track to reduce debt and we have repaid debt of INR 35 crores. Our strong performance is all on the back of improved receivables and better working capital management, which has aided us in improving our operating cash flow.

In summary, despite challenges in some segments, our diversified portfolio, strategic focus and disciplined financial management have positioned us well for sustained growth. Now, I would request the moderator to kindly open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question comes from the Veer Rajesh Vadera from Niveshaay Investment Advisors. Please go ahead.

Veer Rajesh Vadera: Good afternoon. Am I audible?

Veer Rajesh Vadera: Yes sir, please go ahead. So my first question is what is the average selling price of glass-lined equipment as compared to other competitors? And the second question is what could be the total addressable market for dryers and glass-lined equipment? And what is share of HLE Glascoats in that market.

Aalap Patel: Hello good afternoon. So the **a**verage selling price of a glass-lined reactor is a function of a lot of different things, so size, configuration, etc. So for a typical reactor that a customer would configure and send us an RFQ for, we would be competing on similar price levels amongst the A category suppliers. However, our push is constantly to include better technologies, especially now that we have access to technologies from Thaletec to create a different product which will have obviously a higher selling price.

As far as the total addressable market for glass-lined and filtration and drying goes, I think currently the market for glass-lined equipment is around the INR 1,000 crores mark and HLE has somewhere around 25% to 30% of that market. This is obviously the Indian market that I am speaking about.

For filtration and drying, I think the market size is similar, a little bit lower perhaps, and then HLE again has more than 50% of the market of the filtration and drying segment as well.

The total addressable market, however, for filtration and drying could potentially be much larger because we believe there are still a lot of users in the chemical and pharma space who don't use modern filtration and drying equipment. So, they still use traditional equipment and the markets where HLE is present – or rather, sorry, the products where HLE is present, which is the noose filters and vacuum dryers, which are considered the newer state-of- the-art equipment – they are still penetrated largely, maybe let's say in the top 20%, 25% of the users.

So, there's still a substantial user base who do not use these advanced equipment and we would still consider them a part of the addressable market because as they grow and as they modernize, they would adopt the kind of filtration and drying equipment that HLE manufactured. Thank you.

Veer Rajesh Vadera: Okay, and what would be the monetary term of selling price on an average of glasslined equipment?

Aalap Patel: Again, it would be very difficult to give you a single number, but I think if I were to put an average selling price, maybe something in the INR 20 lakh rupee mark would be the average price of a glassland equipment. Again, it's a very general number. We manufacture a very wide range in terms of sizes and configurations.

Veer Rajesh Vadera: Okay, and I have one more question. What is the current backlog within the order book and what is the typical timeline to fulfill these orders?

Aalap Patel: I'm sorry, could you please repeat your question?

Veer Rajesh Vadera: Am I audible?

Aalap Patel: Yes, you're audible. Can you please repeat the question?

Veer Rajesh Vadera: So, what is the current backlog within the order book and what is the timeline for fulfilling these orders?

Naveen Khandpal: Yeah, so current order backlog is around INR 600 crores and for India business, it would be around five months and for international business, it would be around eight months.

Veer Rajesh Vadera: Okay, and also I have one more question. Could you please break down your capex allocation for upcoming year?

Naveen Khandpal: For upcoming year, as such, no capex project is planned. We will stick to the replacement capex only.

Veer Rajesh Vadera: Okay. Thank you.

Naveen Khandpal: Thank you.

Moderator: The next question comes from Vibhav Khandelwal from Laburnum Capital. Please go ahead.

Vibhav Khandelwal: Thank you, sir. I wanted to ask you, please tell us if the uptick that we're seeing in the GLE segment, is it attributable to more of the chemical industry or the pharma industry? And or is it and also on the India and international flavors? It will be helpful if you could give some colour on the cycle that we're seeing on the chemical side since we were seeing some headwinds over the past quarters.

Aalap Patel: Yes. So the uptick, at least in this quarter, has been predominantly driven by pharma order in the glasslined equipment business. While this is true for the consolidated number, I think the drivers for growth for the India business were, let's say, an equal mix of chemical and pharma. Whereas for the international business, the uptick was predominantly driven by our pharma orders.

As far as the overall development in the industry is concerned, we are seeing that pharma is showing a stronger growth and we are seeing more interest from our pharma customers than we are seeing from the chemical. So while we are seeing some projects and inquiry pipeline building up in the chemical space, they are yet to convert into orders. However, in the pharma space, we are both seeing strong inquiries and also order placement.

Vibhav Khandelwal: All right. This is helpful. Thank you. Also, in the GLE segment, can you please give us a sense of what the sustainable EBITDA margins typically are? And why are we seeing some delta between us and GMM?

Nilesh Ganjwala: I think the sustainable EBITDA margins in the GLE business range between 17% and 20% in the longer term. The current margins are reflective of the slight downtick in the order book over the last two quarters. But I think in the longer run, we believe that the sustainable EBITDA margin should be in the 17% to 20% range.

Vibhav Khandelwal: All right. And can you please give some flavour on why are the margins that we're seeing, not let's say for this quarter, or even the past quarter, but let's say on a more overall level on the differential between our GLE margins versus that of GMM Pfaudler?

Nilesh Ganjwala: So, in all honesty, we don't know what our GMM margins are on the pure GLE business because I believe they are not publicly reported.

Vibhav Khandelwal: All right. Okay. And one more question, sir, was, do we have a presence in China in terms of our equipment? If yes, it will be helpful if you could give us some flavour on the comparative standing, given that there's a lot of talk about incremental capacity coming in China, especially with the BASF capacity coming there. Additionally, if you could give us some flavour as to why a customer would choose us versus a local Chinese supplier for the equipment?

Aalap Patel: Yes. So, the answer to your first question is that we don't currently have a presence in China. Neither do we have a manufacturing plant there, nor do we sell any monthly bill quantity of our products there. I think the answer to the second question, which is what is the differentiating factor for HLE products?

I think both in the glasslined and the filtration and drying space, over the last many, many years, we have strived to position ourselves as a solution provider rather than an equipment manufacturer. Now, I know this sounds like a fairly cliched line, but if you really look at how our filter dryer business has evolved, it has evolved from making filter dryers for our own captive consumption, maybe 30 years back.

And that's how the filter dryer business started. And we have continued to add features and innovate based on customer needs. And we have made a name in the market as people who would solve problems and innovate and give solutions to chemical engineering problems in general.

And while this gave us a lot of success in the filtration and drying business, similar efforts were also made by Thaletec in the European market. So, we are also now able to infuse the same DNA into our global glass lining business.

Vibhav Khandelwal: Understood. But my question was more on the China flavour. So, I wanted to ask given that there's a lot of talk about and of incremental capacity, especially in chemicals, coming in China, especially with the BASF setting up a 10 billion capacity there. So, do we have any plans to set up in China or service those suppliers, service those capacities?

Aalap Patel: No, we don't have a plan.

Vibhav Khandelwal: Chinese market dynamics. Yes.

Aalap Patel: So, we don't have a plan to venture into the Chinese market. Predominantly, the Chinese glasslined equipment market, especially, while this is true for the entire process equipment market, but this stands especially true for glasslined equipment. So, it's a very, very fragmented market with something like 20, 30 different players within the Chinese glasslined equipment market, all manufacturing a wide range of equipment and also sourcing from some vendors and not always manufacturing everything themselves. I think it's a very different dynamic and it's also a very, very crowded market. So, for us to make efforts to make any inroads into China is not a priority at the moment.

Vibhav Khandelwal: Understood. This is very helpful. Thank you so much and all the best.

Naveen Khandpal: Thank you.

Moderator: The next question comes from Anupam Gupta from IIFL Securities. Please go ahead.

Anupam Gupta: Yeah, good afternoon, sir. So, the first question is basically on the Thaletech business. So, if I, let's say, do the consolidated list standalone in terms of numbers and also remove Kinam from it, I'm probably looking at Thaletech doing close to about sort of INR 9,500 crores sort of revenue with high sort of 19%, 20% margin. Is that right assumption there?

Nilesh Ganjwala: Yeah, that is correct.

Anupam Gupta: So, basically, Thaletech margins have improved pretty significantly, whereas India margins have continued to be very weak, right? That's the right way to look at it.

Nilesh Ganjwala: That would be correct for the India glassline business. That's correct.

Anupam Gupta: Okay. So, what is driving the improvement in the Thaletech margin?

Aalap Patel: So, the improvement in the Thelatech margin is predominantly driven, if you have also observed, by the uptick in the volume. So, the revenue has increased. Also, and it is also a function of the product mix. So, we had, you know, quite a bit of customized differentiated products which were a part of a product order, which were sold in this quarter. So, it's a function of the product mix as well as the uptick in the volumes.

Anupam Gupta: Okay. So, let's say, assuming if that was a sort of large one-off order, what would be a sustainable number for Thaletech in terms of revenue for this year and margins?

Nilesh Ganjwala: So, over the last two quarters, Thaletech has consistently done revenues in excess of INR 90 crores in Indian rupee terms. We believe that this trend will broadly be sustained. The margins, as we believe, on a long-term sustainable basis will be in between the 15% to 17% range for Thaletech standalone.

Anupam Gupta: Okay. And you talked about a few products of Thaletech being sold in India and you're adopting their technology and products for sale into India and possibly for exports. Can you just talk about that in a bit more detail?

Aalap Patel: Yes. So, we launched the Thaletech range of solutions in India about two quarters ago. And over the last two quarters, we have made significant effort in promoting these products, as well as we have generated not just a strong interest, so in terms of order pipeline, but also we have now close to 25 odd equipment, which are either sold or currently under different stages of execution.

So, we believe that this is a great start for a high technology, value-added product, especially given the current market conditions. So, we are happy with the progress and it's possibly doing better than our expectations.

Anupam Gupta: Okay. And in terms of when you compare them to what is already available in India from competitors, what are the extra features which you get with Thaletech, which is not available right now in India?

Aalap Patel: Yeah. So, I think we should look at this in two different ways. It's not just about what is the quality. I would say quality is not the differentiator for Thaletech. I think when it comes to quality, we really believe that having great quality is a matter of hygiene. Having great quality is not a differentiator.

So, when we look at Thaletech, I think we should look at it in two different ways. One is what is available with Thaletech that others probably don't have. And the other aspect is how do you, using whatever technologies you have, how do you create a great solution for a customer that comes at the right price and delivers the right value?

So, all the Thaletech range of products are, especially the ones that we have brought to India in the initial phases, are ones that tackle key problems with plagued glass lined reactors, right? And these are around the efficiency of mixing, these revolve around heat transfer, these revolve around reliability, especially when you talk about very nasty, aggressive, or dangerous processes.

So, whatever value Thaletech products bring, they directly help the customer improve their reaction time, decrease downtime, and as a result, they help the customer in their overall cost of production.

Anupam Gupta: I understand. Okay, that is helpful. And one last question, what is the share of exports from India business as of now?

Aalap Patel: So, the share of export would be somewhere in the 5%, somewhere between 3% to 5% range. I think it varies from quarter-to-quarter.

Anupam Gupta: Okay.

Aalap Patel: That's really the range.

Anupam Gupta: Sure. Okay, okay. Fine. That's helpful. Thanks a lot, sir.

Moderator: The next question comes from Miraj from Arihant Capital. Please go ahead.

Miraj: Hi, good afternoon. Congratulations on a decent set of results, sir. There is obviously a turnaround. Sir, I have a couple of questions, firstly, starting with the Kinam part. I wanted to understand the two parts, sir, over here. First is the operational efficiency that has been driven till now, and what more do you expect in that?

And second is the cross-selling opportunities. You briefly, previously also spoken about it, but I want to understand how the progress is over here. In the previous concalls, you have highlighted, but I wanted to understand how things are moving and how long do we think that the cross-selling will take to fully operationalize? That's my first question.

Nilesh Ganjwala: On the operational side, Kinam continues to be growing at an overall level, both in terms of the order book as well as the capacity to handle larger orders. Very interestingly, in the last quarter, Kinam for the first time has made a breakthrough into the oil and gas industry, and we believe that that could be a path breaker for the future and could really change the entire trajectory for Kinam going forward. So that's something that's already happened, and we are all quite excited about that.

With respect to cross-selling opportunities, just like we were able to integrate our glass-lined equipment business with the filtration and drying business, we believe the heat exchanger business is a very logical extension of the process equipment required by most of our user industries, and we are actively pursuing opportunities which enable us to kind of pitch for business at the project level rather than at the equipment level.

Miraj: Understood. So beyond oil and gas, oil and gas is something that we went through this quarter, right? But beyond that, also petrochemicals and paints is something that we've already completed or we are still planning that?

Nilesh Ganjwala: No, that's something that is still a work in progress. No, that is not an area where integration is completed. No. So the answer to that is we will probably approach that over the coming quarters.

Miraj: Understood. Perfect. Okay. So something more to look forward to. Understood. Sir, with the captive solar and wind power facilities, I think we've announced the deal with Clean Max. Roughly, could you guide how much cost savings are we expecting from here, and are we planning for any more deployment of such solar facilities in other plants?

Naveen Khandpal: Yeah. Thank you for the question. So as briefed by Himanshu Bhai, we have entered into a joint venture agreement with one of the companies, CleanMax Enviro Private Limited. So as of now, since the terms and conditions are governed by NDA (Non-Disclosure Agreement), we would not be able to disclose much detail. But as you may be aware that the payback period for such kind of projects is quite short. So in our case also, the payback period is short.

Miraj: Understood. So the payback period would be close to two years or shorter than that?

Nilesh Ganjwala: It is expected to be in that range. Yes, that's correct.

Miraj: Understood. And so just one more question before I get back in the queue. For Thaletech products that were from Germany, if I were to look at how we've indoctrinated these in our Indian product range, how have we included that? Has the transition done completely 100%, or are there still some products that we plan to introduce going ahead, which are of Thaletech Germany in India?

Aalap Patel: Yes. So Thaletech, by virtue of being a very innovative company, has a fairly large, I would say, range of innovations available. And as a start, we have only introduced or rather we have only in India innovations that we feel that the Indian market immediately needs, and things that would bring the most value to the customer.

So while Thaletech continues to innovate, and we continue to launch new products, we already have an existing bank of innovations, which are still available with us in the German entity, which we can continue to bring to India for the next few years.

Miraj: So just to understand it, there are some products still left to be inducted in the Indian market, right?

Aalap Patel: Yes, many.

Miraj: Okay. Understood. Perfect. I'll just get back in the queue sir. Thank you.

Naveen Khandpal: Thank you

Moderator: The next question comes from Rajeev from RJ Investments. Please go ahead.

Rajeev: Hello. Yeah. Am I audible?

Moderator: Yes, sir. Please go ahead.

Rajeev: Yeah. So my first question is, the US order market book currently is growing at a healthy pace. Now it stands at around $11 million, the $7 million. So my question is, how do you further plans to further penetrate this market? And what are the key challenges do you foresee in scaling up the operations with now the new government formation?

Aalap Patel: So first, I'm not sure where the order book number comes from. I think the order book, while it is in that range, I think the exact number is not €11 million. Because while we continue to book orders as well as dispatch the ones that we booked a quarter or two ago. Having said that, I think for the US, we have a great opportunity.

I think regardless of the political situation in the US, I think manufacturing continues to, especially for pharma products, continues to move to the US. And when these high-end molecules move to the US, I think high-end equipment is also needed. And that is with our Thaletec range of products and with our filter dryers, that is right up our alley.

So we have innovative solutions which can help these companies deploy these molecules or rather bring these molecules to the market quickly. So we are well equipped to handle this opportunity. And I think we also have the advantage of starting with a relatively low base.

So we are fairly new in the US market, and we are confident that with our great service and innovative products, we'll be able to make inroads fairly quickly.

Rajeev: Okay, so my next question is, the filtration and the drying business that seems to be facing some headwinds recently. So sir. could you provide some insights into what is the current state of the segments with now we could see some traction in pharma especially?

Nilesh Ganjwala: Yeah, I think you are absolutely right. There has been some slack in the order booking a few quarters back. Fortunately, as Himanshu mentioned earlier, we are seeing a good uptake and encouraging demand coming in from the pharma industry, and especially during the recent quarters.

And this is reflected in a more healthier order book for the filtration drying equipment currently. These orders will get executed over the next two or three quarters, and I would think that the numbers for these coming quarters will reflect the uptake in the order book that we currently have. So yes, the last couple of quarters have been maybe a little slow by our own standards, but we believe we'll catch up over the next few quarters.

Rajeev: So my another question is, what are the current margins in this business? And so going forward, what do you consider as a sustainable margin? If you could provide us some colour on this.

Naveen Khandpal: So I think the filtration and drying business has historically reflected margins on the long term basis of over 15% to 17%. We believe that sustainable margins are in the 16% to 18% range, even with the current economics and dynamics. Yes.

Rajeev: Okay. So my last question is, sir, could you provide me the current market share we are holding in this segment?

Naveen Khandpal: There are no published numbers on the overall market, but we believe our market share would be between 50% to 60% in the domestic market.

Rajeev: Okay, sir. Okay, sir. Thank you for the opportunity sir My question has been answered. Thank you.

Moderator: The next question comes from Arnav Sachdev, Individual Investor. Please go ahead.

Arnav Sachdev: Hi, sir. Congratulations on the result. I just had one question. The net interest has decreased by 9.4% year-on-year, and the pre provisioning operating profit is also down. So what are the strategies that we're implementing, you know, to get back from this trend?

Nilesh Ganjwala: Can I please request you to repeat the question, please?

Arnav Sachdev: Yeah, sure. So the net interest has decreased by about 9.4% year on year, and the pre-provisioning operating profit also has, you know, reduced. So any strategies that we're implementing to reverse this trend?

Naveen Khandpal: So I think the interest reduction has been on a quarter to quarter basis. Our quarter-on-quarter basis, the interest has reduced predominantly due to retirement of debt, repayment of debt, as again, I think Himanshu bhai mentioned earlier, we are consciously downsizing our debt position. We've repaid almost about INR 35 crores of bank loans during this period. So that is a conscious effort that is being made. And this repayment is predominantly happening out of operating and working capital efficiencies. So this is this is really what we are consciously making an attempt towards.

Arnav Sachdev: Okay, sir. Thank you.

Moderator: The next question comes from Dinesh Naik from Fine Advisor. Please go ahead.

Dinesh Naik: Hello, sir. I had a couple of questions. First, could you provide more clarity on industry-wise revenue breakup? We've observed some volatility in revenue contributions. We've seen a 50-50 split usually between chemicals, pharma. But with traction in pharma and diversification into new sectors, I just wanted to understand how will you see this mix evolving over the next three to five years?

Nilesh Ganjwala: I think historically, if you have seen, that is always a change on a quarter-to-quarter basis based on the order book and of course, the relative purchasing by the relevant industry segments. Historically, pharma has ranged from a low of 35% to a high of almost 60% in our overall revenues. We believe that that end will be retained and will of course, it's a pretty wide range, but it will be within that range is what we expect.

We are currently, based on historical order book, our pharma share is at the lower range. And as we indicated earlier, the pharma share in the overall revenue is expected to only go higher as we go into the next few quarters. Correspondingly, the share of agrochemicals and fine chemicals is likely to reduce somewhat as a percentage of aggregate revenue.

Dinesh Naik: Okay, got it. And let me commend you on reducing your debt by INR 35 crores. If I remember correctly, in your FY'24 transcript, you had mentioned that your goal for the whole of FY'25 was to reduce your debt in this ring, but I think we've achieved that in the first half only. So what is the target for the year end, sir? Where do we see your debt at the end of the year?

Nilesh Ganjwala: I think to answer it very simplistically, we did INR 35 crores in half a year. So I would assume we should double it for the whole entire year.

Dinesh Naik: Okay, sir. And so your projected interest costs and repayment schedule for the next fiscal year, so should we expect your profitability and cash flows to now improve given the lower interest outlay?

Nilesh Ganjwala: Yes, the lower interest will definitely result in better cash flows. So better cash flows, at least from a profitability perspective, yes. Of course, some of those cash flows will go into retiring the debt itself. So on an overall basis, we believe the numbers will look better and the repayments will happen from operating and profit efficiencies.

Dinesh Naik: Okay, great to know. And finally, last question largely around your service segment. So I think one of our key peer is already establishing a strong presence in the service segment. So how do we, as a company, plan to differentiate ourselves if we decide to formally enter that space? So what's our distribution or USP in this service segment?

Aalap Patel: I'm not entirely sure what service sector really implies. So can I request you to just shed more light on what you would categorize as service sector?

Dinesh Naik: So we're already offering service components as a service. So largely on that front only, what are USPs and how do we want to scale this vertical further?

Aalap Patel: Okay. So service has inherently been a strength for HLE. We believe in being close to the customer and ensuring that the customer gets maximum value out of the equipment. And that could come out of either addressing issues when there is downtime, or it could be providing service for optimization, so on and so forth.

So not only do we look at service from the point of view of after sales support, but it's also an opportunity to increase the productivity of the equipment itself. So while service has, so strictly speaking, service in the traditional sense, it constitutes between 5% and 7% of our, or maybe roughly, let's say closer to 7% of our sales.

I think a lot of our new products also serve the same purpose of optimizing the customer's equipment after they are sold. So we introduce new products in the automation space. We have introduced automated ANFDs.

Now there can also be retrofit packages of these automation, and this really helps drive productivity for the customer. Even if you look at Thaletec solutions, so we are also offering retrofit packages of Thaletec solutions. So these are also a part of that service orientation. So that's our take on service. And while strictly the after sales support forms about 7%, I think a lot of our new products are geared towards enhancing our engagement with the customer through service and optimization.

Dinesh Naik: Great, then where do you see this overall revenue mix from the current 7% in the upcoming years now?

Nilesh Ganjwala: I think as Aalap bhai was explaining, our service business is of two elements. One is pure service, which is more in the nature of after sales service and so on, which is currently at 7% and may probably at the optimal level go up to 10%. But we also have another element of service, which is in terms of product upgradation and automation, which are also being delivered as packages, but which are reflected in the equipment business itself because they go as products rather than as service. But it does form part of the service element as far as our customers are concerned.

Dinesh Naik: Okay, got it. That would be all from my side. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments. As there are no further questions, I now hand the conference over to the management for closing comments.

Naveen Khandpal: Yes. So thank you for all the participants for your keen interest in the company and taking part in this Investor Conference Call for Q2 and H1 FY'25. Once again, I express my sense of gratitude on behalf of the entire team of HLE Glascoat Ltd. Thank you.

Moderator: Thank you. On behalf of HLE Glascoat Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.