GMM/SEC/2024-25/91 February 13, 2025

To,

BSE Limited
Scrip Code: 505255

National Stock Exchange of India Limited
Symbol: GMMPFAUDLR

Sub.: Earnings Call Q3 FY25 – Transcript

Dear Sir/ Ma'am,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of earnings conference call for the quarter and nine months ended December 31, 2024 conducted on February 6, 2025 for your information and records.

Kindly take the same on record.

Thanking you.

Yours faithfully,

For **GMM Pfaudler Limited**

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Company Secretary & Compliance Officer
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Encl.: As above

“GMM Pfaudler Limited Q3 & 9M-FY25 Earnings Conference Call”

FEBRUARY 06, 2025

MANAGEMENT:

- **MR. TARAK PATEL – MANAGING DIRECTOR, GMM PFAUDLER LIMITED**
- **MR. THOMAS KEHL – CHIEF EXECUTIVE OFFICER (INTERNATIONAL BUSINESS), GMM PFAUDLER LIMITED**
- **MR. ASEEM JOSHI - CHIEF EXECUTIVE OFFICER (INDIA BUSINESS), GMM PFAUDLER LIMITED**
- **MR. ALEXANDER PÖMPNER – CHIEF FINANCIAL OFFICER (INTERNATIONAL BUSINESS), GMM PFAUDLER LIMITED**
- **MR. MANISH PODDAR – CHIEF FINANCIAL OFFICER (INDIA BUSINESS), GMM PFAUDLER LIMITED**
- **MR. DHAVAL RAJPUT – GENERAL MANAGER FINANCE & ACCOUNTS, GMM PFAUDLER LIMITED**
- **MRS. MITTAL MEHTA – COMPANY SECRETARY & COMPLIANCE OFFICER**

GMM Pfaudler Limited
Q3 FY25 Earnings Conference Call
February 06, 2025

Moderator: Ladies and gentlemen, good day and welcome to Q3 & 9M FY25 Conference Call of GMM Pfaudler 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dhaval Rajput. Thank you, and over to you sir.

Dhaval Rajput: Thank you, Nirav. Good evening ladies and gentlemen, a very warm welcome to all of you in the Q3 FY25 Earnings Call of GMM Pfaudler Limited. The earnings presentation was uploaded on the Stock Exchanges today and is also available on our website. Hope all of you had a chance to go through it.

From the management we have with us our Managing Director – Mr. Tarak Patel, our CEO of International Business – Mr. Thomas Kehl, our CEO of India business – Mr. Aseem Joshi, our CFO of International Business – Mr. Alexander Poempner, our CFO of India Business – Mr. Manish Poddar, and our Compliance Officer – Ms. Mittal Mehta. We will give you a brief overview of the performance of the company, after which we will get into the Q&A.

Before we begin with the overview, a brief disclaimer. The presentation that was uploaded on the Stock Exchanges and also on our website, including our call discussions that will happen now, contains or may have certain forward-looking statements regarding our business prospects and profitability which are subject to several risks and uncertainties. The actual results could materially differ from those in such forward-looking statements. I will now hand over the call to Mr. Tarak Patel to provide an overview of the performance. Over to you, Tarak.

Tarak Patel: Thank you Dhaval. Good evening, everybody. Let me just start with a quick recap of our financial performance. So, our revenue for this quarter was stable at about INR 801 crores, and EBITDA was up 3% compared to the previous quarter. EBITDA margins improved slightly to 12% compared to 11.6% for the previous quarter. What is happening is that our Q3 order intake was also quite strong at INR 798 crore, up 5% compared to the previous quarter. And on a nine-month basis, our order intake is up 13% compared to the previous nine months. Order backlog stands at INR 1740 crore, up 7% compared to December 31st, 2023. Our opportunity pipeline remains stable across geography, and the product mix continues to evolve.

In terms of the general market outlook, we still believe that the chemical industry, which forms a major part of our order intake is a bit slow. This is driven mainly by the slowdown in the agrochemical industries. However, we do hear now that there is some volume that have returned, margins still remain under pressure, but the outlook remains a little bit more positive than it was six months ago. We do believe that over the next couple of quarters we would see some investment coming back in the agrochemical space.

In specialty chemicals, we do believe also that this will continue to grow and invest. We have seen good traction in this space, and we believe that this will also continue to have a good amount of investment which would then lead to investments that would turn into order intake for us.

For the pharmaceutical industry, generally it has been quite the positive, both in India and internationally we have seen some traction in South India pharma, mainly in Hyderabad, where people have added significant new capacity to cater to either CDMO or the exports markets. The future outlook, we still would like to be a little bit conservative. We do believe that the worst is behind us, but there is still a few more quarters before we see full turnaround in both the chemical and pharmaceutical industries that we cater to. As we look forward, one of the main learning for management over the last couple of years has been that maybe as a company we are too focused on chemicals and pharma. And, with the cyclicality that comes with these markets, diversification becomes an important part of our strategy. Diversification, not only from the point of view of new products, but also new industry segments that can bring double digit growth back to what we aspire to have.

We also have been working quite diligently on our cost structure. We have a couple of projects that we are working on here in India. Internationally also as well we have looked at rationalization of manufacturing footprint. You will see some updates in the earnings presentation where we have rationalized glass lined capacity in Europe and in India. And I will talk a little bit more about that as we go forward. With that, I would now like to hand it back to Dhaval and then Dhaval, please kind of open it up for Q&A.

Dhaval Rajput: Thank you Tarak. Nirav you may now open the line for question. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. First question is from Jaiveer Shekhawat from Ambit Capital. Please go ahead.

Jaiveer Shekhawat: It's sort of heartening to see that your India business has seen an uptick in revenues and margins almost after like six quarters of consecutive decline. So, my first question is on that, what's leading to that and have you actually seen any pickup on the GLE side of things, or is it largely on non-GLE business, which is doing the heavy lifting?

Aseem Joshi: So yes, we have been talking for the last couple of quarters about the slowdown in our chemical business, and which affected the core glass lined product line that we serve. Now, the reversal of the increase in backlog and increase in revenue margins has come on the back of two things. One is flattening of the decline in glass line so we have sort of stabilized and starting to grow both volumes and pricing in glass line, but also the actions we have taken to improve our cost position in our business. Furthermore, the backlog and our focus on diversification has resulted in an improved backlog in our non-glass line business, particularly in our mixing business which is the area of focus for us, but also in terms of heavy engineering and solid liquid separation product lines. So overall, we believe our strategy is working, and the worst is behind us, and we expect to continue to go from here.

Jaiveer Shekhawat: Sure. And could you highlight what has been the kind of decline that you have seen in this quarter versus say, last few quarters in the GLE side of things?

Aseem Joshi: No, I did not say there's a decline in GLE, I said GLE had declined in the past. It is now starting to recover, both from a volume and pricing standpoint.

Jaiveer Shekhawat: Sir, because my question is, if you see on a Y-o-Y basis, your standalone business is still down 8%, so I was just trying to see, because I am sure it must be the GLE which has been sort of struggling as compared to your other businesses, of mixing and then the other businesses as well ?

Tarak Patel: Exactly, so couple of things have happened in GLE in India. One, like Aseem said, volumes have improved so last couple of quarters we have had improvement in order intake in glass line, you would have seen maybe a year ago, we had two bad quarters where business was very slow and that impacted the backlog, and then obviously Q1 and Q2 of this financial year. But having said that, our glass-lined order, the volumes have increased as well as pricing has also improved a little bit plus, what we also have done and you must have seen is that we have now moved all production to our Gujarat facility. There was no point having two facilities running at 60%. We said let's move everything to one, and then you have better absorption of cost as well. So that's something that we will also see in the coming quarters, where our cost structure in the glass lined business is now a little bit more efficient than it was a few quarters ago.

Jaiveer Shekhawat: Sure. And on your order intake, if I see the quarterly trends on a Y-o-Y basis this quarter, there has only been a about a growth of 6% to 7% across both the India and international business versus about 18% to 20% that we saw during the first half. So, has there been moderation in your order intake because that sort of conflicts with your earlier opening commentary there or is it largely because of the GLE side which continues to struggle?

Tarak Patel: No, order intake has been pretty stable again it's not back to levels that we had maybe a couple of years ago, but from where we are and again keep in mind that we were a glass line focused company where most of resources and bandwidth was focused towards getting glass lined orders, and when that order dried up, we had to find new opportunities in non-glass lined and non-chemical and pharma industries to get these orders. Some of these will take a little bit longer, but we have seen good traction in heavy engineering where we made a lot of breakthrough in oil and gas, petrochemicals. We have seen a lot of improvement in mixing, where we made lot of breakthroughs in metals and minerals. In Edlon, our US business, we have seen a lot of improvement there through the semiconductor industry. So, some of the diversification strategies that we had kind of put in place are now kind of bearing fruit. And all in all, I would say that even though it might be a few crores or few points lower than previous order intake, it's still stable and it kind of adds to the backlog. But again, like you rightly said, order intake is something that we are being aggressive about to create backlog, and we are trying to create both glass lined as well as non-glass lined backlog. Now, the glass lined business would return and improve, those numbers will change quite quickly, but as of now, like I said, I still feel there is maybe a couple of quarters before we see some of the new investments, especially in agro chemicals that will come back.

Jaiveer Shekhawat: Sure. My last question is on international business. On a sequential basis we have seen a slight decline in revenues, and over the last year we have seen a lot of announcements, especially from chemical giants, about capacity shutdowns. So how is the situation currently, and how do we get confidence that the worst is behind us, especially for the international business which is largely dependent on Europe?

Tarak Patel: So, on international business, you obviously will see a little bit of slowdown. It will continue a little bit longer than what we expect in India. What we are trying to do is rationalize manufacturing to make sure that we take the cost out, we have certain initiatives that we believe will add a lot of value. One of those initiatives is our Poland strategy, which we have now executed the investment agreement. So we plan to move manufacturing, in fact we have already moved, a few orders have already been manufactured in Poland, and the quality levels have been fantastic, and we expect that to kind of grow over the next two quarters, but there is a clear push for us to move manufacturing from high cost Western countries to lower cost European countries, and maybe come to India as well. We have also kind of rationalized our UK manufacturing footprint, and now we believe that having that no longer in the mix will also maybe improve efficiencies in Germany and Italy, and we hope that the glass lined business again internationally also will improve over the next few quarters. Again, they are getting aggressive in the market, but there is a general slowdown, and we have to be aware of that.

Moderator: Thank you very much. Next question is from the line of Yash Goenka, from Awriga Capital Advisors. Please go ahead.

Yash Goenka: Your standalone services revenue has shown a strong uptake. What is the impact of this uptick in the margins if you can quantify and how do you see this going forward?

Aseem Joshi: So let me talk about services more broadly. You will recall from previous calls that growing the services business, is a priority for us in India, services are about 35%-40% of our international business, and in India we aspire to grow that from the single digit that it is currently. Now, to that end, we have made organizational changes and systematic changes within the business to improve our performance of services, and I believe that is beginning to yield results. Now, of course this will take some time, but last quarter's performance was heartening, and I expect we should only continue to grow from there.

Manish Poddar: Specific number will be difficult to aspire at this stage, but as we know, services generally has been having a much better margin versus the original equipment. So, this should help us on a sustainable basis as the mix improves towards the services the margin profile should improve.

Yash Goenka: Okay. And in your initial comments, you had commented about demand from the pharma segment in the Hyderabad region, but you have shut down the plant there. And you also said that you will throw some light about it in the call ahead. So, can you talk about it?

Aseem Joshi: Yes, let me add. So, we have a small factory in Hyderabad that we had acquired from De-Dietrich about three years ago. Now the current demand for total glass lined was such that it made sense to consolidate production in one factory and Gujarat is our larger factory. So, while pharma in Hyderabad is stable for us from our production, optimization, and fixed cost sort of leverage standpoint it made sense to consolidate in Gujarat and that's what we have done.

Moderator: Thank you. Next question is from line of Abhishek from Oaklane Capital. Please go ahead.

Abhishek: Thank you for taking my question. So, I wanted to ask one question about the market presence of the Chinese players in the domestic market. So how big is that presence in GLE and non-GLE, both markets?

Aseem Joshi: Look in the glass lined business we really don't see a whole lot of Chinese competition in India, glass lined equipment is critical to a customer's process. It requires service and support and therefore, all over the world people generally buy from local manufacturers. And therefore, GMM Pfaudler has a local presence in manufacturing in every major manufacturing zone so US, Europe, India and China. So, we don't anticipate that to change significantly. Yes, there's always a few examples if you pull the import data, you will get a few examples of people pulling and buying glass lined equipment, but generally this is very few and the experience of most people who have tried that has not been great, So glass lined, I will leave that story there. On other equipment, non-glass lined, you will occasionally see competition from China or other countries. For example, in mixing in specific applications, there are some Chinese competitors, but by and large, we are well positioned as GMM Pfaudler with India manufacturing for almost all our products, and with the benefit of application expertise and engineering expertise from the world over. So, we feel that we are well positioned to take on competition wherever it comes from.

Abhishek: Okay, thank you. And I have one more question about the company's product differentiation in non-GLE segment. So what differentiation company is providing in non-GLE segment products, and how does the company plan to gain the market share in non-GLE going forward?

Aseem Joshi: So that's a pretty broad it's a very long conversation to be honest, because we have a broad range of non-glass line products. So, I will give you the 20,000-foot view and of course, further conversation can be had. Look in every product line that we have entered, our expectation is to have some technical differentiation with regard to our competition. So that's true in our mixing business it's true, in our filtration drying business, through our membrane business in Italy and it's true in our sealing business in Germany. We have differentiated products, and it's up to us to sell that value. Now there are some businesses where the differentiation may be a bit harder. So, for example, in heavy engineering on a product basis itself, the differentiation may be harder. However, we differentiate there in terms of quality and delivery. We have a near 100% on time delivery record in heavy engineering, which is something that customers put a lot of value on. So, we have given a lot of thoughts to where we can differentiate and while this product features in many cases there are other non-product features like quality, delivery and in some cases cost where we can excel. So we feel we are well positioned in the GLE segment.

Abhishek: So, what are your plans to gain market share going forward? So, are you planning to sell the products as a package?

Tarak Patel: No, so there are a couple of things that you should understand here. Some of the products go into completely different industries. So, there is no synergy between chemical and pharma and oil and gas and petrochemical. So, for example, in oil and gas we are talking to maybe Reliance or Adani, while in chemical we are talking to Gharda, SRF, Deccan. And then pharma, we are talking to Divis right. So, each customer, each industry each vertical has its own set of requirements. Yes, there are some kinds of requirements that are cross, or can be kind of cross between these different verticals. But generally, for each vertical that we operate in, the selling and the USP is kind of different. So for example, in heavy engineering, we are selling that listen, we can handle 120 mm thick material or we can do titanium, or we can lift 200 tons of weight. So those are the differentiation. In glass lined in chemicals it could be the life of the equipment, the corrosion of the glass, and things like that, right. So, for every product that we have, and then maybe in filtration and dying, it could be the drying time versus somebody else's drying time. So, if your batch time is 12 hours, I can make it 8 hours. So, there are very different requirements for each industry segment, and we have to kind of cater to the specific needs. And that's why the focus for every industry is different.

Moderator: Thank you. Next question is from the line of Sagar Shah from Spark. Please go ahead.

Sagar Shah: Good evening everyone and first of all congratulations for at least a better set of earnings actually, that's what we have seen in the last almost like more than five, six quarters. Now, I had a couple of questions. My first question was actually on global international business, on international business my question was, on the stand alone we have done very well almost 14% of growth that we have clocked sequentially. But on global business, still we are falling back actually and so what I wanted to know that, are we seeing a decline as far as the global glass lining business is concerned, and that is being held by the non-GLE businesses. Is that a fair understanding, even right now?

Alexander Poempner: We have stated before, there are some markets where in fact we have some headwinds especially China. And China, we have a strong glass lined business therefore we see it has an impact. However, we also have other units which are performing well, and this is especially the non-glass lined business. We expect, as Tarak mentioned in the beginning that the next quarter remains more or less as the last one. So there are some ups and downs, but the long trend, at least we see a positive signal and going upwards again.

Sagar Shah: Because what the real concern was, in spite of having a very robust order book, order inflow of almost INR 1600 crores in the first two quarters, still on the consolidated front, our revenues were very flattish sequentially. So that is why I wanted to know that, what went wrong exactly?

Tarak Patel: So, I don't think anything went wrong, because some of these orders do take more than two months, three months or one quarter to get shipped out. Some of the large orders that came in are systems orders, and those systems orders take about a year's time to be shipped out. So again, like I have mentioned in my opening statement, the product mix continues to change. And when you think about orders don't only think about glass lined, because it's not only glass lined that drives this company, glass lined used to be a major part of this. But going forward, glass lining the stable business, it is a market size that will not grow significantly more so, and our market share in glass lined is 50%, to grow market share also is tough. You need to consider now that a lot of the growth is going to come from the non-glass lined businesses and the new verticals that we are entering into. Glass lined remains important, both from an OE perspective, but also from a service perspective. And services continue to be an area where we continue to focus and grow. So coming back to your question, we had large order intake of big system jobs in the US especially, maybe close to $60-$70 million and that's something that will take time for it to kind of be executed and shipped out, because these are long gestation periods. There's a lot of engineering, there's a lot of manufacturing and a lot of support and service that goes into the startup of these large systems. So that's something that will come. And again, like I said this year, the focus is to have a stable year and build the backlog so that next year is a strong foundation to start and then start from Q1 and have good execution throughout the year.

Sagar Shah: Okay. Sir, my second question was regarding the margins. Then this quarter, our sequentially, our margins improved actually by 300 bps on the consolidated level and even on the standalone we did very well on the margins, this is obviously because of the cost rationalization efforts that we have taken and maybe the better product mix, but going ahead, going by the order backlog that we have, going by the improved outlook, as what Thomas sir said that by Q1 our investments from the agrochemicals will also see some sort of traction. So, our margin improvement journey will still continue in FY26 and our FY27 or you see these kinds of margins are also the same in the next two years?

Tarak Patel: So, I hope our margin improvement story continues for really a longer, longer period of time. But again, I would just caution you to think about as I said, things are looking better. Things are looking more positive. Some volumes are coming back, prices are improving. But again, if you ask me are we out of the woods, yet I would still be a little bit more conservative, it's a little bit of a wait and watch approach. We are hearing positive signs, but really going to translate into actual order intake may take a little bit longer than expected, you know very well and I am sure you also kind of look into a lot of chemical companies and pharma companies, and I am sure their promoters are not announcing large capex plans now. Indian promoters like to see visibility when it comes to order intake or having client's kind of give them that assurance before they really invest in the next round, right. And what we have been hearing from the big chemical companies and agro chemical companies is that they do believe that in May, June of this year, they would start looking at new investment again. Now, if that gets pushed back by two quarters or a few months, I don't know, but all in all there is more positivity. And that's really, I just hope that the market improves, because this cycle has been a tough cycle for everybody, and all companies are now looking to kind of reinvest and start their growth story again.

Sagar Shah: What is out of our total revenues, how much is it from industrial mixing in this quarter and for nine months FY25?

Manish Poddar: Mixing 10% - 12% is the numbers that we are trending towards, and because it's a focus area, so definitely the percentage should improve over the period at the consolidated level.

Moderator: Thank you. Next question is from the line of Rupesh from Intel Sense Capital. Please go ahead.

Rupesh Tatiya: Hello, sir. My question sir is, can you give end industry wise, maybe our top three or top five industries and the percentage in the revenue?

Tarak Patel: So, I would say right now, about 70% to 80% of our revenue comes from chemical and pharma. Maybe 70%, I would think now, those are the two key ones and between our chemical and pharma it keep switching. There was a time when , pharma was higher but in the last couple of years we have seen chemicals, because of the agrochemical boom and the specialty chemical boom, overtake pharma. So those are the two key industries we cater to. The next big one would be oil and gas/petrochemicals, here in India and that's a growth trajectory for us. And then with the mixing play that we have brought in. We have a much wider range of industry that we cater to. And in there we have, let's say, metals and minerals as a key industry. We have wastewater, we also have paints, and the light also as well there. And then lastly, with Edlon, we have semiconductor as well. So quite a few range, but these are the big ones that you could kind of say that this is really where the growth is going to come from and like I mentioned, chemical and pharma a bit slow, and it's reducing, our exposure to these segments is reducing, and I would say maybe the next couple of years, it would be down to 50%, because the real growth is going to come from these other industries for two reasons. One, if they are much bigger industry, and two, our market share in those industries is very, very small. So the ability to grow quickly and the ability to grow profitably is much, much higher in the new industry.

Rupesh Tatiya: Okay. So, sir the reason to ask that question is, whatever CDMO boom, whatever GLP boom, whatever you are seeing in Hyderabad, and maybe it will spread to other parts of India. But is that now kind of, to offset whatever toughness is there in agri market and can we still, grow a healthy 20% kind at least in domestic market?

Tarak Patel: On glass lined?

Rupesh Tatiya: Overall.

Tarak Patel: So, chemical and pharma alone will not give you 20% growth, I don't think so. There is definitely products that we have that go into chemical and pharma and we need to improve market shares, but I don't think 20% growth is going to come from chemical and pharma alone. We will have to look at new avenues such as oil and gas, petrochemical, and that's why this year also if you see a lot of the shortfall coming from pharma and chemical, especially agrochemical, when you have three customers that account for nearly INR 300- 400 crores of business that kind of just vanishes overnight. You need to replace that INR 300- 400 crores with something else, and we managed to do that. So in spite of the slowdown, we are still maintaining the same levels of revenue where other countries might not have been able to do so, and this new revenue has come from new areas such as oil and gas, petrochemical and the like, right. So we have been kind of lucky, and as management we are quite clear that over time, we need to reduce our exposure to chemical and pharma, and at the same time, maybe put our resources and people and funds also to these kind of new growth areas.

Rupesh Tatyiya: Okay. And another question sir is, do you have technology, or are you looking at biological space. The capex there are much larger and that part of the industry, pharma industry, is going to change a lot in next five years. So are we looking at biological reactors?

Aseem Joshi: Yes, there's a lot of things that are always over the horizon in the industries, biological is one of them. We are certainly keeping the rest of the development there. We are engaged with a number of our customers in things like peptides and providing equipment for that, we have done that globally in the past and now this comes in India. We are working with them on that as well. So, the short answer is yes, we are in tune with what our customers are asking for, and we would continue to expand our product portfolio where gaps may exist. We acknowledge that there would be some areas where new types of equipment will be required, and we will work to fill those gaps. Also, I would like to add we have inaugurated a test center in **Karamsad** which is our Gujarat facility. This is a pretty significant investment for us, it mirrors a test center that we have in Europe and in North America, and it allows customers to come in and run trials of various sorts of reaction, concentration drying, of acid management things like that, of the wiped film evaporation, various products that they have they can run trials, and that helps customers gain confidence in their ability to get the outputs that they expect before they make a significant investment. So that test center is now live. We have customer trials center that have already started, and we expect to help us in continuing to grow our business in India and actually overseas as well.

Rupesh: Okay. And my final question is, if I look at September balance sheet, our net debt is around INR 450 crore, INR 950 crore debt and INR 400 crore cash. But the net finance cost looks really high at around INR 70, 80, crore kind of, so is it I don't know is it due to Forex, or is there something else there?

Manish Poddar: Yes. So, our net debt cost is less than 8% India and international combined, so rest is all about the forex fluctuations positive and negative coming in.

Moderator: Thank you. Next question is from line of Shreya Banthia from Oaklane Capital. Please go ahead.

Shreya Banthia: You had mentioned that you would be increasing the share, you are focusing on increasing the share of the services business. So, what kind of steady state margin going forward can we expect?

Tarak Patel: In the services business or generally?

Shreya Banthia: The entire business, the overall EBITDA margins if you could give some color on that?

Tarak Patel: So, again I would just maybe kind of put it slightly differently. The margin so far for this year is about 11% to 12% and we would finish the year around there. We do want to improve margins for the next financial year, to put a number on it right now would be a bit difficult again. Like I said, the market need to start turning a little bit, volumes are increasing, but I would be, it will be premature for me to give you a number, the idea and the hope is to definitely improve EBITDA margin, and EBITDA the whole, and also the volume of EBITDA for next year.

Aseem Joshi: And maybe I'll just add, look as management we are focused on managing our cost better and product mix, etc. And we have made through this conversation you would have realized or recognized that quite a few initiatives were taken that has positioned us well, that when the market come back, we are actually in a much stronger position to take advantage of that.

Tarak Patel: Yes, and just maybe, just to reiterate for the group some of the initiatives that will help us in manage cost in India obviously, to clear one could be the closure of the Hyderabad facility, and obviously the change of product mix between glass lined and heavy engineering. Glass lined volumes coming back with a little bit of price improvement will also help. Internationally, we have Poland and we have now rationalized the UK manufacturing facility as well. So those are some of the initiatives that will obviously help us in terms of improving costs. We also have a Mckinsey project that's ongoing here and at the final stage where, obviously there will be some help also there operationally to reduce costs there.

Shreya Banthia: Thank you. Just a little clarity I needed, your voice was not clear, since we are not having, we are using a manufacturing facility at Hyderabad. So are we considering divesting that facility, or it's just on hold as of now?

Tarak Patel: No, so as of now it's on hold. There is no decision on what we will do with this facility. As of right now it just made a lot of sense to consolidate everything into one, so all your cost is in one facility, and your better utilization as well. So it was driven only by a financial decision. If we find that there is more volume coming in, or we find another product line that can be used or manufactured in Hyderabad, we will be happy to do so.

Aseem Joshi: I will just add one last point to what Tarak said. We continue to maintain a robust presence in the South market. We have a sales office, we have had it for years. There's a service presence both in Hyderabad and in Vizag, and we have a warehouse that stocks a bunch of spare parts and systems that our customers need.

Tarak Patel: And we are the market leader by a significant distance in glass lined in Hyderabad, so that will be something that we will definitely maintain.

Moderator: Thank you Shreya. Next question is from the line of Mihir Damania from Fident Asset Management. Please go ahead.

Mihir Damania: I would like to kind of understand your thought process about consolidating manufacturing entity. So we have seen that you shut down the plant in Hyderabad. I would assume that, since you have a lot of international plants. You may have in the next couple of years, plans to consolidate the same. So, what's your views on consolidating international operations, trying to see if you can get a much better manufacturing footprint, much better cost control over other categories. What's your thought and I would like a one to two year longer kind of view, because I was also seen that, you released a press release about signing manufacturing facility in Poland, which seems to be one of the lower cost manufacturing countries in Europe. So what's your entire thought process about consolidating international manufacturing operations?

Tarak Patel: The vision is definitely to reduce manufacturing in high-cost countries, not only manufacturing, but even things like engineering and support and things like that. So, we can definitely, and we are looking at lower cost options. Do keep in mind for certain geographies, we still need to have a presence in those geographies, especially when it comes to glass lined, because these glass lined vessels will need relining, they will need refurbishment, they will need support and service. So, we need to have local services. Maybe we don't need to have as many as we do currently, and over time we will definitely look to ramp up India so that India can start supplying to the rest of the world. We also have Brazil and China low-cost manufacturing for glass lined, and we continue to use and grow those businesses. So, the real focus is to reduce manufacturing presence in high-cost countries like the US and Western Europe. Having said that, we will still continue to have local teams in these geographies for support and service as well as for sales. Because front ending the customer who is local, still needs to have a local contact that we can deal with. But at the end of the day, the vision of management at least the way that we would like it to work is that, when you buy a GMM Pfaudler reactor anywhere in the world, you should not really worry where it is made. At the end of the day, you get the right quality, you get the right price, and you get the right timeframe in terms of delivery. You should not really worry about where this reactor is made, and that would be the eventual goal. Are we there yet, not quite yet but we are working towards that, and that's something that we will try to implement. Poland is the first start of this, like I mentioned to you, we have already had two very successful orders been executed in Poland. We are now planning a third order also in Poland, which obviously is creating a lot of promise. And things like this once you have one or two good orders in the executed in good quality and good time frame, people themselves will kind of be more favorable to this, and they will start outsourcing automatically. And that's what we are seeing. Maybe, Alex, you want to jump in and add something.

Alexander Poempner: I could just add, and what Tarak said, that in fact our operational footprint we will improve. So, this is a clear focus of us as a management and there will be some, let me say, more focused on center of excellence, will there be a new newer manufacturing in India. Yes, this is a target. Do we have to keep some sites in Europe and the US just to ensure proper services and therefore, especially the focus on service business, maybe a little bit less on the new manufacturing. Yes, this is a target, and we are working there on the strategy, and are confident that we will achieve improvements there.

Mihir Damania: Got it. Thank you very clear. Just one more question. Earlier, you used to have like a three, four-year plan laid out with what the clear vision earlier. I have not seen that happen over the past at least a year, year and a half also. So is that something which is still in the process, there is something which you are kind of throwing it out to the investor community where you want to see GMM maybe two, three years down the line. Is there any timeline to that, if you can touch a bit on it?

Tarak Patel: Yes. So, we were hoping to have something ready this year, but again this year has been flattish. So, we hope to have something for you in the next financial year. We are working on something we believe that we are nearly 60%-70% there in terms of just long term strategies that we all have agreed upon. The smaller pieces of how we get it done over the next few quarters is something that we are still working on, there is a meeting planned among the top management group next month. So yes, we are definitely working on something. As you know, the Board, our investors, they obviously would like to have a clear idea in terms of what we are going to do. We would love to articulate our vision to the capital market as well, and then kind of execute that vision. Unfortunately, the market didn't turn as early as we would have liked. We would have liked to do it this year, but we need to kind of, the idea today is really focus on business, make sure that the year is stable. We are not losing market share, we are not losing money. And then obviously, at the same time, we need to work on the strategic plan which is in process, and hopefully again, I don't want to give you a time frame, but I am confident that in the next financial year we should definitely be able to articulate our vision to the outside world.

Moderator: Thank you. Next question is from line of Deepak from Svan Investments. Please go ahead.

Deepak Purswani: Hi, good evening. Just wanted to check it out if you can give some sense on the heavy engineering business. Specifically, if I were to look from the order intake and order book perspective, currently the order intake in the nine months is up 13% at INR 2,442, what would have been order inflow in the heavy engineering business and in the other businesses. And if you can also throw some light in terms of the revenues, what has been a nine month revenue in businesses, and how is in a margin profile, and also how is the bid pipeline is looking up at the current juncture, and from the export point of time, we were also looking to explore export market and where we stand there currently, could you give us some sense about the heavy engineering business?

Tarak Patel: So heavy engineering before Aseem talks about the business, and what we are trying to do and what we cater to, I think heavy engineering has grown significantly it will grow again this year.

It was a much smaller part of our total revenue this year, it will be a bigger part of it. We don't share numbers right now, nine months. But even if you look at the nine months number, heavy engineering portion is definitely much more than it was in the previous nine months. And the growth that we are getting from heavy engineering would probably be double digit in any case. So that's the focus area for us, and maybe Assem, can speak a little bit more about the heavy engineering business and what our strategy is there.

Aseem Joshi: Yes. So first to your point, in the materials that we have released to the stock exchanges, you will see the segmental overview, which gives you a sense for how the breakup is around technology, systems and services and heavy engineering is part of the technology. Now, our strategy in heavy engineering is quite clear. We want to focus on getting the right MOCs, which is the right material of construction, focus on export orders, and focus on the right kind of equipment. So, I am pretty pleased with the direction in which we are going. This is a business that will run for about three years now, little over three years and it's grown very well. And it's a significant part of the India business. The next phase of our strategy will be to focus on exports for heavy engineering, using the Pfaudler network already, we have considerable exposure to the US, to some extent in the Middle East as well, but we are going to work to accelerate that, to see how we can drive exports further in geographies close to India and also potentially to the US, given the likelihood of investment and manufacturing returning to the US. So heavy engineering will continue to be a focus area for us, and a big growth driver in the next two, three years at least.

Deepak Purswani: Okay. And then just one bookkeeping question on the other income front in this quarter, that appears to be INR 25 crores, if you can share the details about it, that will be really helpful.

Manish Poddar: Other income is primarily on account of FX gain. So you have a Euro dollar, so the Euro is depreciated and within the inter-company there was a mark to market. So, these are typical fluctuations, which you see in the debit side of the finance cost and other income on the other side.

Moderator: Thank you. Next question is from the line of Gopinadha Reddy from PNR Investments. Please go ahead.

Gopinadha Reddy: Sir, we have competitive advantage our own niche when it comes to glass lined business. What kind of a know how or advantage that we have in the new businesses that we are entering, is it just our execution capabilities or anything else that we have already?

Assem Joshi: So, I addressed this to some extent in prior questions, but let me just summarize. Any new product line or business area that we have entered, we believe we have some differentiation, typically it's in product features or some aspect of a manufacturing capability that allows us to differentiate in the market. For instance, in filtration and drying we have proprietary designs and local innovation that's happening that is helping us differentiate and offer more advanced equipment to our customers and the standards that they get from other players in the market. In mixing, again we have prior track record of serving various applications across the world, be it water, food, mining, minerals, chemicals, pharma, paint the list is very, very long, and that's an advantage we have gained because of the presence of Mixel and MixPro, these are acquired companies in our portfolio. We see the benefit of that in India already, and similarly in the international business we are seeing the benefit of having India manufacturing. So again, it really depends on each product, but we as management are certainly focused on ensuring that there is differentiation in each of our businesses.

Tarak Patel: Just maybe to add to that, what the question that you are asking, GMM Pfaudler the brand name that is associated with the company, people do come to us for solving problems that they have, they look up to us in terms of completing the project in a timely manner, and also the financial stability that we have today. If we take a large project, its not that we are going to run out of funds halfway through. So, the large heavy engineering project, with the Reliance and the Adani of the world, they would obviously go after and go with respected professional companies, right. So, we stand by our products, and we make sure that we deliver what we promised, that is something that also will help a lot of customers to kind of try some of the newer products that we are now entering into.

Moderator: Thank you. The next question is from the line of Shreya Banthia from Oaklane Capital. Please go ahead.

Shreya Banthia: My next question was, I am aware that we are not giving the breakup of our EBITDA margin segment wise, but if you could give me a sense of our non-glass lining and glass lining margins comparable, and whether heavy engineering margins are little on the higher side, any sense on the margins. How should we look at it?

Tarak Patel: So it fluctuates, but I would say as a group, our aim is to have a 15% margin profile across the businesses that we operate. Some cases in down cycles, it will be lower. Some case it will be higher, but that would be the general trend for you to kind of go in with. I don't think we get into any product line in lower margin. There could be some products within the portfolio that have higher margin profile, especially the services part of it. But for our technology's product, which is basically thing that we manufacture, equipment that we manufacture, I would say a 15% margin would be the average or high.

Shreya Banthia: So, is it fair to assume that the heavy engineering margins are somewhere near the glass lining or the other equipment?

Tarak Patel: Yes, they all are kind of similar. So, you can do the math at 12, if we are at the 12% margin, I would say margins across the board will be similar. Glass line just today, because of the slowdown in the market and the competitive pressure that we have had seen a reduction. But, if you look at the good times, I would say all these businesses have a pretty strong margin profile.

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

Dhaval Rajput: Thank you Nirav. Thank you everyone for joining us today. It was pleasure interacting with you, and we look forward to many such interactions within the course of the year. Take care and see you soon.

Moderator: Thank you very much. On behalf of GMM Pfaudler Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.