GMM/SEC/2024-25/63 November 14, 2024

To,

BSE Limited
Scrip Code: 505255

National Stock Exchange of India Limited
Symbol: GMMPFAUDLR

Sub.: Earnings Call Q2 FY 25 – 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 ended September 30, 2024 conducted on November 7, 2024 for your information and records.

The above information is also being made available on the website of the Company at www.gmmpfaudler.com.

Thanking you.

Yours faithfully,

For **GMM Pfaudler Limited**

MITTAL KARTIK MEHTA

Digitally signed by MITTAL KARTIK MEHTA
Date: 2024.11.14 16:00:31 +05'30'

Mittal Mehta
Company Secretary & Compliance Officer
FCS. No.: 7848

Encl.: As above

"GMM Pfaudler Limited Q2 & H1-FY25 Earnings Conference Call"

NOVEMBER 07, 2024

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
Q2 & H1 FY25 Earnings Conference Call
November 07, 2024

Moderator: Ladies and gentlemen, good day and welcome to Q2 & H1 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 the 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, Neha. Good evening ladies and gentlemen, a very warm welcome to all of you into the Q2 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 available 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 would now hand over the call to Mr. Manish Poddar to provide an overview of the performance. Over to you, Manish.

Manish Poddar: Thank you Dhaval. Good evening all, sharing with you some insights on the quarterly performance. On the consolidated basis, we recorded a revenue of ₹ 805 crores within an EBITDA margin of 11.6% for Q2 of FY25. Our order intake stands at ₹ 762 crores for the quarter, and backlog stands at ₹ 1,773 crores. On a standalone basis, we have had a revenue of ₹ 208 crores with an EBITDA margin of 10.8%. While the P&L is more steady and stable, we would like to highlight a few points on the balance sheet and the cash flow front. As you know, our backlog is at ₹ 1,773 crores as of 30 September, versus ₹ 1,689 crores as on 31st March, marginally high. While our H2 revenue at ₹ 1,591 crores is marginally lower than the half yearly average of FY24 which clocked the revenue for the full year at ₹ 3,446 crores.

Now a healthier backlog with a muted revenue direct towards a higher shipment in the upcoming quarter. This is also visible in our balance sheet as follows: when we compare 30th September versus 31st March balance sheet, we observe our unbilled revenue and inventory have gone up by ₹ 28 and ₹ 32 crores respectively. This highlights higher activity at the production floor. As a corollary, our customer advance receipts are also up by ₹ 30 crores. On the other hand, our receivables are down by ₹ 21 crores due to correction focus, which directs us to the cash flow statement. We have been steadily improving our cash flows. We have been steadily improving the FCF as a percentage to the business cash generation over past three years, however, you would have observed, for past three years, our H1 performance for the year has generally been lower on the FCF generation perspective. This year we have been able to generate 50% FCF as per slide #8 of the investor deck. We expect to remain on a healthier cash flow generation side for H2 as well. With that, we can open the call for the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sagar Shah from Spark Capital. Please go ahead.

Sagar Shah: I have couple of questions. So my first question was that sequentially we experienced a 3% growth in this quarter, but even though margins were steady but going ahead we guided for almost very healthier margins for this entire year 13% to 15%. So my first question was on the revenue front, that how are things shaping up at least on the global level right now, because we saw 3% sequential growth and going forward, H2 has always been the strongest for GMM Pfaudler so, the kind of order intake that we have seen in this Q1 and Q2 and the kind of order backlog of around ₹ 1,773 crores of going ahead, can we expect a better H2, better sequential growth in the H2 and if yes, then it will be led by which segments amongst the technologies?

Tarak Patel: So, a couple of points that you brought up are very important. So, on a half yearly basis our order intake has improved by about 18%- 20%. That means we definitely have a strong few quarters of order intake which is definitely a good thing, and that's why we believe that the second half of the year can be a little bit stronger in terms of both revenue and margins. We have obviously, businesses that have a much stronger backlog especially businesses in India, like the HE business, has a backlog which probably will take us into Q2 or Q3 of next year. We have strong backlogs in mixing, we have strong backlogs obviously in some of the other non-glass lined technologies, where we have seen a shortfall and where we do see a little bit more stress in the glass lined business, especially when it comes to the chemical. And when I say chemical, mainly the agrochemical sector where the investments have really dried up and it does mean that there is probably a few more quarters of, I would say muted investment, I don't see that turning around very quickly. We have spoken to a lot of our clients, customers, a lot of experts, industry experts as well, where we do believe that chemicals will turn but, I don't think it's going to happen very soon. So we do need some time here, what's important for us is that while we are at the bottom of the cycle, we work on internal kind of cost optimization, we have done a lot of good work around that. We currently have a major project going on here in India. We have taken some actions internationally as well to reduce cost, so we are looking internally, and hopefully when the market turns we will be able to drive some of the growth and improvement in both the revenue and margin. Having said that, it's also important to keep in mind that, while we are being aggressive in the market to bring in orders, there is obviously going to be some pricing pressure as well. However, having said that being the market leader we are able to still get a little bit of premium over the competitors. So all in all, the numbers are stable, we expect these numbers to remain stable as well for the next few quarters. But we do believe the second half of the year will be a bit stronger than the first half.

Sagar Shah: Okay. In entire revenue mix, what percentage of technologies is particularly industrial mixing for H1 FY25?

Tarak Patel: The mixing number for H1 25, I don't think we have it on, the breakup has been, there is some breakup given we will check that number and come back to you. But in technology, if you want to kind of understand what's happened in technology, you will find that the glass lined business obviously has seen a bit of a slowdown, while the other product lines are making up for the shortfall. So Mixing, Heavy Engineering, Edlon, these are the three areas which have seen significant growth in order intake, and they are doing quite well. 10% is the number that we have currently in terms of mixing. And mixing is an area where we want to grow. So there is a big push for us to kind of get into new industry segments, mixing opens up petrochemical, oil and gas, food and beverage, lots of other new industries which are not currently under in a down cycle. So the focus is to really try to maximize order intake and opportunities from these sectors.

Sagar Shah: Okay. So basically, around 10% of the total revenues has come from mixing?

Tarak Patel: Yes, approximately yes.

Sagar Shah: Okay, sure. My second question was related to your non glass lining technologies. Non glass lining technologies, as you said your subsidiaries Edlon, Mavag have been doing very well. So, do you see at least in this year also these subsidiaries doing well. And can you specify what kind of growth rates can we expect among these businesses and which of the ones do you think will stand out either it will be Edlon or Mavag, or it will be Normag or Heavy Engineering?

Tarak Patel: So, the few areas that will stand out where we will see double digit growth, Mixing is definitely one of these areas where we believe there are opportunities. The HE business will grow also at double digit rate. It's profitable, we have a good backlog there, we won some large orders, and we have a lot of opportunities open that we expect to finalize in the coming months. So that gives us a lot of visibility. Edlon business has done increasingly well, they obviously like to know cater to the semiconductor industry. So they have booked out for the year. We have actually kind of relighted a little bit of capex for them to increase capacity, because the market is moving and the semiconductor space in the US is doing quite well. So Edlon is doing quite well. In terms of the glass lined business, the Italian glass lined business is doing extremely well. They are, ahead of their budget, US and China remain a little bit soft. China is definitely seeing some kind of slowdown in terms of new investment. And in India, we have seen the glass lined business actually pick up in the pharmaceutical sector, in the last couple of months, we have seen some large projects in pharma, and there is definitely more talk now in the pharma space for new investment coming in, so that should drive some more glass lined order intake as well.

Sagar Shah: Okay, sure. So just my last follow up question that, due to the revenue pickup that we will see in the H2 supporting by these businesses, so sequentially also in H2 you will see better margins, or if you can guide us that what are the margins that you are targeting for this year. And my last question was, post this year in the next two years, as you just highlighted in the initial commentary that we are few quarters away before we see pick up in the investments. So at least on FY26 and FY27 can we expect a better environment than the current year or still times are so uncertain that we cannot guide for that?

Tarak Patel: The chemical cycle will turn, it always happened, it's always been cyclical. This is not something that's new. A couple of years, we have already been in a down cycle, we probably expect a few more quarters, but definitely there will be a turning point, a couple of things will happen, one is that, while we are in this down cycle, and we have already done a lot of work to make sure that one, we have diversification, so we don't only focus on chemical and pharma. So over the last few years, we have really started entering new industry segments, and a lot of these new industry segments are giving us or making up for the shortfall that has been caused by the slowdown in the chemical sector. So that's been a really good learning for management and for us, and as we look to the future, we do believe that diversification is going to be the pillar of our strategy, to say that listen, tomorrow we don't want to have all our eggs in one basket, even though chemical and pharma is a big industry segment for us, we need to find new areas where we can grow faster and where we can grow margins as well. From our outlook here, again I mentioned today that it is muted. This year, we expect to be flattish, we are in the peak of a down cycle so it is tough out there, all we can do as management is continue to be aggressive in the market, and the same time look internally to reduce cost. We have done and we are in the middle of a major EBITDA improvement kind of project that we are working on India, we have look at now starting our Poland operations as well. The first order of equipment has been made in Poland already. So we expect that some of these initiatives eventually will help us reduce cost. And then, if the market turns like you said in 2026 or 2027 we definitely will have a lot of legs to grow both revenue and margin.

Moderator: Thank you. The next question is from the line of Ganeshram from Unifi Capital. Please go ahead.

Ganeshram: So, just to start with the International segment as we were discussing, could you give us a sense of what's happening in the major geography that you are present because we are just looking at half yearly revenues, first half 24-25 and there's a bit of a decline in the revenues there. And also, we look at the backlog on a quarterly basis there is a bit of a decline happening over there. So, if you could just tell us in the major geographies and the product lines that you are working in, what's happening because we have the India piece together now, and with the International piece, trying to get a sense of where we could go from here. And do you think this is the bottom of this cycle that you are experiencing, that's just the first question.

Tarak Patel: Good question. So, a lot of it is maybe crystal ball reading, but maybe I can ask Thomas to jump in. The question was Thomas on the different geographies, maybe you can talk for the US, Europe and maybe China, three major geographies and give them an idea in terms of what are you guys seeing and, when do we expect those markets to kind of start firing a little bit.

Thomas Kehl: Yes, happy to do so. Thank you. Start off with the Americas. In America, we do see consumption, we see projects coming in, we have quite a few quotations, the time of when a quotation becomes an order has been slowed down a little bit. This means that the market is somewhat hesitating, the capacities that were created over the last three years after the pandemic, kind of sufficient. And since the supply chain, and the chemicals and pharmaceutical industry in America, in Europe, but also in Asia, have been disturbed for quite a while. There was an activity going on that the inventories have to be backfilled, and a lot of companies have their inventory is not yet worked off what they do now, therefore they are slowing down their productions and the need for new projects. In total, pharmaceutical and chemical industries are still consuming, and there is still growth of the consumption over the years, and the capacity that seems to be a little bit on the high side right now is going to be exhaust over the next couple of quarters, and then the cycle will be over and turn into a positive and that would be true for all three major regions.

Ganeshram: What gives you confidence, just continuing on that line of thought typically we see there is cyclicality, but what is sort of the sense that you look out for management to say, okay fine, this might just be the bottom, are you seeing it in terms of inquiries or how do you sort of decide that this is when the cycle is bottomed out and it's starting to inflect and you prepare accordingly for that, because you have kept your cost quite under control, but as that optimism starts to return, you will have to adapt to that as well. So just trying to get your perspective on that?

Tarak Patel: Yes, again a good question. I don't think we can time the cycle perfectly, there will be a bit of lag between when things change and when we will see results, because the first, people that the cycle should turn is our clients, and then they should get back into the mindset of investment. So for chemical companies, for agro chemical companies, that mindset maybe is a few quarters away, right now people who have invested will still try and sweat their assets before new investments go in, and then they would need, visibility in terms of their client asking for more product. So once that kind of gets built into the system, then that excitement, that interest level will start increasing. We will start seeing it maybe a few months later, when the project gets sanctioned, and then obviously the opportunities will be sent to us in terms of how much investment and capex will come in for these. In the meantime, obviously I am saying that even though agrochemical might be a bit slow, there's still opportunities in chemicals, in pharma which has been positive, it is much better today than it was maybe six months, nine months ago. Especially here in India, we have seen pharma obviously be a little bit more active, which is good. But generally, there will be a lag between when the cycle turns for the chemical, agrochemical players, and then obviously a few months later for us, when the interest levels and inquiries will start improving.

Ganeshram: Understood sir. And the second question I would love to put this on and join back the queue, is given the context that we are in right now and looking at the guidance in Q1, that would imply we need to make about ₹ 3,600 crores in top line, even at the lower end, 5% top line growth and the 13.5% margins is about ₹ 290 crores, which means this, if I compare the first half and second half last year to this year, we need to grow by about 10% and on a sequential 30% top line. So do you still feel confident with that guidance or do you think, given how things are at the moment we need to probably take it down our expectations a bit?

Tarak Patel: So, the guidance was flattish guidance. So we said at the top line level, maybe 3% - 4% we are in kind of, we are okay on that, margins obviously there will be some margin made up in Q3 and Q4 but, obviously margins are under a bit of pressure. We hope to be at a similar level like last year, but probably there will be some amount of margin that will still have to be made. Let's hope that the next couple of quarters we are able to kind of improve margin, maybe Manish, you want to add something.

Manish Poddar: So, if you recall Ganesh. So, if you break the previous financial year into H1 and H2, out of the ₹ 477 crores of EBITDA we did ₹ 270 crores or ₹ 272 crores in H1 and we did ₹ 205 crores in H2. So it was a sharp drop from H1 versus H2 and we have been continued in maintaining that almost the same number, similar numbers in the current half of the financial year. Now the challenge is, how well are we able to recoup the lost ground in H1, versus H2 last year into the second half of this year. So that is the something that we are absolutely seriously trying to get to that. The question is, how much can we recover?

Moderator: Thank you. The next question is from the line of Rushabh from Equirus PMS. Please go ahead.

Rushabh: Just wanted to know your sense on when you say that the chemical cycle will turn around. So what are the tangible quantitative parameters that you keep tracking. So, when I say that I want some quantitative parameters that you keep tracking when you say that the cycle will turn around.

Aseem Joshi: Okay. So, I will talk about how we look at the market. Not sure if I can give you tangible, specific quantitative parameters, but a lot of this is subjective. If you recognize that market, there is a lot of sentiment also attached to that. So we look at first of all the announcements that we hear from our customers, we look at, we of course are in the market every day so we are talking to a lot of decision makers in these companies. That's our first indicator of their plans and usually we get a sense of what's happening in the next three to six months. The second, of course there is a lot of databases that are available and I talk about pricing of various commodities, and that's also an indicator, as prices start to shore up, people start looking at more, they are more willing to put in capital. And of course, the third aspect also is sort of the margin profile of our customers, because as they start shoring up their confidence in putting more capital goes up. So, trading fairly obvious thing, so that are the three areas that we look at to assess how these markets are going to evolve. So based on that assessment, Tarak talked about agrochemicals being slow, that certainly is the case, and we anticipate that will remain the case for a couple more quarters at least. We will continue to monitor and then take action accordingly. In the meantime, just to reiterate, we are very heavily focused on ensuring that our cost position is appropriate for the market facility, and that I expect will start helping us from a marginal perspective.

Rushabh: Right, that's quite clear. Just a follow up on what you said, so you said about three things. One is announcements of the customers, one is the databases where you keep tracking the pricing of commodity, and one is about the margins. So, let's say from 10 customers so where are we actually seeing that the margins are coming back, or the announcements for the new capex that they are doing that is seeing some uptrend?

Tarak Patel: Pharma is the only place we are seeing capex in a big way, there is a lot of investment happening in and around Hyderabad now, large projects, peptides, things like that. So pharma, and because of pricing pressure easing off in the US, pharma has been a little bit back on investment. So, API, bulk drug pharma is probably looking a bit stronger than they did maybe a year ago. And for us also, like I said before, that chemical and pharma is obviously, or was let's say maybe three, four years ago maybe 90% of our total revenue was coming, but over the last three, four years, we have diversified and brought that down to maybe 60%, where a lot of our non, where most of our growth and some of the shortfall has been made up is coming from new industries that we have started catering to. So it's important for us to continue on this journey, both from a product as well as an industry diversification, because at the end of the day, there will be cycles, some cycles will happen. So we just need to make sure that management that eventually when one or two industries are slowing down, something else makes up for the shortfall. So that's an important part of our strategy going forward. And this would also lead into M&A and stuff and looking at new industries which can give us three, four years of continuous growth, double digit growth with good margins. So that's something that we are thinking about.

Moderator: Thank you. The next question is from the line of Rohit Ohri from Progressive Shares PMS. Please go ahead.

Rohit Ohri: Couple of questions from my side. The first one being, do we have some sort of an index, or do we track a brand affinity as well as cross selling. And if we do so, then can you share the numbers which were probably last same time?

Tarak Patel: So, brand affinity, I am not sure, but good question. We have been cross selling and the numbers that we have kind of built into our models and our plans, where every salesperson will have some targets for cross selling, and they will get incentivized on cross selling. So that's already kind of something that we work on quite well, but it's important that cross selling really happens within a specific industry. We don't go cross selling across industries, but within the chemical pharma, why can't we sell the same customers buying a glass lined, a filter dryer, a mechanical steel, acid recovery plant. So there are definitely opportunities there. Are we 100% kind of great and fantastic at cross selling probably not, there's a lot of work to be done, but it's something that's part of our strategy, and we do spend a lot of time trying to grow the cross selling aspect of our business.

Aseem Joshi: One quick point, as far as your first part of your question around brand affinity goes. We do not currently measure it quantitatively; we have considered using a measure like NPS as a possible way to look at it. We haven't gone down that path, but what we do have is regular feedback from customer on what's going on, and that fairly gives us the indication of loyalty, and we feel comfortable that we are in a good position on that, especially in the Pfaudler glass lined brand.

Rohit Ohri: Okay. Tarak you did mention about pharma been picking up, and then there are some schemes which are coming up in India for some 50 new plants coming up over the next two, three years with PLI. My question was, can you share the behavioral changes of some of your clients, if at all, some sort of discussions that are happening or are there some new engagements or commitments since on the international level also we are almost near the year ending so they must be trying to create their own budgets for the next year. So any sort of discussions or behavioral changes that you have recently noticed from these guys?

Tarak Patel: A couple of things, one is that the need for more sophisticated equipment is definitely now something that people ask for, it's now because you are now getting into much higher value production, better production, better quality is required. So, that is something that people are more aware of now, can I reduce my batch times, can I reduce my cost, if I can make a product in, if I can try something in a 15 hours, instead of 25 hours immediately I have more capacity. So people are looking at a way to improve and become more efficient, and that obviously is something that helps us. There's also more critical products, so the quality of the product becomes more-and-more important especially when you are exporting, and that's why they need more sophisticated equipment. We also see a lot of work around these weight loss drugs. So Novo Nordisk and things like that, that is driving a lot of ancillary industries as well. And some of these drugs will go off patent in 2026, 2027 and we accept that also to probably fuel some growth. CDMO business is growing quite well in India, and then, like I said peptide is becoming really huge across the globe. So we see a lot of investment in peptide, some of it will happen in India it's a tough process, it's been done mainly in the US and Europe right now, but India could become a kind of a hub for peptide manufacturing as well. So pharma generally is looking quite positive, and the need for highly sophisticated equipment is growing in pharma, that's where we play. We have had specific instances where we won large orders with Interseal we have had German specifications in terms of last time we also supplied in India, because the end product or the end, the customer was German, and he was kind of the defining what equipment was to be used. And he was using Pfaudler equipment in Germany and hence the Indian manufacturer had to use also GMM Pfaudler equipment. So that's happening and in the non-glass lined technology, there is where people are really starting to think creatively, systems businesses we have got some large orders and systems over the last few quarters, close to $30, $40Mn or $25Mn which is more process driven. So, how do we help improve the customers processes and make their life simpler, that's where we will also play an important role.

Rohit Ohri: Is this is a part of the Living Lab initiative from UK de-carbonization for the pharma. Are you playing a role over there as well?

Tarak Patel: Sorry, what was that, living?

Rohit Ohri: Living Labs.

Tarak Patel: No. So I am not sure what that is. No.

Rohit Ohri: One last question before I fall back in the queue. Any developments that you would like to share in terms of the F&D, filtration and drying businesses, maybe with the light and medium duty top entry and your recent association which you did allude a bit about the peptides recently, but your recent association with Gravner, which opens door to quite a lot of business related fermentation. If you could share some details on that?

Aseem Joshi: Sorry, could you repeat the last question. A recent association with who?

Tarak Patel: That was a wine story from the wine producing thing.

Rohit Ohri: Yes.

Tarak Patel: So we will talk a little bit about that. But, go ahead.

Aseem Joshi: Okay. So as far as filtration and drying is concerned, I can talk about a couple of areas. Our strategy here has been to differentiate by focusing on more value added products or more sophisticated products. Happy to say that it's working out quite well along the lines that we had expected. So, we have launched three new products in the last two years and those are getting good traction in the Indian market. In fact, Vertical conical dryer which is the first one to be launched is also looked at by European customers with two being sold there already. We will continue our innovation journey in filtration as well, we think that is the right way for us to grow. There is, of course, the low end of the market there which is served by others. There, is the low margin somewhat commoditized space, which would have been there for the most part. The other aspect of filtration and drying, I will talk about is our expansion in the US market, which was hitherto unserved. We had pointed this out as a part of our strategic initiatives a couple of years back, and we transferred the senior executive there to drive that business. We are happy to share that, that business is now well set, we have about $4-$5 million of annual revenue that we already expect from that market and will continue to grow there. We have also built up our team in the US to serve that market, both from sales as well as from operations perspective, and so it's a good new stream of revenue and margin for us from the US. As far as Gravner is concerned, which is the Italian win recently I will invite Thomas to share.

Thomas Kehl: Thank you Aseem. The Company Gravner is the wineyard that is quite old in the North of Italy, their wine philosophy is that they let their wine age 15-20 years before they even put it out to sell. And aging the wine in wooden bells or other media is somewhat risky if you do it for 15-20 years. So they were looking for storage tanks that gives them the cleanliness and the no influences from outside from any wood or anything, to let their wine age for 15-20 years before they fill it up into bottles and sell it. And they have looked at a couple of technologies and found that the glass lined steel tank is the perfect fit for them, and they have ordered a couple of tanks that will be delivered in a couple of weeks, the first batch and the second batch in the end of first quarter. And we see this is a good opportunity to take our existing technologies and branch into new applications that we haven't seen before on this.

Moderator: Thank you. The next question is from the line of Ravi Mehta from Deep Financial. Please go ahead.

Ravi Mehta: Just a question on the pricing. So when you said that, we are at the peak of the down cycle. Just wanted to understand how pricing has been in earlier down cycles vis-à-vis where it is now, is it more bad. Some anecdotal thumb rule?

Tarak Patel: Glass line has been, an area of concern definitely. We have seen prices now stabilize a little bit, and hopefully we can kind of reverse the trend and start kind of increasing prices slowly. It's always tough to increase price once you have already given the discount because, most customers will have history and data available to say, last order was written so why are you asking so. So we will definitely try, what we do try to do is obviously try and differentiate and say, okay if we are going to give something that's more, better or technology that somebody else doesn't have, then we can charge definitely a much higher price. But, in general case in glass lined, the pricing has taken a hit. However, now we have come to a point where it has stabilized, and I do see it probably improving over the next few quarters, a little bit.

Ravi Mehta: Maybe, just to understand in rough numbers say suppose a normalized pricing is 100, and during down cycles the prices hit 75 just an example. So is the current down cycle, seeing a price like 70, 65 like just.

Tarak Patel: So. I would say the discount levels have increased by about 10%-15% little bit more in some cases, it would probably been a little bit more than that but now we are at about a 10%-15%.

Ravi Mehta: Okay. And one more question was on the order intake, so we had seen a good sequential uptake for last couple of quarters, and this quarter, the order intake was kind of lower on a sequential basis. So has there some slippage happened, closing of an ordered didn't take place or anything which you would like to highlight?

Tarak Patel: No, so generally we were pretty happy with the order intake obviously there are things that get pushed out by a few weeks here and there, but there are large opportunities that we expect to finalize big ones, and we expect them to kind of maybe come in Q3. But no, generally it's in-line with our expectations. Maybe one or two orders got pushed out, but generally we were able to close the majority of the orders that we had targeted.

Ravi Mehta: And any color on the mix of order intake vis-à-vis last couple of quarters, because I thought the non-GLE was adding a lot to the order intake and order book. So just some color around that?

Tarak Patel: It is definitely in India, GL order intake has actually improved this quarter significantly. So we have booked good glass lined orders which obviously means that for the next half of the year we will have a pretty strong backlog. The non-glass lined order intake especially heavy engineering, Mixing, Edlon have done exceedingly well. They have more than a year of backlog, I would think in most cases. So those are the areas definitely where some of the shortfall has been made up. So we expect that the HE business will grow double digit this year as well. They are completely full up, and we are now also trying to extend and see if there's any more kind of opportunities in that space that we can kind of work on.

Moderator: Thank you. The next follow up question is from the line of Sagar Shah from Spark Capital. Please go ahead.

Sagar Shah: My first question was related to the India business. Just a follow up from the earlier participants question. So, in this year also mean the growth that we are anticipating would be largely domestic based, as we just highlighted, the heavy engineering business will grow in double digits. The glass lining business is showing traction. So, as far as India business is concerned. So the contribution, can we see at least higher margins going forward in H2 as compared to we have clocked around 11.5% bill in this H1. So as a domestic business shows traction and the domestic business is a margin accretive business for GMM as far as you have guided before. So, can we expect higher margins in H2 because of the domestic business coming up and secondly, the next two years, what I wanted to ask, as far as the global business is concerned, you were about to hire an international mixing business head also. So going ahead, I wanted some sort of a more granular outlook on industrial mixing business, how do you perceive now when the actually the global economy recovers, when the likes of US, China actually, if they recover in FY26 and 27 so how do we see that business growing, because as far as your numbers say, it's not growing right now, but I wanted the outlook going there, so these are my two final questions.

Aseem Joshi: Okay, so I will take the domestic question. So, we have indicated that this is going to be a flattish year, and that's how we anticipate, we continue to anticipate this year will be. As far as the breakup is concerned, glass lined because it serves the agrochemical and Spec Chem and pharma industry it has been slow, we are happy to see a reasonably good order intake last quarter in glass lined. But of course, there is still some more time to go before this business returns to sort of a strong performance we saw a couple of years ago. That gap has been made up by a non-glass lined business and that was part of our strategy. The Equilloy i.e. Heavy engineering business is growing double digit, as well as good growth in some of our other non-glass lined businesses like filtration, drying, mixing and as well as our systems business. So overall the net effect of this is a flattish year as far as margins are concerned, we focused on our costs and those will help us improve to some extent, but it will be a while before we return to the 17%- 18% numbers that we were performing a couple of years back. We are well on our way and as we mentioned, we have taken on a big EBITDA improvement project in India, and that should pay off for us next year. And as far as the global mixing is concerned, perhaps Thomas, would you like.

Tarak Patel: I will just maybe add something here on the mixing, so you are right we have hired a head of mixing who has been now with us for nearly six months. Last week, we had the entire mixing group from across geographies, the Canadians, the Indians and the French sitting in the room, 26 of them defining their strategy and building their plan for the next three years in terms of both their go to market strategy, their projections as well as the investments that are required. That's something that we will be discussing in the next few weeks and we should be able to have a clear idea in terms of growth, areas, geographies, industries that we will be catering to. And maybe during the next investor call and earnings presentation we can include maybe some kind of color or a slide on the mixing. So bear with us for a few more months and we will come back to you on that.

Moderator: Thank you. The next follow up question is from the line of Ganeshram from Unifi Capital. Please go ahead.

Ganeshram: A few questions on the near term and few on the longer term from here. So just on the near term, when we talk about the competitive pressures that you are facing, can you tell us, how does this sort of shape in the conversations you have with clients, because these are products, their safety and quality matters, so why is there a pricing pressure and what is our wallet share typically in our customers and are we seeing any protection or erosion in that sense, because of this competitive pressure, that's just the first part of it, please.

Tarak Patel: So, at the end of the day, the glass lined business, obviously there is technology, there is always glass lining is something that can kind of break off or chip off very easily. So life of equipment becomes very, very important. Removing these large reactors from chemical plants is not so easy for repair or to send back to the vendors, so, that's a hassle as well, so quality is definitely important, but you do must keep in mind that Indian clients, or generally clients around the world, will usually have procurement departments who have the ability to get maybe multiple quotations, so there will always be competition. The internal view might be that, GMM Pfaudler is the preferred vendor, but there cannot be a very large price gap, they cannot be at 100 and somebody else is going to be at 75 or 50, the gap should be a little bit smaller. And, so that's something that is part and parcel of the Indian market, generally the global glass line market as well. So there's always going to be competitive pressure, but there are customers who clearly have defined that when it comes to glass lined, they will buy it from us because they have used it and they have seen the quality difference between us and the other vendors. In some other cases, for not so large customers, not so sophisticated customers, people might try other equipment one off, there could be somebody comes in and buy something, but they would realize after a few years that, yes, the equipment did not work as well, or did not have the same life as maybe a GMM Pfaudler. So then it takes a couple of years, but then those customers will come back to us. But pricing is important, and you know the mindset people want to save money today, but they don't really look at the total cost, because there is cost of service, there is a cost of replacement, there is a cost of removal. So, it's a little bit of short sightedness, but at the end of the day, we clearly communicate to our customers that if you buy our equipment, you are definitely getting a longer life versus a competitor's equipment. How much do they want to pay for it, that's something that keeps changing, and it changes between customer industry and regions as well. But that's normal, competitive landscape across most industries where there will always be a number two and a number three, and you can't be completely off. Unfortunately, we are not in a business like Nvidia is, and we can charge because we are the only suppliers, but there are other suppliers, and unfortunately there is competition and we have to deal with it. We have to get better in terms of convincing the customer that our equipment is better and why they should pay a little bit more for it, that is more important for us.

Ganeshram: Understood. That's very helpful. So internally if you have an internal estimate as to how much your market share and wallet share has evolved over the last few years?

Tarak Patel: So, the wallet share in our key accounts has definitely grown. We are also currently working on rebooted key account management process where we will kind of have multiple touch points, but our key customers continue to buy, we continue to discuss, we talk about process, technology, all that kind of stuff so, wallet share in our key customers is growing. And like I spoke about earlier, cross selling has become an important part, because we have multiple products that go into the same customer, the same industry which obviously means that when a customer is sitting with one of our sales people, he should be spoken to about all our products, and not only one. So the idea to grow wallet share is a key strategy that we have had, and I am sure that over the last maybe five, six years if you look at our wallet share in a key customer account, it would have grown significantly.

Ganeshram: Understood, from where we are right now, are there any pockets that concern you, or where you think any incremental risk could build up, and then on the existing order book that we have, what's the timeline for execution, a ballpark timeline?

Tarak Patel: I would say that, we are in a situation where obviously it's tough out there, we are confident that the strategies and the work that we are putting in now will have a positive impact at a point when the market also turns. In the meantime, it's important that as management we realized that we had a lot of focus, one on glass lined, if you look at our numbers maybe ten years ago or eight years ago you would see 90% of our revenue coming from glass lined. That has reduced significantly now, and again like I said industry focus, we switched from chemical and pharma and we are now in a much wider industry range, and that's why today we can say that we will be flat, even though there's been a big slowdown in glass lined and in chemical and pharma, because these other industries are making up for the shortfall. At the bottom of the cycle, we probably are at the bottom of the cycle, how long is this bottom going to continue is probably a little bit longer, I don't see the green shoots yet, I do see some talk happening in terms of new investment coming in like I said in the pharmaceutical industry, we do see positivity, but chemical and agrochemical in particular seem to be a little bit more time before we see a complete turnaround, if you also, I am sure you follow a lot of the chemical and agrochemical companies, many of them are now also not clear in terms of their order intake, visibility and guidance as well. So from that perspective we are also kind of flying a little bit blind because we expect them to kind of know before it kind of translates into order for us, but we have to keep working on our internal cost structure, which we are doing and at the same time look at opportunities which are not in chemical and pharma, which we are trying to do. So, from that perspective we are kind of, I am confident that the work that has gone in will give results. Timing is obviously something that, I can't tell you exactly is it like six months, three months, nine months, that's something that obviously we will all have to take that journey. But it doesn't look like it's going to turn tomorrow. It's going to be at least a couple of quarters before we see some traction, especially in agro chem. But by then, hopefully we have also diversified and we bring in order from other sources, which is making up for some of the shortfalls.

Ganeshram: Understood and just a question on the order backlog, how long would it take us to execute this backlog?

Tarak Patel: So most of this stuff will go out this calendar year. There would be some spillover, but generally because we have capacity available today, we will definitely at least from an India perspective most of the stuff will go. Internationally there are some large projects in the systems business, which will obviously take a bit longer to execute, because that's the nature of that business. But in India, about 90% of the backlog will be shipped out this quarter, and we still have room to book more. So there's stuff that gets booked now up till maybe November, December, and that can still get shipped out this year. So there is that, and plus services. So keep in mind that services will always be on top of this, spare parts, mandate, services will be on top of this, and this comes in as last minute. So it's not something that gets built into the backlog.

Aseem Joshi: That is especially relevant for the international business, because it's a significant portion of their revenue.

Tarak Patel: Maybe your better place to tell us about the chemical sector because one of the things that we always also kind of ask investors and analysts, what are we hearing from customers and your investing companies, from the chemical sector, is there some light at the end of the tunnel or not and maybe you probably would have a very similar view, like I did, so.

Ganeshram: We can try to connect with you offline and we can have a chat. And the last question I have and you touched upon it briefly in your last answer. The three year plan, we expecting to see in our next quarter as far as you said, how is it shaping up and how do you see the company positioned 26, 27 barred this cycle. We are diversifying as a business, getting it to different kinds of products within different geographies so, if this engine is running at full capacity, what is the potential that it could deliver, and how long do you think it's going to take us to get there, and what's being done to get us there?

Tarak Patel: So many questions in one, give us some time, we have been planning, we are working on a strategic plan. It's dynamic right now because, obviously things are changing quickly, we are also having some ideas in terms of diversification and things like that, from a numbers perspective we had built some numbers in up to 2027, we are reviewing those numbers, we have a strategy meeting that's planned early next year as well. So give us some time on this. Right now we are working the most important stuff for us today is to be aggressive in the market, to get orders in where we can, cut cost like Aseem mentioned, we are doing a transformation project here in India, like Thomas has mentioned we are looking at Poland and some kind of rationalization also internationally. So that work is ongoing, but on the numbers and the outlook, that will require some more time because it's a very dynamic situation, uncertain situation, we will need a little bit more time on that, maybe early next year is probably when we would probably have some more clarity on this.

Ganeshram: Understood. And the new management hires that you have done, I saw your press release briefly before I joined the call. So how does that sort of fit into this strategy, or is this more of an ongoing replacement?

Tarak Patel: No. So, there is definitely a new mindset, new perception that has been brought into our management team, we made a couple of important hires here in India, head of manufacturing and head of sales, the project that is being run right now has seen a lot of traction because of the new perspective that we brought in. We made some hires internationally as well. So that's ongoing, we are strengthening areas, we recently hired a process head as well. So we are, we are trying to build process as a technology that we will sell along with our equipment. So that's becoming a part of our strategy, we are also opening up an engineering, we have already opened up an engineering center here in India, where international colleagues have hired engineers as well to do work for them for the international business. So all these things are ongoing, and we expect them to kind of really help us, at least during uncertain times keep the cost under control, but at the same time if the market will return, the business are improving, then you will see significant and quicker improvement in terms of both revenue and margins.

Moderator: Thank you so much. The last follow up question is from the line of Rohit Ohri from Progressive Shares PMS. Please go ahead.

Rohit Ohri: So my last two questions, is there been any spillover, or is there any big order or some sort of thing that has not been shipped, and probably you see that happening in the second half?

Tarak Patel: No, not really most of the stuff that we have will be shipped out.

Manish Poddar: So, Rohit nothing something which is out of the blue and all that. So nothing concerning, it's absolutely routine business. So, you are their capital project so you would expect 15-20 days, one month here and there coming out from the customer requirements, as the case may be, because they may be needing the equipment earlier or later versus the original plan. So that's absolutely normal. So things are on track for that.

Rohit Ohri: Okay. So Manish, what gives us the confidence that we will probably try to reach the revenue turnover of last year. And, another thing is that, we see there is a provision for inventory in the consolidated cash flow of some ₹ 13.7 crores, if you can share what exactly is that?

Manish Poddar: Sure. So the confidence that gives us on the H2 number is basically a higher backlog versus when we started the year. So from that perspective, we expect that deliveries to happen and as we see ourselves, the factories are more filled up from an action perspective, the shop floor is more filled up. So therefore, as we speak November, December, January, February, we should see that much more shipments going out. That would be in that much more realizations and cash collections and all that. So that’s perfectly, it's an execution of the backlogs that comes into play. As regards the inventory provision so, it is basically a compliance of the SOP we have a very strict policy with regard to, if some product is not being used for a particular time slot, we have to make a provision, but it's a metal, so it does not really have a shelf life and all that. So as we use those metals, and specifically for those pieces coming up, most of that does routinely come back into the P&L.

Rohit Ohri: Are they some strategic metals or something of high quality that we are making provisions for?

Manish Poddar: No, nothing like that. It’s just as you buy a particular product and you left over with some inventory and get utilized over.

Aseem Joshi: And Rohit, I just want to add touch on one point, you had asked a question about the Living Labs earlier. So, just want to add color to that. So internally, we call it as CPI NCL project, so apologies for not addressing it. Yes, we are involved in that project, NCL of India, of course National Chemical Lab, and CPI as a Center for Process Improvement from the UK. We have a collaboration with them, along with leading innovative companies from the chemical space. And the idea is to set up this lab in NCL with an emphasis on figuring out ways to decarbonize the industry. There's chemical companies, pharmaceutical companies, and amongst the equipment providers, we are the only one, because they wanted industry leaders to participate in that. So we are participating actively in that. And, as we develop new solutions of course we will bring them, the NCL will be announcing them as appropriate.

Rohit Ohri: That's great Aseem. Last question from my end, Manish if it is possible to kind of share the pyramid of the customer sizing in terms of the deals, in terms of rupees million and Tarak did mention some developments in Poland. Are you looking at consolidating some of the businesses and bringing everything in Poland, is that something that you are looking at?

Tarak Patel: Poland becomes an opportunity we already have India as a low cost sourcing hub. But we also wanted to have something in Europe, because some of the customers in Europe only accept European made equipment. So Poland is a nice option for us, like I mentioned to you, we made the first set of two equipment for Mavag our swiss subsidiary, and the FAT was actually done a couple of days ago, and the results were quite encouraging. So Poland becomes an important kind of strategic idea for us. And because it's in Eastern Europe, the cost structure there is significantly lower than Western Europe. So, it's good, plus they have young engineers, young welders, both English speaking and available. So getting people there is also not so difficult. And that area where we are focused, where we have our facility is already an area where there's a lot of multinational companies like Boeing and Aircraft manufacturing and stuff. So engineers are available quite easily, welders and the quality welders there are also quite good. So we don't have that learning curve that we did have in the past with India. So, Poland gives us an option, a very good option and Poland is a strategy that we would hope to kind of build on over the next few years.

Manish Poddar: And on your previous question, with regard to the previous part of the question, with regard to the customer mix, that would keep changing, as the capex plan, the company practically ends up changing every year for us, simply because of the capex cycle of the respective companies would have.

Tarak Patel: And this year, I would like to add that the ticket sizes for heavy engineering are very different from glass line. A glass lined project would be ₹ 5-6 crores. A heavy engineering project could be ₹ 60 crores or ₹ 100 crores, so depends on what it is, the product mix also the size and the ticket size keeps changing. And like Manish said, if you look at the last three years, you would have a change in the top 10 customers, because projects and investments don't continue every year. So one guy will put it up and maybe stop for two years, so that keeps changing.

Rohit Ohri: Okay, thank you for answering my questions. The point on Poland was quite encouraging. Hopefully we get better margins going forward in next 2-3 years. Thank you for answering, thanks a lot.

Moderator: Thank you. Ladies and gentlemen, we will take this as a last question. I now hand the conference over to the management from GMM Pfaudler Limited for closing comments.

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

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