

Date: June 6, 2024

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

Sub: Transcript of Earnings Call for Q4 & FY24

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby enclose the transcript of the Earnings conference call held on May 31, 2024 regarding discussion on operational and financial performance for the Quarter and Year ended March 31, 2024 (Q4 & FY24).

The same is also be available on the Company's website at www.hleglascoat.com.

This is for your information and records.

Thanking You,

Yours faithfully,
For HLE Glascoat Limited

ACHAL THAKKAR
Company Secretary &
Compliance Officer



“HLE Glascoat Limited
Q4 FY’24 Earnings Conference Call”

May 31, 2024



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

MODERATOR: **MR. IRFAN RAEEN – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to HLE Glascoat Limited Q4 and FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Irfan Raeen from Orient Capital. Thank you and over to you, Mr. Raeen.

Irfan Raeen: Thank you, Nirav. Good afternoon, everyone. Welcome to Q4 and FY '24 Earnings Conference Call of HLE Glascoat Limited. Today on this call, we have Mr. Himanshu Patel, Managing Director, Mr. Aalap Patel, Executive Director, and Mr. Harsh Patel, Executive Director, along with other senior management team of the company.

Before we begin the call, I would like to give a short disclaimer. This call may contain some of the forward-looking statements about the company, which are based on beliefs, opinions, and expectations as of today. Actual results may differ materially. These statements are not guarantees of our future performance and involve risks and uncertainties that are difficult to predict. A detailed Safe Harbor statement has been given on page number two of the investor presentation, which we have uploaded on Exchanges and on the company's website.

With this, I would like to hand over the call to Mr. Himanshu for his opening remarks. Over to you, sir. Thank you.

Aalap Patel: Hi. Good afternoon, everyone. This is Aalap Patel. Just a small clarification, Mr. Himanshu Patel is not present in this call today, so I will be making the opening statement. With that, good afternoon and a warm welcome to all the participants again. Thank you for joining us today to discuss HLE Glascoat's Q4 and FY '24 financial performance.

Today on the call, we have with me Mr. Harsh Patel, our Executive Director, Mr. Naveen Kandpal, our CFO, and Mr. Nilesh Ganjwala, Senior Advisor to the company, as well as Orient Capital, our Investor Relations Partner. I hope everyone has had an opportunity to go through our financial results and the investor presentation, which has been uploaded on the stock exchanges as well as on the company's website.

Despite the challenging environment, we have managed to grow in terms of revenue. Our Q4 performance remains strong compared to Q4 FY '23. Our order book remains robust. And while the weakness in the chemical sector continues to challenge the industry, we remain focused on our strategy to expand into new products and geography through acquisitions and by also introducing Thaletec products in India.

Our acquisition of Kinam reflects our ongoing efforts to strengthen our industry presence. Kinam's reputation as a distinguished manufacturer of heat exchangers, pressure vessels, and process equipment aligns perfectly with our vision of expanding our product offerings and solidifying our market leadership. We anticipate that this acquisition will create valuable

synergies, enabling us to drive operational enhancements and provide innovative solutions to our customers.

On September 26, 2023, we completed the acquisition of 35.56% profit share with a controlling interest in Kinam Engineering Industries, a partnership firm. Additionally, we completed the acquisition of 0.5% equity shareholding in Kinam Enterprise Private Limited or KEPL. The board has approved an additional acquisition of 34.44% profit share, which will increase our controlling interest, subject to the fulfillment of certain obligations and NCLT approval by the way of amalgamation of KEPL into our company.

Our current order book is strong as of March 2024, standing at approximately INR480 crores, further providing visibility of 4 months for the India business and around 9-10 months for the Thaletec business. As a result of our continued strategic efforts, we are seeing encouraging orders for the innovative range of products of Thaletec in India.

Our glass lined equipment business in India experienced a decline in FY '24 due to a slowdown in the chemical segment, which has impacted our business and led to a decrease in our order book. Additionally, delays from many customers in accepting delivery have also affected our top-line and working capital days. However, we anticipate a strong recovery in this segment, starting from H2 of FY '25 as the sector rebounds.

In contrast, our acquisition of Kinam has bolstered our heat transfer equipment business, which has shown robust performance on a sequential basis. We expect this acquisition to continue fostering synergies across our operations. Moreover, our geographical expansion into the US has been successful, growing our order book to approximately \$11 million as of March 2024.

This expansion reaffirms our commitment to excellence and our ability to meet the evolving needs of our customers anywhere on the globe.

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

Naveen Kandpal:

Thank you, Aalap bhai. Good afternoon to all the participants. I am pleased to share our financial results for the quarter ended March 31, 2024. The company reported consolidated revenue of approximately INR307 crores, EBITDA of INR 38.4 crores, and PAT of around INR 15 crores. On a sequential basis, we achieved a revenue growth of 28%, a 34% increase in EBITDA, and a significant 149% growth in PAT.

Year-on-year, our revenue grew by approximately 3%, though we faced challenges at the operating level due to the slowdown in the chemical segment. For the full year our revenue grew by approximately 4%, rising from INR 968 crores to INR 932 crores. Our EBITDA margin stood at 12.5%, which we expect to be in the range of around 15% to 16% moving forward.

Our PAT margin was 4.2%. In FY '24, our filtration, drying and other equipment segments contributed around INR 370 crores, up from INR 344 crores in FY '23, representing a growth of approximately 10%. Meanwhile, our glass-lined equipment business generated about INR497 crores, compared to around INR 579 crores last year, reflecting a decline of roughly 15%.

However, our new segment, heat transfer equipment, showed remarkable growth, contributing INR 59.4 crores to our sales, up from INR 29 crores, an impressive sequential increase of over 100%. These results demonstrate our resilience and ability to adapt to market conditions, and we are optimistic about our future growth prospects as we move forward.

Now, I would request the moderator to kindly open the floor for questions and answers. Thank you, everyone.

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

Miraj: Thank you for the opportunity, sir. I have a few questions regarding the performance for Q4 and the full year. So, looking at the performance, I see the glass lined business margins have skid down to almost 3% in Q4 EBIT margins. The top line has also fallen 30% year-on-year. Even if I look at from an annual basis, then too we see a big drop in the top line as well and in the margins. So, I want to understand first thing on the glass lined side, if you can explain when do we see a kind of reversal in margins because in Q2's call, we had given an outlook that it kind of looked at the bottom at that point and H2 was supposed to be better.

So, if you can just explain what do we see from here for glass line business and at the same time, if you can explain with the end-user segments also, where do we see the recovery, at what stage are all the end-user segments right now? That's my first question, sir.

Management: Yes, so the glass lined business experienced a significant slowdown towards the later part of the year. While we continue to have a strong inquiry funnel, I think the challenges revolve around converting those inquiries into orders as most customers who had those inquiries showed significant delays in finalizing the orders. And obviously, as a result, the top line and the bottom line kind of suffered.

Having said that, at the moment, we are seeing already some shoots of recovery. So, as we stand right now for the first two months, we are already seeing an order book that has grown over 50% compared to the same two months last year. Now, yes, while last year is not a great benchmark, but I think it's a great indicator of where things are heading.

So, this is that we feel that, you know, the second half of the year, the revenues obviously will pick up as we continue to book more orders and the margins should follow, the right way.

Miraj: Okay. So, if I got it correctly, we don't see an improvement coming in in the first half, we see it coming in the second half of FY25. Can you also explain in terms of the end user? So, let's say specialty chemicals or pharma, where do we see growth coming in or what is the current scenario with all of these segments, clients in these segments?

Management: So, as we are seeing right now, the growth is or rather the order bookings are coming in from a varied mix of orders. So, it's both specialty chemicals as well as pharma. And what we are also seeing is that agro, in bits and pieces, we are seeing both inquiries and orders flowing in. But relatively speaking, it's specialty chemicals and pharma that's beginning to pick up.

- Miraj:** Okay. Okay. Understood. And on the color inside, because of my reasoning why I'm asking, sir, this is because we had a similar view in Q2 FY24 as well. So, I just want to understand how things have changed from Q2 that gives you more confidence right now when we see that orders have actually come up and delays would not happen again in deliveries.
- Management:** Yes. So, I think the biggest difference between what we had in Q2 versus or rather after the end of Q2 last year and now is that we had a strong order inquiry at the point, but then conversion was a challenge. But as it stands today, we are also seeing substantial conversions happen. So, that's what gives us that confidence.
- Miraj:** Okay. Understood. And how do we see the pickup of Thaletec products right now? Are they being well accepted? What kind of inquiries are coming in for that in India?
- Management:** Yeah. So, we introduced the Thaletec products a while ago. The initial response to the Thaletec products is quite good. We have already started not just booking but delivering our Thaletec products as well. So, it's quite encouraging and we feel that there is great potential for Thaletec products in India.
- Miraj:** And that would be across all clients or is there any specific segment only which is currently Thaletec is being accepted in India?
- Management:** No, no. So, Thaletec products are intended, you know, there is no specific segment that it caters to. So, it's suitable for all different kinds of customers.
- Miraj:** So, I meant in terms of acceptability. So, when we see lets say pharma or specialty chemicals, the order inquiries that are coming from these, when you must have spoken to the clients in these segments, is there any hesitation from any segment where, the product acceptability is taking a backseat right now or is it equal across all the segments?
- Management:** So, just to clarify, so the first few orders that we have are from predominantly, you know, all the sectors that we usually speak of. So, we have orders from pharma, from specialty chemical. Coincidentally, we also have, you know, from a company that would consider an agrochemical primarily an agro company. So, the products are intended for and are being accepted by all different kinds of customers.
- Miraj:** Understood. And so, just if you could also let me know what kind of margins do we expect in H1 and H2? So, when we say H2, we expect a bounce back. What kind of margins are we anticipating? If you can just give some guidance on the margins.
- Management:** I think the margins in H1 are more likely to be slightly better than what we have seen in H2 of , FY24. And H2, we expect the margins to come back to normalcy.
- Miraj:** That would be 16%-17%, sir? Because...
- Management:** That is correct. 16%-17%.
- Miraj:** Okay. I have a few more questions. I'll just get back in the queue. Thank you, sir.

- Moderator:** Thank you. Next question is from the line of Rohit Rupani from Motilal Oswal. Please go ahead.
- Rohit Rupani:** Thank you for the opportunity, sir. Just wanted some understanding on the capacity utilization in all three segments, F&D, glass lining, and heat exchangers. If you can throw some light on it.
- Management:** So, in the F&D segment, our capacity utilization is in the 75% range currently. In the glass lining equipment, the capacity utilization is right now in the 55%-60% range. And in the heat exchanger business, we are probably closer to about 60%-65%, considering the large capacity that was created about a year before we did the acquisition.
- Rohit Rupani:** And, sir, the Germany plant, what will be the capacity utilization there?
- Management:** So, the German capacity utilization is actually about 70%-75% currently.
- Rohit Rupani:** Okay. And, sir, what is the kind of peak revenue that we can achieve from the current capacity?
- Management:** If we take all the plants at peak revenue, very marginal balancing equipment, I think we could be closer to about INR 1,500 crores.
- Rohit Rupani:** Okay. Okay. So, by that logic, we are not looking for any capacity expansion in FY25? Are we planning to add up more capacities?
- Management:** No, we are not planning to do any new capacity. So, there is no capital outlay planned for any of these projects at this stage.
- Rohit Rupani:** Okay. Okay. And, sir, just some understanding on Kinam India. So, currently, we are doing an EBITDA margin somewhere around 23% in the entity. So, given the synergies of our business, do we see the margin expansion going forward or will it be at a similar level?
- Management:** We expect the margins to be in the 25%-26% range. This is something that we expect over the short to medium term.
- Rohit Rupani:** Okay. And, sir, another question on the working capital side since this year our working capital is a little bit stretched. So, going forward, what will be the guidance for working capital? Is it expected to come down or will it be in a similar range?
- Management:** So, the working capital this year has also been, it appears to be slightly skewed only because of the addition of Kinam into the balance sheet, which was not there in the comparable period for the previous year. On an overall basis, I think we've had a slight bit of a challenge, I would say, in the range of about INR 20 odd crores. I don't have the exact number, but somewhere in that range, which is predominantly due to products ready for dispatch, but where the customer wanted a slight deferral.
- But over and above that, otherwise, I think working capital cycle has been kept pretty much at normal levels even during the course of this year.
- Rohit Rupani:** Got it. And some color on the debt obligations, annual debt obligations that we have, debt repayment obligations?

Management: Our annual repayment obligations are in the range of about INR 35 crores for FY25.

Rohit Rupani: Got it. Thanks, sir. I'll fall back in the queue. Thank you for answering.

Moderator: Thank you very much. Next question is from the line of Anirudh Shetty from Solidarity Advisors. Please go ahead.

Anirudh Shetty: Hi. Thank you for the opportunity. Just had a couple of questions around the glass lined equipment business.

Moderator: Anirudh, sorry, we lost your audio in between. Can you speak to the handset, please, and come in a better reception area?

Anirudh Shetty: Sir, I just wanted to understand how to interpret the margin in the glass...

Moderator: Anirudh, sorry, we again lost your audio. Anirudh, if you can hear us, may I request you to come back in the question queue?

Anirudh Shetty: Yes, I'll join back.

Moderator: Thank you. Next question is from the line of Nitin Gandhi from Inoquest Advisors. Please go ahead.

Nitin Gandhi: Thanks for taking my question. A few minutes back, you suggested that the first two-month order book has been decent. Can you quantify that?

Management: It's just been two months. So I think it would not be fair to give numbers for two months at this stage. And anyway, it's just the order book for the glass line business. So it's a very granular information. It was more in context of informing how the market is trending currently, considering the slackness in the previous year.

Nitin Gandhi: Right. That's what the worry is that, because [inaudible] and everybody is in the process of waiting for election results or monsoon, and then release the orders. So I was wondering if there are some thoughts you can share.

Management: As Aalap bhai suggested, these are actual orders book. So these are not inquiries which is what makes us feel confident for the coming months.

Nitin Gandhi: Okay. Regarding goodwill INR 40 crores and intangible INR 155 crores, what's the plan for writing it off? Which model are you likely to pursue going forward?

Management: As per the accounting standards, there is no need to amortize these. We will be testing for impairment at the end of every financial year.

Nitin Gandhi: Okay. And CWIP INR 20 crores is regarding what? What is in process and any other capex committed for this time?

- Management:** Hi, Nitin. So this CWIP which you are seeing, it is mainly related to the project which is going on in Anand. And it is related to civil building and development of R&D center.
- Nitin Gandhi:** Okay. So there won't be any facility enhancement or production?
- Management:** No, nothing.
- Nitin Gandhi:** Okay. Regarding Thaletec, if you can share some potentials, say three, five years down the line, where do you see? Because when you started, you were very optimistic about this. And now, after seeing the downside of this market, how do you see now three, five years down the line, this project which you can ramp up significantly? Where do you see the potentials of this?
- Management:** So, Thaletec, I think, if you actually look at it from a payback perspective, I think Thaletec as an acquisition has already paid back for itself. So to that extent, because we acquired it at a multiple of 3.5. And obviously, the actual cash approvals and earnings from revenues has been much higher than that already since the time that we acquired it.
- So obviously, it's been very successful. Going forward, we are very, very confident that Thaletec will continue to grow as it has done over the last two or three years. In any business, I think one has to be ready for some blips and some ups and downs. And we are ready to ride this out. We still feel Thaletec is an extremely promising enterprise.
- Nitin Gandhi:** So when you say peak revenue, INR 1,500 crores, can you share something on Thaletec and other acquisitions and core companies?
- Management:** I'm sorry, I did not understand your question. If you could please elaborate?
- Nitin Gandhi:** Yeah, sure. A few minutes back, you said that peak revenue potential is likely to be somewhere around INR 1,500 crores with minor balancing equipment. That's right?
- Management:** That's correct.
- Nitin Gandhi:** Okay. So now I wish to have Thaletec and the new acquisition, I forgot the name, and the core company glass lined. So, if you can give some break-up for that.
- Management:** I think Thaletec itself can probably give us roughly about INR450 crores of revenue with very minimal investments in balancing equipment. Kinam is capable of giving up to INR 300 crores of revenue with very minimal investments.
- Nitin Gandhi:** Right. And the balance will come from this existing.
- Management:** Yeah.
- Nitin Gandhi:** Okay. Thank you very much.
- Moderator:** Thank you. Next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

- Pradeep Rawat:** Good evening to everyone and thank you for the opportunity. So I have one question. How are you seeing demand from the U.S. market right now?
- Management:** The U.S. market right now is stable, I would say. There hasn't been any major movement upwards or downwards since the last two quarters. That is what we see in the U.S. market.
- Pradeep Rawat:** And can you comment about the Europe market?
- Management:** Yes. So in the European market as well, I think we haven't seen any significant movement either up or down. So with all the challenges that exist around the macroeconomic situation, things continue to be at status quo. However, what we have seen is that there is more interest from, let's say, the more price-sensitive markets in Europe. So maybe what we lose in terms of opportunities in Western Europe, I think we are more than making up for it from other previously unaddressed markets of Europe.
- Pradeep Rawat:** Yeah, okay. And how much revenue are we expecting from Kinam this year?
- Management:** So we are expecting revenues in the range of between INR 180 crores to INR 200 crores in that range for FY'25.
- Pradeep Rawat:** Yeah, so we are expecting no improvement in utilization this year, right?
- Management:** No, there will be an improvement. Last year, the 12-month revenue for Kinam as an entity was INR150 crores, INR149 crores to be precise.
- Pradeep Rawat:** Okay, thank you.
- Moderator:** Thank you. Next question is from the line of Rehaan from Sicomoro Advisors. Please go ahead.
- Rehaan:** Hi. Good evening. I just wanted to understand the demand scenario across the sectors you cater to, like pharma, agrochem, specialty chemicals. Overall, what is the outlook from clients in the domestic side of the business?
- Management:** So the demand scenario in pharma seems to be relatively better than others. So the demand scenario in pharmaceutical sector is growing, I would say growing and better. The agro sector, I think Aalap spoke earlier that agro sector has not really come back, but here and there we see companies coming with inquiries and projects being discussed, which was almost kind of absent in the last quarter. So we feel that the agro sector also is looking up.
- On the dyes and the colourants sector, what we hear is that for them, the demand has come back to about 70% levels but the pricing has not improved. So I think once the demand comes back and the pricing starts improving, we will also see some movement on that side. So overall on the domestic market, I think we have said earlier, second half of the year, we think will start looking up.
- Rehaan:** Okay, got it. Thank you. And is there any update on the marine project of pressure vessels? I think we had done a couple of tests. And any update on that front?

- Management:** Yes. So as you rightly said, we delivered one of the first deep diving vessels manufactured in India for marine applications. And after that first order was delivered, we continue to generate business out of that. And even as we speak, one such project is under execution.
- Management:** We also executed one more project after the first one and a third large project...
- Management:** The third one is currently under execution, yeah.
- Rehaan:** Got it. Okay. Yeah, that's all from me. Thank you.
- Moderator:** Thank you. Next question is from the line of Miraj from Arihant Capital. Please go ahead.
- Miraj:** Thank you for the opportunity again, sir. I wanted to understand in terms of growth guidance. If you could just share some light on how do we see n Thaletec growing this year the glass line and the filtration three separately, if you could just highlight what kind of growth do we see this year?
- Management:** I think we feel that given the soft order book and revenue growth last year. We believe that for the year as a whole, we think we can grow at roughly about 18 to 20% growth rates for the India business and between 10 to 12% growth rate for the Germany business.
- Miraj:** And sir if you could just reiterate the margins as you said, in H1 you see similar margins what took place in H2 of FY24, but if we are seeing good order bookings in glass lined business, don't we expect the margins to improve in H1 itself rather than H2?
- Management:** The margins will improve in H2 because the orders that come in H1 will actually get dispatched during H2 because of the production cycle requirement. So even if I get an order in May or June most likely they will get dispatched in the quarter three of this year. So that's why the margin improvement will also reflect in H2.
- Miraj:** So for glass line we expect 16% to 17% in H2. Sir, if you could just throw some light on margins that we expect in filtration business and in Thaletec as well?
- Management:** The filtration business has actually maintained its margins during the last financial year. We believe that the filtration drying equipment margins should be in the 17% to 18% range for the entire financial year on an average.
- Miraj:** But is there a trajectory that H1 will be kind of lower, H2 will be better or something like that?
- Management:** That has also been generally the trend and also given the way the market is behaving I think this year the trend might be a little more accentuated.
- Miraj:** Just one understanding on one question on the understanding part why at the margins in India business for glass line business has been so low? I don't understand that these are the margins that we've never seen earlier. So if you can just explain a bit in detail that why has been almost 3% EBIT margins we've done this time? If you can just throw some light on that?

- Management:** I think it's a direct correlation to volumes. I think fixed costs especially remaining more or less the same with a drop in the revenues in the India glass lined business basically the contribution or the value addition over the material cost has not been able to adequately capture or compensate for the fixed costs. So it's basically a volume situation also given the slackness in the market obviously pricing was slightly under pressure.
- Miraj:** Understood okay. And 18% to 20% is the growth in India and 10% to 12% is outside India. Thank you sir. I will get back in the queue.
- Moderator:** Thank you very much. Next question is from the line of Anirudh Shetty from Solidarity Advisory. Please go ahead.
- Anirudh Shetty:** Yeah, I'll just give it a try and probably if my voice isn't audible I'll write an email later on. So my question is actually on the glass lined equipment business in India. You mentioned there is some pricing pressure in this segment. So can you just call out vis-a-vis a more normal year, what is the discount levels that you had to give in this year?
- And if the industry is getting aggressive on pricing, what gives us the confidence that the gross profit margin will go back to what it used to be?
- Management:** So I think typically whenever volumes fall the entire market will readjust prices to ensure that volumes are at least to whatever extent possible are maintained. And we've seen a price variance this year of between 5%, 7% over the entire year from a pure realization perspective. And this is a very normal scenario whenever the volumes pick up the prices would pick up pretty much shortly thereafter. So this is a very normal trend that we see in virtually every cycle.
- Anirudh Shetty:** Got it. And we are looking to grow our domestic businesses 18%. 20%. I presume that's also true for this glass line domestic segment. So is this -- what would your assumption be around end industry growth? And do you believe that you all can grow market share further from our current pace and help us grow faster if that holds true?
- Management:** Yes. So obviously the growth in any product I think the primary driver for it is growth in the end user segment so more demand. Having said that, I think the other lever for growth for us is better market penetration and increase in market share. So we have multiple levers to do that. One is obviously through better more competitive value-added products such as Thaletec, but then there is also the opportunity to have a more coherent sales approach.
- Bundling with other products in our portfolio, offering comprehensive solutions. So when all of these efforts are combined together, we feel that the 18% to 20% growth even in the glass line businesses is feasible.
- Anirudh Shetty:** Got it. And just one final question is our market share correct me if I'm wrong is about 25% is what I read. Is there any particular areas where we have a very strong presence, where we are stronger than our competitors and in the last one year, how has our market share trended?
- Management:** Yeah. So I think you very rightly said we all have areas where we are stronger compared to our competitors. It could be an industry segment, it could be geographically. So traditionally we

have been quite strong in the Gujarat region with a substantially higher market share than our national average.

And also if you really look at the markets in the North Gujarat region so Ahmadabad and so on, so these are particularly the markets that have -- they are full of colours, dyes, etc. These are also the markets that have suffered substantially from the slowdown and one of the things that Harsh said is that the demand in volumes for our end customers have come back and obviously for them the margins are expected to follow and that also gives us hope that this segment will cover as well.

Anirudh Shetty: Got it. Thank you for addressing my question. I appreciate that.

Moderator: Thank you very much. Next question is from the line of Tanya Gupta from Green Portfolio. Please go ahead.

Tanya Gupta: So following the acquisition of Kinam we saw robust performance in the second half of FY24, along with high margins. So do you expect margins to be sustainable above 20% and what revenue contribution are we projecting for the following year from this segment?

Management: Yeah. So the revenue from, as already explained in previous questions we expect the revenue from Kinam in the range of INR 180 CR to INR 200 CR. And as far as the margins are concerned definitely we will be able to maintain what we have achieved.

Tanya Gupta: Thank you sir.

Moderator: Thank you. Next question is from the line of Sanjay Nandi from VT Capital Markets. Please go ahead.

Sanjay Nandi: Sir post acquisition of this Kinam our debt level has increased significantly. So can you please guide us like what kind of debt levels we are comfortable going forward like debt to EBITDA levels?

Management: Sir, I think our debt to EBITDA levels, we will on an annualized basis. We would like to always keep it below 1.5. And I think even at the current rate, on an annualized basis, we are around the 1.5 level. So we will not increase debt. In fact, there is a plan to reduce the overall debt during the ongoing financial year.

Sanjay Nandi: Okay. And, sir, just to mention that we have order book of roughly INR450 odd crores as on March 24th. So with the annualized sales of INR900 odd crores, so how can we see our orders coming from in the second half of the year?

Management: So we are expecting an order book growth already happening as and we are already seeing that happening as we speak in the first two months of the current financial year. We have also used this opportunity to build a much more stronger sales team network across the country, especially in areas where we were, let's say historically not so strong. So there has been a lot of, should I say, initiative in improving our sales reach with multiple customers across the country.

Sanjay Nandi: And so can you give us any guidance for this top line in FY '25, if possible?

- Management:** I think it should be in the INR 1,150 crores, roughly in the INR 1,125 -1,150 crores range.
- Sanjay Nandi:** And so how confident are you in improving the overall efficiency in this glass lined line segment? Like what exceptional we are going to do to improve that to bring that number of the operational efficiency back to double digit?
- Management:** I think operationally the plant and the operations are extremely efficient. So I don't think at the plant level or at the operating level, it's not too much needs to be done. What we are actually expecting is just to come back. I think the numbers only reflect the impact of more volumes. And we believe that once the volumes come back, I think with the same infrastructure, same level of fixed costs that we have, we will obviously be able to deliver the improved margins that we are expecting.
- Sanjay Nandi:** Okay. So what is the portion of fixed cost of the entire construction? Like what percentage do you have fixed cost?
- Management:** Might be very difficult to answer that question because it is different for each and every plant location. So I may not answer that question in a straightforward manner.
- Sanjay Nandi:** Any broad range, sir? Like 20%, 30% range bracket or something like that?
- Management:** Yes, it will be in that range. Yes, it will be in that range. But it is, as I said, it will be from plant to plant.
- Sanjay Nandi:** Okay, sir. Thank you so much.
- Management:** The reason, again, why I -- just to explain, I think, for example, the Silvassa plant that we have, the overheads are lower simply because a lot of the design and engineering backup is provided by the existing Maroli plant. So obviously those costs will be lower. So when we look at it from a plant to plant perspective the fixed cost, etcetera will be different.
- Moderator:** Thank you. Next follow-up question is from the line of Nitin Gandhi from Inoquest Advisors. Please go ahead. Nitin Gandhi, may I request you to unmute your line and go ahead with your question, please?
- Nitin Gandhi:** What is cost of debt? INR 146 crore in long term and Rs 216 crore in short term.
- Management:** Our average cost of funding is in single digit. That's between 9.25 % and 9.50%.
- Nitin Gandhi:** Short and long both?
- Management:** Yes, average. As I said, that's the average cost, yes.
- Nitin Gandhi:** Okay. And when you say it's this whatever 360 you were planning to bring down, INR 35 crore is the repayment schedule. But besides that, any working capital efficiency or anything which you plan which can bring down this debt further?

- Management:** Yes, you're absolutely correct. That is also something that we are actively and aggressively working on. In fact, one of the things that I would just like to highlight, even during the financial year FY '24, while our profit was probably lower, we actually had an operating surplus of almost INR 93 crores, which actually reflects the efficiency in operations. Efficiency in operations and working capital management.
- Nitin Gandhi:** Thanks and good to hear that. And wish you all the best.
- Moderator:** Thank you. The next follow up question is from the line of Rohit Rupani from Motilal Oswal. Please go ahead.
- Rohit Rupani:** Thank you, sir. So just wanted some sense on current revenues of the Thaletec Germany business. And what are the margins that we are making there? Since I understand it's a more value-added product that we are making there, so the margins should be in the higher range compared to the Indian glass lined business.
- Management:** Yes, so Thaletec revenue for the full year would be somewhere around INR 290 crores. And the EBITDA would be somewhere around in the range of 10% plus.
- Rohit Rupani:** Got it. I understand there's no additional capacity that is planned this year but any sense on maintenance capex that we'll do this year?
- Management:** No, we are not planning any. Yes, some maintenance capex will be there, definitely. But no capex for increase in production capacity.
- Rohit Rupani:** And what will be the quantum of the maintenance capex, sir?
- Management:** Maintenance capex will be in Thaletec would be roughly around EUR1 million.
- Rohit Rupani:** And in the India business?
- Management:** In India business, as briefed earlier, we are not planning any production capacity related capex. There will be routine maintenance capex somewhere around in the range of around INR 15 crores.
- Rohit Rupani:** The maintenance capex in India business?
- Management:** The maintenance capex in the India business is expected to be in the INR 10 crores range across all the four plants.
- Rohit Rupani:** Thank you, sir. Thank you so much. All the best.
- Moderator:** Thank you. Next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.
- Pradeep Rawat:** Yes. Sorry. Can you repeat the Kinam margin? I missed that earlier.

- Management:** So Kinam margin is expected to, as Naveenji said earlier, for the current financial year, we are expecting revenues between INR180 crores to INR200 crores with a margin in the range of about 25%. EBITDA margins.
- Pradeep Rawat:** Okay. Thank you.
- Moderator:** Thank you. Next question is from the line of Miraj from Arihant Capital. Please go ahead.
- Miraj:** Hi. Thank you. So I just have two sets of questions, mostly regarding Thaletec. What was the revenue for the full year? Because earlier we had guided for some 12% growth and 13% margins. So if you can tell me what was the revenue and margins for Thaletec?
- Management:** So I think as Naveenji mentioned earlier, the Thaletec revenue was at around INR 290 crores for the year. And the margins were a little above 10%.
- Miraj:** A little above, sorry?
- Management:** 10%.
- Miraj:** Okay. So going ahead, how do we see margin trajectory in Thaletec, sir?
- Management:** The margin trajectory is likely to be in the 12% range. I think we had also mentioned that due to the high inflation in Germany, there has been an industry-wide agreement for increasing the cost of manpower, which has basically contributed to the lower margins during this year.
- Miraj:** Okay. That was actually my next question regarding the cost structure. If I see historically, our employee cost is currently being one of the highest. Right now, it's almost 18% for the entire year as a percentage of sales. And even the other cost has shot up to almost 20%. Are we employing any cost-saving metrics so that we bring down some costs?
- Or are there any one-time costs involved over the year? If I'm not wrong, earlier, you had also given out some bonuses in one of the previous quarters. But this quarter, the employee cost has again shot up in absolute terms.
- If you can just throw some light on the cost side, how are we focusing? Are we trying to bring down any costs on any front? Or are there any one-time costs involved?
- Management:** To answer your question on the percentage side, the percentage is driven predominantly higher due to the much considerably higher manpower cost in Thaletec. So even right at the time of our acquisition and even at the current level, the employee cost-to-sales ratio in Thaletec itself is over 30%. And that is the way the dynamic of that market works.
- So the 18% average that you see is basically driven by the very high employee costs in Germany. With respect to the India operations, I think the employee costs are in the very low double digits.
- Miraj:** Okay, low double digits. So going ahead, as Thaletec contribution increases, this figure in blended terms will continue to increase as a percentage of sales?

- Management:** If Thaletec as a percentage of revenue increases, yes. But we do not expect that to happen. We believe actually the India operations will grow faster than Thaletec operations.
- Miraj:** Okay. But besides that also, sir, if I were to understand how our margins are 16%-17% even in GLE, 17% in filtration, are we employing any cost saving metrics over here if we are trying to do something in other costs or if there were any one-time costs? I want to understand that. or is this margin play?
- Management:** I think it's a very valid question, but on this forum, it would not be possible for us to enumerate all the cost improvement measures that we are undertaking and there are multiple such initiatives across the length and breadth of the company, I can assure you that.
- Miraj:** Okay. So to understand this in a different way, we are actually taking some cost saving plans right now. There are some undergoing plans for cost saving right now. And you will be able to brief about this later on?
- Management:** I think it is not only about cost saving. I think the way we look at it is to make it more efficient. Rather than just looking at it at plain vanilla cost savings measure. Cost savings are normally looked at very aggressively when you see a permanent dip in volumes. We do not believe this is a permanent dip in volumes and hence we are not looking at scaling down operational capabilities. So what we are really looking at is an improvement in the quality of spending.
- Just to give an example, we are focusing aggressively on improved engineering, improvement in design, improvement in some level of automation at the plant level and so on, which will basically yield better efficiency for every rupee spent.
- Miraj:** Okay, understood. Okay, so mainly right now we are planning that the volume will help the margins recover. That is the current...
- Management:** That is correct. At the broad level, yes, you are right, but that is not to say we do not have a rise on the cost.
- Miraj:** Understood. Okay, and just one last final question. On the filtration side, if you can tell me based on the client segment, how has the demand been? So if I were to see for pharma separately, for specialty chemicals, so if you can just explain how the demand that you are observing?
- Management:** I think the broad... Sir, can you hear us?
- Moderator:** We lost our audio in between.
- Management:** Yes. I think broadly pharma has been quite stable since last two quarters and pharma demand is there. They are investing. So we are beginning to get good orders from the pharmaceutical sector. I think I explained earlier that the agrochemical sector is still not back as it was, but the inquiry funnel is filling up, which was not the case in the last quarter. There were no inquiries from Agrochemical sectors, but there are a couple of inquiries here and there from Agrochemical sectors, with in fact one small project order also being finalized this quarter.

The dyestuff industry and the colourants industry also is in a similar situation as the Agrochemical industry. And specialty, I would say they are somewhere in between Agro and Pharma, where the investments have not stopped, but they are at a much lower rate than they were earlier.

Miraj: And let's just reiterate this one thing regarding margins that you had mentioned. For filtration for this year, we see 17%. For Thaletec, you see close to 12% margins. If you can just reiterate what will be for GLE, because you have given two different for H1 and H2, what do you see the blended margins for GLE business?

Management: Blended margins should be in the between 13%-15% range.

Miraj: For the full year, you expect 13% for GLE business?

Management: Average, yes.

Miraj: So GLE will be 13%. And on the Kinam side?

Management: Kinam is at 25%.

Miraj: Okay, understood. I will get in touch separately as I have a few other questions. Thank you so much sir, and all the best.

Moderator: Thank you very much. Next question is from Gautam Rajesh, an Individual Investor.

Gautam Rajesh: I have a question. I two parts of a question, if you look into the growth over the next three years for international business, given the slowdown of the industry, will the growth be led primarily by market growth or market share growth for international business?

Management: I think it will be a mix of both. It will be a mix of market growth, increase in market share and also penetration into new markets where we are currently not present.

Gautam Rajesh: Can we quantify that by any means?

Management: Would be difficult. I don't think we have a number specifically for a three-year period.

Gautam Rajesh: And one final question, what percentage of the end-user demand internationally comes from chemicals versus agrochemicals versus Pharma and all for the international business?

Management: So, are you saying when you say international business, you mean sales from Thaletec or international business coming out of India? What is your question?

Gautam Rajesh: What percentage of the end-user demand internationally comes from the chemical segment, the agrochemical segment, Pharma, GLE and all that?

Management: Just like any market even here, the demand split between industries is something that varies. So, while traditionally for the last couple of years, chemical has been really strong. One of our largest

projects in the international space was from a Pharma company. So, I think it varies, but as we speak, Pharma is the predominant one.

Gautam Rajesh: Can I assume that followed by chemicals and Agrochemicals chemicals than GLE?

Management: I think that would be broadly true in the current scenario.

Gautam Rajesh: Okay, so similar to domestic markets?

Management: Yes, it is similar, yes. Broadly, yes, in terms of yes, the pecking order, I think that's the correct answer.

Gautam Rajesh: Thank you so much, sir.

Moderator: Next question is from the line of Metul Mehta from Lucky Investment Managers. Please go ahead.

Metul Mehta: Yes, hi, Metul Mehta. Good evening gentlemen. My question is to Nilesh bhai. Can you, during your conversation in the conference call, you guided us about INR 1,125 crores to INR 1,150 crores at the consolidated level. Firstly, how confident are you on this particular number? Because in the past, whenever we have said something, we have always fallen short on our guidance.

If you go back into various conference calls, you know, in the public, in the public forum also, whenever we have guided something, we have always fallen short on the deliverables. So is management now, focusing on execution, getting our cost structure in line? Because ultimately we are an engineering company, when we look at your numbers, when I see our margin profile, 3% margin, 2% margin in glass lined is completely unheard of. So please give us some roadmap or some confidence to believe that, we will get there?

Management: I don't know how to answer your question with respect to our past track record because at least in our belief, this is a very committed management team which is entirely focused on building the business. The kind of building blocks that have been built in the business are pretty much unprecedented.

So, I really don't know where you are getting this impression about the management not kind of being able to build the confidence in this forum and especially with you. With respect to the path forward, with respect to the path forward, no, but I wish businesses could be run on an Excel sheet. Unfortunately, that is not true.

Metul Mehta: No, we agree, but Nilesh bhai, when we go through some degree of slowdown, when the sector takes up, we understand the cyclicity of the industry, we all understand that. But when I look at your peers, the amount of cost, the amount of focus that they put on the cost saving exercise is much, ahead of what we have done in the last 2 years or 3 years. Apparently, when I look at your P&L, always looks very inflated. So, what are we doing to now sort of incrementally bring more efficiency, bring more productivity, and bring cost under control? This is what we want?

- Management:** As I said earlier, the management continues to focus on multiple areas of cost, rationalization and efficiency. So, it is not as if the management is not conscious of the cost of its operations. It's unfortunately very difficult to answer a question which is relatively vague and based on an opinion. So, I'm sorry, I'm not able to give you a more specific answer than that.
- Metul Mehta:** And about the growth guidance that you alluded? INR 1,125 crores?
- Management:** I think that we've already given with respect to each of the businesses. We are looking at between 18% and 20% growth in the India business and between 10% and 12% growth in the Germany business.
- Moderator:** Thank you very much. And now I hand the conference over to the management for closing comments.
- Harsh Patel:** Good evening everyone. It was a pleasure talking to you all. I hope we have answered your questions and as management, we continue to be invested in the business and we will strive for improving the margins and meeting our guidance numbers. Thank you. Good day.
- Moderator:** Thank you very much. On behalf of HLE Glascoat Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.