



GMM/SEC/2024-25/41

August 14, 2024

To,
BSE Limited
Scrip Code: 505255

National Stock Exchange of India Limited
Symbol: GMMPFADLR

Sub.: Earnings Call Q1 FY25 - Transcript

Dear Sir/ Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the earnings conference call for the quarter ended June 30, 2024 conducted on August 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 Ltd**

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

Encl.: As above

GMM Pfaudler Ltd.

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Alloy Process Equipment

EDLON
Fluoropolymers

HYDROAIR
Membrane Separation Systems



**“GMM Pfaudler Limited Q1-FY25 Earnings Conference
Call”**

August 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. VINCENT LEROUX- EXECUTIVE VICE PRESIDENT SALES OF INTERNATIONAL BUSINESS**
- **MR. DHAVAL RAJPUT – GENERAL MANAGER FINANCE & ACCOUNTS, GMM PFAUDLER LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q1 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. I now hand the conference over to Mr. Dhaval Rajput. Thank you, and over to you sir.

Dhaval Rajput: Thank you. Good evening ladies and gentlemen, a very warm welcome to all of you into the Q1 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 Pompner, our CFO of India Business – Mr. Manish Poddar, our Executive Vice President Sales of International Business – Mr. Vincent Leroux and our Compliance Officer – Ms. Mittal Mehta.

We will give you a brief overview of the performance of the company, after which we will get into the Q&A.

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

I would now hand over the call to Mr. Tarak Patel to provide an overview of the performance. Over to you, Tarak.

Tarak Patel: Thank you Dhaval. Good evening, everybody. We are happy to announce a good start to the financial year. Revenue and profitability remain stable with strong execution across geographies. The business environment remains challenging, mainly driven by a slowdown in the chemical and agrochemical sectors. Order intake improved significantly this quarter, mainly driven by Heavy Engineering, Mixing and Systems businesses. The last two quarters have now seen a strong order intake, and this quarter Rs.882 crores of order intake is the highest order intake in the last eight quarters. Our order backlog is also up by 5% to about Rs.1,777 crores. And our opportunity pipe remains stable, with key opportunities expected to close in Q2. Our diversification strategy has helped mitigate the slowdown in the chemical sector by allowing us to focus on new market and industry segments.

In terms of financial performance, our consolidated revenue for the quarter was at Rs.785 crores, and EBITDA stood at Rs.89 crores, with a EBITDA margin of 11.3%. We also participated inACHEMA this year, in June. This is the biggest trade show for our industry segment as well. We also inaugurated the GMM Pfaudler JDS facility in America, Georgia, USA, which is a facility catering to the re-glass and services platform. In FY25 we are also planning to launch our three year strategic plan, which will highlight growth opportunities across our platforms and regions. I would also like to maybe spend a couple of minutes just to give you an overview in terms of what we are seeing both in India and internationally. In India, like I mentioned, the order intake this quarter was quite strong, mainly driven by our non-glass lined businesses. And we expect the glass lined business to also kind of have some strong order intake in Q2 and Q3.

Having said that, the industry and the outlook remains slightly better than a few months ago. But again, the chemical and especially agrochemical sector is still not so, I would say not so strong in terms of their investment. Internationally also as well, we have seen strong order intake, but this has been driven mainly by our non-glass lined technologies business and the Systems business has done really well. So, we expect the international business also to have strong order intake in the next few quarters. All in all, it is a challenging environment, but we expect that, the next few months and quarters should have some the positive outcome as well. With that, I will now hand over the call back to you Dhaval, and we can then open it up for question-and-answer.

Dhaval Rajput:

Thank you Tarak. Moderator you may now open the line for questions. Thank you.

Moderator:

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

Sagar Shah:

Thank you for the opportunity. I will go ahead with my question. First of all, I got your point that currently there is a very challenging environment. So, in this critical stage still we are seeing almost sluggishness in the margins actually, even the order pickup actually has significantly picked up here, the order intake is at all eight quarter high, but still the margins are coming down. I understand we have implemented cost control measures, but still the margins are not being under control. Now the consolidated margins have slipped down to almost at 11% to 11.5%. So, what exactly is the reason behind here. So, is it the geopolitical tensions or the sluggishness in the glass lining market, are we booking orders still at a loss on a glass lining level because on the non-glass lining industrial mixing are higher, except for heavy engineering all are almost higher margin segments actually for you and on the standalone level, also we saw some, you can say, dip in the margin. So, what exactly is the reason behind this and going ahead, what are the steady state EBITDA margins, on the standalone level as well as on the consol levels can we see in this year FY25?

Tarak Patel:

Let me answer your question in two parts. One, you started off by saying order intake of this quarter at Rs. 882 crores, of course, is the highest in the last eight quarters. But of course keep in mind that these orders are yet to be executed. So, the new orders that have come in in Q4 of last year and Q1 of this year are yet to be executed, and that margin profile is yet to flow through in terms of the P&L. The last few quarters, yes we have had lower margins. Obviously, the main reason for this is obviously the volume that we kind of have right now in terms of backlog, is not as high as what we have had in the past. And there is definitely a volume issue in terms of cost. So, the cost absorption that we have across our factories is not completely utilized, and hence we have slightly lower margins. Plus also keep in mind, just because of the slowness in demand, the competitive intensity is much higher, and hence there is definitely pricing pressure as well. However, having said that, I could believe that coming through a down cycle where most of my customers are seeing a 20% reduction in revenue and margins. We have been able to maintain margins, and we are not showing any signs of de-growth as well. So, order intake is positive. It is a tough period for us definitely, because the market that we cater to are slowing down. However, we have also put in a lot of effort into diversifying our portfolio, and today, the reason that we are better off than many other people in this business is because we are diversified. So, right now, when our glass lined business has slowed down, and we have seen pricing pressures in glass lined, we have been able to make up for the shortfall in things like heavy engineering, in mixing and in Systems. So, across the board, the other businesses have kind of catered, but yes, generally there is a slowness in the market, and 60% to 70% of our revenue comes from chemical and pharma which is seeing a slowdown. However, having said that, in the future we would then kind of reduce that exposure to chemical and pharma, and we would expect the other industries to kind of cater and add to the revenue mix as well as the profitability mix.

In terms of cost control, there are numerous measures that we have taken internally as well, so some of the benefits of the implemented cost controls are already showing up, and many of them will show up in the ongoing quarters. The outlook for this year is going to be maybe a small amount of growth, both in revenue and profitability. We are expecting that, 5% to 10% growth is what we expect. We hope that the order intake will continue for the next few quarters. But this year is basically a year for consolidation to look internally. I have talked about this in the last few quarters, business has been slow, and until we bring the backlog up to a much bigger level, we will still face absorption issues. However, the last two quarters have been kind of positive in terms of order intake. We are not completely out of the woods, but definitely better off than what we were six to nine months ago. So, that's how I would like to answer that question. I hope that's clear for you.

Sagar Shah:

Okay. So, basically, are you guiding for actually around the 5% to 7% growth in revenue sir for this particular year?

- Tarak Patel:** So, that is what our expectation is. We have a strong order backlog so we have about Rs. 1,777 crores of backlog currently, executable backlog. We have already done about 785 crores already in Q1 so you can do the math. We still have order intake in Q2 and Q3 that will be shipped out in this year. We also have the services business that we will continuously add revenue and shipment as well. So, we are quite confident that we will be able to at least achieve, if not grow last year's number but we expect to grow over last year's numbers. That's the internal estimate that we have.
- Sagar Shah:** Okay. So, any broad level EBITDA margins that you are targeting for this year?
- Tarak Patel:** So, we spoke and we want to maintain the same level as last year. Last year, Manish, our margin consolidated was about 13%-13.5% odd.
- Manish Poddar:** Yes.
- Tarak Patel:** So, that's what we are expecting, we might improve on that slightly if the volumes pick up, then obviously we expect that number to probably be even a little bit better than that.
- Sagar Shah:** Okay. And sir, currently glass lining business out of our total technologies business would be how much percentage sir, right now as of Q1 FY25?
- Tarak Patel:** I don't have that numbers right now, because they are not the same for both India and internationally. So, I don't have consolidated numbers, but predominantly glass lined in India was a large percentage of our revenue, that has seen a significant reduction, but luckily for us, the heavy engineering business and the non-glass lined business in India has made up for the shortfall. Internationally, they had Services & the Systems are the big chunks of their overall business. So, for them that two areas have given good amount of growth, but in India we were definitely more glass lined focused. Over the last maybe four, five years we have kind of diversified and created other platforms that can also help us mitigate some of the risks associated with the glass lined business.
- Sagar Shah:** Okay. So, just last, this second question would be on the industrial mixing business, as you have guided that out of our Rs. 880 Crores of order intake mixing was also a big part actually. So, basically, can you lay out something like, can you explain on that front, can you give us color that what exactly has been done and now going ahead will you consolidate all three companies of mixing and how do you look at that business for the next three years and also for this current year? And how has it contributed to the revenues actually in this particular quarter?

- Tarak Patel:** On the number front, maybe Manish can comment, but just let me give you and maybe Thomas and team can jump in as well. In terms of the mixing business, again you are absolutely right it is a very important part of our growth strategy. It opens up a much wider range of industries that we cater to. Over the last maybe this quarter and last quarter, we received large order in mixing where both India, Canada and France have kind of worked together to win this order. One, very large order from Australia has come through, a couple of orders in India have come through, so mixing is growing. Mixing is definitely an area we want to focus on and maybe I will hand it over to Thomas and Aseem to jump in and maybe talk a little bit about what they are seeing in their respective geographies. Thomas, maybe you can.
- Thomas Kehli:** Mixing seems to be a little more stable because the entire mixing industries are much more segmented and gives us more applications and markets to cater to as compared to in chemical and pharmaceuticals. So, we are a little bit less exposed as we see in the order intake. And as Tarak just mentioned a huge success in geographical expansion in Australia also just happened a large order to receive there. And there's a number two order from the same customer and other project that we have good chances also to get in the near future. So, you asked I think for the outlook in the next one to three years, we are very confident to grow the business in mixing globally even further. We are developing product technologies. We are also in the project where we are standardizing some of our products to be more competitive and increased margins, and we are rather optimistic in our mixing efforts, and we also look at further opportunities on M&A.
- Aseem Joshi:** Sagar, this is Aseem. I will just add to what Thomas said, to capitalize on the opportunity that the market upwards us, we are doing a lot of work internally to ensure that we are positioned well as a global company to address mixing needs wherever they are. So, we have announced, we shared earlier that we have a general manager of the mixing business, and he is working very hard to integrate these teams across geographies, ensure that the domain expertise that exists is available across the company, and that has already yielded results. So, some of the recent wins that Tarak and Thomas talked about in various geographies were only possible because expertise across the capabilities of GMM Pfaudler was shared seamlessly. So, we are working to institutionalize that and work on standard engineering approaches across the company, those kind of things in the background. So, we are very optimistic, and we will continue to focus on the mixing platform.
- Manish Poddar:** On the numbers front mixing for Q1 accounts for 8% of the total consolidated numbers. And of course, but of course being the focus area the growth trajectory will be faster in times.
- Moderator:** Thank you. Next question is from the line of Ashish an Individual Investor. Please go ahead.

Ashish: Congratulations on a good set of Numbers, Sir, can you give some light on how the chemical, the whole space is looking from a GMM point of view, like the entire space?

Tarak Patel: Sure, that's a good question, because obviously we interact with a lot of chemical companies, both specialty as well as agrochemicals, and we also kind of interact a lot with pharmaceutical companies. So, in terms of the chemical outlook, the agrochemical outlook is not so positive, the interactions that we have had with owners, CEOs and managers in agrochemical companies, it doesn't seem that there is really a lot of positive news in that is going to happen. I feel that there is going to be still about six to nine months of further, slow down in this sector mainly driven by the Chinese competition. So, the Chinese are still dumping and still competing at a cost structure that the Indian companies are not being able to kind of compete at, and that's going to obviously reduce volume and in turn, reduce margins as well for agrochemical companies here in India. So, for most of these companies, obviously, revenues and margins will be under pressure for this financial year as well. And hopefully, maybe by Q3, Q4 we start seeing some green shoots where some of the investments in agrochemical will come back. On the specialty chemicals front, we do see some investments. Investments are continuing so people who are not focused only on agrochemicals are continuing with capex, those decisions have been pushed out, but some of those decisions have been now kind of taken, and we see some amount of order intake coming from specialty chemicals. And like I mentioned earlier, we do expect some of them to close in Q2.

In the pharma space, we have seen a lot more positive kind of news. We believe that pharma will continue to add and again, Hyderabad pharma, there are three or four very big projects that are planned, and we expect again, and these are mainly for the glass lined business, and we expect some of these large projects to materialize in the coming weeks. So, that would put us again in a strong position when it comes to glass lined. As you know very well, glass lined we are the market leader, and we are the first choice. So, most companies will end up buying their glass lined equipment from us. Internationally, the chemical sector also is a bit soft obviously, a lot of the international companies are dependent on India and China for outsourcing. But the general weakness is not only in India, it is a global weakness and there is obviously overstocking and with the Chinese coming in and dumping at lower cost structures, that kind of makes it much harder for Indian companies. Having said that, the focus today is obviously in chemical Pharma since they are not growing as fast as you would like, we have kind of spread our wings, and we have entered into new markets with mixing we now cater to metals and minerals, rare earths, paints, dyes, food and beverage. We also are now doing fermentation with our Systems business as well. We have gone into new industry segments with heavy engineering. We have oil and gas, petrochemicals etc. So, there is a wide range of industries that we are targeting. But generally, the weakness in chemicals has accounted for a large slowdown in the glass lined business, which is obviously impacting both volume and margin in the glass lined business.

- Ashish:** Yes, sir. And just a follow up question, like in case of mixing not two, three quarters, but from here on, from three years from now, what can be the revenue split of mixing in the entire revenue structure, like from three years from now?
- Tarak Patel:** So, we have actually spoken that, when we bought the two companies together, and are – together with our mixing business in India, we have got \$45Mn. and we expect that to be \$100Mn plus business in a three year time period. And that's what we are sticking with.
- Ashish:** And sir, one more thing, there are some plans to go in the nuclear space as well, energy, nuclear space, reactor space, or that is not on the cards presently?
- Aseem Joshi:** This is Aseem, I will take this. We have some capability through our heavy engineering business to address some of the non-core parts of nuclear industry which we will look at. However, as you probably are aware that's a long cycle opportunity, so we will continue to monitor it, but that's not clear core part of our strategy.
- Moderator:** Thank you. Next question is from the line of Bhavik Shah from Emkay Ventures. Please go ahead.
- Bhavik Shah:** My first question is, where does the mixing business sit in terms of classification, does it sit in the Systems or services?
- Manish Poddar:** It's part of technology.
- Bhavik Shah:** Okay, it's part of technology. So, what the Systems and Services constitute first, like what do we offer there?
- Tarak Patel:** So, services is obvious, anything that we have, spare parts, re-glassing, or we go and visit the customer to give them any kind of help with startup, breakdown, that's all considered services business. So, these are kind of very kind of sticky businesses, high margin business, recurring business, and the international business has about 35% of the revenue coming from services but in India and China it is a bit lower. But services is anything that we have to do to make sure that our equipment is up and running. The Systems business is obviously a kind of complete Systems that we build together which has proprietary equipment manufactured by us, but we do all the piping, automation, P&I, designing and process know how as well. So, when you put it all together into a skid mounted System or a complete plant that comes into Systems business.
- Bhavik Shah:** So, sir what will be, how will be the margins for Technology, Systems and Services can you give a broad range of margin, whatever our order book is based on that what's the current margin in Technology, Systems and Services?

- Aseem Joshi:** So, I'll take this one and then maybe Manish can add. Look when we diversified our business obviously our benchmark has been the core glass lined business, and our strategy always has been to add businesses that are at that level or high. And so with that, you can imagine sort of technologies business over the long term should be at the glass lining level. Systems, actually we are selling an outcome to our customer. So, again, while it varies across the different applications broadly, it's in line with our Technology business and Services is healthier margins because we are there solving a customer's immediate problem, often in terms of spare parts, etc. So, Technology, Systems, sort of typical product margins and services is better.
- Bhavik Shah:** Okay. So, what will be your timeline for execution of our order book and the capex for the current year?
- Tarak Patel:** Execution of order book, most of the order book that we have, the backlog that we have will be shipped out in this calendar year, there could be some kind of spillover depending on the length. So, generally, anything that booked in the first quarter or to the second quarter, or maybe even after November gets shipped out, at least from the India business, international business, has obviously slightly longer delivery timeline. And what was the second question sorry?
- Manish Poddar:** On the capex front, basically we don't have any expansion capex coming up this year, and most likely nothing in the next financial year as well. The maintenance capex we have alluded to towards some like 2%, 2.5% but will be much lower than that any which ways in this year.
- Moderator:** Thank you. Next question is from the line of Yash Goenka from Awriga Capital Advisors LLP. Please go ahead.
- Yash Goenka:** So, when I look at your employee numbers from FY 2023 to FY 2024 it has come down, but the employee cost has gone up significantly, by around 14% so can you comment on it because we were of the view that we will bring down number of employees overseas to India, but which I cannot see it in the numbers. So, a color on that?
- Manish Poddar:** Which two number sets are you comparing can you please repeat?
- Yash Goenka:** Employee count in the annual report, which was 809 in FY 2023 and 784 in FY 2024.
- Manish Poddar:** Right.
- Yash Goenka:** And when I look at employee cost, you can go ahead.
- Manish Poddar:** These are standalone numbers.

- Aseem Joshi:** The employee count you are referring to is standalone in the annual report. And the employee cost you are referring to is consolidated.
- Manish Poddar:** I think yes, because if it is less than 1000, then of course these are India numbers.
- Tarak Patel:** So, consolidated numbers might not be the right yardstick in terms of measuring, but generally you want to comment on employee cost.
- Manish Poddar:** So, if you see actually, for the current quarter if you see we have actually lower number on the employee cost, and specifically in India, we can talk about that Q1 you would expect a up cycle on the count of increment, despite that, because of the some employee reduction, head count reduction, across all the functions, we have been able to manage the cost at the number lower than the Q4 closing numbers. And similarly in the international as well the numbers have been absolutely in line with the Q4 numbers, tagged lower only.
- Tarak Patel:** Yes, we have actually reduced head count across geographies, including India, internationally and in Europe as well. So, there is a reduction in employee and employee cost probably as well. And if you look at the numbers carefully, you will see that.
- Moderator:** Thank you. Next follow up question is from the line of Sagar Shah from Spark Capital. Please go ahead.
- Sagar Shah:** So, just what Tarak sir said actually previously on my first question. So, can we assume that the orders that we have booked during the last six months, as far as the glass lining orders are concerned, they are of higher margins as compared to what we had seen in the last you can say 12 months, or maybe 18 months actually. So, can we assume those are higher margin orders. So, that is the reason that we are guiding for higher margin and higher revenue growth, actually as compared to what we have achieved in this quarter?
- Tarak Patel:** No, I don't think that's the right way to look at it. Right now the market is still very highly competitive. Pricing is definitely under pressure. However, as a market leader, we do get premium, and we try to extract the premium as and when we can, but there is a lot of competitive intensity. Just because the volumes are not there, we all are now fighting for a much smaller bucket of orders, and hence there is definitely more competition. Having said that, there is definitely there are areas where we look to improve margin by selling and differentiating our product offering from our competitors. Either we look at export, we look at stuff that is different from our normal kind of stuff that we do, which could help in improving margin, but generally pricing in that is around the same as it was for the last nine, 12 months, until we see a significant change in volumes and investments going up, or the pricing is not going to significantly change.

- Aseem Joshi:** On the margin side, some of the benefits of the cost position, improvements that we have done that should start flowing through. But on the pricing side, that has been quite clear on that.
- Tarak Patel:** But, however having said that, we are working hard to look internally to see where we can reduce costs all across our different functions as well. There are multiple initiatives that are ongoing, and hopefully some of these will kind of deliver and hopefully improve margin. So, the margin improvement that we talk about is really from internal work, and we hope that the market will support in terms of volume, and in terms of volume, the volumes improved and obviously pricing and margin will also improve.
- Sagar Shah:** Okay. And my next question was related to our revenue growth, which was down almost 13% so is it related to any of the some forex impact, or is it just related to lower utilization?
- Tarak Patel:** There is no forex impact, Q1 of last year was a very strong quarter in terms of both order booking and in terms of shipment. So, it would not be a comparable quarter having said that, this year definitely our international has been strong in terms of execution. India has been decent. The India HE business, which is going to do quite well this year, did not have a good first quarter, and we expect HE to make up for some of the shortfall in Q2, Q3 and Q4. So, overall, we are quite confident that we can maintain or even grow over last year's revenue numbers.
- Sagar Shah:** Okay, sure. My last question would be that, can you state that as you had my previous participant had, you had answered to that question related to that, the mixing, the overall, the glass lining margins were related to almost our same as the System level. The technology margins are same as the glass lining level. So, what are the margins right now that you are actually enjoying at the glass lining level, mixing level, and Systems and services level. Can you at least suggest a ballpark numbers for all the segment?
- Manish Poddar:** We don't have product line, margins being shared in the public domain so sorry, I can't share those numbers. But broadly, like Aseem mentioned, mixing continues to be enjoying at a normal glass lining levels. So, of course glass lining margins are relatively down for past two, three quarters, as we have been observing, but apart from that, all other businesses have been doing decent.
- Moderator:** Thank you. Next follow up question is from the line of Ashish, who is an Individual Investor. Please go ahead.
- Ashish:** Just a follow question for Tarak, sir, as he said that the three year plan will be shared, sir at what point of time can we see that three year?

Tarak Patel: So, Ashish, the plan is, it's coming along. We have had some, we have put in a lot of work over the last few months. We are now putting the final touches to the plan. I don't have a time frame, but as soon as it's ready, there's no reason for this to kind of be delayed and whole, we want to come back to the market and share the plan with you. We just need to make sure that everything that we are thinking about, everything that we want to articulate, our business strategy and our long term strategy is articulated and communicated well. So, at least in the next maybe three to six months we should have something out there for you all, if not earlier, but we spent the last maybe four or five months working on this. We have kind of aligned internally with the management team. We are now going across geographies as well and reaching out to our employees to get them kind of aligned and got into this plan as well. And it's a joint effort where everybody kind of it comes from bottom up. So, we are actually getting numbers from every geography, from every business, every platform and every product line as well. And then obviously we are looking at opportunities into markets where we don't have a presence currently. So, are there areas where we as a company want to kind of explore, one of those areas is mixing that we have taken, is there anything else that kind of we are focused on chemical and pharma, and that's what we really need to build, and then focus on those new industries which will give us good and strong double-digit growth, plus strong margin profiles as well. And we have identified some areas where we believe we already have a strong footing, and we can even kind of use our brand, our capabilities and our customer loyalty to kind of build on that. So, a lot of stuff has to come together, but three to six months should be the right time frame in terms of when you can expect some kind of communication from our side, if not earlier.

Moderator: Thank you. Next question is from the line of Srikanth KN an Individual Investor. Please go ahead.

Srikanth KN: So, I just want to know, if there is any specific impact of geopolitical situation, say in the Middle East and macro events such as the interest rate cuts that has been forecasted, say in the September rate cycle. Is there any specific impact on us because of these two events?

Tarak Patel: The geopolitical impact not so much. The only thing that we have heard is that, from some of our customers that shipping costs for some of the chemicals and stuff has increased. Now, what impact does it have to our customers, I really can't tell. But for us, there's no specific impact on geopolitical situation. We did have an impact few months, nine months, one year ago, when obviously there was a gas shortage in Germany which impacted energy cost. But, we are way ahead of that, and we manage that quite well. But otherwise, currently there are no other geopolitical issues that will impact our order intake or our business for that matter. Your second question was?

Manish Poddar: On the interest rate cycle, it only benefits us, because the international business, the debt is at SOFR linked. So, whatever interest rate, reduction happens obviously flows through in our interest cost savings.

Moderator: Thank you. Next question is from the line of Miten Lathia from Fractal Capital Investments. Please go ahead.

Miten Lathia: Sir, earlier in the call you outlined the incremental sense that you are getting out of both the chemical and the pharma space in terms of the business outlook. Could we also get into slightly more detail and share if the kind of orders that are likely to come through would be more suited to the capabilities that we have, or it is likely to be more in the sort of standard type of order which most of our competitors also are able to supply?

Tarak Patel: In glass lined generally, if there is a large order, more often than not they would go with a company like ours, obviously because we have the capacity to cater to large volumes, when customers want to build large facilities, world class facilities, they would not really compromise on quality, and the life of the equipment is paramount when it comes to glass lined. So, hence, their kind of requirement for good quality product for glass lined and in chemical factory is quite clear. So, more often than not, we can differentiate ourselves. But again, like I said before, there is always competition maybe the customers would not buy from them, but at the end of the day, they will use their pricing to obviously negotiate. So, there is only so much that we can do, but generally the kind of orders that come from pharmaceutical are a little bit more sophisticated than a chemical in terms of what's required. So, maybe there's a slight preference there for GMM Pfaudler, but generally, I wouldn't say there's a significant difference in terms of what we can do versus competition. The only thing that I will point out here is our glass is obviously something that we have kind of developed over the last 50, 60, 70 years, it's a technology and a formula that has been developed over a long period of time, and maybe some of the competitors that kind of compete with us maybe don't have that level of sophistication in their technologies.

Miten Lathia: Get that, thank you. And just to sort of take that into context when we look at the financials filed by one of our competitors, who is likely to IPO, they seem to have done better over the last two, three years compared to the two listed players in the space, anything that you would like to call out in terms of the market itself, or in terms of course correction that we would have had done post what has happened in the last two, three years?

Tarak Patel: I would not like to comment on somebody else's but, I know what the market is, and the two listed competitors you know what kind of numbers they have, so it's very unlikely that a third player would be significantly different than the rest of us, because he is catering to the same customers, he is dealing with the same people and the same pricing. So, obviously, everybody has their own agenda when it comes to their business outlook, I can't comment on that, but the reality is, there is definitely a slowdown in the chemical market, which has impacted volume, and in terms impacted margins, we have been a little bit better off than most people because we have a diversified portfolio. We have two thirds of our businesses coming from the international market, which is a little bit more protected than the Indian market. And lastly, we

have about 30% of our revenues coming from services, which is sticky and high margin. So, we are definitely in a better situation than the other companies that you might talk about. But, I really don't want to comment on anybody else's filing and stuff like that, but I would just recommend people to do their own homework and check the numbers, because most of the numbers are quite easily available, and you can check all these things in the public domain.

Moderator: Thank you. Next question is from the line of Shyam Maheshwari from Aditya Birla Mutual Fund. Please go ahead.

Shyam Maheshwari: Had a couple of questions, firstly on the systems business, this has seen quite a bit of upturn if you look at the order of inflows numbers, particularly in this quarter we got about Rs. 200 odd crores of inflows in systems versus Rs. 70 crores last year. So, is there any one off or big order that we have kind of booked in this quarter in the systems business?

Tarak Patel: Yes. So, let me give you some color on Systems business. Systems has really been a good business line for us in the last maybe two quarters. In Q4 of last year, we got about \$10 to \$12 million of a systems order in the US. We got a repeat or another US order again in the range of \$10 million, and we expect another \$10-\$15 million of more systems orders now from Europe as well, That is expected. So Systems has definitely been an area that we have done quite well. We also got another order here in India for about Rs. 23 odd crores again, a systems business from a company in Bangalore. So, yes, Systems has definitely helped us make up for some of the shortfalls that we saw in glass lining. Systems again keep in mind, it's a consolidation of many of our product line. But again, the customers gives us a Systems business because they believe that we have the capability to design and also help them with process engineering. So, hopefully, the margin profiles of a system business are little bit more than just equipment, and we expect the systems business over time to grow and again as we differentiate the technology that we have, an internal IP that we have around these processes will help us win some of these Systems business. One more point to add in Systems as many of the customers do their trials with us. So, we have test centers where we work with customers for six months, nine months, we kind of work with their process, and then you have the time. So, eventually, when they decide to go ahead with this ordering. They would then order it from us, because they have done that kind of work with us. So, Systems is definitely an area we want to continue to focus on, in India as well and maybe Aseem can jump in. We have now created a much larger organization for Systems. We have kind of brought in people who are more process oriented, maybe Aseem you want to just jump in and talk a little bit about Systems and what you are doing here for some of these new technologies, like green chemistry, flow, etc.

Aseem Joshi: Yes Shyam hi. Look, Systems is an important platform for us. We have talked about it, I would like to first address the nature of the Systems business inherently is a little lumpy because the ticket sizes are bigger. And that's what you have seen in our numbers recently, these were in our pipeline. They just took a little longer to close and Tarak talked about the big orders that have come. Now, as we are continuing to focus on the Systems business, we recognize that we need to further enhance our capability to serve our customer's requirements. So, when you move from being a solely a equipment supplier to a solution provider, you need to have a much better understanding of the process. So, we have invested both in our people capability by hiring additional process experts in various domains as well as the physical capability with our test center in Karamsad, which is now fully operational, so people can actually come and do a whole range of tests in GMM, so that they get a lot more confidence in the outcome that they can get from the products and solutions that they buy from us. So, we will continue to develop this. And, in a similar fashion, I talked about India, but in a similar fashion, the international group also continue to invest in the Systems capability.

Shyam Maheshwari: Interesting, and could you just elaborate a little bit more on the kind of solutions you are providing, so I remember Acid Recovery was one such thing, which was getting captured in systems, but these recent orders, if you could give a little bit more color on to what exactly solution is this addressing?

Aseem Joshi: So, I will start first, and then maybe I will request Vince to give an explanation of what these recent orders are. So, in Systems, we are very particular that we have some domain expertise in the solutions we provide. So, we have talked about acid in the past, where the center of excellence is in Germany. We have liquid, liquid separation, sort of solutions that come out of our North American operations based on the evaporation capabilities we have there. And then we also have membrane separation systems that come out of a Italian subsidiary Hydro Air. In addition, there are a whole range of reaction systems that we do in Europe as well as in India, and actually in North America as well. Now maybe Vince, you could talk a little bit about the recent order.

Vincent Leroux: Yes. So, we got some orders in the US on the range of \$10 million in the Q1, it was in the pharma sector, medical device. But we are in different applications you will see or we will see some, we have a nice pipeline coming up for Q2, where we are in different industries, like energetics, like recovery, because we are in the recycling business of solvent recovery for example and with fermentation, so in many different sectors and industries, they need that kind of assistance, and the pipeline is quite strong at the moment, and we feel that system as a pipeline can compensate the shortfall of glass lined.

Shyam Maheshwari: Understood, thanks Thomas. And just a follow up to this. So, does the design capability lie with us, or is it the customers and then we would just probably engineer possible solution?

Tarak Patel: No. So, in the case of what 90% of Systems we would design, the entire case for them, there are certain customers who wanted a certain way and will give you the kind of overarching design, but then you still have to do the PNIT, the piping, the instrumentation, the automation, and at the end of the day in some of the cases we also take process guarantee. So, we have to give you so much output of so much product at this kind of quality or percentage by volume or whatever it is. So, whenever we do that, then obviously your entire margin profile changes, because you are moving up the value chain and you are giving a customer solution, and then that's where we want to be. And in most cases, I think, we have a situation where we are designing for the customers, and we have our own internal engineering team, as well as a process team, who does this engineering in-house.

Moderator: Thank you. Next follow up question is from the line of Bhavik Shah from Emkay Ventures. Please go ahead.

Bhavik Shah: So, my question is, so what is our capacity in India and in the international operations. And how do we look at our capacity, what metric to use, and what will be our capacity utilization in Q1 versus Q4?

Tarak Patel: Good question. I don't think we have exact numbers, but for a manufacturing company of our size if you are at 80% utilization were pretty good. That's where we would like to be. Today, we would be around in India, maybe 55%, 60%, I would think maybe in Europe a little bit more, in the Europe and the US. China has been slow for us, so China would be a bit less. China doesn't seem to have too much expansion coming in the chemical space right now. So, China is a bit slow, but generally in India, we are probably about 55%-60% utilization. However, our heavy engineering plant is 100% utilized. So, we would be close to 90%-100% utilized there. But, that was the basic capacity is.

Bhavik Shah: So, we don't need any capacity say going ahead for next at least one or two years, if this is the understanding is correct?

Aseem Joshi: That's right. So, Manish clarified earlier, we don't anticipate any growth capex. We have no growth capex this year nor do we anticipate any significant growth capex in the near term after that.

Tarak Patel: We could even be in a position where we could even look at, if we have let's say too much capacity in a specific platform or a product line, we can obviously use that capacity for something else as well. So, that's what we are always trying to do, to see if something else picks up can we kind of give that product line which is going faster, a little bit more realistic, which means then we have to kind of make sure that we have the right team and people to make sure that we can cater to that specific product, and we have done that already. Where we are seeing a slowdown in glass lined, we use some of the capacity there to cater to some of the other product lines as well.

Bhavik Shah: Right sir. So, sir basically there is a possibility of say capacity utilization improving and operating leverage playing out and so margins improving?

Manish Poddar: Yes, that's exactly what we are alluding to, Yes.

Tarak Patel: And maybe here would be a good time to also mention that we are going through a cost efficiency improvement program in our India manufacturing setup, and that's ongoing, and that started maybe a few weeks ago. And hopefully that will also see saving both in terms of cost structure, procurement, value engineering and things like that at a manufacturing level as well. And that would be a nine to twelve months project that we are planning. So, hopefully that will also help us improve capacity, but also reduce cost and improve efficiency as well.

Bhavik Shah: So, do we aspire to be at 15% in say one or two years, that's where our aspirations are?

Tarak Patel: Sorry, what was the question again, I missed that sorry.

Bhavik Shah: Our margin aspirations are let's say 15% in coming 1-2 years, if the capacity utilization picks up, where do we aspire to be?

Manish Poddar: Capacity utilization should lead to something 2%-3% addition to the bottom line, that is something that we should be at.

Tarak Patel: So you see, you have somewhat ballpark figure and a good kind of idea in terms where we should be. We as a management obviously feel that we should be a little bit more aggressive with targets, and like I mentioned in the next few months you will see document that comes from the company to the capital market in terms of what our strategies are. How do we de-risk our focus on chemical and pharma. How do we kind of diversify away from glass lined business. What are the new opportunities available to us, where is the growth going to come from because one of the things that we did learn from this down cycle is that obviously as a company we are focused only on an industry which obviously is very technical. So, as management, we do believe to put the company in a much better standing, much more comfortable situation, we would like the company to have a much wider industry range that it can cater to and that's

what we are really working on and some of the other industries that we are looking at that are growing much faster than chemical pharma as well. So, all these things we are working on. We have to get through this tough period of one year, which I think we will. We are already in a good situation, order backlog looks good, order intake is a bit better than before. Glass lined a bit slow, but we all know what needs to be done. We are working internally, like I said and obviously you won't see a lot of crazy numbers from us for the next few quarters, but then we do expect, in a year or two years from now you will see a company that is much more, I would say, stable in terms of revenue and profitability and that's the idea what we are trying to do.

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

Sagar Shah: Sir, just a couple of questions. Thank you for the follow up. Just one point on debt actually, you have released a BSE notification that you have filed for an extension of pledge for one of your subsidiaries. And you have also, basically there is also modification of pledge to increase your LC facility by up to €5 million and also €40 million for avail new facility from the existing banker. So, basically, currently on the debt level, actually as we are not looking for any further capex also and as far as I know that, we are not looking for further acquisitions also. So, what is the reason behind the debt and initially we had guided for a reduction in debt, in fact in this year for around Rs. 100 crores on the long-term debt. So, any color on the debt outlook sir for this year?

Tarak Patel: Sure. So, let me give you some broad level cover. So, this is basically a refinancing, so our financing package is being rolled over. This financing package was ending in 2026 we have now rolled it up to 2028, the banks are very happy with the company's performance and hence have agreed to roll it over. Further, they have given us an additional line of €40 million for acquisitions as and when we need them. There are no current acquisitions that we have in mind, but as a company, and I need to correct you there, we do and we will look at acquisition opportunities as and when they arise, because for a company of our size and scale and the diversification that we are looking for, we will have to look at new opportunities and new industry segments, and that would only come through acquisitions. So, that is the thought process. This line will be available till August 2028 and it is part of the refinancing and the rollovers that we had inherited and that's pretty much business as usual.

Manish Poddar: So, a couple of things here just to add to what Tarak mentioned. Broadly, it ends at like August 2026. So, we have good 24 months from now, but 12 months from now, technically it will fall under a current liability. So, therefore from a qualification perspective, we need to be a bit more proactive to make sure that from a qualification perspective, the non-current remains under the non-current bucket. So, therefore, we had to do that well in advance to make sure our balance sheets are in good shape from that perspective. The second one is one of the international bankers, out of his own issues they didn't wanted to have extended credit and

we wanted to have relationships, the banking relationships starting initiating from India. So, therefore bank wherein, where we have good old relationships here in India has been nominated into this consortium so that it helps us into a better deal in future as well.

Sagar Shah: Okay. So, something FY25 the long term debt will remain stable, or will we see increase in debt in the next few months, the long term debt?

Manish Poddar: So, as I mentioned we do not have any aspirations to have growth capex in current financial year or in the upcoming next financial year as well. So, therefore, we do not need any debt for that. For the M&A part, Tarak already mentioned, so I need not repeat on that.

Tarak Patel: There is nothing lined up in the future, and I don't expect anything to close probably in this financial year, but the line that we have is already approved so tomorrow when we do find some, it's something that we can draw down at any given point in time. So, it gives us flexibility, and as a company like we mentioned obviously there is some things eventually that we might want to do, and we need to be ready for that.

Sagar Shah: Okay, sure sir. So, my last question was related to mixing. As you said, 8% of our revenues came in this quarter of mixing. So, that translates around 400 crores of revenue. So, basically, did we see a decline in revenues for even in mixing business in this particular quarter Y-o-Y, and in this year are we as compared to 42 million USD, can we see growth in the industrial mixing business even in FY24 or will we see a decline in that business?

Manish Poddar: No, we may not have declined Y-o-Y, I will not have specific numbers there on ready with me at this point in time. But as I mentioned, long term we are looking for growth quarter-on-quarter may not exactly fall in line with that 25% growth aspiration that Tarak mentioned earlier.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management of GMM Pfaudler Limited for their closing comments.

Dhaval Rajput: 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. Thank you.

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