GMM/SEC/2024-25/21 May 29, 2024

To,
BSE Limited
Scrip Code: 505255

National Stock Exchange of India Limited
Symbol: GMMPFAUDLR

Sub.: Earnings Call Q4 FY24 - Transcript

Dear Sir/ Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter ended March 31, 2024 conducted on May 22, 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 KARTIK MEHTA
Digitally signed by MITTAL KARTIK MEHTA
Date: 2024.05.29 17:26:44 +05'30'

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

Encl.: As above

"GMM Pfaudler Limited Q4-FY24 Earnings Conference Call"

May 22, 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**
- **MS. PRIYANKA DAGA – DGM STRATEGIC FINANCE, GMM PFAUDLER LIMITED**

Moderator: Ladies and Gentlemen, good Day and Welcome to Q4 FY'24 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 an assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Priyanka Daga. Thank you. And over to you, ma'am.

Priyanka Daga: Thank you, Manav. Good day, ladies and gentlemen. A very warm welcome to all of you into the Q4 FY'24 Earnings Call of GMM Pfaudler Limited.

The Earnings Presentation was uploaded on the stock exchanges this evening 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 and CFO of India business, Mr. Manish Poddar.

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 as well as 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. Patel to provide an overview of the performance. Over to you, sir.

Tarak Patel: Thank you, Priyanka. Good evening, everybody. We are happy to report a strong finish to the financial year, where we were able to grow both revenue and profitability by 8% and 11% respectively. Despite challenging business environment driven by a weakness in the chemicals sector, we have seen sequential improvement again in Q4 order intake that grew by about 14% to about Rs. 861 crores, driven by the non- glass lined technologies and system platforms. This is partly a result of our business diversification strategy and has helped mitigate the slowdown in the chemicals sector by allowing us to focus on non-traditional industry segment.

Edlon also, one of the companies that is there within the group, has seen an improvement in terms of order intake and in terms of EBITDA. This is mainly coming from the semiconductor industry. So, like I mentioned, a lot of the new industries that we have diversified into is giving and making up some of the shortfall that has come from the slowdown in some of the key industries that we cater to. Further, we are currently having a strong opportunity pipeline as well and we believe that the order intake for Q1 will continue also in a similar trend.

In terms of financial performance, our consolidated revenues for the year grew by 8% to Rs. 3,446 crores, while EBITDA increased by 11% to Rs. 477 crores with an EBITDA margin of 13.8%. Q4 revenue was at Rs.741 crores and EBITDA stood at 91 crores with margins at 12.3%. Profitability margins improved in the international business, while margins in India have been kind of stable for the last few quarters now. This is the result of the ongoing cost control measure and the focus on operational excellence.

Our balance sheet metrics have also seen improvement and CRISIL has upgraded our ratings to positive. There was a strong focus on improving our working capital during the year. This has resulted in significant cash inflows in H2, leading to higher debt repayment and improved debt ratios. Manish will be talking about this in a minute.

In terms of "Corporate Updates," we have completed the consolidation of MixPro in Q4, Canada. The results have been published includes MixPro.

I also welcome a new member to the GMM family, Ms. Shilpa Nirula, who has been appointed as an Independent Director, effective May 22, 2024. With this appointment 70% of the board now comprises of independent directors.

I will now hand over the call to Manish, our CFO in the India business and he will take you through the Financial Performance of the Company. Thank you. Over to you, Manish.

Manish Poddar: Thank you, Tarak. Good evening, everybody. We'll refer to the slide deck uploaded with respect to Q4 FY'24. Apart from the P&L, our focus has been to strengthen the balance sheet. You may recall earlier in the year; we had communicated that we target to repay Rs.140 crores of debt in financial year '24. Happy to report that we have repaid Rs.145 crores of long-term debt in this year. We have prepaid and closed the entire debt of Hyderabad and Vatva acquisition that we took in past 2-3 years. Overall, we have repaid Rs. 96 crores of long-term debt in India and Rs. 50 crores of long-term debt in the international business. This has helped us improve our financial covenant. Our net debt-to-Equity now is at 0.4 and net debt-to-EBITDA is at 0.8. In the upcoming years as well, we plan to continue the journey.

We have marginally improved our working capital days for debtors and inventories in the FY'24, as referred in Slide 8.

Moving on to cash flow, we have significantly improved our cash generation in H2 as demonstrated in cash flow slide 9 of the deck. This is primarily on account of inventory optimization and cash collection focus, while in H1 due to operational reasons our working capital had expanded, we brought it back to decent levels in H2. Overall, through the year, we generated Rs.253 crores of free cash flows, which is a decent over 50% of EBITDA of Rs.477 crores that we did in this year. With that over to you Priyanka

Priyanka Daga: Thank you Manish, moderator you can open the line for questions.

Moderator: Thank you very much, we will now begin the question-and-answer session. We have our first question from the line of Anirudh Shetty from Solidarity Investments. Please go ahead.

Anirudh Shetty: I have two questions. I just wanted your update on the competitive environment in the domestic GLE space. You did mention that demand is still weak, but how has the competition intensity evolved since we last spoke, just wanted your views on that?

Aseem Joshi: Yeah sure, So, yes, demand as you know continues to be a little sluggish. We have to compete vigorously. Having said that, we have taken efforts to make sure that we're competitive from a manufacturing efficiency standpoint, also reaching out to a broader set of customers. So, I think that is helping us in winning more orders and capturing share in what is right now a slow market for us.

Tarak Patel: I think maybe just to add a couple of points, the last two quarters have seen significant improvement in Indian Glass-line order intake. So, I think we were kind of in Q1, Q2 around the 70, 80, 90 crores mark which has doubled to 150, 160 crores in this quarter. So, I think the glass-lined business has seen some improvement. I think our market share probably has also increased, but as Aseem mentioned, the competitive intensity is still there, and hopefully once the market and industry kind of turn, you will see some of the pricing pressure cooling off.

Anirudh Shetty: Second question is on the international front. The revenue seems to have grown, but the order intake is declining. So, just wanted your read of the situation there in terms of your conversations with the customers, are they pausing some of the projects that they intend to do, is there any delays happening there, like some color around the global environment would be helpful.

Tarak Patel: So, I will hand over the call to our international CEO in a second, but what I would like to just mention is that do keep in mind that the international business obviously has a large component which is Services and that keeps getting adding on as the year progresses which are short delivery items. We do obviously understand that the starting backlog is a bit lower than last year and that's definitely something that we are trying to improve and increase the order intake. We had received a large order in Q4 $12 million order from the US. And we have further also this quarter seen another large order coming from the US market as well. So, in terms of order intake, pipeline still remains very strong, decision-making has been a bit slower than usual, but we are seeing now some positivity at least in US and Europe where we do see order intake also improving and we're seeing something similar here in India. Thomas, you want to add something as well?

Thomas Kehl: And I think there's not much to add to what you said. The order intake as you are rightly mentioning is lower than the revenue last year. That is because the markets have slowed down somewhat, but we are seeing recovery signals in Europe as well as in Americas. So, the projects are out there. Decision-making processes are slightly improving in speed, that is the good news. We have been gaining a couple of large projects, especially in the Americas in the systems business that were due. So, we are above the expectations in that quarter, in that business. China is a different issue. China is still rather slow. The number of projects is not necessarily increasing, but we expect that China recovery also very, very soon.

Moderator: We have our next question from the line of Bhavik Shah from Emkay Ventures. Please go ahead.

Bhavik Shah: So, my question is in the presentation we have shown the EBITDA for next year Rs.630 crores as against revenue of Rs.3,700 crores. which gets us to the margin of say, 17odd % But when we see historically our last say 10 years, we have only hit the 17% mark once in FY'20. So, what makes us so confident that we will be achieving those margins again this year?

Tarak Patel: This is you're talking about the guidance, right. The guidance was made, obviously what it was two years ago.

Manish Poddar: So, Bhavik, just to give you a background, 2.5 or 3 years back we had given a guidance for Rs.3,700 crores of top line and Rs.630 crores of EBITDA. This slide is basically just a reference to where we are versus what we had guided to.

Tarak Patel: So, it's clear that obviously since that time the industry has seen a kind of a down cycle, especially the agro chemicals industry, which is obviously a big chunk of our glass lined business and some of that you obviously see in terms of order intake and the current margin scenario. The idea obviously now is to use this time, this down cycle, to improve on internal cost efficiency measures which we are working on and we believe and we do see some signs of recovery and hopefully as the market recovers, some of the benefits that we will be working on today will kind of translate into much better margin as well. Going back to your question on historical margins, yes, from an industrial perspective, capital goods company, 13.8% EBITDA margin for the year in the peak of a down cycle, I think is a pretty decent performance and I think we've kind of held our ground quite well. Going forward, obviously we want to improve on this number and that was the kind of idea is. It's been three years since we've acquired the Pfaudler business since the acquisition has happened three, three and a half, four years, we've seen significant change in size and scale, even the margins internationally have improved significantly nearly doubled, the Indian margins are now kind of stable. We have obviously clear strategies for our different product lines. We have higher growth product lines coming from newer acquisitions. We have the heavy engineering business in India, which is also doing exceedingly well. So, yes, some of the kind of risk associated with the down cycle in chemical and pharma is being kind of compensated by the other product lines. So, I think we today are in a position to kind of start looking at maybe a three-year plan again and hopefully in the next maybe few quarters we should be able to kind of come back to the market with some kind of recalibration in terms of where we are and where we want to go, and I think that's something that we've been working on internally, and I think very shortly we'll be able to share some kind of roadmap with you and the investor community.

Bhavik Shah: Sir, this number which is in the presentation is not the guidance for FY'25 if I understand correctly?

Tarak Patel: We are just giving you a comparative to say that yes, this is the guidance that we have put out and how we are tracking towards that guidance. This will show you that we are not changing the guidance mid way. So, that number is out there, and we are showing you where we are. Obviously, that guidance will probably get recalibrated when our new guidance comes in, in the next few quarters.

Bhavik Shah:	And just from your opening commentary, receiving good demand from your semiconductor industry, so, what exactly do we provide there and what kind of demand are we seeing and in which subsidiary?
Tarak Patel:	So, we have a company in the US. It was historically part of the Pfaudler Group and we used to make PTFE-lined vessel. So, these are very kind of corrosion resistance vessels equipment for very high purity applications and there's a very specific kind of a low metal requirement for the semiconductor, zero metallizing part for trillion, it's like zero point something, something, something and Edlon has capabilities and experience and technology that goes into this and that's driving some of this improvement in that business. And semiconductor also is an interesting area for us because not only do we cater to them through Edlon, but there are other product lines that could also go into some of these semiconductors downstream or upstream kind of chemical facilities, there are specific chemicals that go into. So, one of the areas that we're trying to see if there are other areas of adjacency is in the semiconductor space, where you could look at cross selling some of our other equipment's.
Bhavik Shah:	What percentage of our order book will be coming from this?
Tarak Patel:	I think the size of Edlon today is about \$25 million. \$25-\$30 million, which two years ago was about \$10-- \$12 million. So, it's been a significant growth. Alex Thomas, you want to jump in?
Thomas Kehl:	In terms of the number that you're mentioning is quite right that about US\$25 million business, we expect this business to grow significantly further due to the investments that are done in the semiconductor industry in the Americas, but also starting in Europe right now. We are very proud of the quality and the purity of our PTFE that we are lining the tanks with is outstanding and we are number one in quality performance in that industry. We have in been investing in a new site, setting it up as we speak, having the capability to also provide all sizes that are needed, tanks, larger tanks, smaller tanks and mid-sized tanks to the industry and this is how we actually support the growth that we have for.
Moderator:	We have our next question from the line of Pramod Dangi from Unify Investment Management. Please go ahead.
Pramod Dangi:	Tarak, just on the international market, while we're going through the presentation, we show that there's a note saying that re-stated for the final value for the Mixel acquisition. So, is there any one-off in the profit after tax we reported for the international business over there of the just Rs.2 crores?

Manish Poddar: So, on Mixel this was acquired last financial year and as per the PPA allocation that has to be done, once the revaluation has to be done within 12 months, so then this quarter, we did that revaluation and accordingly there was intangible created and that's intangible as per the PPA has to be amortized in this quarter and therefore you have the one-time impact for the Mixel related transaction.

Pramod Dangi: So, how much would that be if you can quantify that.

Tarak Patel: Yes, about $1 million, I think.

Manish Poddar: Mixel will come probably next year. Mixel goes approximately $1 million.

Tarak Patel: But I think what you're asking, I think what Mr. Dangi is also asking is that there was a one-time charge for acquisition expenses. There has been a $1 million charge for acquisition expenses in this quarter, because we were working on a couple of targets and we had spent the money, there is a $1 million charge in this P&L as a one-time charge.

Manish Poddar: That is also there additionally.

Pramod Dangi: What we are comparing is the report on the slide Number 28, if I look at the like-to-like excluding the one-time charge, it will be more than 10 crores, right? We have not mentioned anywhere in the note.

Manish Poddar: You're talking about the distance from EBITDA to PAT, that's what you're talking about the international business?

Pramod Dangi: Yes.

Manish Poddar: So, one is the amortization of the Mixel intangible. That is what has happened. And the second one is the additional deferred tax provision that we had created in this financial year.

Tarak Patel: Also, both of these are non-cash.

Manish Poddar: Yes, both of these are non-cash.

Pramod Dangi: So, if you can quantify Mixel amortization, you said $1 million, what will be the amount?

Manish Poddar: We have given that as a note separately in the disclosure that we just filed for the financials; you have that number in that disclosure. Effective tax rate for the India and international business collectively stands at 27%. These are one-time adjustments on the count of new entity acquisition and related deferred tax creation.

Pramod Dangi: Second is how the overall environment is looking into the international market now? We were saying that there was some slowdown because international market was doing very well till last quarter year-on-year. This is the one quarter where we have seen the quarter-on-quarter de-growth in the international market, so where it is coming?

Tarak Patel: We actually put it and maybe give you a little bit of what we expect. I think international business will probably trade around the same kind of margins for the next financial year. We are quite confident of that. There are a couple of areas that we need to call out. China is definitely an area where order intake has been slow and we probably will face some absorption issues in China, but we expect the China recovery to happen, and we are planning for that. We are also doing a couple of restructuring exercises in Europe, especially in our UK side where we have restructured that site to become a reglassing facility. So, we've kind of reduced our cost structure there. In the meantime, we have also kind of started our journey of a low-cost source in Eastern Europe. So, that forced few orders have been placed to a local supplier there to cut down our cost in Europe. So, many of these strategies that we are building will hold and help us maintain margins if not improved. India also we are going to be working on transformation projects here. So, that's something that we are quite hopeful in terms of cost saving. But generally, in terms of environment, if you had to compare with 12-months ago, I would still say that we are probably looking at slightly a more positive outlook. However, are we out of the woods yet? I would say we still have maybe six or nine months before we see a complete turnaround. But the signs are positive and luckily for us, we've made-up some of the shortfall. We've been through the most difficult periods with a lot of help through other business lines like our heavy engineering business where we have catered to, let's say, the Adani group or the Reliance thing, which is completely different from our traditional markets of chemical and pharma, right. And then obviously, the services in the systems business internationally have also kept us and kind of made up for some of the shortfalls that has come because of the slowdown in the chemicals and the subsequent impact on the glass lining business. So, all in all, I think we've kind of made it through the toughest part. I think now that we have focused on internal cost control. I think we are going to be in a strong position to kind of get some of the benefits as and when the market was to turn. And starting the year today at with the Rs. 1,700 crores backlog is not a bad number, obviously, at the highest point in the last 2-3 years, if you check, it would have been around Rs. 2,200 crores, but that was a bit abnormal, the market was a fire, somewhere between, let's say, Rs. 1,800 crores to 2,000 crores would be a good number to start with. So, the focus is definitely on internal cost efficiency, at the same time we are being aggressive in the market, and I think if the market were to turn a little bit more positive, which we expect it will, I think there will be a nice uptick in the business.

Pramod Dangi: We have given this guidance two years back. Obviously, today the margins are lower, the revenue is in line, but the margins are lower. So, is there any color which you can throw on those guidance which we had given two years back in terms of the ROCE, EBITDA and the revenue? Revenue you know is not an issue, but especially on the EBITDA and the ROCE.

Manish Poddar: Of course, EBITDA Rs. 630 crores is a tough call at this stage for FY'25 for sure. We've done Rs. 477 crores. So, I think past two years we have been on track, but then of course with regard to the new scenario in which we are operating now that Rs. 630 crores seems a bit difficult. As Tarak mentioned, we have been focusing on cost optimization and getting after the tail as he mentioned earlier in his enumeration. And of course, ROCE is just an outcome of what you earn, so therefore it will tag along with the EBITDA numbers.

Tarak Patel: But I think we are quite confident of growing the EBITDA number for next financial year as well. I think we all are aligned. Obviously, it's been a tough year, but we have internal measures. We've already taken actions and we believe we are in a strong position to at least maintain or grow margins. So, the idea is to definitely grow. And the kind of, at least in terms of cutting down cost structures where we can and then make the improvements in terms of operational efficiencies, we will definitely work towards that.

Moderator: The next question is from the line of Pradyumna Choudhary from JM Financial. Please go ahead.

Pradyumna Choudhary: So, now that we are seeing growth in our order intake, like going forward, do we expect maybe another couple of quarters of YoY degrowth, or do we expect that from here on at least there will be some recovery in terms of YoY growth? And for FY'25 like I understand that you want to come back later with the guidance, but some initial idea on what can we expect in terms of revenue and like the hope would be more towards recovery in the second half of year, would that be the case?

Tarak Patel: Yes, do keep in mind that there is a minimum lead time associated with executing order and these lead times are different for both India and the international business. So, in India at least we can book order till maybe in November of this year that kind of gets shipped out in this financial year. In the international business I think it's a little bit shorter timeframe, so August would be the latest some of these orders to come in. Do keep in mind also the international business has 30% of services revenue coming in. These orders can come in as and when pretty much the end of the year. So, all in all, I think the international business is starting off with a pretty decent backlog. There are certainly areas where we have, I would say maybe shorter lead times and, in these facilities, we need to kind of be more aggressive and book those orders and that's what we are working on. But generally, in terms of guidance, I think it's better that you wait for the Investor Day. The strategic plan of the company is being worked upon. We had a board meeting today also where we have discussed this, and we will be coming to the external community with a presentation and a deck and our thought over the next three years and what we expect the company to be strategically three years down the line. So, I think just give us a couple of months here and we will come back to you. In the meantime, just in terms of general outlook, I think you can say that next year should see some amount of growth, both in terms of revenue and profitability and obviously that is a bit of a conservative and if things improve and improve rather quickly, then we could definitely outperform that. So, I think it's better to kind of be a little bit conservative at the same time and if the market turns then we will definitely take advantage of that.

Pradyumna Choudhary: Just to follow up here, so you mentioned the minimum lead time for India to be in November and for international to be August, this is for the new orders which are coming, you're saying like that's when you start supplying these new models?

Tarak Patel: So, what I'm saying is, if I book an order in November, I can still ship it out by March 31st in India. If I book an order by August 31st in international, I can ship it out by March 31st, that's what I'm saying.

Moderator: We have our next question from the line of Rahul Agarwal from Himalaya Investment Advisors. Please go ahead.

Rahul Agarwal: My question is more on the end user industries that we serve. Do you think that there is significant overcapacity that has built in into the end user industries, which would imply that the order inflow slowdown that we have seen over the last few quarters is likely to be a prolonged one over the next three, five years as you look at it or what sort of a growth rate would you expect from our core end user industries over the next three to five years?

Tarak Patel: I can give you some kind of maybe an idea in terms of what we are seeing. Predicting how these industries will kind of react would be a little bit difficult. But generally, let's break it down first into pharma. So, I think pharma we are already seeing a nice recovery. I think pharma looks good for the future and pharma has seen all the pricing pressure in the US also kind of reduced and I think people are investing now, we have good large investments coming in pharma. Some of our key customers have outlined projects and large projects. I think the contract manufacturing in pharma is also picking up and some of the companies that we are talking to are saying that, "Hey, listen, we want to compete with China and we want to put up these kinds of facilities and take them head on" So, pharma is not looking that bad. I think what has really hit us is chemicals and each chemical, basically agrochemicals which has seen a lot of oversupplies. I would not say over capacity, but I think there's been dumping over stocking which has caused some of these kinds of slow down, but the things like this can change very quickly. So, we're already hearing that now in the next couple of quarters, overstocking problem is going to kind of reduce and some amount of the business is going to come back. But do keep in mind there's always going to be competition from China and there was a lot of pricing pressure from the Chinese competitors, that's something that I don't know how exactly it will play out, but probably it's not something that is very sustainable. But all in all, I think if you ask me, I would say about nine months before we really see a significant change. So, I think the next couple of quarters look somewhat similar. You will see some improvements, but I don't think it will be significant. I think significant reinvestment will probably start maybe early next year.

Rahul Agarwal: Typically, what are the replacement cycles for existing capacity that your customers have like do these equipment's last 10 years, 20 years, how do you think of replacement cycles? And second from a longer range three, five years perspective if you have to take a guess on where would the CAPEX will broadly end up, would you say high single digits, would you say double digits, where would you put that?

Tarak Patel: So, I think first thing I just want to add before we kind of get into the first question is that as a Company and we deliberately try to diversify and take the risk away from our glass-lined business. Glass-lined business was nearly accounting for 80%- 90% of our business not so long ago, today, it's down to 50%, And also, chemicals and pharma were counting for nearly 80%, 90% of our overall business, that's also down to maybe 50%, So, as a Company and as management, we've been very clear from day one that we need to diversify both the product portfolio and the industries that we serve because having all your eggs in one basket, catering to only one or two industries is going to be kind of detrimental and very risky if those markets going to slow down, So, today I think we've been able to mitigate some of these risks and maintain our margin at a decent level because we've had in other businesses that have performed well when our glass-lined business has slowed down. So, I think glass-lined for us really the way that you should think about it is bread and butter business, we are market leaders, but that's not a high growth market for us, we're going to consolidate this position, try and improve margin with that kind of technology and really build on what we already have. The growth and the margin improvement in the other platforms is going to be much more significant, much more faster. These are smaller kind of businesses with high growth potential, low market shares where we can grow market share and many of these new products also cater to some of these new tech and new age industries So, things like we spoke about semiconductor or things like let's say mock meat. These are the things that we serve now. But these could be very significant markets in the future. So, as a Company, obviously, chemicals and pharma are our traditional industry and over time we hope that our kind of exposure to this, which would be reduced, and we have other industries that kind of make up some of the segments as well.

Aseem Joshi: To your specific question about replacements, it really truly does depend on the kind of application, the customers, maintenance cycles etc., But as a rule of thumb, in India typically you would see for our reactors anywhere between 7, 8, 9 years, some of the competition reactors of course need to be replaced much sooner. In Europe, they tend to be used more carefully, more sparingly, maintain much better. So, the life there tend to be a lot longer. But that's sort of how I would just say.

Tarak Patel: One more point here, Rahul, is also that do keep in mind that the Indian industry has seen significant growth, chemical industry has seen significant growth in the last maybe 10-12 years. This is when we started kind of supplying these reactors to the SRF's, PI's, Deccan's of the world. So, now we're reaching a point where these reactors are kind of aging to an age where they would either need replacement, re-glassing or spare parts, So, we do expect that the installed base with base, which is now quite large and has been there for the last 10-12 years, we'll start providing some kind of services or reglass revenue, we hope to do that. And we've been kind of being proactive and pre-empting some of this by setting up, let's say, service centers close to our customers, putting more of a kind of focus on reglassing and hopefully like in the international business, which is a much more mature market, they already see 30% to 40% of the revenues coming in from reglass and services, So, India currently is less than 10%. So, hopefully, there'll be a nice service in reglass component that could also kind of bump up and hopefully that kind of comes in, in the next maybe few years or even earlier than that.

Rahul Agarwal: In GLE side, if you can diversify away from pharma as well, I couldn't get the numbers, can you repeat what would be the end user industry composition broadly between pharma, agrochem and others on the GLE side and also on the non-GLE side?

Tarak Patel: 60 is chemical and 40 is pharma generally only on GLE. There's a little bit of dyes and stuff like that. And these are the two industry segments that we only serve. There's a little bit of paints and dyes, but it's not significant.

Aseem Joshi: Just to be clear, the industry segment breakup that Tarak alluded to was for the Company, not only for GLE. The glass-line equipment primarily goes into chemical and pharma with very few other applications.

Tarak Patel: So, just to finish up this point, 3-4 years ago if you were like 500, 600 crores of Revenue, we were 80% glass-line and today we are now half and half, So, we've diversified and let's say out of the 1,000 crores whatever odd crores that we are doing, 500 crores come from glass-line, 500 crores comes from non-glass line.

Moderator: We have our next question from the line of Rohit Ohri from Progressive Shares. Please go ahead.

Rohit Ohri: A couple of questions. During the year, we saw Thomas was busy cutting ribbons and inaugurating quite a lot of service centers or maybe revitalizing some businesses in Europe and US. How many of such events are still pending or do you think how many of these restructuring or revitalizing processes are there?

Tarak Patel: Yes, service is the big component, and we have kind of created a couple of service centers in our existing facility. So, we don't really take new facilities like we built a new service center in Mavag in Switzerland where we had a facility and we're just adding this additional kind of workspace. Similarly, in Brazil as well and in America. But I think there's one more that we added also now in Italy. But Thomas, we are also having another unit that we acquired 51% shareholding in the South of the US where we will be inaugurating that factory in July.

Thomas Kehl: We are having in the middle of July in the South of USA & Georgia, where we ended in a joint venture, we have built up a new facility together with a partner there and it's specialized in reglassing and service stations and so yes we will have another service station there and we serve the southern part of the US and maybe Mexico much better than the future than in the past, and this will help us increase further our service footprint.

Rohit Ohri: For the brand Mixion, by when do you think that it will be probably 50% of the total revenue?

Tarak Patel: It's very hard to say now. I think the target is we are currently around $40, $50 million of revenue in Mixing. I think the $100 million target is what we would like to achieve in the next three years or four. That's the plan. I think how that kind of fits into the overall scheme of things would be kind of difficult to guess, but I think if you had to take a number of $100 million numbers and like numbers to kind of make it a platform with enough scale and size to have a separate kind of focus for that platform.

Rohit Ohri: Do you think that it makes sense merging all the businesses, maybe IMSD, Mixel as well as MixPro?

Tarak Patel: Launching or relaunching, sorry. what was the question?

Rohit Ohri: Do you think that it makes sense merging all the Mixing business?

Tarak Patel: So, we have merged the business internally. We now have head of Mixing business that we hired, so we are giving it the focus that it deserves. We're bringing in the relevant capabilities and expertise and Mixing is definitely something that we are focused on. We are now consolidating the designs, the brands between all three, four of them and then creating a new go-to-market strategy for the Mixing business, that's underway as we speak. And I think Mixing is we all believe both Thomas and Aseem you can jump in here as well is going to be a very important part of our growth story.

Thomas Kehl: Mixing industry in total is a very large industry market that is bigger than the glass line. This is why we are so interested in participating in becoming a bigger player. And the acquisitions of the three companies over the years is giving us the critical math to play there. Technologies are in most cases adjacent, some are overlapping. So, there's a little bit of consolidation needed there. However, our main focus is on growing the business, growing the market share as fast as possible rather than consolidating.

Tarak Patel: There were two patents filed this quarter as well. I didn't mention that earlier in the Mixing space. So, we are also developing new technologies along with the Companies that we've acquired, to really be innovative in Mixing and differentiate ourselves from our competitors as well. So, everything is ongoing. It takes a bit of time, but Mixing is definitely a business line that is complementary. It's driven by technology and differentiate it and we're actually solving a problem for the customer, either you're bringing down in past time, its cost, it's quality of its product. So, there's a lot of tangible benefits for the customers that you can touch, and Mixing is something that has been a strong, strong growth driver for us in India for the last few years and now internationally as well.

Aseem Joshi: And just to clarify, these are two patents that have not been filed, but they've been issued, so they are now granted in the name of GMM Pfaudler. We had filed it quite a while back and it worked its way through.

Rohit Ohri: Tarak and team, if you can take us through Altilium and GMM Pfaudler joining forces to revolutionize the extractive industry and something related to acid recovery or something of that sort. If you can take us through that initiative?

Tarak Patel: Just I can, but it's basically working along with an engineering company to kind of prepare and kind of use our equipment and their kind of process technology to kind of go to the customer together and give them a combined offer, because sometimes as equipment manufacturers, we don't have the technical and process knowhow and these guys have it. So, they don't have all the glass line equipment and tangible stuff. So, we put it all together as one single package and we work towards in trying to of kind of extending our market outreach. So, it's a good position and a good place to be, but obviously we need to work together with them to go out and meet the requirements of the customers.

Moderator: We have our next question from the line of Jay Modi from EIML. Please go ahead.

Jay Modi: I had a similar question on Mixing technology. So, have we started approaching customers with the product and how are the underlying traction for us?

Tarak Patel: Sorry, we could not hear.

Jay Modi: So, I had a similar question on Mixing technology. So, how has been the traction for us, have we started approaching customers with the products, what is the kind of reception that we've received on ground?

Aseem Joshi: So, we've been selling Mixing in India certainly for a long time and Mixel and MixPro in international markets. After the acquisitions of Mixel and MixPro, we've been able to take expertise, previous track records and sort of customer credentials from there and use them to sell it to each of those markets. So, there are flue gas desulfurization, compressed biogas, just two examples where we've been able to leverage our broader network and previous work done overseas and take them to customers. And that's just an example, there are several other areas.

Tarak Patel: So, we at Mixing were mainly focused again on our traditional markets of chemical and pharma with the acquisition of Mixel and MixPro we have had obviously significant opportunity and order intake in new industries, for example, metal and minerals in the area where we didn't have a lot of kind of business and now we do work with the precious metals companies , like Vedanta and companies like that. At the same time, we were not there in wastewater, but that now with Mixel we've done wastewater kind of projects here in India and now we are dealing with Shapoorji Pallonji for certain kind of infrastructure projects as well and all the other ways of stuff that has gone out from India as well. So, India has been kind of a curve ahead in terms of fermentation. So, we've done a lot of work here on fermentation with companies like Aurobindo and a Virchow group in turn, now the same technology is now being kind of given outside if people need fermentation technology within the group, that's something. So, it goes both ways. But having previous track records, having experience and the way that we look at acquisitions we try and buy companies or look at acquisition targets which has the relevant experience which we don't currently have within the group. So, that's a little bit of kind of area that we want to enter new markets and by some of these experiences and previous track records that these companies have we get automatic entry through these acquisitions.

Jay Modi: The incremental growth that you mentioned reaching around $100 million of top line for Mixing is largely through international business or will be driven from domestic revenues as well?

Tarak Patel: Both. It's a global number. It will come on both. The manufacturing obviously can be pushed out to low-cost manufacturing. We don't need to have high-cost manufacturing, but yes, it's a global requirement that the market size that Thomas spoke about on the global market size and mixing goes into everything. So, you'll be supplying Mixing to Saudi Arabia for the Aramco plants. You're going to be supplying Mixing to cement factories in Southeast Asia. You're going to be selling wastewater to Vietnam and Australia. So, it's really a global plate. You could sell food and beverage things to net play in Europe or in Netherlands. So, it's really a global play. Everybody needs Mixing. And with the relationship and the network we have, we can definitely leverage the global network to sell some of these products and technologies. That's the idea and the growth will really come all over the world.

Jay Modi: In standalone business, what is the kind of capacity utilization for this year or for the quarter?

Aseem Joshi: In our glass line business, right now we're at about 65% thereabouts. In some of the other product lines, it's a little higher 70%, 75% or thereabouts.

Jay Modi: Glass line can technically reach what kind of utilization, 80%, 90%?

Aseem Joshi: So, there's a lot of things. Certainly, we can operate at 90% or so. Obviously, there's lead times become longer. However, there are a lot of times we can do to improve the throughput of our line, which is what we're currently doing. So, once the market comes back, we feel confident that we can certainly drive a lot more output from the existing assets that we have in Karamsad & Hyderabad.

Moderator: The next question is from the line Sarang Sanil from RW Investment Advisors. Please go ahead.

Sarang Sanil: Firstly, what was the reason for this gross margin expansion? Was higher services revenue contribution the sole reason or has the segment mix contributed to this?

Manish Poddar: You mean material consumption reduction?

Sarang Sanil: Yes.

Manish Poddar: So, the top line has degrown quarter-on-quarter, so which is primarily on the product side and the services are more stable so as is a natural outcome, so material cost consumption is better as a percentage and therefore you see the improvement.

Sarang Sanil: So, we could expect it to revert back to the normal gross margins once things start picking up, correct?

Manish Poddar: This is an exceptionally better raw material consumption. Once the mix is back, we should be back to the numbers.

Sarang Sanil: My second question was what all went wrong in this quarter versus our expectation, because we were way off from the Rs. 2,000 crores order book and India business was not better than Q3 either as you had expected. Was there any large project that got postponed?

Tarak Patel: No, I think for year perspective, I think we are on target. So, Q4 has seasonality. I think we've talked about this obviously in our last few conference calls. There is obviously cycle that there's a kind of increment cycle that happened in the international business in Q4 and also, I guess there were a few one-time costs this quarter. So, generally I think we are pretty much in line with what we had planned. I don't think there's any significant kind of surprise here. I think obviously the year has been a kind of a flat year and obviously starting next year at a better way, we would obviously be a nicer thing. So, I mean, there was no real need to kind of have an exceptional quarter this year. And I think with the order intake being much lower, even our execution has slowed down a little bit because we don't need to carry lead into the backlog, right. So, I think starting for next year again with the backlog that we currently have, order intake obviously is a bit low, we would have liked to have definitely more, but again, like I mentioned in a piece of a downcycle now main traditional industries of chemicals, I think we've done very well. I think the market will turn and definitely I think that all the intake would definitely be an uptick. But generally, the outlook also remains kind of positive, saying that yes, we do expect to improve both revenue and margin for next year. Obviously, it's not going to be exponentially better. I mean, the market still needs some time to correct and improve and we have to keep our head down and just make sure that we kind of keep the faith and keep working on the internal cost improvements that we've planned. We are being aggressive in the market. Some of these large orders have come in as well, which puts us in a stronger position. There are a few kind of areas which are going to be still tough for the long-term, like China will be rolled out, but generally I think it's okay, I think we are in a strong position today and I think if the market will return we will see some of those benefits flow through.

Sarang Sanil: Just to cross check one figure. So, you said Mixing revenue contributed to $40 million to $50 million for the year, is it?

Aseem Joshi: Yes, mixing today some of the three entities or three brands is about $45 million currently.

Sarang Sanil: Nearly 13% of the revenue.

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

Priyanka Daga: Thank you, Manav. 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 quarter. Take care and see you soon.

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