



“GMM Pfaudler Limited Q1 FY-22 Earnings Conference Call”

August 12, 2021



**MANAGEMENT: MR. TARAK PATEL – MANAGING DIRECTOR, GMM
PFAUDLER LIMITED
MR. MANISH PODDAR – CHIEF FINANCIAL OFFICER,
GMM PFAUDLER LIMITED
MR. ALEXANDER POEMPNER – CHIEF FINANCIAL
OFFICER OF INTERNATIONAL BUSINESS, GMM
PFAUDLER LIMITED
MS. PRIYANKA DAGA – GMM PFAUDLER LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to GMM Pfaudler Limited's Q1 FY22 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Priyanka Daga from GMM Pfaudler Limited. Thank you and over to you, Ma'am.

Priyanka Daga: Thank you. Good morning, afternoon and evening ladies and gentlemen. A very warm welcome to all of you into the Q1 FY22 Earnings Call of GMM Pfaudler Limited. On this call, we will be referring to the earnings presentation that has been uploaded on the stock exchanges, and also available on our website. I hope all of you had a chance to go through the same.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward looking in nature and may involve risks and uncertainties. Please note the disclaimer mentioning these risks is on slide number two of the presentation that was shared earlier during the day.

From the management we have with us our Managing Director, Mr. Tarak Patel; our CFO, Mr. Manish Poddar and our CFO of International Business, Mr. Alexander Poempner. Referring to the agenda given on slide number three, we will start the presentation with an overview of the quarter from Mr. Patel. Over to you, Tarak.

Tarak Patel: Thank you, Priyanka and good evening to all the participants. Let me just quickly take you through the presentation and give you an overview of both the India as well as the international business.

So, the India business has shown tremendous resilience, we have had a strong improvement in both revenue and profitability. Our order intake across all verticals remained very strong, especially driven by heavy engineering where we've had significant inroads made into the oil and gas and petrochemicals segments as well. We have also been very pleased with the Pfaudler international business. The turnaround is happening much before expectations and this has been driven by the turnaround in both Germany and China. Our Mavag business continues to outperform. The current backlog at Mavag is close to about 38 million Swiss Franc. So significantly higher than what it used to be and significant amount of order intake. In terms of the integration process, we are now completely handed over the whole integration process to our internal teams.

We are now working with the local geographies and local offices to extend the operational excellence, the cross selling and the low-cost sourcing models, so as to increase market share and profitability.

I am happy to report as well that you will see now some of the impact of the synergies coming into our bottom line as well. We are very happy also with the order intake which shows and gives us good visibility for this financial year. Our outlook for this year remained very positive not only in India, but also globally. Most of the Pfaudler facilities are now booked and now we are looking at adding CAPEX in certain areas so that to free up some capacity. We believe that the chemical and pharmaceutical market in these geographies in Europe and in the US, especially will continue to invest and we will see a lot of growth coming from there.

In terms of GMM Pfaudler standalone performance, even though we had some disruption due to COVID, our performance has still been very good. We are currently now running both Karamsad and Hyderabad at full capacity. The Vatva facility is kind of operational, we have two bays operational and we expect two more bays to come online shortly. We have ordered two new furnaces one for Hyderabad and one for Gujarat and we now believe that that will also help us free up some capacity and kind of have more capacity. Like I had mentioned to you we got a large order from L&T close to more than Rs. 100 crores worth of heavy engineering business from L&T for the oil and gas and the petrochemical segment, so that puts us in a very good position for heavy engineering and the great thing about this order it comes perfectly in time so that the Vatva facility which we have acquired, the new order will be manufactured there.

We have also been rated by ICRA a subsidiary of Moody's as AA minus/ stable/ A1 plus. Just to give you a quick update on the numbers in India the revenue grew by 31% Rs. 130 crores to Rs. 171 crores this quarter. EBITDA is up 80% Rs. 24.3 crores to Rs. 43.7 crores. The order intake has improved significantly up by about 120%. So, the order intake during this quarter was close to Rs. 290 crores. The current backlog compared to previous year same time has increased by 60%.

So, we have about Rs. 500 crores of backlog currently on our books here in India. Like I had mentioned to you it gives great visibility for the future. Quick update on the international business. Pfaudler International has shown improvement both in revenue profitability and order intake. Germany and Interseal are stronger with improved profitability and robust orderbooks. Germany obviously the facility there has gone from loss making to positive or close to \$1 million of EBITDA.

So, that is a significant improvement there. Mavag business, like I mentioned, has significantly outperformed. We recently received an order for 8 million Swiss Francs, the largest single order Mavag's history, taking their backlog to about 38.5 million Swiss Francs. Please bear in mind that this company's revenue last year was 15 million Swiss Francs. So, it has maybe double of its revenues already in their backlog.

Normag, Italy, UK, Benelux are also on track. We are seeing a strong recovery in the US. And we are now in the process of adding some capacity in Brazil so that we can cater to the growing US market. China also has turned around and has made a good start this quarter and has turned profitable. Again, slight improvement in execution is the focus there and then we also now have a commercial strategy in place so that we want to increase market share.

So international results. If we compare, I mean, obviously we cannot compare Q1 with Q1 of this financial year. But looking at proforma numbers, there is a 23% improvement in revenue, 29% improvement in EBITDA. Our order intake is up by 37% and order backlog is up by 31%. In terms of consolidated results, again, not including the PPA impact, which I will speak about in a little while. The revenue is up 257%, EBITDA up 80%, order intake is up 378% and then order backlog up 340%.

Again, not right to compare Q1 and Q1 because last year we did not have Pfaudler part of our business and this year we do but still it goes to show that there is improvement in all our products. In terms of the income statement, our numbers. So, like I mentioned to you, India standalone is Rs. 171 crores with about Rs. 43.7 crores of EBITDA, which comes to about 26% as a percentage of revenue. Pfaudler standalone is about Rs. 408 crores of revenue with about Rs. 40.6 crores of EBITDA, which is about a 10% EBITDA margin. So significantly higher than what we have guided towards and obviously, the final impact of PPA which is a minus Rs. 46.5 crores. So, if you look at it there is Rs. 43.7 crores of EBITDA coming from GMM standalone plus Rs. 40.6 crores coming from Pfaudler, which gives you about Rs. 84 crores minus Rs. 46.5 crores, which is a PPA impact. Again, it is a noncash impact. It is an accounting entry and this is the last quarter that the PPA impact will reflect in our books. So, from next quarter we will not have any further PPA impact. So, you can straightaway add this number back. There are some intercompany eliminations and hence we get a total of Rs. 551 crores of revenue and about the EBITDA of about Rs. 35.9 crores which is about 7% and then obviously PBT and PAT are negative and that is mainly because of the impact of PPA again noncash does not affect the cash flows and from next quarter again, it would not be there.

Just a quick update on integration efforts as well. We have made a good amount of inroads both in terms of operational excellence, value sourcing and cross selling. We are in the process of launching some products here in India. Similarly, we have used the Pfaudler network to sell Indian made products into European, US and Southeast Asian markets. We are also looking at implementing some of the manufacturing excellence project that we have had here in India to some of these global subsidiaries as well.

So, all in all we are quite happy with the performance especially of the international business which has turned around quicker than expected and with the backlog that we have in hand we expect this year to build on the momentum and really come out with a good performance this year. India obviously remains very strong. And we will build on the India performance and now with the new capacity coming in, the new Vatva plant also coming online, we expect the India growth story to also to continue.

So, with that I do not have any more points that I would like to make, and we will then open it to Q&A and answer any of the questions that you may have. So, thank you very much.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.

Amandeep Singh: Tarak, firstly on the domestic business, we saw a sequential decline of 10%. And you mentioned that it would be largely led by the COVID impact. But can you help us understand how would be the segment wise revenues stack up during the quarter between glass lined HE and PP for this standalone business? And how does this compare with the last quarter?

Tarak Patel: Sure. So, I would just kind of caution you in a manufacturing company Q4 is always a very big quarter for all manufacturing companies. So, it will be kind of unfair to compare Q4 with Q1. But in any case, yes, there is a slight decline because of COVID. But anyway, our Q1s are always a little bit lower. In terms of the breakup, I think Manish you can provide that.

Manish Poddar: So, I think we have stopped, we were now doing more technology, systems and services from a breakup standpoint. Because that is getting in line with the international business that we wanted to cater to. So, you just give us sometime, we will just come back later.

Priyanka Daga: If you look at slide number 14 of the presentation, that has the segmental overview which talks about technology, systems and services. So, on a standalone basis 91% of our revenue came from technologies business.

Tarak Patel: So, technologies again, just to clear your mind is basically any equipment that we manufacture. So, all our F&D, glassline everything will go into technology. After these, obviously the services part of the business, the spare part and then the systems is anytime be combined into a large kind of a complete unit.

Amandeep Singh: Sure Tarak, I got that point. But this breakout would be helpful if possible. Secondly, you mentioned about order backlog of CHF 38.5 million at Mavag. So, can you help us understand the delivery timeline for this? And how would this impact the domestic PP segment given the outsourcing?

Tarak Patel: Right. So, I think most of our PP segments here are now geared up for the capacity that we now send to Mavag. And obviously Mavag has been successful because they have a low-cost source here in India, which makes them much more competitive in the European and US markets.

But obviously, this number of CHF38.5 million is significantly higher than anything that they could do in Switzerland. So, we have two thought processes here. One is you are going to kind of free up some capacity in Karamsad by moving some of the PP work to Vatva because Vatva what we have seven sheds, right and we are not going to use all seven in the short term.

So, some production will move there, we will then have more space available for Mavag related work here in India and what we are planning to also do Amandeep is we are going to use the US now. US the Rochester Pfaudler facility is also kind of large and we will use that to finish some of the filtration drying work for Mavag. And we will use that to kind of free up some capacity as well. So, it is a three-pronged approach and obviously, we want to kind of increase revenue. If we have such a strong backlog, it is important that we kind of work as much as possible to make sure that we can kind of bring it down soon as possible.

Amandeep Singh: So Tarak, that was really helpful and one more if I could squeeze in. So, in the previous con call, you mentioned about coming back with the updated guidance, given the few acquisition, including HDO taken place. So, any update on that?

Manish Poddar: So, I think we are still some time away from that for firming up the strategy and long-term strategy and plan around that. So, give us probably a couple of quarters and then we will be able to.

Tarak Patel: But your question was more again around Vatva, right?

Amandeep Singh: Yes, I mean, so on the FY24 the consolidated guidance, which I guess you had mentioned, and given the better-than-expected turnaround happening and also including the Vatva facility, any updated numbers on that or we can wait a couple of quarters for that?

Tarak Patel: Yes, so Vatva to be honest with you, we have started up much quicker than expected. I was actually planning it in maybe in Q2 or early Q3, but because of these large orders that have come in, we need to ramp up and have the capacity available immediately. And that is why we have done that. But I think from a guidance standpoint, let these two quarters. This is the first quarter that we are consolidating fully. From next quarter, the PPA impact also goes away so you will get a true idea in terms of what the numbers are.

I think then maybe by six months, I mean, maybe six months in this calendar year, we will try and look at maybe if there is any requirement and how we are tracking towards the final performance. We will try and give you some kind of update on the guidance.

Moderator: Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Yes. I have a question with regards to the opportunity size, which you have mentioned in the annual report. The domestic opportunities coming to around Rs. 74,000 crores over FY20 to FY23. So we did around Rs. 640 crores of revenue last year in the standalone. So, how should we understand that how will this convert for us in terms of our top line over the next two-to-three-year period?

Tarak Patel: So, I would, the calculation that we normally will use as we continue to grow at a similar rate that we have been. Luckily for us, the glassline industry itself has been growing at a good pace with the investments coming in agrochemicals. specialty chemicals and pharmaceutical, we believe that this market will expand. So, we have a bigger market to kind of participate in and currently we have a market share close to 50%, if not more. So, that is the thumb rule that you can take. Having said that, we have also kind of entered into new markets such as oil and gas, petrochemicals, which are growing at much faster rate and also much, much bigger, right. So even a small kind of pie, there even taking maybe a few big orders means Rs. 200 crores, Rs. 300 crores of additional, the order intake.

So, I think you can either as a rule of thumb, India will continue to grow at a similar rate for the next few years that we have been enjoying for the last maybe few years. I think that is what you can hope for, and I think the markets are there, the investments will continue. From what we are seeing the pipelines and the kind of inquiries that we have on hand, we do not believe that either of these segments will slow or slowdown in the foreseeable future.

Dhaval Shah: So, this would include the PLI-led opportunity, or is it excluding this?

Tarak Patel: No. So, we are not really factored that in. If that comes in, obviously, that is a bonus whatever government policy, the changes that will happen that will promote further manufacturing here in India or more investment coming in, that would be just bonus on top of what we are currently calculating.

And obviously being bullish, that is why we have kind of acquired a new factory, so to free up capacity in Karamsad, and then adding two new furnaces. So, I do not see any reason why there should be any kind of slowdown in terms of growth when it comes to GMM Pfaudler standalone.

Dhaval Shah: And sir if I can ask one more question. Now, this is with regards to the expansion and the opportunity, which we see in the western markets. That you mentioned the Europe and the US. Now, there our product configuration will be premium to what we are selling in India, with regards like the similar portfolio, which we will be selling here, would that have some sort of premium edge to it?

Tarak Patel: See, in terms of the basic equipment is very similar. The glass that we use here in India, the same as the glass, they use there. Obviously, there could be more bells and whistles, their equipment might be more sophisticated compared to what an Indian buyer would buy.

But that is the only difference. But I mean, there is nothing that we cannot manufacture here that they are manufacturing. So that is the only difference. They do have some kind of smaller technologies in different glasses that we do not make here in India, but we can import it and kind of coat it over here.

But otherwise, there is no real change in terms of so that is why the idea of using India as a low cost source and maybe this is a good time to talk about some of the successes that we have had. We had a certain order in Spain, we had a certain order in Russia, where the customer would not have bought from Pfaudler because of the price points but now having access to India Pfaudler was able to sell Indian made equipment in the geography and get market share and at good pricing as well.

And similarly, we are currently working on a very large project in the US as well where we believe that the Indian made equipment will be a right solution for the customer there.

Moderator: Thank you. The next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.

Sandeep Tulsian: So, the first question is pertaining to the stable margin levels in Pfaudler International. As per your earlier guidance of that FY24 16% console, gave a back calculation of roughly around 12% to 13% margins, however, you deliver 9.5% in the current quarter, which has come in earlier than what you were expecting. So, would you think that these 12%, 13% margins can be further exceeded over a three-year period, or would you still want to maintain similar guidance for international business margins?

Manish Poddar: Yes, Sandeep, I think this is the first full quarter for Pfaudler International and probably a bit too early to say that this 9.5%, 10% EBITDA margins are more sustainable. I think we need to test this number for another two, three quarters and then probably so.

Tarak Patel: But Sandeep, I think, this jump in here and kind of add. If orders were a problem, we would have been a little bit more conservative, but the good thing is that order is already in. So, we are not scrambling for orders.

Now the focus really shifts to execution and if we can get the momentum going in the execution, there is no reason why these numbers are not only sustainable, but maybe even probably improvable. Or maybe Alex can jump in and kind of give you a little bit of color on the international business and what he expects the margin profile to be.

Alexander Poempner: Yes, happy to do so. Thanks, Tarak and Kiran. In fact, we are really happy with the performance of the international business and in fact, you are right we are doing better than we guided for before. From the margin perspective, this is especially driven by the faster turnaround of the German business and also other improvement measures we already see the results earlier.

So, the margin definitely went up and also in the future we see under the COVID crisis restrictions nevertheless, if this now comes more or less to the end, we also see push to the margins and other improvement potentials. So, we are really happy with the performance future date and also positive for the outlook.

Sandeep Tulsian: And the second question is pertaining to you mentioned in last conference call that there is a particular European country where you want to make a mark where low-cost products are more acceptable and Pfaudler does not have a share there. If you can update on that? And also, if you can parallelly give us the CAPEX guidance for this year? Those are my questions.

Tarak Patel: Right. So on the markets where Pfaudler is not very strong Danish market, some European, Eastern European, Russian markets, Southeast Asia, are areas that definitely India can be leveraged and we are leveraging India already.

China, obviously there is a good potential there to improve the Chinese business as well. We have now a factory which has double the capacity. So, we believe that China is definitely a growth area for us. So, these are the kinds of low hanging fruit that we have. In terms of CAPEX, there is a new furnace that we will be adding in Brazil, that is about \$400,000.

There is a good backlog now in the US and Brazil needs to ramp up because Brazil is a low-cost source for the US market and the US markets are investing. In India, like I mentioned to you we have already approved two CAPEXes for two new furnaces, one in Karamsad and one in Hyderabad. This was done last board meeting.

And besides that, we have no other significant CAPEX plans. So, I think this will put us in a strong position and then obviously moving the HE business out from Karamsad gives us that additional capacity in last line in Karamsad.

Moderator: Thank you. The next question is from the line of Utsav Mehta from Edelweiss AMC. Please go ahead.

Utsav Mehta: Could you just give some sense on the operating cash flows that you have done in this quarter and where the working capital at a consolidated basis would be?

Manish Poddar: Yes, so cash flows have been consistent, very healthy, although this is some investment increase investment in regard to inventory one due to the higher backlog that we have, order backlog and also, we need to safeguard ourselves on the back-to-back basis for the procurement of the steel prices.

And like Tarak mentioned earlier, the non-cash expense of Rs. 46.5 crores of PPA impact also get into the cash flow for us. So, we are pretty much in comfortable zone. Of course, in next quarter, we will probably be sharing the cash flow going forward.

From a debt to EBITDA perspective, so we have a debt equity ratio of one and the net debt to EBITDA on a consolidated basis as well, is at one. So, we are on an on at June end, we are very comfortable from a cash flow perspective.

Utsav Mehta: Okay, could I just request the gross the gross debt number? And the second part of my question, Tarak, this is the second quarter in a running that the standalone business is done close to 25% or 25% plus margins. Do you believe that this sort of a number is sustainable? Or is there some element of benefits of raw material prices or inventory gains baked into this, and therefore it should revert to 20%, 21% back again?

Tarak Patel: I do not think so I think that we can sustain these margins on two or three fronts. One is that we will add a significant amount of export business now that we are part of the Pfaudler network, and we are leveraging India. So, we will be doing a probably close to maybe 17%, 18%, 20% of export business every year.

That will definitely help the margin profile. Like I mentioned to you, we have also kind of ramp up our intercompany business. So, the stuff that we are going to send to Mavag because of their backlog will kind of increase as well.

And then with the Vatva facility and the large flow through of orders going through that I am sure there will be some absorption as well. So, I am not too fussed about profitability numbers for this year. In the glassline space, it is pretty easy to pass on these price increases to our customers because they buy raw materials all the time. Glassline is not the only equipment they buy, they buy stainless steel, they buy heat exchangers.

So, they take those metal prices into account when they kind of budget their expenditure. So, all in all, I believe that we can sustain these margins for this financial year.

Manish Poddar: And on the debt perspective your question Utsav, the gross debt, it is debt is at \$73 million. Cash in hand is \$30 million. So, net debt turns out to be at \$43 million on a global basis.

Moderator: Thank you. The next question is from the line of Jayveer Parekh from Sunidhi Securities and Finance. Please go ahead.

Jayveer Parekh: I just had a clarification question on the PPA. From next quarter the entire Rs. 65 crores will go away or just the changes in inventory, not the Rs. 46.5 crores?

Manish Poddar: This is Manish here. So, Rs. 46 crores goes off on the COGS side for the next quarter onwards. So, it was Rs. 92 crores, Rs. 46 crores in the previous quarter and Rs. 46 crores in the next quarter, in this quarter that is Q1.

So that is off. The amortization of intangibles which is at Rs. 18.8 crores this quarter will be Rs. 17.8 crores in the next quarter and thereafter, it will be Rs. 6 crores per quarter for Q3 and Q4 and thereafter, it will be at Rs. 5 crores, Rs. 5.5 crores per quarter.

Moderator: Thank you. The next question is from the line of Shanti Patel from Shanti Patel Investments. Please go ahead.

Shanti Patel: Sir, my question is taking into consideration all these factors, what will be the return on capital employed and return on equity as on 31st March 2022?

Manish Poddar: So, kindly appreciate that future guidance we will not be able to share with you, but currently we are running at ROCE of 16%.

Shanti Patel: But we have got more or less monopoly type of products, correct? The competition is not that much then return on capital and return on equity should be much, much higher than what it is?

Manish Poddar: So, from a margin standpoint, I think we have been running at 25% plus on the domestic markets. And now international business is there which does lower percentage per se, but then it gives us more dollars in the absolute terms.

So, we need to appreciate from that perspective that from a percentage perspective it may go down on a global basis. But in absolute terms, it is going to nearly double in coming quarters.

- Shanti Patel:** Sir, I will repeat. You told return on equity is 15% or return on capital?
- Manish Poddar:** Return on capital employed is 16%
- Shanti Patel:** And return on equity?
- Manish Poddar:** Return on equity I will have to check. I will come back to you on that.
- Tarak Patel:** But in terms of the coming back to our numbers, pre-acquisition numbers, we have targeted internally a three-year period by where the ROE and ROC will come back to those numbers. Obviously, there will be a little bit drop in these numbers because of the acquisition but a little bit of downturn, but at the end of the day, we are changing the size and scale of the Company. So, eventually once things settle down, we should be able to come back to the original numbers.
- Moderator:** Thank you. The next question is from the line of Shrinivas from Rockfort Consultancy. Please go ahead.
- Shrinivas:** In the PPT presentation, the page number 13; profit before tax is Rs. 18.1 crores?
- Manish Poddar:** Sorry can you please repeat?
- Shrinivas:** Rs. 181 million and the tax is Rs. 118 million?
- Manish Poddar:** Alex, would you like to jump into this? This is basically the additional tax provision that we had to make in this quarter in probably US and regarded the amortization. So, do you want to explain that?
- Shrinivas:** No, the profit before tax, the tax amount on Rs. 181 million profit, tax cannot be so high?
- Manish Poddar:** No, I agree that this is the deferred tax amount on Rs. 181 crores PBT, you are seeing a tax impact of Rs. 118 crores which is considerably higher vis-à-vis a percentages of average 25%. But that is where I am saying we had an additional tax impact on account of deferred taxation due to timing differences. And that is why I was just wanted, Alex, would you like to explain this further probably it is on the US and maybe on the amortization of the intangible differences, timing differences?
- Shrinivas:** Heavy tax provision will not be required?
- Manish Poddar:** On a consistent basis the tax impact would be approximately 25%.
- Shrinivas:** Okay. But in this quarter, it is more?
- Manish Poddar:** This quarter it is more on an individual in a country basis in US. There was some additional tax calculation difference due to the timing difference of the intangible amortizations.

- Shrinivas:** And my second question is, Tarak just mentioned that we have ordered two new furnaces one for Karamsad and one for Hyderabad. When do you any such the commissioning of the new furnaces?
- Tarak Patel:** So, Hyderabad furnace we should commissioned by Q4 so we should see some improvement in Q4 output in Hyderabad. And most likely Karamsad will be for Q1 of next year.
- Moderator:** Thank you. The next question is from the line of Amar Maurya from Alfaccurate Advisors. Please go ahead.
- Amar Maurya:** Couple of bookkeeping questions, I do not know whether you would be able to share that. So, what would be the India glassline revenue this quarter?
- Manish Poddar:** So, like we mentioned earlier that we need to change this segment that we have been reviewing, because Pfaudler has been monitoring technology, systems and services while the Indian entity has been reviewing bases the glass lining, heavy engineering and the PP divisions. So, we have decided that going forward, we should be reviewing basis technology, systems and services. Services being the aftermarket business gives us our separate monitoring.
- So, gives us the focus as well, which is the high margin area, which you will see in slide number 14, the International Business has got a substantial share, but the standalone business does not have that share. So that is the piece that we want to enhance. So, 91% of Technology Services, Systems have 3% and services of 5% on a standalone basis the segmental break down. And going forward, we intend to monitor the same segment.
- Priyanka Daga:** And for ease of use, maybe to help you transition to this new segmental breakdown, we have given the FY21 business segment the classification on page number 18 or slide number 18, where we have given our FY21 revenue breakdown. The traditional breakdown which you were used to how does that transition into technology services and segments. So, this will help you while the transition your estimates going forward.
- Amar Maurya:** Okay, but going forward now, this is the new standard, which we will be following it, right?
- Manish Poddar:** Absolutely, yes.
- Amar Maurya:** And sir, what would be the order book for Mavag?
- Manish Poddar:** Order book like Tarak mentioned, currently, at this point of time in August end or mid-August, we are at 38.5 million CHF order backlog.
- Amar Maurya:** Yes. But CHF 38.5 billion, right?
- Manish Poddar:** Million, 38.5 million Swiss francs.

- Tarak Patel:** That is by 70, whatever you do 70, 80 about Rs. 240 crores.
- Amar Maurya:** Okay. And sir, like about the capacity expansion, I believe our Hyderabad facility that 400 GL to 500 GL capacity would be operational by Q4, right?
- Manish Poddar:** Sorry, can you please repeat?
- Amar Maurya:** I am saying the Hyderabad capacity expansion when it will be commissioned? It will be commissioned in Q4, right, as per the plans?
- Tarak Patel:** Yes, it will be in Q4. But you will already see so this year, we started Hyderabad, we had a full year and we have started so the Hyderabad performance has been also excellent. And with this new and that is what we were really waiting for to really see if they can ramp up to a specific momentum, and then we can add more capacity.
- So, they have done that quite well. We have already broken all the records that the last company had kind of done there in terms of monthly output, number of units revenue. And by the time this new facility, a new furnace comes in by the end of this calendar year, we will then have ramped up of our fabrication capacity so that we can then have the additional output as well.
- Moderator:** Thank you. The next question is from the line of Raunak Vora from OHM Advisor. Please go ahead.
- Raunak Vora:** Two questions. Firstly, the employee cost in the Indian operations are increased on a YoY basis from Rs. 15 crores to almost Rs. 20 crores. Is it because of the Vatva facility?
- Manish Poddar:** So, there are two reasons for that. Yes, one is on the account of Vatva facility we have to hire upscale on the employee strength. A and B as you would expect we have the annual appraisal cycle going up. So, March versus April. So that that is the second reason.
- Raunak Vora:** Okay. Secondly, on a sustainable basis, what kind of tax rates can we see in the Pfaudler business? Current year you said that because of US, it was a bit higher because of intangible assets amortization?
- Manish Poddar:** 25.7%, we will take it as 26%.
- Raunak Vora:** 26%, for the Pfaudler business, correct?
- Manish Poddar:** For the Pfaudler international business.
- Raunak Vora:** And Tarak, one question for you. So currently the business is going fantastically for Pfaudler Inc with the whole order ramp up and everything. So how do we see the business turning out in the next three years? Can we say that at least it can grow 50%?

Tarak Patel: So, I mean, I do not like to commit on numbers right now. We are still kind of getting the hang of this business, understanding the business, kind of getting the momentum going. But I would just point to what we have done with Mavag, right. When we bought Mavag it was a \$5 million, \$6 million company in terms of revenues.

Today, it is closer to \$20 million and can ramp up to \$25 million. So that grown three times, four times, right. I think if we have the right strategy in place in terms of using and leveraging low-cost countries which we are doing already, we are looking to add and grow products that are profitable and our technology base which we are doing. And if we look at really improving the production on the site, because like I mentioned to you the orders are there, we are not worried about orders at all.

This is really a good situation for this company to be in because the last thing you want to do is to take over a company and then worry and scramble about scramble for orders that are low prices and low margins. That is not the case for us. We have a year worth of backlog across all geographies, the pricing and the margin profiles all look very good. So really the focus across all factories is really to get the momentum of manufacturing going and really push out as much product as possible.

If we can do that, I believe that this year, you will see a good amount of improvement. And we have been obviously conservative, and we are seeing things turn around much quicker than expected. But I believe that there is a lot more that we can expect from this company, there are a lot more synergies. And I am personally very pleased in the way things are growing and I think things can only look a lot better.

Moderator: Thank you. The next question is from the line of Vipul Shah from RW Equity. Please go ahead.

Vipul Shah: This one for Manish. What would be the net debt sitting in Pfaudler?

Manish Poddar: So, on a global basis?

Vipul Shah: No, I just want the Pfaudler?

Manish Poddar: It is Rs. 350 crores. That is gross. Rs. 148 crores each.

Vipul Shah: So Rs. 148 crores is the debt sitting in Pfaudler, and can you just share what is the net debt with GMM plus Mavag?

Manish Poddar: GMM plus Mavag we are at Rs. 178 crores.

Vipul Shah: So that is the net at GMM plus Mavag debt and Rs. 148 crores is the net debt at Pfaudler. Thanks.

Moderator: Thank you. Next question is from the line of Sandeep Tulsyan from JM financial. Please go ahead.

Sandeep Tulsian: Two questions from my side. One is the order book that you are sharing, I just want to check whether this constitutes only the technology piece, or that is also constitute the services piece also?

Tarak Patel: It has all orders. Obviously, it will be heavy on equipment because the services piece has much shorter lead times and there is still scope of booking more, but currently the order book that we are currently maintaining, and the group console order number is worth Rs. 1,700 odd crores right. Yes, Rs. 1,700 crores at the end of Q1 FY22 that is the group level order backlog.

Sandeep Tulsian: And a second question was pertaining to this Vatva facility. I mean, the Company that was operating this plant prior to you did look peak revenues as high as Rs. 800 crores, Rs. 900 crores. So, should that be the number that we should consider as peak output that this facility can deliver all the seven base are operational?

Tarak Patel: No. So, I think that number is wrong. The company that operated the last business had a maximum revenue of Rs. 200 crores.

Manish Poddar: In this plant. So, Sandeep, so this is only a plant being acquired so they may have other plants as well. So that number may be something different.

But like I think Tarak mentioned earlier that something like Rs. 450 crores or Rs. 500 crores of turnover is something what we can expect in the long run from Vatva facility. HDOT did Rs. 180 crores or Rs. 185 crores at their peak, but that was five years ago when the metal prices were literally less than half of the current prices.

Moderator: Thank you. The next question is from the line of Neelesh Meena, individual investor. Please go ahead. The current participant has left the question queue. The next question is from the line of B Surendra, individual investor. Please go ahead.

B Surendra: I want more information on our Vatva plant. The present status of the Vatva plant?

Tarak Patel: So, we have taken control of the Vatva plant a few months ago. We now have a team of people there. We have contractors in place we have also moved some of our orders from Karamsad to Vatva. So, manufacturing has started in full swing there. And over the next few months, you will see more orders coming into Vatva and we will be using the Vatva facility to manufacture more heavy engineering equipment.

B Surendra: I have one more question. What is our revenue in Mixture business in this quarter?

Manish Poddar: See like we have mentioned, we have stopped monitoring on basis the earlier segment. So, we may be talking about technology, systems and services again, and like Priyanka mentioned earlier, to help you transition, there is a slide number 18 in place to get to the new numbers or the new segments.

Tarak Patel: But having said that, I think all our product lines have a strong order backlog. One is not heavier than the other. That is why we have been able to maintain our profitability as well. So, across the board, we are booked now in Mixion, in proprietary and heavy engineering and in glass line. And that is why we have been able to sustain our profitability.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Tarak Patel: So, as I mentioned earlier, yes, the business looks very promising. The India Business obviously continues to do very well, a double-digit growth. And we have a very positive outlook for this financial year. With the new investments coming in, I think that puts us in a good position for next year as well. So, the focus will be obviously on execution, but also kind of building a backlog for the next financial year. Globally also like I mentioned, very happy and pleased with the turnaround much quicker than expected.

I think that will give a big boost to many of the people who are wondering how the Pfaudler international business would perform. And I think the only way now is obviously up. I think with the kind of synergy that we are going to work on that we are building in place, I think that we have a bright future ahead of us.

And obviously, you will see some of this kind of flowing through in the next few quarters, which will give you a much better idea in terms of how the businesses are performing. So, I do appreciate your time and thank you for logging on. And I look forward to talking to you again next quarter. Thank you very much.

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