



“GMM Pfaudler Limited Q4 & Full Year FY18 Earnings
Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the GMM Pfaudler Limited Q4 & Full Year FY18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Diwakar Pingle from Christensen IR. Thank you and over to you, sir.

Diwakar Pingle: Good afternoon to all the participants on this call. Before we proceed to the call let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our business phases that could cause a future result performance or achievement should differ significantly from what is expressed or implied by such forward-looking statements.

Please note that we have mailed the results and the press release, and the same results are available in the company's website. In case you have not received the same, you can write to us and we will be happy to send the same.

To take us through the results and answer your questions today we have the top management of GMM Pfaudler represented by Mr. Tarak Patel – Managing Director; Mr. Ashok Pillai – COO; and Mr. Jugal Sahu – The CFO.

We will start the call with a brief overview of the quarter and the full year gone past and then we will conduct the Q&A session.

With that said I will now handover the call to Mr. Tarak Patel. Over to you, Tarak.

Tarak Patel: Thank you, Diwakar. Before I proceed I would just like to give you the way that we will be sharing the highlights. We will talk about Q4 first and then talk about FY18 both on a standalone basis and then I will give you the consolidated numbers for FY18.

So talking about the quarter, we had a pretty strong quarter and a good finish to the year and our revenue quarter-on-quarter, year-on-year grew at 11% which was Rs. 87.9 crores this quarter versus Rs. 79.4 crores previous quarter same time last year. And quarter-on-quarter it grew from Rs. 79.2 crores to Rs. 87.9 crores.

EBITDA is up by 35% YOY Rs. 14.4 crores versus Rs. 10.7 crores in the previous year same period. And 17% over previous quarter which is Rs. 14.4 crores versus Rs. 12.3 crores in the previous quarter. EBITDA as a percentage of revenue grew by about 4% when compared to previous year which was 13% and in this quarter, it is 17% and QOQ it grew from 15% to 17%. PBT is up 45% year on year Rs. 14 crores versus Rs. 9.5 crores same time last year and 28% QOQ which is Rs. 14 crores versus Rs. 10.9 crores in the previous quarter.

PAT is up 14% YOY and QOQ it is up from Rs. 7.4 crores to Rs. 8.4 crores. On a standalone FY17 full year basis revenue has grown at 17%. We ended the year at Rs. 312 crores versus Rs. 266 crores previous year. Our EBITDA for the year is up 14% Rs. 46.2 crores versus Rs. 40.7 crores in the previous year. And EBITDA as a percentage of revenue has remained the same at 15%. PBT is up 16% over FY17; Rs. 43.9 crores versus Rs. 37.8 crores and PAT is up by 9%.

On a consolidated basis, as you know we consolidate the numbers once a year at the end of year which includes the subsidiary Mavag revenue grew by 15%. So we are now Rs. 400 crores company so Rs. 405.7 crores is what we close as a company on a consolidated basis versus Rs. 353 crores the previous year. The EBITDA is up 31% over previous year which is Rs. 62.1 crores versus Rs. 47.5 crores the previous year. And EBITDA as a percentage of sales has improved by 2% on a consolidated basis 15% this year versus 13% in the previous year. PBT is up 38%, Rs. 60.7 crores versus Rs. 44.1 crores and PAT is up 37%, Rs. 42.7 crores versus Rs. 31.2 crores in the previous year. Just to give you a little bit of business outlook.

We are quite positive of the coming year FY19. Our order backlog is strong for both GMM Pfaudler on standalone basis as well as for our subsidiary Mavag. We have some initiatives that should bear some fruit in the coming years. That will help improve the profitability and as we grow revenue and we ship out more and more, there is more absorption of our fixed cost which should definitely help improve the profitability as well.

So having said that I will open it up for questions and thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Rohit Chawla from Axis Securities. Please go ahead.

Rohit Chawla: Firstly, my question is related is to glass line business. So I think this quarter we have registered a good 30% growth in the glass line business. So I think that is a very good number for us. So what is the capacity utilization currently for the entire year?

Tarak Patel: I would say that we have utilized about 80% of our capacity. Not sure if you were in the earlier conferences but we ran a throughput improvement initiative last year which we just concluded at the end of the year which is January. We are seeing a lot of improvements in our manufacturing processes, the efficiency improvements and going forward I believe that we can continue to grow our glass line business and improve the output.

There are some small internal changes that we are making which should further improve this output as well and lastly, we have also commissioned our new gas furnace in February. In the last 2 months we have used it to the full extent. We believe that it will give us lot of improvements in profitability going forward.

- Rohit Chawla:** How many vessels have been manufactured in this year as compared to the previous year?
- Tarak Patel:** So there is an increase of about 20%. But we now do not count one vessel as one unit. We have a new methodology of calculating the vessels which is more based on efforts. So we call them Equivalent Units. I think that is the term we will be using going forward. Equivalent units (EUs) are determined on the basis of effort and not only quantity.
- So it is about the efforts that the factory puts in and the difference there would mean that equivalent units would, more equivalent units would mean more revenue. So having said that we did 1,220 equivalent units last year and this year we did about 1,530 or so an improvement of about 20% and going forward we expect to cross 1,800 in the coming year.
- Rohit Chawla:** Okay. So in terms of heavy engineering as priority business I think quarter 4 we saw a dip in the heavy engineering business. So any reasons for that because in the first three quarters we had showed some good 20% increase in heavy engineering and last quarter I think there is a big dip. So any reason for that, sir?
- Tarak Patel:** Yes, so there was a large order that we had got from Toyo, so there was a delay in supplying that because of some internal issues. But that has completely been dispatched now and we will see the growth coming back in heavy engineering. So it is more of an internal issue and there was a backlog which we had to first complete before we could bring in new business.
- Rohit Chawla:** So the revenues from this Toyo order will be reflected in Q1?
- Tarak Patel:** So Toyo order has been completely shipped out as well but because of that we could not book orders. But now in the coming quarters we already have a backlog of which will come into the first 2 quarters.
- Rohit Chawla:** Sir, In terms of proprietary business I think Mavag has posted great numbers I think in terms of top line it has done close to I think Rs. 90 crores, Rs. 95 crores and in terms of EBITDA margins it has also increased. So what changed in Mavag and what is the outlook forward for Mavag?
- Tarak Patel:** So Mavag also is doing quite well and as I had mentioned in my earlier calls Mavag needs volumes, so what they have been able to do is they use GMM as their sourcing hub for them which has helped them improve market share and grow their businesses in Europe and in the US. So they have been quite successful in that. They have been able to maintain the cost and their competitive cost structure because of sourcing from GMM.
- And they have been able to increase their market share and once they cross their break-even point a lot of the contribution that, I mean about 50% contribution flows through so that is the improvement that we are seeing. So with any additional revenue the contribution margins will continue to remain the same and that will all flow through to the bottom line.

They have also reduced a couple of people which has made them more competitive and more profitable but going forward growth is an area they want to focus about, so they might need to hire a couple of sales people so that they can further penetrate the market. And besides that they have a strong backlog as well. As I mentioned, the next year for them also looks quite positive.

Rohit Chawla: Sir, in terms of exports I think Q3 our exports were almost reached 14% and we had received one more order of Pfaudler. So how does that stand on a year basis? So the revenues for FY18 how much does part of our exports contribute?

Tarak Patel: So export has grown this year both in terms of shipments and in orders. We will see some of the orders bearing fruit in the coming quarters but exports have been a push for us. It is finally bearing fruit. Our business partners in Pfaudler has been using their relationships in Europe and US to bring orders to GMM. So that is something that definitely we are quite excited about. And going forward I believe that exports will grow. It has grown compared to previous year by about, 4%.

Rohit Chawla: So percentage points or percent?

Jugal Sahu: Currently we have 10% as exports out of the total revenues.

Rohit Chawla: Okay 10% exports. And we expect this to go to 15%, 20% in the next 2 to 4 years?

Tarak Patel: So that is in the next few years. Yes, in the immediate future at least by 3%, 4% percentage points.

Rohit Chawla: Okay and the export constitute both glass line and non-glass line, right?

Tarak Patel: Yes, both.

Rohit Chawla: Okay. And one last question. Have you thought about to quantifying the order backlog since we have discussed that I think from year on this year on you will be quantifying the backlog?

Tarak Patel: Yes, so we have not really thought about it. But this being the Q4 meeting definitely we cannot. But Q1 meeting we can probably give you more information. Having said that it is definitely higher than the previous year opening backlog. It is less than about 50%. So it is a good starting backlog definitely where we wanted to achieve the targets that we set ourselves for the year.

Moderator: Thank you. We have the next question from the line of Anupam Goswami from Stewart & Mackertich. Please go ahead.

Anupam Goswami: Sir, in the previous call you said that your vessel target for FY18 would be 1,800 in your previous way of calculating. Did you achieve those targets?

- Tarak Patel:** I think 1,500 equivalent units would be around 1,800 units but this is the most scientific method of calculating where you can really put the effort rather than just the unit quantity of a vessel. So I think if you had to compare the two numbers I think they will be pretty similar, yes.
- Anupam Goswami:** And going forward you are saying may be in FY19 it is going to cross 1,800 equivalent units, right?
- Tarak Patel:** Yes.
- Anupam Goswami:** Okay. Sir, another question is that the gas furnace that has been commissioned recently how much saving in power cost has been done? Like how much we can expect going forward?
- Jugal Sahu:** So the typical operational cost efficiency is about 50%. We would spend half of the cost incurred in an electric furnace. So that will improve about around Rs. 2 crores of operating expenses.
- Tarak Patel:** But I think it is important to understand here that all the incremental output that came or the improvements that came last year I mean this financial year we did not have the gas furnace. So whatever extra vessels that we made had to go through the electric furnaces which had a cost structure attached to it. Going forward now we do not need to use any of the electrical furnaces, so that the additional output when we jump from 1,500 equivalent units to 1,800 equivalent units will all come through the gas furnaces. So the cost structure of the gas furnace as I mentioned is definitely much more competitive than the electric furnace.
- Anupam Goswami:** Alright. It will definitely benefit you guys in the comparative basis because your pricing and margins will obviously expand?
- Tarak Patel:** Yes, you are right. So margins will expand but we being the market leader, you know we set the price point so pricing is one aspect of it. But since the markets are booming and the orders are out there pricing is something that we do not really have to worry about right now. But you are right, we are more competitive today than most of our competitors.
- Anupam Goswami:** And sir, if you can say a little bit about the growth from the industries that you are getting like how much growth you are getting from pharma and how much from the chemical?
- Ashok Pillai:** So unlike the previous year, last year the pharma had taken a dip and was more than supplemented by the chemical industry. The chemical industry revenue was, specialty chemical was something like 29%, agrochemical was 20%. That accounts to 49% of the market share as against and pharma was only 31%. In FY17 pharmaceutical was 40% and the chemicals and agrochemicals was much lower. It was only 75%.
- Tarak Patel:** So agrochemicals and specialty chemicals have been the driver for growth and this can be seen for the last 6 months or so. We expect that to continue with the crackdown in China as well. Lot more products have been manufactured here. But we also see that pharma will pick up. Recently

we read that the environmental clearance for pharma city in Telangana has been given and as the pharma companies reinvent themselves they are sorting out their FDA issues and the issues related to their warning letters. So there will be a revival in pharma in the coming and hopefully that will be in the next few quarters.

Anupam Goswami: And sir you mentioned about in heavy engineering business that order large order from Toyo. That has been totally cancelled or shifted as you mentioned that you had shifted? What do you mean by shifted?

Tarak Patel: No, it took a little bit longer because the vessels, we had something like a total of 54 vessels of large size, I do not think we were geared up because this is the new business that we were getting into. So it just took a little bit longer, a few months longer than what we had expected it to be completed in. So during that extra few months we could not book any additional business because our shop floor was full.

Having said that, the order is completely executed, shipped, everything is done, Toyo is very happy with the supplies as well and now we have capacity available where we are going out and getting the orders which we should start shipping out in the next few quarters.

Anupam Goswami: And the revenue from TOYO that has been reflected in Q4 or is it pending?

Tarak Patel: No, it is already been reflected in Q3 and Q4 of this year.

Anupam Goswami: Okay. And going forward again it will become your most growing segment?

Tarak Patel: Having said that glass line is also growing, our proprietary products are growing so all our product lines are growing. I do not think that we have a specific product line we want to grow as a company as well. So all our product lines are growing and I would not like to pin point one. So we have focused on heavy engineering obviously has a much larger market that is untapped. And there is a requirement for good producers like ourselves.

And there is a lot of help coming from the Pfaudler network as well. So if we can choose the right size of business, the right materials, exports I think this can be a business that can be really good for us in the long term.

Anupam Goswami: Sir, my last question would be you mentioned your export revenue is around 10% of total revenue. I just want to know how much margin difference is there from the export and domestic revenue?

Jugal Sahu: The margin is probably twice that in exports compared to domestic.

Moderator: Thank you. The next question is from the line of KU Shah from Emkay Global. Please go ahead.

- KU Shah:** Can you give me your guidance about your order book?
- Tarak Patel:** So order book we did not give any guidance. We said it is much stronger than it was at the same time in the previous year. And backlog is important for us in terms of what we end up doing for the year. So we are quite positive that we will hit the targets that we have planned with the current backlogs that we have.
- Moderator:** Thank you. The next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.
- Dhruv Bhatia:** My first question was on you were planning to build a team in Europe to grow the business, so any update on that?
- Tarak Patel:** Yes, so good question because we just finalized a person yesterday. We got approvals so we are working on a contract right now. And that person should join us by may be the last week of June or 1st week of July. So, yes we have gone ahead and got that sorted out and that person will be helpful in growing our heavy engineering business in Europe and around there.
- Dhruv Bhatia:** And this year you have done almost 17.5%, if I just do consolidated minus standalone, Mavag has done almost 17.5% EBITDA margin, I remember that you had some one time pension expense. So is this number of 17.5% sustainable or what will the number to work with?
- Jugal Sahu:** 15% to 17% would be ideal number to work on. Last year we had about 1.5 million CHF which was provided as a pension liability for past years. So current year numbers are sacrosanct can be used for future analysis.
- Dhruv Bhatia:** But with Mavag growing faster, this can improve right? Because you are going to be outsourcing all the Mavag work into GMM India, standalone level that should add on to profitability. Is that a fair assumption?
- Jugal Sahu:** Beyond 10 million of Revenue, the margin levels are high as far as Mavag is concerned. So around 10 million we it actually break-evens, thereafter the contribution levels are like 40% to 50%.
- Dhruv Bhatia:** I understand that you have grown your order book by 50% over last year. Could you just share a number of how the order book would have grown just from Pfaudler, the parents company's order coming to GMM India?
- Tarak Patel:** No, it is not large. It will be miniscule. So I think most of these about 90% of our order book would be local domestic related equipment. There is some amount of work that has come through the Pfaudler sales network but nothing directly from Pfaudler. Pfaudler was buying vessels from us, that they will continue to do but these are not significantly large numbers that I need to speak about here.

Dhruv Bhatia: But are you expecting any growth from?

Tarak Patel: See the Indian domestic market itself is quite strong. We have this large backlog, sometimes you know meeting the customer requirement in terms of the delivery itself is bit of a problem for us. So right now it is a good problem to have and we are not depending really on Pfaudler to give us additional work right now, because if I take work from them I will have to substitute some domestic business which I do not want to do.

So having said that if they need something we are always there for them and their quantities anyway would not be significant but most of the demand for glass lines at least will come from the domestic. Some part exports but mainly domestic markets.

Dhruv Bhatia: I missed one point where you mentioned your mix of pharma was 31% and specialty agro I missed those numbers. Could you just share it again please?

Tarak Patel: So usually pharma account for about 50% of our business when I talk about glass line per se. This year glass line 60% is coming from Agro and Specialty chemicals and about 30% is coming from pharma. So there is a big change that has happened. The big driver for our growth has been Spec chem and Agro Chem. Companies like PI Industries, SRF, UPL, Gharda have all been investing which has resulted in increased business from us. Having said that pharma should pick up in the next few quarters and we are quite positive that it will.

Moderator: Thank you. The next question is from the line of Nikhil Mathur from Ambit Capital. Please go ahead.

Nikhil Mathur: I just had a few questions. In the domestic glass line business, you are now running at 80% utilization levels. So is there any time soon probably in FY19-FY20 where you would realize that where you are running out of capacity and you might have to put in some CAPEX to uplift your capacities?

Tarak Patel: Right, so we have been thinking about this. I think right now for the next 6 to 9 months we are okay. I think after the next, maybe sometime in Q3 or early Q4 we will take a call on what needs to be done. Having said that the investment will not be significant, it will just building a fabrication base so that we can fabricate more.

But in terms of all the other work centers we are quite okay, we have enough furnace capacity, we have enough final assembly capacity. The only place that we need to add or invest is fabrication which is not significant in terms of size and it can be done quite quickly as well.

Nikhil Mathur: Okay. In terms of your subsidiary Mavag, are you kind of hitting peak sales anytime soon from that particular subsidiary that you might have to incur some CAPEX over there as well?

Tarak Patel: Not really. But I think the current capacity will be around 20 million, so we have a way to go. Having said that, they can outsource more to India and reduce the activities that they have their and end up being like a finishing kind of a shop but they still have a time to go. So I do not think there is any CAPEX is required at this point.

Nikhil Mathur: Okay, in terms of growth in heavy engineering business, I would treat this TOYO thing as a one off thing but what are really the growth drivers that are likely to hold this business in FY19 and FY20? Are there any other end markets that you are targeting, or you are seeing orders from?

Ashok Pillai: So the end market for us has been our traditional customer base basically chemicals, specialty chemicals, Fine chemicals, Agro chemicals. We are also having some amount of exposure to the petroleum, oil and gas and the fertilizer industry. Those markets are still very large compared to our appetite. And we think that those markets and even the new materials of construction that we are looking at and we are getting ourselves qualified for will give us the markets that we need.

Nikhil Mathur: Alright. And one final question. Apart from the electric furnace higher cost that you realized in FY18 are there any other costs that can be treated as one offs in FY18? If I remember correctly I think there was some consulting cost as well that are unlike to recover in FY19.

Tarak Patel: Correct. So there was a large cost that was a onetime cost which was for our consultancy program for one of the throughput improvement project so that is a onetime cost and it will not be recurring in the coming quarters.

Nikhil Mathur: And what was the magnitude of that cost?

Tarak Patel: It was about Rs. 4.5 crores.

Nikhil Mathur: Okay. So Rs. 4.5 crores plus Rs. 2 crores of cost savings are likely to not recur in FY19?

Tarak Patel: Yes and we are also looking at you know, as we continue to grow we want to extract some more profitability from the systems. So we are looking at becoming more efficient, you know there are lots of wastages that happens. We are trying to strengthen those areas and look at reducing any wastages. So overall you know I think there is a good scope of improving profitability as we continue to grow.

Moderator: Thank you. The next question is from the line of Prashant Hazariwala as an individual investor. Please go ahead.

Prashant Hazariwala: I just have one question like what kind of CAPEX we are seeing in 2019?

Tarak Patel: So we have a standard CAPEX that we do, we spend about Rs. 10 crores to Rs. 12 crores every year on CAPEX. So we will add new machinery there is some areas which need to be

strengthened. Our factory is old so we need to improve and upgrade some of the systems, electrical systems, gas lines and things like that. So that is what we spent money on. We recently implemented new ERP software so that was an expense as well.

That will need some we will have to stabilize that as well so some money will be spent there. But we continue to improve our facilities as well, upgrade the facilities, add new rolling machines, welding machines, polishing machines. But there is no major CAPEX in terms of anything one cost that is huge but the normal CAPEXs will continue.

Prashant Hazariwala: One more question is like steel prices are increasing right now so how it will impact our profitability in heavy engineering?

Tarak Patel: In heavy engineering of course we do take each projects based on the current prices of steel at that point of time. So they are pretty well covered for that cycle of the order. In glass lined equipment, there is a slight lag where we have the orders in advance and then we have changes just tried to reflect the current steel price. So in heavy engineering is very well covered.

Moderator: Thank you. The next question is from the line of MS Arun from Capital Markets. Please go ahead.

MS Arun: I missed that utilization rate. What is the current utilization rate for the glass lined equipment?

Tarak Patel: First of all 80% is where we are now. So we can add another 20% without doing anything by just some of the improvements that we have made; 20%, 25% can be added to that.

MS Arun: So we will be planning to shift the production part of the production to the new gas furnace. What will be the savings in power and fuel cost per annum?

Tarak Patel: So per annum, I think our CFO just mentioned that will be about Rs. 2 crores per annum if we push all the incremental production through the new gas furnaces.

Moderator: Thank you. The next question is from the line of Amit Soni, as an individual investor. Please go ahead.

Amit Soni: Sir, what is the kind of growth we are expecting from Pharma City and how much time is it expected that the orders would start coming since we have got environmental approval and it should take another 6 months?

Tarak Patel: Yes, I think six months is the right period before at least the enquiries start coming in but I know that lot of companies some of our big customers have already allocated and have agreed to move to Pharma City. So if they bought the land there they have already tied up with the government they will have to they put up the plant. So I think six to nine months you will see a lot of traction coming from Pharma City.

- Amit Soni:** So as a follow up question. We do not have CAPEX plans for next nine months?
- Tarak Patel:** No, we have the standard CAPEX. We spent about Rs. 10 crores. So that is there. There is no major item in CAPEX for the next nine months.
- Amit Soni:** So the expectation is we are not seeing the demand for next one year since we are not starting on CAPEX?
- Tarak Patel:** No, the demand is there but the demand can be filled with an unutilized capacity. So we have the capacity to cater to the demand for the coming year to grow at about a 15% CAGR we have the capacity available.
- Moderator:** Thank you. We have the follow up question from the line of Rohit Chawla from Axis Securities. Please go ahead.
- Rohit Chawla:** Sir, I think we have a cash of around Rs. 66 crores, Rs. 67 crores on our books. So any plans how to utilize that cash or any acquisitions or anything?
- Tarak Patel:** Yes, we do have to plan however we are not in a position or we are not in a situation where we can confirm that we found anything that is worthwhile but we are looking and hopefully in this year may be we can come with a proposal which definitely add business that will help us diversify or increase our market reach or expand in the new markets or add new technologies. So that is something that we always looking at and if something comes around that appeal to us we will definitely go and try our best for it.
- Jugal Sahu:** Just to correct you, our current investments are also part of our liquid cash. So cash balance would be about Rs. 66 crores plus Rs. 50 crores.
- Rohit Chawla:** So in terms of our client concentration percentages so who are our major clients and what is the highest percentage contribution on a client?
- Tarak Patel:** So our big clients are our top 5 clients for the year would be SRS, UPL, PI Industries, Gharda would be big, Deccan Fine Chemicals. The obviously Toro gave us a very large order but that is a onetime order for a petrochemical plant. The MSN Labs, Divi's Labs these were we have our major customer who can seamlessly give us the business year-on-year.
- Rohit Chawla:** And what is the highest contribution by one client exceeding 10%, 15%?
- Tarak Patel:** No, I think the maximum would be about Rs. 25 crores to Rs. 30 crores from one client, 10%. So we will have about 5 or 6 of such clients. So you can say that may be the top 10 would account for may be close to 30%, 40% of our total revenue.

- Moderator:** Thank you. The next question is from the line of Nikhil Mourya as an individual investor. Please go ahead.
- Nikhil Mourya:** I had one question pertaining to the industry, the glass line equipment industry. What will be the capacity?
- Tarak Patel:** You mean the Indian domestic capacity?
- Nikhil Mourya:** Yes, volume wise?
- Tarak Patel:** So we have a market share of let us say 55% and our top-line number was at 220. So about a Rs. 400 crores, Rs. 450 crores, would be the Indian glass line market.
- Nikhil Mourya:** And sir, are you seeing a scenario where our competitors are also expanding because we are seeing very good growth scenario?
- Tarak Patel:** So some of them are thriving but you have to understand that reaching a certain amount of volume is easy but then after that we need significant investment both not only from a factory point of view but your processes and systems point of view. So to get you a 50 number, 50 units per month it is quite easy but any incremental growth after that takes a lot of effort and work.
- So even though they might think it is easy they might add capacity but on a systems and processes your planning, your engineering, your dispatch, your quality standards all have to be also impacted in which I do not believe that they have been doing. But having said that I do not see any of them expanding in such a large way that it is going to worry up for at least in the next year.
- Nikhil Mourya:** And sir, you mentioned earlier in the call that GMM has the price sector in Indian market. So we are seeing a scenario where demand is cost outpacing your supply. So are we planning to take price hikes are we planning to charge a premium so that just that because of the scenario where it supporting it?
- Tarak Patel:** Obviously we will be looking that as one of the strategies that we want to adopt in the coming period.
- Nikhil Mourya:** Okay so that would help improvements in the margins, right?
- Tarak Patel:** I think if you look at our last few quarters you will see that already taking place because the demand has been booming for the last six to nine months and you will see that we have been able to pick and choose the orders that we wanted and that showing in the EBITDA numbers for Q3 and Q4. You have seen some significant improvement in that.

Moderator: Thank you. We have the next question from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.

Dhruv Bhatia: Sir, just to understand the order book the visibility in the last call you had mentioned you had till Q2 FY19. Is it now do you have order visibility for FY19 completely?

Tarak Patel: No, actually that would not be a good situation. So I think it is a little bit more than Q2. We are definitely for Q2 we are strong and may be slightly more than that, a few months more than the Q2.

Dhruv Bhatia: When you mentioned that equivalent units growth will be from 1,500 units to 1,800 units that is a 20% growth. Will it fair to say because you said it is adjusted for value also so the revenue growth assuming the prices of raw material being stable, it should also be the same?

Tarak Patel: Yes.

Dhruv Bhatia: And what about the other two segments with the proprietary and heavy engineering so the overall company do you expect higher growth than 20%?

Tarak Patel: So our target for 2020 was a 15% CAGR but then looking at the demand and looking at the Indian market if everything remains as it is we would definitely be like to grow more than 15% and that is what our internal targets are at. But what I can just tell you is that 15% is the minimum growth rate that we will be targeting.

Dhruv Bhatia: And just a last thing is because of the power cost savings that you will approve from the coming year will you be passing this benefit on to the customer so as to increase your sales or would you like to because you would like to maintain your EBITDA at 15% or would you like to increase profitability and limit the revenue growth?

Tarak Patel: The person that asked earlier that in the current market situation of high demand would we do something on the prices but I think we will not pass it on to the customer for sure. Because there is no shortage of demand here so we have not in a way we are not in a position that we have to take orders. It is in the opposite position where we have more orders than we need so we get pick and choose.

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

Tarak Patel: So as I mentioned we have had a pretty good and strong year, we are quite happy as a team in terms of what we have done. We have achieved our internal targets I think as a team we have crossed what we wanted to do. We are very positive going forward we believe that the India story is strong even though the pharma industries have not been as buoyant as we would have

liked but the shortfall have been made up by agrochemical and specialty chemicals and I think the coming year will also be a good year for us.

We expect to grow at least 15% CAGR and I think we are working on a lot of internal initiatives which will help improve profitability and we all are looking forward to a good year. So thank you very much and we will see you again next quarter. Thank you.

Moderator:

Thank you very much. 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.