



“GMM Pfaudler Limited Q3 FY18 Earnings
Conference Call”

February 06, 2018



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Moderator: Ladies and Gentlemen, Good Day and Welcome to the GMM Pfaudler Limited Q3 FY18 Earnings Conference Call. As a remainder, 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 the operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to **Mr. Binay Sarda**. Thank you and over to you sir.

Binay Sarda: Thank you Raymond. Good afternoon to all the participants on this call. Welcome to the Q3 FY18 Results Earning Call of GMM Pfaudler Limited. Please note that we have mailed the results and the press release and the same are also available on 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 over to you.

To take us through the results and answer your questions today, we have Mr. Tarak Patel – Managing Director, GMM Pfaudler, Mr. Ashok Pillai – COO and Mr. Jugal Sahu – CFO. We will start the call with a brief overview of the quarter gone by and then we will get into the financials which will then be followed by the Q&A sessions.

I would like to remind you that anything that has said on this call and any outlook for the future which can be constitute as a forward-looking statement must be viewed in conjunction with a risk and uncertainties that we face. These risks are included and are not limited to what we mentioned in the prospectus filed with SEBI.

With that said I will now turn over the call to Mr. Tarak Patel. Over to you sir.

Tarak Patel: Good afternoon friends. I will now to take you through Q3 FY18. Let me start off by saying that we have another strong quarter. We are on track to meet our revenue as well as profitability budget for the year.

Compared to the same quarter previous year, we grew our revenue by about 19%. So this quarter we had a revenue of Rs. 79.2 crore versus Rs. 66.6 crores Q3 last year. On a nine month basis, we grew our revenue by 20%, i.e., Rs. 224 crores this year versus Rs. 186 crores last year. Our EBITDA has also increased by 16% year-on-year which is Rs. 12.3 crore this quarter versus Rs. 10.6 crore same period last year and on a nine month basis it has increased by 6%, Rs. 31.8 crores this year versus Rs. 30.1 crores last year.

On profit after tax level, PAT has been increased by 19% year-on-year Rs. 7.4 crores this quarter versus Rs. 6.2 crores same period last year and on a YTD basis, PAT is up by 6% Rs. 19.9 crores this year versus Rs. 18.7 crores last year.

In terms of backlog – we do have a very healthy and very strong backlog. It is higher than the same period last year which puts us into a good position to end this year and also for Q1 and Q2 of next year.

The major investments that we are seeing are basically in agrochemical and Speciality Chemical industries and we do expect pharmaceuticals to also pick up in the coming months.

So, all around we are quite encouraged by the sign that we are seeing, and we believe we can continue our growth trajectory for the next financial year as well.

Moderator: We will now begin with the question and answer session. We have the first question from the line of Dhruv Bhatiya from AUM Advisors. Please go ahead.

Dhruv Bhatiya: I have a question about the order book that you were mentioning, how long you think the order book covers you for sales at the current rate?

Tarak Patel: So we do not really share the information on backlog numbers, but we are quite confident that we can meet the first two quarter targets for the next year. Obviously, it is not all fully booked, but the first two quarters we have at least some visibility..

Dhruv Bhatiya: This is at the same level of utilization last year or would you expect to see higher utilization?

Tarak Patel: So, we do expect increase coming in terms of production and in terms of efficiency improvement on the Glass Lined segment and even with NGL, we believe that we will be utilizing the factory at a slightly higher rate.

Dhruv Bhatia: Do you give any expected numbers at all or you see better utilization?

Tarak Patel: I would not be able to comment right now, but we wanted this year to increase our Glass Lined output from 1400 to about 1800 units. We are changing the way we calculate units, so it will be little premature for me to tell you exactly how much more, but definitely 20% to 35% increase in production over the coming quarters.

Dhruv Bhatiya: It will be good in the future if it is possible to get some granularity?

Tarak Patel: I mean this financial year we do plan to have a little bit more transparency when it comes to the backlog numbers as well as the order book numbers. We can probably share that with you in more detail starting first quarter of the next financial year.

Dhruv Bhatiya: The next question is on pricing, how do you price typically? When you say you have an order book, is there a fixed price and do you book the raw materials now or you buy the raw materials and pass it through and you book a fix margin over cost, how do you do it? Because you do not seem to have that much competition, so how does the word pricing play out, how do you see that going over the next maybe year or 12 to 18 months?

Ashok Pillai: The orders that we get are all typically fixed price for the duration of the contract itself. So for as Glass Lined equipment is concerned we maintain steel stock with us typically for one or two quarters in advance, so sometimes that is disadvantages because its effect from a pricing point

of view and sometimes it is advantageous, but most of the times we can pass on the cost increases that happen on steel to the customers.

Dhruv Bhatiya: Does that work both ways in the sense if you have kind of benefit of falling prices which we may have been a bit in the past I guess but have you benefitted from extra profits or is it you know kind of only for price increases so basically you will get a benefit of profitability when the price will go down.

Ashok Pillai: Sometimes ago when the prices of steel had dropped, we did get a benefit of the falling price for a short time because the customers are quick to see on that aspect of falling steel to ask us for higher discounts, so that is about Glass Lined. Whereas as for as the non-Glass Lined business is concerned it is typically based on the prices that are prevailing in the market and are being quoted on that basis so that is really passed on fully to the customer.

Dhruv Bhatiya: So basically, when you book the order you have a fixed price and unless steel price is increased everything else is on your account for execution.

Tarak Patel: So let me just clarify here two points – one is that for our Glass Lined business which is our standard products and we make a lot of those similar equipment in that business we really cannot pass on any price increase or decrease to the customers. What we do, we work on the price list and the price list itself is quite dynamic so if there is any increase or decrease in metal prices that get reflected in the price list. However, for the larger contract for the non-Glass Lined business which is based on much more material input as well as much longer term there we have escalation clauses that if the prices increased more than a certain amount.

Dhruv Bhatiya: Do you have a policy to book once you get the order at all steel you obtain or basically go with your call on where do you think the prices are going to be in the next?

Ashok Pillai: So for Glass Lined, of course, we have steel in stock because we typically order at least one quarter sometimes two quarters requirement in ahead of planned quarter. But for the non-Glass Lined it is typically against the order. We do carry some stock based on our understanding of where the market is for typical material like stainless steel, but otherwise if it is a large contract we would book against the particular order.

Dhruv Bhatiya: Any input on the subsidiaries performance any update on that it is possible to get?

Tarak Patel: So, subsidiaries, we do not share quarterly numbers, but I can just let you know that it is on track in terms of what we had projected and we will probably be very close to meeting the budgets for the year.

Dhruv Bhatiya: Last question, if I may, where you see the demand outlook from your big customer industries?

Tarak Patel: So the demand right now is a big shocking in terms of what is going on in the market. We really have a very large healthy backlog, sizes and quantities that we have not seen before, so there is

a lot of investment coming into both the agrochemical and the Specialty Chemical industries back-to-back very large projects. And from what we see there are big major project in the pipeline as well and this is all without pharmaceuticals really picking up. So once that picks up it is going to be a lot of business not only for us but for our competitors as well.

Moderator: The next question is from the line of Anupam Goswami from Stewart & Mackertich. Please go ahead.

Anupam Goswami: I just wanted to ask in your last con-call and also before that as you mentioned that your target is to produce 1800 vessels in FY18 and from 1400 which was in FY17, I just want to know how is that target is coming up?

Tarak Patel: So we are on target to beat those numbers. We will be crossing 1800. So as per our plan we have increased production and over the next few months we will keep that increasing even further. We have a new furnace that will be commissioned shortly by the end of this month so that will also help us increase our capacity and our output.

Anupam Goswami: Another thing is that how do you see the growth prospect in each of your segment as in your Glass Lined and Heavy Engineering and also Proprietary Products in each of these segments how do you see your demand coming up in these?

Ashok Pillai: Like Tarak mentioned little while ago there is a very strong demand for Glass Lined equipment in the agrochemical and the Specialty Chemical space and we expect that in the pharma sector is also going to be strong in FY19 that is for the Glass Lined equipment. In the non-Glass Lined we are still in terms of market share very small so that potential is large and that is going to be a good growth segment for us in the years to come.

Anupam Goswami: Sir you mentioned you will be focusing on Heavy Engineering segment and because that portion is quite small and there is a lot of scope in that how is that also coming up?

Ashok Pillai: Like I said both domestic sales as well as export sales of Heavy Engineering through Pfaudler we are looking forward to that happening in bigger numbers for the next year or the next years to come, so we are very upbeat about that potential as well.

Anupam Goswami: Any CAPEX plans that is going on right now?

Ashok Pillai: Most of the CAPEX that we had planned for has been done for the year so there is no significant CAPEX that we have planned right now except for the regular maintenance CAPEX.

Anupam Goswami: Till now like for this year what is the CAPEX amount?

Ashok Pillai: Rs. 15 crores.

- Anupam Goswami:** What is your order from parent company from the Pfaudler any new orders that is coming up or in the next few years?
- Tarak Patel:** They will be having a sales meeting shortly where they will consolidate the requirements and they will get back to us probably in the next couple of months in terms of what their requirements are, but it definitely something that they want to continue doing because it help them grow market share in Europe and it also helps GMM so it is a win-win situation for both of us. So that something that we will continue. The exact quantity of the next order I cannot tell you right now, but I think it will be slightly bigger than what they have placed in the past.
- Moderator:** The next question from the line of Rohit Chawla from Axis Securities. Please go ahead.
- Rohit Chawla:** So some of my questions have been answered, so I just want to ask that we have hired a consultant to increase your capacity so has the capacity increased to 2000 vessels now?
- Tarak Patel:** So it is not immediate, but it will happen over the next few months so the team is still continuing to work. And there is some debottlenecking that is going on, there is some expansion in terms of just clearing space so that our manufacturing process itself is much more efficient, but yes there has been a significant increase, but over the coming months you will see that increasing as well.
- Rohit Chawal:** So how much capacity utilization are we operating at in the Glass Lined business?
- Tarak Patel:** So I think currently we would be at about 80% utilization and we will try and bring that up to may be 90-95 in the next few months.
- Rohit Chawla:** Okay in the next few months itself, so that is what includes the increasing capacity also and of that the utilization will be 90, 95.
- Tarak Patel:** Yes.
- Rohit Chawla:** Okay fine. So this quarter we witnessed almost a flattish growth for Glass Lined, however, our Proprietary Product increased to almost 40%, so what can be attributed to such high increase in Proprietary Products and we expect the same trend going forward?
- Tarak Patel:** No, the trends will keep changing, however, I have mentioned this before our non-Glass Lined businesses will grow faster than the Glass Lined business because the Glass Lined business we have a market share of 50%-60%. It is a saturated market, but the recent demand that we are seeing in Glass Lined itself is surprising us because right now in terms of our order book our biggest chunk of our order book is with the Glass Lined business so that also showing not only an increase in terms of investment, but also the total market itself is growing in the Glass Lined business as well. Having said that both the Proprietary Products and Heavy Engineering are growth area for us, we will continue to see significant growth on those business and again there

we have seen some proprietary orders coming in through the Pfaudler network, export orders, good margin, high value orders so that also helping us.

Rohit Chawla: So this is the expected orders you are saying are from Pfaudler network?

Tarak Patel: Some of these export orders for the Proprietary Products have come through the Pfaudler network and even some of the shipment that we did this quarter were for international orders that give us the additional revenue increase.

Rohit Chawla: So how much of our revenue growth on export 5%, 10% ?

Tarak Patel: No. I think this quarter it is about 14% which is much larger than our normal export numbers and we see that trend to at least continue because there is a lot of interaction between Pfaudler and GMM and it is also quite for the new Pfaudler team internationally. GMM Pfaudler has quite an attractive option to meet customer requirements where European made equipment cannot suffice the need.

Rohit Chawla: And how much of our revenues come from the pharmaceutical sectors, so as you have said we have seen good investment in agro and specialty so that is picking out, so how much of a revenue they are dependence on a pharmaceutical sector because if that also picks up then you may see a huge upset in order book as well?

Tarak Patel: Yes I think Pharma this quarter in terms of revenue was about 30% and for the nine months about 40%, A lot of the growth, a lot of the investment, a lot of the orders that we have are now from the Agrochem and Speciality Chem industries, but having said that Pharma what we hear in the market will start to pick up as well, there are big projects coming in the pharmaceutical sectors as well. So over the six to nine months we will see some amount of investment coming from the Pharma as well.

Rohit Chawla: And lastly is our vision like you will be doing 50-50 from Glass Lined and non-Glass Lined by 2020 would that shape up or we would see a major contribution of Glass Lined itself?

Tarak Patel: So I think we are right now at about 60-40. It will fluctuate depending on what the market throws at us. Obviously, the Glass Lined is a most profitable business, it is also what we are good at so we will try and extract as much business from there and at the same time we will not let go of Heavy Engineering and Proprietary Products.

Moderator: The next question is from the line of Saravanan Viswanathan from Unifi Capital. Please go ahead.

Saravanan Viswanathan: From a standalone numbers revenues is there any supply to Mavag?

Tarak Patel: There will be some intercompany sales to Mavag is counted in the standalone numbers.

- Saravanan Viswanathan:** So what extent would that be?
- Tarak Patel:** I would not know of hand it would be for this quarter in the single-digit crore or maybe 3 crores or maybe even lower than that.
- Saravanan Viswanathan:** Over a longer term the strategy is to do more of Mavag's product here and Mavag just does the marketing there is that the strategy?
- Tarak Patel:** So we do most of the manufacturing here but the finishing, the testing, the final assembly or the customer acceptance test will be done at Switzerland, so they get best of both worlds they get the low cost of India, but they get the finish and the quality levels of Switzerland.
- Saravanan Viswanathan:** In which phase are we in this transition are we moved fully, or have we started?
- Tarak Patel:** No, we have definitely started I would not say that we are 100% there. There are still issues in the supply chain, there are the issues with our manufacturing as well, as well as a lot of changes that happened during the entire manufacturing process. I would say we have got 70% there something that we can definitely try and improve but having said that Mavag the only reason why it is surviving today and while it has grown over the last five years is because they have had an option of sourcing from India without which they probably would not be in a position that they are today.
- Saravanan Viswanathan:** Just been going by your commentary although you will be disclosing the numbers in the annual review, so they are on target to do something better than what they have done last year?
- Tarak Patel:** **We expect it will do better than last year**
- Saravanan Viswanathan:** When will be next stage of capacity expansion that will be required, next financial year or year after in the Glass Lined equipment business?
- Tarak Patel:** In the Glass Lined equipment business there is always sharp improvements that we are trying to make here and there, but no major CAPEX. We have some thoughts in terms of what we would like to do, but that is probably something that may be six months to a year away, but we do some plans in terms of how we grow the Glass Lined business as well.
- Saravanan Viswanathan:** Do you see any risk emerging from volatile metal prices?
- Tarak Patel:** That will of course impact profitability so that has happened that something we will plan for expect to happen, but in the non-Glass Lined as well as the Glass Lined phase. but that is part of the business and we are not overly worried about that, but just to add to this right now the market is such because the demand is there, and the capacity is obviously limited or its more of a seller market where you can command the pricing that you want. People are out especially with Agrochem and Speciality Chem they tend to have much more corrosive, much more critical reaction so they definitely prefer vendors that are you know have a proven track record, have a

quality level as well as have some amount that they are experienced with and they are much larger sizes so all these accounts and the customer would like to de-risk a lot of their purchase and go with vendors like GMM.

Saravanan Viswanathan: Many Pharma companies have been affected by FDA I mean various irregularities pointed out doing the FDA inspection. I mean taking that into account are they now moving to more branded or well reputed player, is that happening, or it will take some time?

Tarak Patel: There are actually cases where customers who were buying from other suppliers over the last maybe 7 years, 10 years have decided that the money so called saved in that purchase buying from a lower cost supplier was not really worth it because the problem that had come up through FDA audits as such that the cost of the equipment was insignificant compared to the loss that they had to bear. Some companies have actually told us that we want you to be the sole supplier all you have to make sure is that you give us fair prices and make sure that we get delivery on time. So that shift seems to be happening and people are realizing that going with company with a track record that we have is overall for them beneficial in the long term.

Saravanan Viswanathan: And in the mixing and filtration equipment space are you seeing any players who have gone out of business post GST I mean any unorganized players have gone out or the competition is still intense there?

Ashok Pillai: So in the mixing space we are the largest organized sector mixing manufacturer in India. The unorganized sector is so large and so disperse throughout the country that we really have no track of how many suppliers there are and what they are doing so as fortunes of that particular location where they located changes and with the GST and other economic conditions they may have faded away, but we are not keeping track of them or do we know what has happened to them. In the brand again we are seeing that people who are buying from the unbranded and the local manufacturers of who are actually local to their manufacturing facility those sort of purchases seem to be now going down and the customer seem to be now looking for branded products there we are not the number one compared to the Glass Lined, but we can definitely see an upswing in the requirement and the demand for our product.

Moderator: The next question is from the line of Ashwin Reddy from Samatva investments. Please go ahead.

Ashwin Reddy: I just had a couple of questions relating to the Glass Lined business, so one can we talk about the competition in the Glass Lined business and does it change when it comes to the Agrochemical and Speciality Chemical business versus the Pharma business?

Tarak Patel: So the Pharma business typically has less severe conditions from the temperature point of view, from the corrosion point of view. So from that point of view is relatively easier process to handle from a Glass Lined equipment so there is a one school of thought that says any equipment therefore of some other competitors may also work, but like I pointed out my earlier response many of the customers would took that approach, have realized after some time that the so called savings are not worth it so that is one point on the Pharma sector and Glass Lined equipment for

that. In the case of Glass Lined equipment for the Agrochemicals where the reactions are very severe, their customers would prefer to go in for GMM because they are more assured of the longevity of the equipment itself and also from a safety point of view.

Ashwin Reddy: This you put the statement together with your statement on the capacity utilization approaching 90% plus in a few months if I heard that correctly and the demand for Agrochemical and Speciality Chemical you see we use the word shocking that caught my attention. So the demand is so good and here if you are a leader and if it is your strength I mean would you be increase in capacity and building on a strength because again you mentioned you will not be increasing capacity also. So I am trying to co-relate to statement and figure out why.

Ashok Pillai: We think we are probably 85%-90% of the capacity already, but we believe that we do not need to invest in capacity because right now as I stand for whatever plans we have you know it is too premature to talk about that in concrete term for whatever it is will actually unfold itself in the next 8 to 10 months' or 8 to 12 months' time.

Ashwin Reddy: Okay but the general trend of the Agrochemical and Speciality Chemical companies investing in capacity is it here to stay for next 1, 2, 3 years or do you think is a onetime blip happening and we might get away soon and it is that reason.

Ashok Pillai: Well all this expansion is happening with four or five companies that are really putting up capacity if partly fueled by the demand and partly fueled by the fact that China has issues of supply so you know as long as that it continues I think the growth for these sectors will also be strong.

Ashwin Reddy: Last question from my side which is there a strong services component in your Glass Lined business or is it only a product business only do you sell it and what is the life of the product that you sell to each companies is it like replicable in some years or how does that work?

Tarak Patel: So the typical life of the equipment is between 7 to 10 years some customers look after it well so there is an extended period of life in which case there is certain amount of aftermarket business that we get. Some customer use it very roughly they do not look after it well in which case very little aftermarket business but the equipment itself dies away maybe five years and they have to look for replacement.

Moderator: The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri: Two question. I joined the call little late so in case you have given the order book number if you could repeat that and question number two is that in the segmental now under new format we give gross sales for the same quarter last year, but net sales for this quarter. If you can give comparable number for the same quarter last year in terms of net sales?

Tarak Patel: I will answer your second question first. So, it was 79.2 crores in this quarter net sales versus 66.6 crores previous quarter last year. So Q3 of FY17 which is a growth of about 19%.

- Kashyap Jhaveri:** I have that number I wanted between Glass Lined, engineering and proprietary if you could breakup 66.6 crores?
- Jugal Sahu:** Yes that is about Glass Lined 40 crores and Heavy Engineering 12 crores, Proprietary Product is 14 crores.
- Kashyap Jhaveri:** Okay then the second question about the order book.
- Tarak Patel:** So order book as we actually mentioned that we are very strong, very healthy order book much higher than what we had in the same time last year however in terms of actual numbers we do not disclose right now and what we are saying is that we have visibility for Q1 and Q2 of next year.
- Kashyap Jhaveri:** In terms of EBIT margins for engineering and proprietary now for about three quarter they have remained pretty stable at about 9% or 9% plus and for proprietary now it is improved to almost about 9 odd percent. So this numbers for the quarter have sustainably going forward.
- Jugal Sahu:** Yes we think they are sustainable, in fact you will see a bit of improvement as well, as we get more export orders. Additionally, as we absorbed the entire fixed cost at the current level any incremental revenue will add higher margin to the business.
- Moderator:** The next question is from the line of Aditya Deorah from Divisha Investments. Please go ahead.
- Aditya Deorah:** Any update on the switch to gas-based furnace?
- Tarak Patel:** Most of our furnaces are already gas based. We were installing, in the processing of commissioning, a new gas furnace so that is under commissioning now. It should be commissioned in the next couple of weeks.
- Aditya Deorah:** We expect some improvement in the EBITDA margin because of the same.
- Tarak Patel:** So, gas is definitely more economical then electric and if we can ship out all the additional output that we do only through gas yes when we definitely a good amount of cost saving on that front.
- Aditya Deorah:** Sir how much royalty are we paying to Pfaudler right now?
- Tarak Patel:** It is not of a royalty it is more of a trademark agreement that we have it is 1% of Glass Lined sales.
- Aditya Deorah:** Last year it was 1.5 crores that was mentioned in the annual report. Sir we have a line item in the annual report which mentioned that there was a loan given to Pfaudler GmbH which amounted to something like Rs. 9 crore, has it been repaid?

- Tarak Patel:** Yes I believe that has been repaid that was just a short term loan given by Mavag which is our subsidiary to Pfaudler GmbH.
- Aditya Deorah:** How much cash we are having in our balance sheet right now combined?
- Jugal Sahu:** Combined cash will be around 80 crore.
- Moderator:** The next question is from Dhruv Bhatiya from AUM Advisors. Please go ahead.
- Dhruv Bhatiya:** Question was regarding the parent the foreign company in Germany are you seeing any change in the business in terms of them procuring who are trying to procure more products from your end talking of apart from the subsidy export you know regarding in terms of technology transfers for any new design into the Indian company in the basis of royalty or any other change dynamics of the parent where we can see growth for the Indian company?
- Tarak Patel:** I do not know how long you followed GMM, but our parent has changed hands three years ago to private equity and they bought in a whole set of new people. There is definitely more interaction between GMM and Pfaudler international, there is sourcing opportunities recently completed our second supply for Glass Lined equipment to Pfaudler, we regularly supply other equipment non-glass equipment as well to Pfaudler. We got recently an order which we are really close to already shipping is for Heavy Engineering order from Pfaudler Germany as well. We have got some orders from their subsidiary in China. So there is a lot of interaction, there is lot of working closely together and I believe that going forward that can only improve and it is a win-win situation for both because we both end up making a good amount of money both for Europe as well as for India.
- Dhruv Bhatiya:** Is there any significant trend that we expect that to become much more meaningful or these are still more of you know of kind of one-off, do you expect that to be a large part of your revenue going forward or something like that.
- Tarak Patel:** I would say large part, but I would say that maybe in the next couple of years about \$10 million worth of intercompany orders coming back and forth that something that kind achievable. So, it is not small, but in terms of if not significant in terms of they will not shut down their factories in Europe and move everything to India that would not happen overnight.
- Moderator:** The next we have a follow up from the line of Mr. Kashyap Jhaveri from Emkay Global. Please go ahead.
- Kashyap Jhaveri:** Again two questions on our segmental results un-allocable expenses have been quite erratic across the quarter so let say if the same quarter last year they were roughly about 2 crores now again 1.2 if I look at the preceding quarter that was about 2.3 crores and if I look at it as a percentage of our EBIT that is fairly large about 20% number, so what sort of expenses would be attributable here?

- Jugal Sahu:** Actually, we have introduced new three segments this year. So accordingly whatever expenses that can be allocable to individual segments that we do therefore exactly I cannot tell you what are the expenses that were considered as un-allocable, but this is the result of after allocating individual expenses whatever is not allocable to individual product life and are very common in nature, they are being captured over there. So, the difference is, if you look at the amount terms, it is not much, it is about 80 lakhs.
- Kashyap Jhaveri:** I was just wondering because if I look as a percentage of the EBIT number which is about 10, 11 crores that is a about almost like 10% I mean of course 1.2 crore is a small number, but if I look at it as a percentage that is quite a decent number. On question number two again on the segmental side we have about 80 cores of un-allocable assets also which is about third of the total assets employed, what would that include.
- Jugal Sahu:** Un-allocable assets are basically office buildings and other common fixed assets which cannot be allocated to specific product line.
- Kashyap Jhaveri:** So that would be only part of this.
- Jugal Sahu** **Yes**
- Moderator:** The next question is from the line of Rahul Jugvani from SKS Capital. Please go ahead.
- Rahul Jugvani:** Considering the good cash balance are we looking at inorganic opportunities?
- Tarak Patel:** Yes we are always looking at inorganic opportunities you know we do want to add at least another 100 crores of revenue through inorganic growth where we have not closed and we have not been able to find the right acquisition targets, but we are always open to looking at that.
- Rahul Jugvani:** And second question is considering your strong comments on the demand outlook so do you see probably revenue growth accelerating to 30% or something in FY19?
- Tarak Patel:** So I cannot put a number to it, but we definitely want to be a little bit more aggressive this year. So definitely want to grow at the higher rate than we are growing in this financial year maybe pump that up by another 5% to 10%.
- Rahul Jugvani:** And any number from how much we will save by moving to this gas-based furnace this new commission ones?
- Tarak Patel:** I do not have the exact numbers, but the normal rule of thumb is that the electric furnace cost you to about half of what an electric furnace would, so it depends if we move all the additional output that we do not use electric furnaces at all then we can see some significant saving obviously we only have maybe half of February and the full of March to realize that, but Q1, Q2 of next year we will definitely see some savings.

Moderator: That was the last question in queue. I would now like to hand the conference back to the management for closing comments.

Tarak Patel: Thank you everybody and thank you for your questions and if you have anything specific that you would like to discuss you can get in touch with our Christensen as well our CFO and look forward to talking to you again next quarter. Thank you very much.

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