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August 14, 2025

To,
BSE Limited
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National Stock Exchange of India Limited
Symbol: GMMPFUDLR

Sub.: Earnings Call Q1 FY26 – Transcript

Dear Sir/ Ma'am,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of earnings conference call for the quarter ended June 30, 2025, conducted on August 7, 2025, for your information and records.

The above information is also being made available on the website of the Company at www.gmmpfudler.com.

Thanking you.

Yours faithfully,

For **GMM Pfaudler Limited**

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

Encl.: As above

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EQUILLOY
Alloy Process Equipment

EDLON
Fluoropolymers

HYDROAIR
Membrane Separation Systems



“GMM Pfaudler Limited Q1 FY26 Earnings Conference Call”

AUGUST 07, 2025

MANAGEMENT:

- **MR. TARAK PATEL – MANAGING DIRECTOR, GMM PFAUDLER LIMITED**
- **MR. THOMAS KEHL – CHIEF EXECUTIVE OFFICER (INTERNATIONAL BUSINESS), GMM PFAUDLER LIMITED**
- **MR. GREGORY GELHAUS – CHIEF TRANSFORMATION OFFICER, GMM PFAUDLER GROUP**
- **MR. ALEXANDER POEMPNER – GROUP CHIEF FINANCIAL OFFICER, GMM PFAUDLER LIMITED**
- **MR. DHANANJAY BAJPEYEE – HEAD OF OPERATIONS - (INDIA BUSINESS), GMM PFAUDLER LIMITED**
- **MR. DHAVAL RAJPUT – GENERAL MANAGER FINANCE & ACCOUNTS, GMM PFAUDLER LIMITED**
- **MS. MITTAL MEHTA – COMPANY SECRETARY & COMPLIANCE OFFICER, GMM PFAUDLER LIMITED**

**GMM Pfaudler Limited
Q1 FY'26 Earnings Conference Call
August 07, 2025**

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY'26 Conference Call of GMM Pfaudler Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the 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. Dhaval Rajput. Thank you, and over to you sir.

Dhaval Rajput: Thank you. Good evening, ladies and gentlemen, a very warm welcome to all of you into the Q1 FY'26 Earnings Call of GMM Pfaudler Limited. The earnings presentation was uploaded on the Stock Exchanges today and is also available on our website. Hope all of you had a chance to go through it.

From the Management we have with us our Managing Director – Mr. Tarak Patel, our Chief Executive Officer of International Business – Mr. Thomas Kehl, our Group Chief Financial Officer – Mr. Alexander Poempner, our India Head of Operations – Mr. Dhananjay Bajpeyee and our Compliance Officer – Ms. Mittal Mehta.

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

Before we begin with the overview, a brief disclaimer:

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

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

Tarak Patel:

Thank you. Dhaval. Just one clarification we also have with us today, Gregory Gelhaus, our Chief Transformation Officer, joining the call. Let me start off with a brief overview of our quarterly performance. We have delivered a stable revenue this quarter with a strong improvement in the profitability, largely driven by our India business. Our consolidated EBITDA is up 14% year-on-year and our India EBITDA has grown by a strong 45% year-on-year. EBITDA margins have also improved, today we are at 12.7% at a consolidated level and 15.7% on a standalone basis. Order intake this quarter has been quite strong, we stand at about 1,004 crores of order intake, primarily driven by our system and our services business. This is 14% higher year-on-year, and 52% higher quarter-on-quarter which impacts our backlog. Our current backlog stands at INR 1,906 crores, which is an increase of 7% year-on-year and 17% quarter-on-quarter. This provides healthy visibility for the upcoming quarters.

We are in the process of completing the acquisition of SEMCO. SEMCO is expected to close next week. We had mentioned during our last disclosures regarding SEMCO, that this is our foothold into the South American and Brazilian markets, where we believe that there is going to be significant investments in metals and minerals, wastewater, sewage treatments, where SEMCO already has a very large and established brand name as well as a strong customer base. With SEMCO's acquisition our global mixing platform includes Mixion in India, Mixel in France and China, Mixpro in Canada and now SEMCO in South America, and we now have a strong global mixing business. The idea is really grow this business and make sure that it comes under one roof and under one brand going forward.

In terms of the market, the market here in India seems a little bit stronger. Investment has come back in pharma and in the chemicals, and we do expect agrochemicals also to start investing in the next few quarters. We have already seen inquiries and opportunities from these sectors, and our opportunity pipeline has also grown over the last few months. Having said that, we must keep in mind that there is obviously global uncertainty. Some of these decisions of large projects may be put on hold considering what's going on in terms of global tariffs. However, having said that, we do believe that the India business is definitely stronger today than it was about a year ago. With that, I would like to now open this call up for question-and-answers. Before I do that, I would like to pass on this to Alexander Poempner, our CFO to take you through the numbers briefly.

- Alexander Poempner:** Thank you, Tarak. And good evening everyone, also from my side and thanks for joining today. And I do not want to say so much as Tarak already said, we have started Q1 with a consolidated revenue of INR 795 crores and an EBITDA of INR 101 crores. Therefore, now I just would like to mention two important topics, more accounting driven:
- First, Foreign exchange change impact: During the quarter, Euro appreciated by approximately 8% against the US dollar, and this resulted in a notable foreign exchange impact across our financial results. This is due to the fact that we have intra-corporate fund currency borrowings within our international operations and due to this currency movement, we faced an exchange loss of INR 20 crores in the P&L statement, as disclosed in note iv) in the financial results. This is an unrealized impact with no cash impact.
- The second one is also what you have probably recognized is that we have a really high tax rate. The tax rate at up to 68%, this is also influenced by our international group structure and for example, a large portion is just due to the fact that some of our corporate expenses including this foreign exchange impact, is in the entity which has no income. As a result, we do not show a tax credit for these losses. So this is again coming from the accounting side with not really a big cash impact. This was it so far from my side, and now we would like to open the call for questions and comments.
- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.
- Mihir Manohar:** Sir, largely wanted to understand the US business exposure. So, what is the US business exposure, US exports, India to US, and Europe to US. What would be that number?
- Tarak Patel:** No, so we have no significant exports from either India or Europe into the US. US, we have a large manufacturing facility which is local and pertaining to the US market. We also have Brazil as a low cost source for the US market. And as we understand today, there is no significant tariff on glass lined equipment that is exported from Brazil to the US. But as you know, every day there is a new situation, and it's changing and it's dynamic. But as of now, we don't see any significant issues with the US tariff situation in the way that we are structured.
- Mihir Manohar:** Understood. With reference to the material procurement, so through manufacturing which is happening in US, roughly 1/3rd of the business is America's. So, is it that the cost of manufacturing for our companies based out of US is increasing, or even that is on the challenge?

Tarak Patel: No, the US manufacturing facility sources locally, we are one of the two other suppliers who have local manufacturing in the US so we do have a strong position. The US market is a large market for us and a profitable market as well and being local and having Brazil as a low cost source has worked well for us. We hope that maybe some of these tariffs impacts will maybe energized or increase investment in the US market. We have seen over the past maybe a few months, that there has been more inquiries for US made product for the US market, which in the past we were not seeing, especially in pharmaceuticals where we believe people might invest and make sure that at least some manufacturing is done in the US. So, if that were to happen, then it would mean that obviously our US business would benefit from this tariff situation.

Mihir Manohar: Okay, understood sir. Just one clarification as of now, Brazil to US GLE as well as non-GLE exports that is not under tariff?

Tarak Patel: Yes, so we basically use Brazil as GLE exports to the US. US also has a small manufacturing for systems and some stainless steel and non-glass lined equipment as well, but generally it's mainly glass lined. And as of right now, the glass lined exports from Brazil to US seem to be not notified under this tariff regime.

Mihir Manohar: Okay, understood sure. My second question was on the interactions with clients. Last time we were expecting pickup to happen in India from end of the year or specifically Q3 onwards, if you can provide some color as to what is the interaction that you are having with clients across all the three geographies, from a business pickup perspective, that will be helpful.

Tarak Patel: Sure. So, let me start here with India. India, like I said chemical, pharma, good amount of investment. Recently, we have seen a lot of investment in this GLE to and peptide manufacturing here in India, that is something that is going to continue. We have also participated in that investment and have secured a large number of orders in that space. The glass lined business also in India is picking up. We have now a full factory in Gujarat. If you remember last year, we had two factories and both factories were running at 50%, 60%. Today, we have in this quarter over absorption in the Gujarat facility in our glass lined business, because the volumes have increased, and we believe that glass lined will continue to improve. We have now received also inquiries from large agrochemical players, which is a positive definitely, because we haven't seen that really happen over the last 12 to 18 months. So that's a change, and we expect some investment to come into Q3 and Q4.

So from an India perspective, India backlog and India business, we do expect a good amount of growth this year. We are in a strong position as well in terms of the India order book, and we are expecting to grow quite nicely this year as compared to previous year.

Internationally, there are different themes across the world, Europe we are seeing a little bit lower investment in terms of the chemical and pharmaceutical however, we see some other industries which are kind of making up for this shortfall. During the quarter, we received a very large order from European company in the range of about EUR 33.7 odd million, about USD 37 million, this is more into acid recovery, and kind of spend there and we are seeing that level of investment coming back to industries that are involved in the defense manufacturing, arms and ammunition and so on and so forth. The US again, as of right now it has shown some amount of recovery in terms of the services business, but to say that it is back to its original investment levels, I think we will still have to wait and watch a little bit. Generally the international business, the outlook is still a little bit more cautious, because obviously with the global uncertainties, it might be because some of these investment the decisions might be postponed. Having said that, India will remain strong, and hopefully we see some amount of reversal of this trend in the international business in the coming months.

Mihir Manohar:

Sure, understood. My last question was on the cost control measures. What is the status of the cost control measures that we were looking to implement for the European geography, and what at the consol level, both for India, now the consolidation of plants, as well as the consolidation plants in Europe at the consol level what kind of margin improvement can we expect over the next few years?

Tarak Patel:

So there are multiple different cost control measures that are ongoing. I will speak a little bit about maybe one or two, and then Thomas and Alex can jump in and talk you through a little bit more in terms of what's going on the ground. So in India currently we are running and we ran last year a very kind of robust and it was an EBITDA improvement transformation project that we ran, it lasted about nine odd months, and we expect those benefits to accrue in this Financial Year. You would have seen some improvement in Q4 of last year, and that continues in Q1 as well, with a lower revenue base we have significantly improved the margins. And over the next few quarters when our revenue increases you will see some of that flow through also, flowing into the P&L as well. So that's something quite a bit here in India, but we also continue to make sure that our cost structure remains quite lean, and that's something that's ongoing. You would have known also that we have now launched our Poland project that is up and running as well. We have now started sending orders from Western Europe, high cost geographies like Switzerland and France to Poland, the quality and the delivery from those sites have been very good, and as time progresses you will see more and more material and orders moving into lower cost geographies. With that maybe I will pass it over to Thomas, who will speak a little bit more in terms of the restructuring that we are doing internationally.

Thomas Kehl: Well, on the glass lined technologies we have started the journey of restructuring a couple of months ago where we had closed our facility for glass lined in Scotland, UK Leven. That has been completed and the benefits of the cost savings are seen in the next quarters. Most likely however, the market is very difficult and the demand is low. We have increased our productivities and speed in reglazing, where we can take orders and process them much faster, at the same time we are now considering, have started a project to look at the cost structure of our German plant, and have started to implement and discuss several training program there with the same goal to have the capacity more flexibilized and more valuable in future, but have the capacity available when it's needed. So, this will help us in the future also very nicely. On Poland, our joint venture that we have bought, couple of months, Tarak already touched base on that, we have firm plans and we are waiting for the building permit to increase our footprint in Poland over the next couple of quarters. And this is going quite well, and more orders from locations in France, Switzerland will be manufactured in this plant in the future.

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

Jaiveer Shekhawat: My first question is, when I saw your gross margins for your India business, there has been a considerable improvement that has happened over the quarters, but if I see the order intake for the last few quarters it has been declining. So, I am just trying to marry the two, how are gross margin increasing when the order intake for the India business has been falling and also alluding to your commentary, we have been hearing that there is a pickup that's happening in the market the volumes are increasing. So why is that still not reflecting in terms of the order intake and then when do you expect that to happen that will be my first question.

Tarak Patel: Sure. So, order intake in Q1 was obviously a little bit lower, but there is some amount of the seasonality, Q1 is usually not quite strong. And do keep in mind that a large part of our order intake in India is also the heavy engineering business. This obviously is something that we already have a strong backlog in, but you will see over the next few quarters that order intake and the opportunity pipeline is quite robust, and we expect order intake, and we have already seen good order intake in this quarter as well. So from an order intake perspective for this Financial Year, we are pretty much in a very comfortable position here in India. We do need some orders by September, October, which we will get quite easily. So I am not so stressed.

And now the focus is really shifting into building backlog for next year. And as you know, with heavy engineering these are large long term projects so we are currently working with very large project that can go on between somewhere between 12 to 18 to 24 months, and hopefully we will have that in our backlog in the next few months.

- Jaiveer Shekhawat:** Sure. Also on the heavy engineering piece, we have heard that over the last few quarters, the pickup especially from a lot of these oil PSUs, private oil companies, have been quite sluggish. Off late, are you seeing more pickup happening, more refineries coming up, and then you also participating in some of those tenders?
- Tarak Patel:** Yes. So, I will have Dhananjay, who the Head of Operations and has been in this heavy engineering space for quite some time. Maybe Dhananjay if you could just share some words.
- Dhananjay Bajpeyee:** So in India, the refinery oil and gas business is expected to grow over next five to six years around 6%. So that will reflect in order inflow and there are few active inquiries for the refinery projects which are stated to come up. So the answer to your question will be yes, this order inflow will keep improving over the next few quarters.
- Tarak Patel:** Yes. So we are working on heavy engineering as the same for us is a clear, clear growth area for us, not only here in India, but also internationally, Southeast Asia, Middle East, are large markets. We have already started, we have been kind of approved at on quite a few vendor lists now, we have agents now set up that network is ready. And we do expect the Middle East to also contribute to our order backlog. But having said that, there are large projects here in India that we are currently bidding for that should be finalized shortly. And like I said again, this is really for next year, this year heavy engineering is already pretty much booked out, so we really need to kind of build backlog for next year. And we are in a strong position to do that.
- Jaiveer Shekhawat:** Sure. On your international business, I understand you highlighted there was a large acid recovery order that you received. But even if I were to remove that from your order intake, it means that considerable pickup has happened over again last few quarters comparing that, anything that's happening, are there any more large one off orders that have come in the quarter, or is there a general pickup because again, it sort of conflicts with your commentary when you said it's more stabilized at the moment, we are not really seeing a lot of pickup. So, what is really driven that apart from the large order that you highlighted?
- Tarak Patel:** Yes, two areas where we have seen good amount of traction is obviously the systems business and the acid recovery business that we received. So that's been a strong vertical for us. We also have seen last quarter that services has come back in a strong manner. However, our glass lined business is behind budget in Germany and in China. So those are the two areas. Glasslined is still slow in Europe and also in the US. So that's definitely something that we would need to work around, and we need to be a little bit more aggressive. But that's just a general market condition where investment in chemicals and pharmaceuticals in Europe and the US has not been significant over the last few quarters. But things can change quickly. There is definitely localization, there is also this tariff situation, and we now find that our opportunity pipeline has grown. The other metric that we use is how much of the opportunity pipeline has grown, and across our businesses it has grown significantly.

Now we would just wait for these to now turn into actual orders. But the trend, internationally also in terms of the pipeline is the positive. However, it's not still converted into orders. Having said that, we do expect large orders in the non-glass lined business in mixing and in the other areas over the next few quarters, glass lined still remain a little bit slow.

Jaiveer Shekhawat:

Sure. My last question is with respect to US business. So over there, are you looking to ramp up production, possibly onshore as well as via Brazil and could you give a sense in terms of the imports of glass lined equipment that happens from any other players apart from you into the US market. So, I am just trying to understand, because of these tariffs if these get finalized, what could be the incremental benefit that can come to you as you become more competitive in that market?

Tarak Patel:

So, I don't think there is significant import into the US. US is a closed market, they normally buy from US manufacturers themselves, and plus shipping, glass lined equipment around the world is not very, unless it comes from India or China, but shipping stuff from Europe to the US, I don't think it makes too much sense in terms of cost. So, the US will buy local or will buy from maybe Brazil. We have supplied from India in the past, but of course now India supplying to the US with the current tariff situation doesn't seem like a strong possibility, but we have multiple different options. The ideal situation would be that our US unit will probably if this investment comes in, then they could serve that market quite easily. We have the capacity available, we are well known, we are the market leader in the US, so we just have to now make sure that we can execute these orders as and when they come in, if they do come in.

Moderator:

Thank you. The next question is from the line of Sagar Shah from Spark Capital. Please go ahead.

Sagar Shah:

My first question was regarding the demand environment, you have already explained about the kind of dullness and at least in the demand for glass lining equipment as far as global markets are concerned. What I wanted to understand that you are guiding for at least a better H2 and regards to non-glass lining technologies, especially regarding to Edlon, and especially regarding to industrial mixing as far as global cues is concerned. So as far as the diversification path which we took around three years back. So, how is the demand environment as far as the non-glass lining is concerned in the global markets, because still, your technologies, your segment hasn't shown actually that sort of meaningful growth which you actually envisaged even a year ago. That's my first question.

Tarak Patel:

Yes, so the non-glass lined business also like our glass lined business mainly caters to chemical and pharma, at least our erstwhile non-glass lined business, and the idea of the diversification strategy is to open up more industries and industry segments for us. SEMCO does that because SEMCO caters into the fast growing metals and minerals and wastewater and rare earths markets in South America. So that would be a stream for growth as well. Our Mixing in Canada also caters to non-legacy segments, so they cater also to metals and minerals and oil and gas

and petrochemicals in the Canadian market. The idea is to build different industry segments, and that takes a bit of time, but we are well positioned today to kind of take some of these orders. And, just to give you a few examples, we have currently orders on hand which have come from our non-core markets. So even with the slowdown in the chemical market, a lot of the shortfall was made up with orders coming in from things like food and beverage, oil and gas, petrochemical, we are doing work for the battery technology. I said, arms and ammunition and the defense is something that we are working on. And then with Edlon now, we cater to two different markets. We cater to the semiconductor market in the US and also the nuclear market in the US. So, again there is diversification place across all our industries. We are using our current portfolio to try and enter into as many new market as we can, even with a heavy engineering play here in India, we are now looking at doing work for the nuclear sector. We are doing work for oil and gas, petrochemicals. We are going into Southeast Asia, Middle East as well. So these are markets that are opening up and then obviously there are new industries like battery technology and stuff, where we have also done some good work, and that could be they are small markets, but they could turn out to be quite a big market in the future.

Sagar Shah:

Right sir. My second question was related to the standalone operations, the company posted very healthy operating performance as far as the EBITDA margins are concerned. What I wanted to understand now since the glass lining demand is actually improving in India as per your commentary, as per we are hearing from the industry. And secondly, also your heavy engineering business has already taken off. And considering you are also there is a lean cost structure that you are operating in as far as the standalone operations are concerned. So is it safe to assume the margins are sustainable as far as the standalone operations are concerned or maybe even we can see further improvement from here on. That is the second question.

Tarak Patel:

So, as per our the current estimate, 15%-16% is sustainable. I do believe that when you have incremental revenue flowing through these factories, when we have better absorptions, maybe those numbers might look a little bit better. The focus this year is to make sure that we execute well and we grow here in India, there could be obviously, some market share, some orders that we take for strategic reasons, which might impact. But generally, the region that we are currently in, plus a little bit of upside is possible. The focus should be on execution now, and that's what we are focusing on. And like you rightly said, our factories are now at a good the capacity utilization, across the board, both the factories are full now, and you did not mention that a large chunk here in India is our non-glass lined business as well, which includes mixing, filtration and drying that has done increasingly well. Like I mentioned a few questions ago, a large order for peptide manufacturing in Hastelloy, stainless steel, that's all that is going into our filtration and drying, our mixing portfolio as well. So both our non-glass lined businesses are doing quite well, they are full. A very strong and healthy backlog. Glass lined, decent backlog but I believe that with the new CAPEX that comes in over the next few quarters, we could really be back to a very strong backlog in one factory while last year we had obviously

two factories to fill. So we are definitely in a better position. And to answer your question, the margin profile of the standalone should be something that is sustainable.

Sagar Shah: Sure, sir. My last question was related to heavy engineering, to follow up just what you said. In the heavy engineering segment, and also in the non-glass lining segment, are we looking for any CAPEX, since the capacities are full, so are we looking at CAPEX as far as the India business is concerned?

Tarak Patel: Yes, so currently we have not gone to the board for approvals yet, but I believe that we will add some capacity in non-glass lined, in mixing and filtration and drying that is what's growing and we have a limited area there. The CAPEX would be in the range of INR 7-10 crores, is not significant CAPEX, but we do want to create a world class facility for this product line, not only for the Indian market and export market, but also for low cost sourcing for our group companies as well. So that's something that we will want to build here and use in the next few quarters. But yes, we do believe that we will need some CAPEX to grow that and heavy engineering we have capacity available. We are okay for at least the next year and a half. But, after INR 600-700 crores, we might need more the capacity there.

Moderator: Thank you. The next question is from the line of Praveen Kumar from Acuitas Capital Advisors. Please go ahead.

Praveen Kumar: I had a couple of questions. The first one was on the domestic side. In your comments, you have alluded to the glass lined, GLE part of the business and India doing well. But, if I look at the breakup of your domestic revenues into services, systems and technologies, if I compare the technologies part on a Y-o-Y basis, the revenue of Q1 FY'26 compared to Q1 FY'25 on the technology side and domestic seems to actually have fallen by 8%. So, can you throw some light on this?

Tarak Patel: No, it's just a product mix issue. It's just, a one off. I don't think that you should read too much into that. Like I said, the backlog across all three business lines are quite strong. One quarter, you will see glass lined doing better and growing one quarter, HE will have big shipments. One quarter, it would be the non-glass lined. So technologies today has all these product lines in it, but like I said, we do have plans to obviously ship out over the next few quarters. We know what backlog is there, but I don't think there is any specific kind of reason why one is more or less, across the backlog in our standalone business we have a strong backlog across all three verticals.

Praveen Kumar: Okay. And just on this note, earlier the company used to provide order intake breakup of domestic versus International, you have discontinued doing that, any particular reason for that?

Tarak Patel:

So, here we would like to just mention that today obviously the company is going through a transformation process, the International versus India, the division was something that obviously was there. But, as a global company we do look at probably having more of a kind of a global kind of view on this. Sharing backlog data, this is just a way that we have been doing it in the past. And, backlog is at a group level, there are different geographies, there are different businesses. So at the end of the day, the backlog really is for the whole company. There is no specific reasons why we did it or didn't do it. But, in the future when we do go through this global transformation program, the way we organize, our strategic plan, our financial numbers, we will come back to the market with some kind of thought in terms of where we are and where we want to go. So just bear with us, maybe for a few more quarters, and then maybe we will have some better way of sharing data, and you will have better ways of analyzing that data. So no specific reason really, the backlog today is strong, it is much higher than what it was 12 months, 18 months ago. So we are in a better position, but again, like I said it's still cautious. We are still hopeful and optimistic, but we do have to really take into account that there is a lot of global uncertainty. So that's really not in our control, the only thing we can try and control is to make sure that we have multiple different opportunities across various industries, to make sure that order intake remains strong.

Praveen Kumar:

Understood. My other question was on, there was an exchange notification about Aseem's exit. So just wanted to understand that, again on international side, the multiple lines of business, even in India with more focus on heavy engineering as well as GLE. With exit of Aseem and others, is there some kind of organizational restructuring you are doing on the domestic side because, how do you plan to devote the organizational bandwidth required for Indian operations?

Tarak Patel:

Yes, so first thing to say is that, obviously Aseem has been with us now for four years. We have enjoyed working with him and we thank him for all the good work that he has done. Obviously, it's a professional the decision to move on. He had an opportunity which came along, which he could not say no to. So that's something that's part of life, and we move on. Having said that, we obviously have a global transformation program ongoing, like we mentioned in our disclosure, that the India CEO role is something that we are thinking about considering, and as we reorganize, we restructure the business to give the kind of focus, independence and flexibility, we will then kind of figure out what is the right global organization structure.

Whatever structure we choose, the structure will obviously help us to be more focused, to be more proactive, and to be able to be a better company for the long term. This is something that we have inherited. Unfortunately there is obviously with legacy businesses like ours, which are more regional in nature. There is obviously less alignment between the regions. We want to bring some more alignment into this business. And, have people think about not only their region, but really more about how the business is doing at a global level. So some of the decisions related to cost structure, in terms of innovation, in terms of automation, in terms of people and organization, we need to relook at that, it's a good opportunity for us to do that. And the excitement levels, the motivation levels within the organization, kind of we are doing something that is going to help us in the long term.

Praveen Kumar:

Understood. Just one quick last question, in response to one of the other participants, questions on the domestic margins and whether there was room for improvement, you mentioned that, while there could be improvement on the execution side to win some orders, you might want to give up a little on that side. So just wanted to understand that response in more detail, because earlier, I thought a few years back the company's strategy used to be to focus more on margins. Sometimes maybe, so is there a rethink at an organizational level in the domestic business to focus, to shift the margin versus growth focus slightly more on the growth side. Is that something we should read into?

Tarak Patel:

No, I don't think so, we want to grow but we also want to improve margins. So at the end of the day, we want to grow profitability. We have worked very hard over the last few quarters in India, especially to raise and improve pricing in glass lined. We are seeing some of that also have an impact now, we are also more be picky and choosy when it comes to certain orders. But in heavy engineering, there are sometimes large orders which might not be as lucrative as a smaller order. But at the same time, the 15% odd EBITDA level margin is something that we strive for as a group, and in heavy engineering as well, we would probably strive for that. Something might come in at 12%-13% something will come in at 20% but it will average out. So, I don't think there is any compromise on any kind of outlook in terms of growing and improving our margins. Maybe, Alex you want to add something here on margins?

Alexander Poempner:

No, whereas I just would echo what Tarak just said.

Tarak Patel:

So we have always been a company that is not only kind of after growth, we want to grow, but we want to grow also profitability right. So, a lot of the work that we are doing today will help us improve profitability as well.

- Moderator:** Thank you. The next question is from the line of Kunal Mehta from Sunidhi Securities. Please go ahead.
- Kunal Mehta:** Sir, I have a question with respect to the international business. Are we sitting on high fixed cost, are we not operating at optimal levels. Because, the international business is leading to a little drag on the overall consol margins and I also wanted to know what is the total capacity that we have, or what is the peak revenue that we can achieve in terms of all the three segments, if going ahead what guidance can you give on that?
- Tarak Patel:** So, I will start off and then maybe Alex can jump in. So international businesses inherently come with a higher cost structure, manpower cost in Europe and the US is much higher than low cost countries like India and China. That's something that we are quite aware of, but you would have appreciated that we pushed hard to make sure that at least some of this offshoring of production, setting up a new facility in Poland, sourcing from India, sourcing from Brazil. So there is already a thought process that we do feel that we need to reduce our footprint in high cost geographies and move them to low cost geographies. That's part of our strategy, and that's something that we are working on quite hard. Thomas did mention a few questions ago that we shut down the UK facility last year. We have also shut down our Hyderabad facility last year. So there is always a push on making our cost structure just more and more the efficient. Unfortunately, the down cycle came along the same time. If the market was booming, it would have been a very different situation. But it's always good to do some of these, put these cost structures and cost efficiency in now so that when the market improves, hopefully some of that will kind of have a positive impact as well. What was your second question on margin, sorry what did you ask?
- Kunal Mehta:** On capacity, let's say how much capacity that we have, because it is difficult for me to assess. If let's say there are multiple orders like this quarter you all had good order inflow, one of the highest in the last 8 Quarters. So going ahead, if the market sees an up cycle here, how much capacity we have if we can cater to all the orders?
- Tarak Patel:** So, it's again very difficult to say, we have capacity available in the international business for sure, because business is slow there, order intake is low. So we have capacity available there India, right now in terms of capacity we are definitely a little bit less flexible, our factories both in Karamsad and in Vatva, 80%-90% if not more. But we do have plans of increasing through operational efficiencies, better kind of workflows, improvement in terms of the flow of equipment and stuff like that. So, we are trying to improve but like I said, at least for our non-glass lined business in Gujarat, in our Karamsad facility, we do expect to add some capacity, because now we have come to a point where we will need some more.

- Alexander Poempner:** Let me say, in fact Tarak is fully right we know there are higher fixed costs in Europe and the US. We attacked this, we already mentioned the closure of one site in Leven. Therefore, in fact we only have two remaining glass lined sites in Europe before it was three. So you already saw that it's a significant reduction, which should bring some improvements on our fixed cost base. However, we still depend on orders, and this is currently the customers hold back some orders due to the general uncertainty. So, if the orders come back of course we definitely see a directly an improvement in margin and a ramp up of the European as well as US organization. And the other part, we only partly discussed is China. China, we have our site there, we have the fixed cost there, we have planned operations there. However, the order intake is really, really low and nevertheless we have to keep some part of the cost, because we just would like to be present in China. You currently see this in our margin. However, going forward, when China will come back, what we expect, we will directly see a positive impact on our margin development.
- Tarak Patel:** Yes, just to add maybe one more point is that, we also did restructuring in our Swiss subsidiary as well. And last year was not a good year for that Swiss subsidiary. This quarter has been a decent quarter for them. Obviously, these things take time and as order intake improves, we hope that the Swiss subsidiary will also do quite well. So the work is going on, hopefully some of these orders and opportunities will materialize, and then we would be in a good position. But International is still a bit slow, India is quite strong this year. But like I said, because of the global uncertainties and investment decisions in US and Europe will take some time.
- Kunal Mehta:** And sir what is the update on the Poland, the JV that we have at what capacity it is operating, and how will the uptake be?
- Thomas Kehl:** In Poland, as we already said, the joint venture there was far reactive for couple of months ago. In the first phase, they had one building and the second building under construction that has been finished. So manufacturing place is doubling, we already have asked for permits to build building number three and four. So we will increase the capacity and the manufacturing footprint there significantly over the next couple of quarters, and then when we are finished physically constructing, we are tripled in size and then get the capacity. We are super pleased with the capacities and the on time deliveries, that the qualities that they deliver so far with the products, and this is going to help our overall footprint optimization significantly in Europe, and also lower cost.
- Kunal Mehta:** Okay. And sir, in the presentation, I also saw that, just one follow up only. It says the SEMCO outsources the manufacturing. So is that also a benefit to the fixed cost because, since it is outsourced, is it managed in a better way?

- Thomas Kehl:** SEMCO was very attractive for us for a couple of reasons. One reason is, of course access to this adjusting market and there is a lot of growth opportunities, technologies that in this way we did not have. And the business model of SEMCO is engineering, assembly, and service, and they have outsourced their manufacturing. And with our global footprint, we can help them with outsourcing and giving even lower cost sources over time.
- Tarak Patel:** So just to maybe speak a little bit more about SEMCO, because of their size and scale, they didn't have access to large orders because of their financial kind of, just being in Brazil like bank guarantees and things like that. Now, there's a whole new market that opens up, because obviously as a bigger company, as a Pfaudler group, we can kind of support them with bank guarantees and finances. So that's something that will open up larger orders. The backlog in SEMCO is quite strong. The opportunity pipeline also remains quite strong. We expect large orders this quarter as well. So SEMCO is definitely a growth story for us, the margin profile is around 15%, we need to look at low cost sourcing also to maybe try and see if we can improve that. The other benefit of SEMCO, that SEMCO will get with our group is one is that some of the SEMCO products can be taken to the rest of the world, but SEMCO also has access to all of Pfaudler products for the Brazilian and the South American markets. The other thing that SEMCO also needs is low cost engineering, project management capabilities which they don't get very easily in Brazil, and we can definitely support them out of the Indian facility. So a lot of things around SEMCO that are quite interesting, and as it kind of as time continues, I believe that SEMCO will play an important part in our growth story.
- Moderator:** Thank you. The next question is from the line of Jay Modi from Emkay Investment Managers Limited. Please go ahead.
- Jay Modi:** Sir, could you just broadly help us understand, how has the mixing business grown for the quarter?
- Tarak Patel:** How much has the mixing business grown for the quarter. I don't have the exact numbers. I would say high single digit, but let me also give you some color on basically today, with the addition of SEMCO, we should be about USD 65 odd million, that puts us into a very kind of a strong position when it comes to mixing companies globally. We have a strong footprint, we are well situated to take as much advantage of our low cost manufacturing, our low cost engineering capabilities. And within the four companies that we have in mixing, we have a lot of different technologies available. So it does not only cater to one market, there is multiple markets we cater to, and we would like to bring that under one umbrella and make sure that we can sell all these technologies around the world. So really the push in mixing is to go out and get market share, go out and compete in newer industries, go into areas where we currently don't have a strong footprint. So that's really the mixing strategy, and mixing is a growth area for us, and we believe that mixing will continue to grow quite well.

- Alexander Poempner:** Maybe one additional comment regarding mixing, because it shows also sometimes the impact of global business. The highest single digit growth rate that Tarak mentioned is driven by our operations mainly in Europe and France and Canada, because the operations of the entity in China, it faces the same problem that we also face with our glass lined business. The Chinese market is quiet also for the mixing business. So in other jurisdictions, the growth rates are higher. In China, it's more or less, it's close to negative growth rate.
- Jay Modi:** Got it. Sir, adjusting for China would we be growing in double digits in the mixing business?
- Tarak Patel:** The expectation is to grow at double digit levels.
- Alexander Poempner:** This is exactly, to make it clear yes, definitely it is and if you carve out the Chinese de-growth that we currently face, yes we are in the double digit range. But China is unfortunately currently not only mixing, but also glass lined, and I assume also significantly other industries, they do not see the growth, and therefore we face their negative impacts. But France and Canada are doing well and as stated before also with the latest acquisition, SEMCO in Brazil, we are also really positive to see the two digit growth rate.
- Tarak Patel:** Yes, so one more thing to add is just keep in mind that five years ago, our mixing business in India was about INR 25-30 odd crores. Today, we are close to INR150 crores. So we have tripled or quadruple the size of that business over the short term. The focus is to continue growing that business. There is more and more need for mixing, industrial mixing across various industries. So we see that as a growth opportunity for sure.
- Jay Modi:** Got it. And sir, in your international business given the macro situation, although we have strong order book, but do you think that the execution could be pushed to the next year and this year would likely see a decline, any of your thoughts on that?
- Tarak Patel:** No. So if the orders are on hand, then we will execute them immediately, there is no way that we can push them out, but new orders coming in, that time frame is something that we expect and we see already some positivity there. But again, like I said that it is not as, I would say hot as maybe the Indian market right now, but investments will come back eventually. They have started to come back already but in terms of executions, we can't push anything out. Whatever orders are on hand will have to be shipped out in this Financial Year, mainly in this Financial Year. And do keep in mind, then we still have the services business, which is an ongoing business, and those have much shorter delivery. So that is something that will continue to come in and will continue to get shipped this year as well.

- Moderator:** Thank you. The next question is from the line of Kaushik Mohan from Ashika Group. Please go ahead.
- Kaushik Mohan:** I just wanted to understand on one single part, what is our current utilization in Indian business in a factory?
- Tarak Patel:** At glass lined, we would be probably at 80% utilization, in our non-glass lined business maybe 90% and maybe heavy engineering about 80%.
- Kaushik Mohan:** Okay. What about our international business?
- Tarak Patel:** I would say, depends again on geographies, but I would say anywhere between 50%-70% something like that, maybe a little bit lower also in some cases in China especially.
- Kaushik Mohan:** So, is there any differentiations that, can we make it that if we are producing only in India, and if we are producing only in outside India, what's the cost benefit that we are getting it here?
- Tarak Patel:** So the material cost across the world is pretty much the same. So steel will cost you the same anywhere you go. The big arbitrage is really in terms of labor cost, and India, and other low cost countries are significantly lower in terms of labor costs when you compare that with the US and Europe. So there is an arbitrage for sure and that as a company we should take advantage of not only India, but we have low cost sites like I said in Brazil, in Poland. So we have a combination of different opportunities that are available for us. Sometimes the customers might want it made fully in Europe, for which we will use Poland. Sometimes they would be happy with the hybrid situation where we manufacture some of the components in India, but finish the equipment in Europe. Sometimes they are fine with having a full equipment made in Brazil as well. So as a company, we have multiple options that we can offer to our clients. So, we are quite well positioned on that front.
- Kaushik Mohan:** Got it. Sir does it actually matters when we are producing from India or when we are producing from any other country, does it actually matters for a client?
- Tarak Patel:** It could matter for a client. There are some clients who probably want European quality. There are some European customers who are quite picky, they have been buying this for the last 50 years and they want to buy it from the same people to a point they might even come and check sometimes if the sprayer or the welder is the same sprayer or welder. So it just depends, but the world is changing. People are looking at controlling cost, if the quality levels out of India, Brazil, China are good enough, then I don't see any reason why people should complain about the quality.

- Kaushik Mohan:** Okay. So as we are producing in both the places, what is the quality difference that we assure them that, if it is coming from Europe, what is the quality levels that we are assuring and when it comes from India, what is the quality levels that we are assuring?
- Tarak Patel:** Good question, from a quality perspective from a glass lining quality it's quite similar. However, I feel that India can still improve on esthetics, on finishing. Those are the small areas that we can definitely look at. But we have multiple supplies across the world, from India, from Brazil. So it's always, it's already been tried and tested. We also currently have a system by which we stock and sell glass lined reactors in Europe. So we make for stock, these equipment are kept in Germany. We have sold more than 100 vessels in Italy. We have sold equipment from India into the US. So there's always an opportunity, but like I said, not always is the customer wanting an Indian made product. So as and when we can we definitely make sure that we can find a nice solution for the customer.
- Thomas Kehl:** And all vessels that we have supplied from India into European customers and markets, we have not a single functional complaint yet.
- Tarak Patel:** So it's also mindset. There is obviously some kind of mindset, or that is associated with procuring from India low cost countries. Chemical pharma are pretty conservative industries. It takes a bit of time, but over the last few years we have made some nice inroads into selling products made in India into the European and US market.
- Moderator:** Thank you. The next question is from the line of Kumar Saurabh from Scientific Investing. Please go ahead.
- Kumar Saurabh:** Sir, I have two questions. First question is, what is our current year plan in terms of maintenance CAPEX, growth CAPEX and acquisition and also reduction on debt. That is question number one. And second question is, if we see the total EBITDA of all our subsidiaries in FY'25 and correct me if I am wrong, we have made INR 140 crore losses at EBITDA level. And I know lot of initiatives have been taken in terms of moving the equipment's from high cost nation to low cost nation, lot of that. But let's take next one to three years, what is our plan to bring down this EBITDA loss to zero and do we have a concrete plan with timelines that when this can be achieved, or this is something which is a function of demand, which is beyond our control, what is your view? These are two questions I have.
- Tarak Patel:** I am not sure if I understand correctly. Last year we had an EBITDA of close to about INR 380 crores. So, I am not sure what EBITDA loss you are speaking of. Having said that, obviously this year looks definitely stronger. We do expect to improve both in terms of revenue and EBITDA at a console level and also at an India level.

- Kumar Saurabh:** No, there were subsidiaries which are showing EBITDA level losses. So, if we sum up those subsidiaries with EBITDA level losses, then this number sums up to some minus INR 40 crore though our overall console EBITDA as you said is INR 340 and correct me, if it is wrong.
- Alexander Poempner:** You are right, you refer to one entity where we had a negative EBITDA.
- Kumar Saurabh:** Yes.
- Alexander Poempner:** The one in Switzerland and as said before we focused on the restructuring, and we already see now an improvement. And Tarak, he mentioned it even before that it has a good start into the year. So, it will further improve, however it will not be so fast that you directly have the turnaround within six or nine months, but we definitely see a better result than last year.
- Kumar Saurabh:** Sure. And regarding the CAPEX plan and the useful uses of cash flows?
- Tarak Patel:** So CAPEX at the maintenance level for a group, we are about 2% that's what our normal CAPEX is. We do plan some CAPEX in India in the range of about INR 10 odd crores, not significant, that's growth CAPEX to increase capacity. And on the debt.
- Alexander Poempner:** I said on the debt we currently, we have a net debt to EBITDA ratio of 0.7. And in our last latest guidance we said that we would like to be below 1, and we will remain below 1, although of course, we add now with another acquisition, it adds some debt. However, of course will also use some of our cash on the balance sheet to finance this acquisition. Just to remind you, the SEMCO will cost us USD 18.5 million on a cash and debt free basis.
- Moderator:** Thank you. Ladies and gentlemen in interest of time, this would be our last question. I would now like to hand the conference over to the management for closing comments.
- Dhaval Rajput:** Thank you. Thank you everyone for joining us today. It was pleasure interacting with you, and we look forward to many such interactions during the course of the year. Take care and see you soon.
- Moderator:** Thank you. On behalf of GMM Pfaudler Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.