# "Ador Welding Limited Investor/Analyst Conference Call"

## Tuesday, June 7, 2022

**MANAGEMENT:** **MR. A.T. MALKANI – MANAGING DIRECTOR**
**MR. VINAYAK BHIDE – HEAD - HUMAN RESOURCES, COMPANY SECRETARY, LEGAL AND ADMINISTRATION**
**MR. SURYA KANT SETHIA – CHIEF FINANCIAL OFFICER**

**Moderator:** Welcome to the Investor Presentation of Ador Welding Limited. Today, we are joined by MD in the center. Towards the left is Mr. Bhide. He is the Head of HR, Company Secretary, Legal and Admin. Towards the right, we have Mr. Suryakant Sethia, he is the CFO. So, we'll start by our presentation by MD.

**A.T. Malkani**: We will start the presentation now? Hi. Good evening, everyone. We have a short presentation, which just gives a bit of an overview about the business for last year, talks a little bit about us and the market and the amalgamation stuff that has happened last week. I'll try and run through the presentation very quickly and then leave it open for questions after that. This is a disclaimer standard. Ador Group overview for those who are attending for the first time and are not aware, we do this every time during the investor presentation. Started 1908, J.B. Advani & Co. And then these are all the different group companies that exist, that encompass the group, and the different things that comprise our business activities. Most of this is available at www.adorgroup.com.

An overview of the performance of last year. As you can see, the main buckets of business are the welding consumables, welding equipment and automation and the flares and process equipment division. Numbers are part of our segment results and an overview is provided over here. PBT and return on capital employed. Again, without exceptional items, with exceptional items, tracking over the last 4 or 5 years, as have been the question by most of our shareholders is what we're looking at. And that data has been provided as well. This was something I talked of in last year. I think last time we did this meeting, I think it was in June last year. We haven't had a chance to do it since. It was something that we have highlighted with these 3 important metrics which we had felt the 2, 3 years proceeding has sort of gone out of control for a business like ours. So, if you look at the working capital in terms of number of days, we've managed to bring that down to 69, which is a little more along the lines of where we want to be. We picked out our borrowing sometime in October of 2020 or November of 2020, it had gone all the way up to approximately Rs. 120 crore. We managed to bring that down to 0 by March '22. We will, of course, have a little bit of debt moving up and down. It's not like it's only going to be 0. We will have a little bit of debt moving throughout. But the idea is that we believe it doesn't have to be a very significant borrowing at this time, especially for any organic requirements. Debt-to-equity ratio naturally obviously comes down accordingly. FY '22 performance, I think this is pretty standard information in terms of the tonnage growth that we had over the previous years. All of that is provided. And also, in terms of volume growth on our equipments, most of which is manufactured internally rather than imported is also provided over here. The FPED, which is, if you remember, this is called the project engineering business division, and we had lots of issues with past projects in Kuwait and stuff like that, we rechanged the entire way we work. We focus only on flares & process equipment right now. Rechanged the entire division structure, rebranded change of management, all of that has been done. And we stopped off only a focus on flares & process equipment, not doing jobs that were not adequate value addition by virtue of engineering. So, we started that exercise 1.5 years ago. And just to give you an overview, last year, we did Rs. 27 crore at pretty much almost a breakeven, whereas if you look at the previous year sales, even though the revenues might be higher if you look at the true results astoundingly bad in terms of the bottom line. Going forward, we are expecting this to get stronger and stronger. I'm very happy with the progress the team is making, the direction they're going in, in terms of selecting the right engineered projects, the right -- the return on capital as well as the margin. So, this will step by step, keep having an improvement as we go forward. Just to give you a general overview in our focus areas, there's a lot of -- we have identified a lot of plans over the next 12 to 24 months, maybe even a slightly longer in terms of technology upgradation that needs to be done. There is a lot of scope of improvement over here. Over the next 2 to 3 years in different stages, we will have to undertake significant investments in upgrading our technologies, especially on the welding consumables front. Distribution is something that remains the core of Ador, and we have to keep strengthening that, especially looking at the benefits of the merger in that regard as well. Online sales is picking up, is becoming a very interesting platform on a B2B level. There are a lot of interesting portals that we are working with. And I think that's also an area that we have to be smart about how we handle going forward. Ador International, with supply chains undergoing massive shifts that you're all aware about, with sentiment regarding manufacturing countries changing with India becoming a little more visible and much more competitive, there's tremendous opportunity here. We have had an operation or a setup in the Middle East for quite some time. Our own office in Sharjah, our distribution network. However, about a year ago, we decided that, look, it's time that we scale this in a very different way. And that's what we've done. We've hired new talent, good talent, brought them in from MNCs. Our global MNCs who know that part of the world, how it operates. We're upping our brand game, our investments over here as well, and we're starting to see results. It will take a little time, but we're starting to see results, and I think the opportunity here is to grow multifold. Product mix is a big part of going ahead. If you look at our competitors' results, you'll always notice profitability, which is always a concern for me that we are not able to do it, and that's an essence of product mix that we have to keep improving upon. It's a never-ending process, and the team is working towards that. Made in India. You all know that, that's a priority for all manufacturing companies in India. And BIS, Bureau of Indian Standards approval is becoming more and more relevant. So, there's a lot of work being done by technical teams, whether it's on the research side, on the process side, all of that keeps strengthening our game plan over here. IT systems is not only necessarily ERP related. It's actually IT systems in the way we do order processing and management with our distribution networks. I think there's a lot of potential to change the game over there, and we're going to keep working at that to become more efficient in that regard. Fairly standard information regarding our clientele. Lastly, the last point I wanted to cover was the recent news last week, we had a Board meeting where we decided to amalgamate Ador Welding and Ador Fontech. We will be taking most of the Ador Fontech stuff during the analyst call, Thursday. However, from the Ador Welding perspective, any questions are there, you can ask. Just to give you an overview where we stand. As far as Ador Welding and Ador Fontech are concerned, in terms of what we visualize as welding, cutting and complementary businesses that have a lot of synergies is approximately 96% of Ador Welding's business and approximately 84% of Ador Fontech's business. So, that goes to show how much synergy there can be if done correctly? There are 2 elements. The wear products on the Ador Fontech side as well as the flares & process equipment on the Ador Welding side in which they have limited role and they have limited overlap benefits, but they will still stand on its own going forward. Even the Ador wear products, actually Ador Welding's distribution will help to accelerate that as well. Our value creation, a fairly standard slide of what we aim to do for the shareholders to enhance the brand and market value of the company through a broader sales and deeper market sales and service network, distributor and customers being utilized more effectively, more optimal use of manufacturing and logistics and creating the best experience in terms of providing support into the network are all things that will be part of bringing this value creation going forward. So, a very standard slide on why merge. This was discussed for a long time with the Board. We've debated this. We've gone through it and try to understand why exactly are we merging and have to have complete clarity on it. Brand, brand, brand, I harp about this in both analyst meetings and AGMs, anywhere that that the Ador brand is very strong and I feel undersold. And I feel by combining these two the Ador brand can leverage that. The rest of the stuff, distribution, manpower, infrastructure, financial capability is all fairly standard. You all know this as any 2 companies would merge, especially being part of the same group that these benefits will accrue. Portfolio of products, services and solutions, this is actually quite interesting because Fontech has a very unique basket of products that if combined correctly to welding distribution and sales system can be used quite effectively. Similarly, for partnerships and alliances that can be built over this. The focus for the merger to work is based on customer experience, distribution, synergies and R&D, and we'll go into more detail on that as you guys have any questions. We now leave it open for question and answers. I think there's a standard request that 2 or 3 questions per participant in a certain order that Ashish will call out. If you have more questions, we request you just hold on so everyone has a chance. I request not to have a repetitive question as well. And whatever we can answer as best possible, we will go ahead. So, thank you very much. You can now stop sharing. Yes. All right. Ashish, you can go ahead. Thanks. So, just leave it on one thing. Just push it back. Go ahead.

**Moderator**: Mr. Rahul Jain, you are being unmuted now. Please ask your question.

**Rahul Jain**: Thanks for call and thanks for the commentary. So, firstly, on the consumable side, sir. With regards to our margins, it's almost more than now about 15, 18 months since you have joined and you have been working on various initiatives with regards to improvement in our margins. So, the observation is on the consumable side. Till December '20, we were roughly doing EBIT margins in Consumer segment of around 15%. And post that, it's been around 8% to 9%, 10%, 11%. So, in what timeframe do we expect to be back to around 15% margins in the consumer sector? That is my first question, sir.

**A.T. Malkani**: Ask next question. Finish your questions, sir, then I'll reply to each one of them one by one. Go ahead.

**Rahul Jain**: Sure. And then with regards to exports in our previous interactions, you've been always talking about exports as being a big growth driver going ahead. So, with regards to the FY '22 numbers on Ador Welding, what kind of export numbers we have ended with, and how do we look at the export segment for the coming FY '23 and FY '24? This is the second one. And last one, if you could just dwell upon the overall demand scenario, how is it looking today. Big sectors are doing well for us and which are the sectors where you see potential and thereby, how do we see growth going ahead?

**A.T. Malkani**: Thanks, Mr. Jain. Okay. Let's go. Consumer's margins is something that is a nonstop, something we discuss almost every day. And it's not been easy from a learning curve perspective because of the volatility we've seen in steel prices because of certain great contracts we had. All of that, the ability to pass through, when to pass through, how to pass through, see the demand cycle. I mean, if you were to just look it up for me, just for Jan, Feb, March, April and May, just these 5 months have their own learning curve to it. And it's taking a little bit of time. We are improving. It has good product mix, and it has to do with reading of the market correctly. And my simple answer to you here is month-on-month, we are trying to make small improvements, and I think you will see, the volatility doesn't help, but it is very much a part of what we want to do. I can't give you a date by when we want to get back to 15%, but I can rest assure you that, that is very much the plan that we are working on. It will take a little time. We're already seeing a slight improvement, and then you had steel prices fly down the way they have in the last 2 months, that doesn't help either. So, you've got to keep managing the entire thing carefully. I've always said that ESAB is better than us at that, and we have to learn. If we keep going, we will get there. Exports is a very big growth driver. I think last year, we closed export at Rs. 33 crore. We've made the changes we have and the talent we've got, everything like that has come in only on 1st April. I expect them to grow the business very significantly in the region of 35%, 40% year-on-year for a few years. In fact, over time, and the multiple factor over the next 3 or 4 years, and I think they're well set up to do that. It will be a tremendous growth driver not only in the Middle East. There's also parts of Europe that we can enter. There are other parts also, things are changing dynamically, and we are pretty well set now to do it. Demand scenario is a very interesting question, all depending on the week right now. Demand has been good. It was okay in April. It was kind of weak in May. As you guys will know this better than I do. It was weak in May, but again, in June, we're seeing it sort of coming back. So, it's encouraging signs on the 1st week of June. Steel prices are what steel prices are. You all have seen it. I think everyone was holding off a bit, stocking was weak, people were slowing down. You can't really do that much fabrication at those price levels when things have gone up in material costs the way they had. In general, demand was strong and good about demand is equipment, which is capital-oriented, CAPEX oriented, we have seen that to be good in May also. We're seeing that to be good. So, that means projects are there and things are there. I think people were just holding off purchases a little bit. All in all, I think demand will be good. I don't see the exuberance of Q4 simply because of the stocking levels that were happening at that time in anticipation of price increase, but I do see demand to be fairly decent. I hope that answers your question. Despite a smaller lull for a few weeks in the middle, I see it picking up to be fairly decent. Thank you.

**Moderator**: Mr. Pritesh, you are now unmuted. Kindly ask your question.

**Pritesh**: Just wanted to check one thing. On the steel price, now with the steel price correcting a lot, this lag effect in your margin, when should it start being visible based on the stocking, et cetera, that you would have done? What is the capacity utilization of your factories? You have put out a certain investment plan in automation, in IT system upgrades. So, what will be your CAPEX, and this dividend payout that we see of 30%. Can it be sustainable? And my last question is, where are we in terms of the consolidation of the factories? And this margin gap with ESAB of about 300 to 400 basis points based on year-to-year, let's say, this year your number and ESAB's number, where and how can this be bridged?

**A.T. Malkani**: Very quickly, our manufacturing capacity utilization in April was okay, in Q4 was very good. In Q4, it was very good. And when I say very good means it's somewhere in the region of 90% we are running in, at least in terms of our wires, at least 60%, 75% in terms of electrodes. Equipment was running at somewhere in the region of 60%, 60%, 70%. Equipment has continued to run at 60%, 70% through April and May. May has become quiet. May was a little quiet, June, early part is a little bit quiet in terms of capacity utilization of consumables like I mentioned earlier. But I expect it to pick back up by July, whatever signs we are seeing. IT systems are not very, very expensive, easily manageable sort of systems we're creating, well within the CAPEX that we would do normally, very comfortably within. So, it's really not going to be a big detriment. In fact, we're trying something quite different. So, let's see how that works. Definitely, I think the dividend payout ratio is something that I wanted to establish as a new base. I was very keen to. It wasn't a onetime thing. And look, as I said, volatility aside, that's the way we looked at it and said that if we're going to do it, it should be something that starts becoming consistent and build up from here. So, I do expect that to come irrespective of the CAPEX here. I think the company's borrowing ability, the company's ability to leverage its financial resources, all of that is adequate to still do this dividend payout without adding any major implications. Margin gap is as I told, Mr. Jain. Look, we are working in a time and time. There's a lot of stuff ESAB does well when it comes to product mix, when it comes to all of that. And we are doing it step by step. It's not something I can bridge tomorrow morning. But I think, as I said, you will keep seeing quarter-on-quarter, you will keep noticing a slight improvement. That's the only way to do it. I don't know any other way, but quarter-on-quarter, you will see an improvement happening.

**Pritesh**: Consolidation of factories where are we?

**A.T. Malkani**: Consolidation of factories -- sorry, I missed that point. Consolidation of factories, we were going to do a consolidation of factories, and a few months ago I put a hold to it, which I could not discuss publicly because of the merger. So, any plans and because of the merger, I wanted to relook at everything altogether more holistically, and that is going to take a few months. So, anything we do will have an impact based on the fact that now we're merging, so we have to look at it from that perspective. I think that makes more sense for the long run also. So, it will take a little time. The plan is very much on. We'll take a little more time.

**Pritesh**: And then steel price fall in and with what lag does it benefit your margin?

**A.T. Malkani**: No, when demand drops the way it has, it's not simple. It's different if demand hadn't dropped, and just had a steel price drop. In May, whatever you've seen any data at least whatever I've seen, the drop in demand was severe, so it's not like you are passing on regular demand and you're like, okay, I price up down like this and I'll do it. The demand drop was severe, but in June, it's picked back up. So, you have a lag of about a month, I would say. That's always what we've held up. And in Q4 of last year, we were good at passing prices through except for a few rate contracts that we had a tough time with. That's where you see the margins improve in Q4. I hear it's about a 1-month drop. We have some inventories, obviously, everyone will be sitting on, not only us, you're being staggered in terms of sorting out. But we also saw 1 or 2 decent months. I think I expect the quarter to average out around what would be a normal quarter.

**Pritesh**: Lastly, on your comment on demand, you grew 30% in volume in the consumable space in FY '22. All indicators or other companies that we've spoken to on capital good side, talk about robust order backlog, lot of CAPEX as being happening. So, do you see a situation where you would consistently grow about a 20-plus percent volume growth over the next couple of years?

**A.T. Malkani**: I would definitely hope so. I don't think I can answer that without IIP data. Look, it's great. It's well and great to have that sort of projection as long as IIP projections follow that, but if the volatility you've seen in the last few months and what is expected to come up forward, I can't predict. I can only tell you that we are striving for it, we're aiming for it, but the market has to be able to accept it and deliver on it. Everyone can want 20% volume growth. But the reality is in Q3 last year, if you ask me on Q4 this year you ask me, I'd say, yes, 20% looks like it. But when you look at April and May and what's happening globally. And it's not only a welding thing, it's not only us. So, I don't think I can comment on 20%, 30%. I can only tell you that I can work within a certain plus factor of what the market will do, and that's our aim. Our aim is always to outgrow the market at the right pace and to do it well, ensuring these margins are correct. So, that IIP data is something we have to keep looking at.

**Pritesh Chheda**: Just to sneak in here. At least the business scenario is much better than what it was for the last 7, 8 years in course.

**A.T. Malkani**: Yes. It remains much better. Even June, as I said, after literally from 31st May, 1st June, things are looking more up. So, yes, it was like a 2-week, 3-week lull, which is, as I said, not unique to us, at least not that I know of. I'd say, yes, I said definitely, we remain very confident that we'll be able to do well. You just see inflationary effect and stuff like that, that you have to keep in mind. Look at the end of the day, last year, every company has growth which is inflationary growth also. So, that has to be looked at, right? That has to be always kept in mind that inflationary growth will go away and it will just be a standard sort of real growth.

**Pritesh**: That's why I asked you the volume growth number. I've never asked inflationary growth.

**A.T. Malkani**: Yes.

**Pritesh**: What is CAPEX you will spend for '23 and '24?

**A.T. Malkani**: I have a ballpark estimate, but it's going to be a little more revision based on the merger. It's going to be a decent size, but I need to do a few, a little more homework on that and come back. As of now, you can expect it to be anywhere within a 20%, 30% band of what we've done over the last 2, 3 years, but I do expect over the next 3 months based on the merger that I will revamp all of this stuff and come back with the 3-year plan that might be slightly higher. But as I keep talking about CAPEX in our regard with two things. When you're talking about anything to do with manufacturing rejig, because you're re-jigging land, we have enough land assets, that is easy to do that rejig. When you're talking about buying new technologies, that's a separate part, and that's what I'm evaluating also. But I don't expect it to be anything astronomically absurd in terms of the technology.

**Moderator**: Mr. Shivamprashar**,** you are now unmuted. Kindly ask your questions.

**Participant**: Sir, I have a couple of questions that historically, we have been doing regularly the CAPEX. And this year also, we have done quite a bit of CAPEX. But if you look at our competitors, they don't need to do much of the CAPEX. Can you put some light on this that is it you specifically or the industry is not needing anything on that?

**A.T. Malkani**: Sure, you have any other questions before I answer that?

**Participant**: And sir, like in the previous year, we have been doing the CAPEX like ahead also, can you give us any guidance that what areas are you looking to do the CAPEX and all?

**A.T. Malkani**: Okay. So, first of all, I cannot comment too much on our competitors. I can only tell you this, we are the largest manufacturer of welding equipment, and potentially of consumables, if I'm not mistaken in the country. A lot of our competitors buy and trade from abroad, within year, do all of that, we tend to make, and we tend to get rewarded for that and we are improving on it. I tend to think that there's a lot of scope for improvement on that. In fact, if you look at welding equipment data, 95% or 96% of welding equipment in the country are imported. We're the largest manufacturer by a mile. So, there's always going to be some element of CAPEX that we do that others don't do. And I think the game is changing, which is going to favor this in the long term. So, I think it's worth that long term play. There is technology upgradation that is different for each company. And our CAPEX will require a bit of that going forward as well. You asked for a guidance on CAPEX. As I said, I answered Pritesh also, I can't do much at the moment. They're

2 separate parts of CAPEX. There's one that is investing in the rejig of manufacturing, which is land-based or whatever you might want to call it. And the second is technology upgradation. I need 3, 4 months to figure those two out. I don't expect them to be on a year-on-year basis much more than like a 30%, 40% of what we've done as an average, upside.

**Participant**: And sir, can you give us a ballpark figure on the sectoral dependency percentage? Like from which sector you get how much revenue and that?

**A.T. Malkani**: Look, general infra, general projects, heavy engineering, project engineering, that sort of stuff will account for 40%, 50% of the business. Railways 5%, 6%. Shipbuilding defense 5%, 6%. Auto, only 10%, but even though auto is down, but auto in terms of value is not very high, more in terms of volume. Oil and gas. Oil and gas definitely has a big role to play, I'd say, 6%, 7%, 8%, maybe depending, especially they're doing expansionary work. At that time, it picks up a little bit more. Core sector is pretty much on that account, okay?

**Moderator**: Mr. Ankit Gupta, you are now unmuted. Kindly ask your questions.

**Ankit Gupta**: Congratulations to Aditya and team for successfully turning around operations at all levels in terms of sales, balance sheet and dividend payout after we stopped paying dividend last year. Aditya, on the equipment side, we have been highlighting that our margins on the equipments have been -- are in fact higher than even consumables in a steady-state environment. But I think we have been facing some challenges in terms of imports and higher freight costs. So, if you can talk about how is the demand on equipment side, and when can we revert back to, let's say, mid-teens kind of EBITDA margins in equipment. That was on the equipment side. Secondly, there have been certain areas where you have been trying to improve our distribution as well as sales if you talk about Eastern and Southern geographies where you have earlier highlighted that we would like to beef up our presence there and work more towards distribution and sales. So, if we can talk about how are we trying to address those gaps and how do you see those gaps being addressed? And lastly, on the consolidation benefits, if you can quantitatively highlight some kind of consolidation benefits that you expect in the combined entity over the next 2, 3 years.

**A.T. Malkani**: Equipment demand, as I mentioned, has remained fairly good through and through from the last 7, 8 months. I've not really seen too much of a lull. Even in May, like I said, while steel had a lull, equipment demand has remained kind of good. The margins are simply a factor of there's a huge import element that we are fighting against. And I think, we have the ability to push higher margins because imports are going to get more costly, and the competition we face is slowly, slowly going to make life -- it's going to be harder for them also. So, I think step by step, we can improve and scale obviously has to come into that game as well. Nice for you to remember that east and south thing, that is something we have been working on. The key thing to do is to identify just a few. We've done probably 2 or 3. We've identified pockets in those areas. I don't want to get into too much details, but we have identified 2 or 3 pockets. Central India, East India, where we have added, and we will keep adding. And that's also the benefit of our distribution system now that the 2 entities will be together, you get to work with some bigger stuff going forward. On the consolidation, look, I wish I have the numbers in our own back working. We've done a lot of stuff. I don't want to get into it today in terms of numbers because it could be a debate, and I don't want that to be the case, but I expect some significant benefits to come into both companies over the next 2-3 years. I don't want to get into numbers, guys. I'm sorry for that, but I need a little more time before I was to publicly get into the exact specific numbers of consolidation benefits or give a forecast out there. But I do expect there to be quite significant benefits going forward. And I think the benefits are more regarding value creation rather than just a cost cut benefit. I don't really see that as a big driver. I see this synergistic part playing a role, and we'll take it forward from there.

**Ankit Gupta**: Just one follow-up on the equipment side. How do you see this business scaling up for us over the next 2, 3 years? We had some pretty decent ambitions that, last year also, we saw very decent growth in this, and you had said that you plan to grow this to a significant business for us. So, like currently, given how the demand is shifting over the next 2, 3 years, can this business be a Rs. 150 crore, Rs. 170 crore business for us?

**A.T. Malkani**: Yes, definitely. Definitely, it can. Very much it should and it very much can. That's what the team is working towards, especially in 2 years or 3 years to get there, but definitely.

**Ankit Gupta**: And steady-state margins can be 15%, 16% in this quarter?

**A.T. Malkani**: We can improve our steady-state margins because there are a lot of fixed costs over there and all of that. So, our margins should technically start moving up a little bit. It's also a question of this heavy import stuff that we have to keep in. I think you'll see an improvement over there. You must work hard on that. You have to do that. There's no choice on that. You also have supply chain issues, don't forget on equipments. What you guys hear and track on Auto guys having supply chain issues, we have similar supply chain issues on welding equipments, which we are try and deal with tackle and all of that. And it will come. But yes, I completely agree with what numbers you got there.

**Moderator**: Mr. Jitendra Kesar, you're now unmuted, kindly ask your question.

**Jitendra Kesar**: So, Aditya, the first question is on the flare business. So, I think we have come out of a bad patch, and now we are again trying to grow that business. And I think you mentioned in your opening remarks that you are very happy with the progress in terms of the kind of orders that we are taking and ROC that it can generate. So, in terms of looking at that business, FY '23, we are looking at Rs. 50 crore. But are we wanting to scale that business up to, say, Rs. 100 crore with 10%, 12% kind of a margin? Is that the ballpark numbers that you guys are working with?

**A.T. Malkani**: Yes. I think ballpark, you've got it right. It's about doing it in steps. The opportunity is tremendous right now in the market for all of these projects. It's about doing it step by step. I think exactly the numbers you gave is definitely something that's on our radar. Project-to-project basis, we can get that. As I keep saying, the stipulation has to be a good engineering product and at the end of the day, good return on capital employed, margin, all of that, but definitely. And what your numbers you indicated are very much on the cards.

**Jitendra Kesar**: So, it's going to be some 15%, 20% ROC business, is that a safe assumption to make?

**A.T. Malkani**: Where we at right now? So, 18% to 20%. Yes, I think you're pretty much -- yes, okay, a little bit higher than we are right now. But yes, you're -- okay, fine, yes.

**Jitendra Kesar**: Sir, second question is on export, Aditya. So, on export, we are fairly well present in Middle East, right? But you also alluded that there are some openings or opportunities in the European market. Now there, there are already well-established guys like ESAB, Lincoln. So, so how do we compete and gain market share there?

**A.T. Malkani**: So, the welding world works on approvals, you want to be a high-end or, let's say, not the cheapest guy in the room. If you want to be the guy that, that is well recognized as a brand and as a quality product, you have to work on approvals. Those approvals are two or threefold. They are related to your own manufacturing unit. And then there are things like a CE approval. I mean, like all of those sort of things play a role in terms of how you create a good product. So, we're doing that step by step. We have some people giving us more and more factory approvals and we get more and more products into CE approval. It will take time. I wouldn't say Europe is like my, we have to go to Europe and that will solve our problems. It's not. We're seeing the inquiries also coming to us out of Europe are much higher than before, simply because of what's happening with supply chain disruption and what's happened with steel and China and all those other great things. As a focus in terms of the Ador international and what their focus, their focus is on the Middle East, parts of Africa, and these -- the next step might come. But it's not our job to do excess business development in those markets for exactly the reasons you said that well established becomes hard. But we are seeing a lot more traction come our way. Now conversion of that traction will take time, approvals, all of that will take a little time. But we're seeing a lot more of that come our way. I don't expect that to be -- so let me clarify for you because I may have misspoken it what I did earlier. I don't expect that to be the answer for the International division. I expect that to be the icing on top and something that gives us a kick up. But as far as the team is concerned, their drive is Middle East and Africa to deliver numbers that we want are very possible from this.

**Jitendra Kesar**: So, essentially, what we are looking at is that India focused business with some 20% kind of a contribution coming from export in the overall revenue pie that is how are we looking at our business?

**A.T. Malkani**: The time line you are looking at, 20%. It's going to take a little bit of time to get there. But yes, you're right, that's the time line that I mean if you would look at a 3-, 4-year period, yes sure. Yes, maybe 15%, 18%, maybe better.

**Moderator**: Mr. Kaushik Mitra, you are unmuted now. Kindly ask your question.

**Kaushik Mitra**: Aditya, if you can talk about, if I look at the margins for Fontech, I mean you said that we have an 84% overlap with the product. But if I look at Fontech's margin, at least over the last couple of years, they have significantly improved to 14% to 16% actually in '22. And so why is there such a difference in margins when there is like 86% overlap in products?

**A.T. Malkani**: So, just to clarify that you have to go into more micro detail. On a broad-based level it's nearly 4% overlap, but their product mix that they sell is, and the market that they cater to is much more specialized, which allows that margin to happen, but it's sold through fairly similar channels and fairly similar end users. But the applications are different, which is why their issue at Fontech, which I keep getting asked is the scalability question because it's niche based on that margin. On the welding front, the scalability is that much more, but you have the margin issue. So, that's where it’s at, that's what explains the difference that you have in these two.

**Kaushik Mitra**: So, going forward, once these companies merge, it's fair to assume that A, a business, which is 1/3 of our business comes in at 14%, 15%, 16% margin, and our business is whatever 9%, 10% of blended margins anyways goes up, and whatever improvement we can eke out of welding will keep accruing to us. That's a fair way to think about it?

**A.T. Malkani**: I think you're very right. And if we don't do that, then we are failing in what we are planning to do very much.

**Kaushik Mitra**: Right. If you can talk about the management structure, right? Mr. Ledwani runs Fontech. And so how will the management structure work out post this merger?

**A.T. Malkani**: I don't want to get into excess detail right now because it's still very, very fresh. But I think we will have -- it's right to answer this. I think we'll be driving it the same way or seeing it being driven today in terms of execution. I don't want to get into more detail on that. But I think Mr. Ledwani will definitely be there in the company, but I will be responsible for driving the bulk of the operations.

**Kaushik Mitra**: And just one last thing. We also have one more company, Ador Multiproducts, which is unlisted, right?

**A.T. Malkani**: No, it's listed.

**Kaushik Mitra**: Listed. That's not part of --

**A.T. Malkani**: No, it's got nothing to do with welding. It's in the cosmetic space. It's a completely different business also.

**Kaushik Mitra**: And whatever dividends that you have announced Rs. 5 for Fontech and Rs. 12.5 for Welding, the merger will be post that balance sheet payout?

**A.T. Malkani**: Yes, no

**Management**: Payout will happen after the AGM.

**A.T. Malkani**: So, payout is now. Then mergers will go to NCLT. It will take time.

**Management**: Merger takes longer.

**A.T. Malkani**: Merger will take longer, yes.

**Moderator**: Mr. Kuldeep Singh, you are now being unmuted. Kindly ask your question.

**Kuldeep Singh**: Firstly, I just want to thank you for the EPS accretive merger at a very attractive valuation. Secondly, I want to know whether Ador house in South Bombay is owned by Ador Welding or by the promoters?

**A.T. Malkani**: So, I'll give you a very simple answer. It's, I think there are approximately 6,000 square feet or something like that.

**Management**: 2 floors are owned by Ador.

**A.T. Malkani**: 2 floors are owned Ador Welding. The rest is all owned by the holding company, J.B. Advani and Company here.

**Kuldeep Singh**: So, how many floors is it in total?

**A.T. Malkani**: 5.

**Management**: With basement, it's 5.

**Kuldeep Singh**: All right. And which floors flows are owned by Ador?

**A.T. Malkani**: We can't get into these details. You'll have to take it offline. I'm sorry. This is more about Ador's Welding key operations. If there's something about an asset which is like Ador house or something like that if you want, send in your question in writing, we're happy to reply transparently on that. But I think most of this is about the welding business. So, let's stick to that as much as possible.

**Moderator**: Mr. Chheda of Incred IMC, kindly ask your questions. You are being unmuted.

**Aditya Chheda**: This is Aditya from Incred Asset Management. So, you commented on capacity utilization being higher. So, I just wanted to understand, for example, you won't do an additional 20% capacity. How much time is required to bring the same? And do we have the land for further capacity expansion? And just a color on what asset turns should we build on the capacity expansions CAPEX?

**A.T. Malkani**: Sorry, say the last part again, color on?

**Aditya Chheda**: What are the asset turns to expect on the additional capacity?

**A.T. Malkani**: Let me clarify on capacity. Capacity, when it comes to things like welding electrodes, which are the more high-value part of the entire game, we don't have any capacity constrain at all. We have another 30%, 40% left and plus more, depending on how we run the entire thing that we're quite okay over there. We do general capacity improvements in terms of slightly faster machines, slightly change over from an old machine, legacy system, all of that. So, nothing of real concern. On the wire front, we keep adding. In fact, this year, we've already added, last year something, we keep adding that. My CAPEX that I'm talking about is more from a technology perspective of the newer product lines, faster product lines, all of that, that will take a little time and come in. In terms of asset turns when you say, what you mean, I don't understand. Say that again.

**Aditya Chheda**: How much you can generate in terms of CAPEX?

**A.T. Malkani**: So, additional revenue in terms of adding this CAPEX?

**Aditya Chheda**: Yes.

**A.T. Malkani**: So, you say you're going to add this CAPEX. You could add about --

**Aditya Chheda**: More towards replacement.

**A.T. Malkani**: It's more towards -- no, that's the replacement part. But the new technology partner we're talking of adding will add at least somewhere in the region of what it's a 2.5, 3-year payback most of it has. So, I think accordingly, we have to look at it. I don't have the exact answer. I'm sorry. But the new technology products that we're looking at has more or less a 2.5- to 3-year ROI that we're looking at in that regard. I hope that answers your question somewhat.

**Aditya Chheda**: Yes. That's it.

**Moderator**: Mr. Amar Singhania, you're being unmuted. Kindly ask your questions.

**Amar Singhania**: So, first question is more from the industry side with this Make in India and more focus towards Indian manufacturing. We're seeing a lot of products which are using welding are shifting towards Indian manufacturing instead of imports. At the same time, welding as industry also depends a lot on the imported product which gets sold. So, how do you see these things changing? Are we in a position to see a much higher growth than vis–a–vis the IIP growth versus what we used to earlier pack the industry as such?

**A.T. Malkani**: You are seeing. So, you are seeing sectors, especially in the PSUs. So, when you're talking of the railway sectors, when you're talking of the BHELs of the world or PSU driven, we are definitely seeing a very good and healthy promotion of Indian products as long as the Indian product meets the technology requirement. This is what we've been upscaling and working towards a lot, and we have a lot of costs to undertake that. So, you are seeing definitely improvements on that. You are seeing customers who know supply chain issues exist. Private customers who see supply chain issues existing and are also looking at that. So, we are definitely seeing an uptick in it. The question is how long can it be sustained? And is the global supply chain situation changing drastic enough that there's lack of price disadvantage out of Asia or something like that. So, I think we're seeing improvements on that definitely. Definitely, we are seeing improvements.

**Amar Singhania**: Sir, secondly, on the synergy part, I understand you have mentioned that you cannot go into granular details in terms of quantification. But I'm sure that when the Board has approved this merger, definitely, they must have thought about what kind of savings will accrue and improvement will come in because it has come after so many years of denial with the previous management and now things are changing on the positive side. So, I'm not asking you to quantify specifically what kind of synergy benefit it will accrue. But if you can give some ballpark horizon in terms of with this merger, how things are going to change in terms of ESAB as a consolidated entity in terms of size, in terms of competition as such because ESAB is a single entity with both the businesses put together. So, how that will change? And in some color, not necessarily specifically, but some broader range kind of benefit which can accrue with this merger. Maybe the direct cost saving which is very much visible immediately. If you can give some color on that?

**A.T. Malkani**: Sir, I can answer you, but in a general manner. Sorry, I can't ask you on a percentage basis, something even though we've done a bit of the math or quite a lot of the math, I can't give you that exactly, but I'll try and answer you in a very general perspective. I think like you've seen with other companies also happening and what we're expecting to happen with the Indian economy over the next 4, 5 years, I think size and scale matters a lot and how you manage your operational efficiencies matter. I think that there's a lot of scope of improvement by using the correct distribution and sales force of both companies combined. I think there's a lot of talent that can be used, that can be better, more efficient by doing all of this. As I said, the capital, the back-end rejig in terms of manufacturing is something that's ongoing, and we need to have more clarity on that in the next few months. ESAB is already doing it to be back. I don't want to comment any more on them. I mean they're doing what they're doing correctly so. And we're just trying to do it step by step, and there is definite opportunity for quite a lot of improvements there. I'm sorry I can't get into the specific math on it, but we definitely believe synergistic benefits to be very significant. It's a question of the time line in which we do that.

**Amar Singhania**: And sir, in terms of what is currently the management vision to take this combined entity forward in, let's say, next 3 to 5 year horizon? Is there any size or scale you have in mind, which can work out as a target for you as a management for this combined entity, let's say, 3 years or 5 years down the line in terms of size?

**A.T. Malkani**: So, we closed this year as a combined unit at somewhere in the region of Rs. 880 crore, right? If you were to consolidate numbers, it was that and ESAB is approximately, the total business group is approximately Rs. 900-plus crore another, I don't know what the private company has done but I can guesstimate it, you have to assume or something, I don't know. So, that puts it at Rs. 1,150 crore, I would say and gives us at about Rs. 880 crore, Rs. 900 crore. I would say that, look, in the next 3 or 4 years, the inflationary factors played a large role. So, I'm moving the effect of steel prices because that doesn't add anything per se. But I think we should be in the region of being able to grow the business at least few basis points, 4 or 5 percentage points more than IIP, so whatever that leads you to in 3 or 4 or 5 years, that should be good. But I think the plan is definitely to significantly grow. It's not to do this small rate of growth, and that's why we combine it, is to grow quite significant. Sorry, I'm giving you this vague answer, but there's a reason that it's I feel it's too premature to give anything different. Maybe at the AGM, I'll have something more, right?

**Amar Singhania**: And just 2 small things, sir, if I may. One, I missed your comment on the CAPEX side. If you can just reiterate what kind of CAPEX you're looking this year?

**A.T. Malkani**: Yes, CAPEX is being reevaluated from the merged entity perspective from 2 schools of thought, the 2 different ways of looking at it. First is on the manufacturing scale rejig. Where should we be manufacturing? How should we consolidate? Where should we do all of that? What land banks make sense? Where costing makes sense? Where accessibility makes sense? That part of it is being undertaken. And the second is the CAPEX that has to be undertaken on adding new technologies. And I expect our CAPEX levels to go up, but I also expect because it's a rejig that the net effect on the balance sheet not to be very significant.

**Amar Singhania**: And lastly, sir, now with the combined entity and with a stronger balance sheet, 2 parts of this question. One, do we see any further gaps in the product portfolio, which we need to fill into to be really a complete value chain producer?

**A.T. Malkani**: Definitely. There are gaps. There are gaps that do exist. I think so. They exist by virtue in the spectrum of welding automation, how much further up you can be in the automation scope rather than being semi-automated scope. There are gaps in terms of a lot of imports that come into the country on certain products that our competitors might be better placed than we are. That gap part is not going to suddenly change because of this merger. You're going to have complementary stuff come in, but there's still gaps that remain that we have to keep plugging at for the next 3 years.

**Amar Singhania**: So, are you open for inorganic growth to fill these gaps on that part?

**A.T. Malkani**: Yes, I think step by step. Yes.

**Moderator**: Mr. Anurag Patil, you are now being unmuted. Kindly ask your questions.

**Anurag Patil**: Sir, what will be the market size of welding equipment and consumable in India currently?

**A.T. Malkani**: Last year, I think, we normally used to guesstimate it anywhere in the region of approximately Rs. 5,000 crore plus/minus a little bit here and there. Because first of all, it's a supply-side estimation. It's a very tiny industry. So, it's hard to figure out the exact numbers. I would say last year must be at least in the region of Rs. 7,500 crore -- at least must be Rs. 7,500 crore, Rs. 8,000 crore maybe? Should be? Yes. I think Rs. 7,000 crore, Rs. 7,500 crore might be a decent estimate of what we're looking at now, especially based on the inflationary factor of steel. But yes, I would say it's somewhere in that region.

**Anurag Patil**: And sir, what percentage of our business is through distributors and through B2B segment?

**A.T. Malkani**: 65% of our business is through the distribution network and the balance 1/3 is through direct sales.

**Anurag Patil**: And one last question. Earlier here, we have done some provisions for receivables. I think Kuwait related some outstanding was there. So, can you elaborate what is the current status? And any further provisions will be required there?

**A.T. Malkani**: Sure. Just to, basically, the Kuwait project, as you all know, we explained at that time, was basically everything went -- we had to write-off most of the project, everything went wrong. We filed the case. I guess the contractor that we are working with case is ongoing in Kuwait. We are actually somewhat hopeful that in the next 12 to 15 months, maybe 18 months, we will see that money come back. So, we're holding up. We've been tracking a case very closely. Suryakant visited Kuwait recently with sense of confidence from there that yes, we should be able to see some progress in the next 12 to 15 months on that receivable.

**Anurag Patil**: And sir, how much is outstanding there in Kuwait?

**A.T. Malkani**: Approximately Rs. 15 crore.

**Moderator**: Mr. Samar Singh, you are now being unmuted. Kindly ask your question.

**Samar Singh**: Aditya, I'm not very familiar with Ador Welding, but if you could just explain to me, I believe the merger ratio is 9 shares of Ador Fontech will give me 1 share of Welding, is that correct?

**A.T. Malkani**: 9.2.

**Samar Singh**: 9.2, okay. So, I'm just looking at the numbers of Fontech and Welding have grown at the same rate over the last 5 years, the margins of Fontech are much better. The ROE of Fontech is better, but the capitalization ratio for Fontech for this merger is 10x earnings while Welding is at 24x earnings. So, can you please help me understand how you're not shortchanging the Fontech investors?

**A.T. Malkani**: Yes. So, I'll tell you what it is, okay? Because we've been getting a little bit of feedback on this, and I expect on Thursday, a little bit more of answering a lot of these questions. And I'll very openly tell you. Look, valuation is something that could have been done very subjectively at either company. And we could have done it through various complicated structures and routes, which would have led to many debates. The easiest and the fairest way to do it, and I stand by that and our advisors also give it, if you look at the market price of what has happened and you looked at the market price over 12 months over 90 days or 10 days, took all the data to our Board, data transaction advisors said, "Listen, I want to ensure Corporate Governance is correct. I don't want to do anything that is not perceived to be clean." We are very, very clear that this has to be done as transparently as possible. In my estimation, the market value is it they are both publicly listed companies. No one knows the value of these companies better than the public markets, and that's exactly what we have followed. So, whether I'm shortchanging one company or not shortchanging the other company is something that obviously I don't buy into. Because first of all, I am a very, very large shareholder in Fontech as well. So, I don't think shortchanging that would make sense in any way. So, I think you must look at it as pragmatically as saying, look, the market value of these 2 companies over these extended periods of times like this. And whatever we did, we took it as for that. So, I don't feel we shortchanged anything. Look, I'll give you the converse argument. And it's not because it affects it in any way, the thing is done. ESAB's valuation today is 5x of Ador Welding. Someone from Ador Welding can turn around and say, "what the hell, why didn't we look at that?" So, it's never ending. And why should I get into that debate. So, I think the fair way to do it is to follow what the market has valued these 2 companies over this extended period of time. So, I stand by that, so do our advisors. And I hope our shareholders from both sides will understand the rationale of that. And we've worked very hard to ensure that corporate governance is taken care of at the highest level. So, I hope that answers your question somewhat.

**Samar Singh**: Yes, just 2 follow-ups on that. One is what number of what percentage is, do the minority shareholders have a voting right? Or is this transaction through and has been done?

**A.T. Malkani**: Sorry, the minority has a normal voting, right? So, as far as I know, it's the normal standard, right, because the minorities will vote on the transaction and all of that, correct. As per the normal, whatever the SEBI guidelines, we will follow.

**Management:** They do not have any difference in voting rights.

**A.T. Malkani**: No.

**Samar Singh**: And if the valuation of Ador Fontech goes up before the merger.

**A.T. Malkani**: Sorry if the --?

**Samar Singh**: If the market value of Fontech goes up before the merger, will you then be open to changing the ratio?

**A.T. Malkani**: How can I comment on that, Samar. How do I know which one is going to go up and not go up and how do I answer that to you differently. You are presumably a Fontech shareholder. Welding, I would say so and so, welding thing goes up tomorrow. Look, I think we've taken advisors. We've taken very strong and good advisers for all of this. It's not like guys, and we're trying to be as fair as possible. I cannot answer with which company value will go up tomorrow or not. I work very actively with both. I don't think it's fair to do anything different to what the market has assumed over this extended period of time. Both in my opinion have a lot of room to do better. That's it. And I'm only saying that by looking at our biggest competitors. So, what is undervalued or not undervalued, is it art and subjective the way I look at it. And I don't think it's my place to comment on it because they are both publicly listed.

**Samar Singh**: I had some follow-up questions.

**A.T. Malkani**: You mean on this subject. No, go order by order. If anyone has something on that, we can go anyway because they will be all….

**Moderator**: Mr. Radha Krishnan, you are being unmuted now. Kindly ask the question.

**Radha Krishnan**: So, Aditya, just a lot of the questions have been answered. But it seems that there is a definite gap between the product mix of us versus the competitors, and you harped on that fairly significantly on this call. So, just want to understand that a bit more deeply in terms of how much is the gap? The context of this question is also in a lot of the previous discussions or whether it be analyst meets or even AGMs, one of the understanding was given that -- I'm talking about welding here, is that because there is a services component in ESAB because of the parent and subsidiary angle that the margins are always higher. But if you strip it out and look at like-for-like, the margin for ESAB and Ador are very similar, and some of the historical numbers also sort of pointed towards that. However, my impression on this call, and correct me if I'm wrong, is that there also seems to be a lot of gap in terms of product mixing.

**A.T. Malkani**: So, let me correct you. You're right. The gap is not a lot. It's not like they are in a very different basket. There's a lot of overlap. There's a lot of overlap where at times we are priced better, they are priced better. I feel also that they can get margins in certain customers at a slightly better rate than we do. So, I feel that is there. There's a lot of overlap. I would say it's 10%, 15%, that is a slight gap, not more than that.

**Radha Krishnan**: So, I got it. I got my answer.

**A.T. Malkani**: So, maybe I've miscommunicated earlier. Look, 80%, 90% of what we do, we compete with each other one is to one, there's a 10%, 15% gap that exists and has perceived value, I think, for them, has actual value for them. But that is not the answer to all our problems. There's also pricing. There's all of these things that we have to also do. So, it's not like we can't narrow the gap by being smarter with what we have. Let me be very honest about that also.

**Radha Krishnan**: And just to understand again on the 3 segments today and then, obviously, with Fontech coming in at some point of time. I mean my understanding has been that consumables at a segmental level that you report could be a 14% to 15% margin business on a steady-state and equipments can also be around that number, probably even slightly higher. And flares is probably a single-digit EBIT margin kind of business the way you see it. Is that the right understanding? I mean do you still hold by that? I mean, I'm not asking you time line, but is that the right way to take that?

**A.T. Malkani**: Yes, I think so. I don't think equipment will get up to that level. It'll be a little bit lower than that level, but I think the rest of your assumptions are in line with what we are planning.

**Radha Krishnan**: All right. And I don't know if this is the right forum to ask, but probably on Fontech, do you want to comment or probably you can take it on Thursday, I don't know.

**A.T. Malkani**: I prefer to do it on Thursday and keep it sort of separate. I think that's only fair to both companies. So, I'll take it on Thursday. Sure.

**Moderator**: Mr. Ritesh, you are now being unmuted. Kindly ask your questions.

**Ritesh**: Sir, in your opening comments, you did mention that you're working a lot on the product mix to get the product mix better. And subsequently, you also mentioned that the future CAPEX that you would be looking at would be more on upgrading the technology. So, just to understand or to appreciate this better, if you can broadly give an understanding about what are these product segments where you are trying to enrich the portfolio with? And which are these technologies, which you are probably looking to bring in?

**A.T. Malkani**: They are what you call basically the higher efficiency products that are used in the welding world. So, if you ever welding, if you see an image of it or a picture, wherein you see someone holding a stick and welding like that, that is just the lowest form of efficiency technically. And that then goes to continuous wires where you change over less and there are fluxes and powders that come in, and there are technologies that combine the powder and fluxes and they send into a continuous line. This has been here for some time. It's not something new. Basically, you have higher productivity, products that are there. Those for higher productivity products, we make quite a lot of that. But in my opinion, the opportunity to move higher efficiency in manufacturing those products, higher scale of manufacturing these products and better quality or better input materials in that will lead to a higher yield is what we have to work on.

**Ritesh**: So, this 15% product gap that we have with our competitor, will you be able to bridge that with these upgradation of the technology?

**A.T. Malkani**: Step-by-step. Look, they are globally the biggest guys in the world. Yes, so it takes step by step. It's not going to happen at the end of the day or overnight. Step by step, there are various ways of doing it, and we will work towards it. There are some areas which are not even technology-driven product gaps. They could be just brands, strength and stuff like that, which is a small part of it also. So, it all depends on the areas where you want to work on and not work on and then take it forward accordingly. But I think step by step, there is enough that you can definitely reduce that gap down to at least 7%, 8% sort of thing. Yes.

**Ritesh**: And lastly, will that require you to collaborate with a technology partner to bridge this gap?

**A.T. Malkani**: Actually, yes, potentially, yes. There are many ways you could do it through alliances and you can do it through purchase of a technology or licensing of the technologies. So, there are many different ways that we are exploring.

**Moderator**: Mr. Megh Manseta you are now being unmuted. Kindly ask your question.

**Participant**: First of all, thanks for actually having an analyst meet for both companies and for actually inviting shareholders in both companies to attend and that's pretty fair and transparent on your part. I appreciate that. I've got 3 points. One is based on what you mentioned about Ador Welding and its future. You're looking at growing faster than IIP. So, could you talk about how it has grown relative to IIP in the last 10 years. This is just for me, I'm getting acquainted with Ador Welding since last week, because we are aiming to do better. The second point is actually, I guess, I mean, I'll make detailed remarks about Ador Fontech actually on Thursday. So, I think, I mean, Samar, I think, had some points. You mentioned that we rely on market valuation. Just to put it in perspective, the market cap of Ador Fontech is probably similar to what it was in 2011. Ad there was a time when our returns ratios were very high because we didn't have a lot of spare cash. And I think when management retains cash over and above what's needed for the business, generally for small companies, the PE drifts downwards. So, that has been actually one reason behind the valuation differential. Another important thing is that obviously, that business is not as scalable. And that's another reason why a company can be cheaper. But I think both factors need to be considered because it's the management's cash retention policy, which has probably contributed to this to some extent. And the third point I wanted to mention just with my years of investing, we have a very good opportunity here at Ador Welding because in the listed space, our main competitor is trading at a very high valuation, and I think to get and to keep a very high PE, we have to up our operations in terms of margins and in terms of our capabilities. And, just our reputation for governance to all stakeholders will always be looked at by the market. So, this is something to consider. I think in our dealings. It's not only that we have to be fair, but sometimes we have to be perceived to be fair also. And those are, two, sometimes separate things, but both are important. But I really appreciate your transparency and I enjoyed this investor presentation, and I wish this company all the very best.

**A.T. Malkani**: Thank you. I appreciate that. Okay. Let me try and answer it as best possible. I was just going through your 3 questions, and I'm not going to be able to answer them 100%. IIP growth, I don't have the last 10 years historical data. But if you were to look at it over the last 1.5 years, 2 years, we would definitely, we've been tracking very closely, especially last financial year. We're looking at consumables volume growth of approximately 30% and value growth of something like 45%, 48%. So, I think that far outstrips the IIP percentage over there. But I've always believed that the welding industry has an elasticity factor over IIP. So, because on the up, when things are growing, it grows faster. On the down, when it's going, it has a slightly lower part. So, I have to take it as per that. So, you can't just say IIP is good enough. IIP is not good enough. You have to grow beyond that. But on the way down with IIP, you have to be a little bit careful to ensure that doesn't go much below. So, that's the way I've looked at the industry. That's my homemade version of it, whether right or wrong. Valuation differential, look, as I said on, I'll comment on Fontech on Thursday, but all the factors you mentioned, Meg, are perceived reasons why one company is valued versus another. And at the end of the day, my sum and substance argument or counter to all of this will always be the market knows best. Who am I to comment if I'm retaining too much cash, who am I to comment if we retained excessively. All I know it's everything is very transparently put there. And if we had done that, there were so many subjective elements that would have come in that I think would have left, and would have been more about the promoters done what they want. And I don't think we've done that. I think we try to be as fair as I can. And I can't explain more than that. As I said, who's undervalued, who's overvalued, it's not my job to comment on. And I prefer to stay away from that argument and the advisors tell us how to do it. Valuation multiples, I completely agree with you, whether the competitor is undervalued or overvalued, again not my job to comment on, but I do believe that there is a lot of work to be done so that exactly the operational efficiencies you mentioned need to come in. We've done a lot of work in the last year, 1.5 years. There's a lot more to be done. And it will come. That's exactly what we're driving towards. As I keep saying, I tell our teams internally that look someone out there in the market is worth 5x of you, even though they only sell approximately 15%, 20% higher than you and their EBITDA -- or their margins are approximately 12% and we're at about 7.5%, right? 7.5% and they were at 12%. As I said, so the market values are at 5x, and that's not okay. And I'm not able to comment why they should be worth 5x. But I definitely don't think the delta should be there. And that's what we have to operationally improve on. So, that's what we're going to keep doing. You're right by that. So, I don't want to comment on their numbers. But yes, I think there's lag in front of us telling us, here's what you need to do to improve, so I think that's what we have to do. But like I keep saying, look, you guys have to understand we're a legacy company. We're a legacy group, we're a legacy company, we're a legacy brand, and it works differently when you're turning the ship. It doesn't happen overnight just because I said so. It has to be done in a lot of small, small ways and which takes time and effort. And a lot of what we did last year was about getting the balance sheet metrics correct, about cleaning up a lot of that stuff and getting certain verticals in line. So, it has to all be done step by step. So, that patience is something I need from everyone, otherwise I can't do it overnight.

**Participant**: Aditya, there's actually a follow-up and it occurred to me during this presentation. Is there any reason we are doing the merger at this stage given this degree of overlap? Was there a reason we didn't think of it about 4, 5 years back?

**A.T. Malkani**: I can't comment. I can only comment on the time that I have been driving Welding, which is for the last 1.5 years, and it's been on my mind for a while to do it. And when the opportunity came, we decided to it.

**Moderator**: Mr. Amit Melwani, you are now being unmuted. Kindly ask your questions.

**Amit Melwani:** Sir, one question on the Ador Fontech, if it is possible for you to comment, what kind of impact it will have on your market positioning post the merger? Anything on that? And will there be any base revenue impact post the merger?

**A.T. Malkani**: There should not be any negative fallout to any operation or any product line in any way, should not.

**Amit Melwani:** And sir, can you -- you highlighted on your opening remarks on the online sales picking up a lot of traction in the international markets. If it is possible for you to highlight more on it. What kind of contribution it can have?

**A.T. Malkani**: So, I can't project the numbers in terms of the contribution. All I can tell you is that like India had its B2C moment in terms of online, I think there's a lot of B2B moments happening. A lot of big corporates taking part in that and sort of facilitating faster transactions and all the benefits of being on an online portal, and we are working with a few of them. I can't quantify it right now, but we are seeing month-on-month, week-on-week traction picking up from there. It's a question of time and putting it and getting a structure. International, like I said, we want to see 35%, 40% growth happen year-on-year. So, we've been very aggressive in our targets over that regard.

**Amit Melwani**: And can you highlight on the new product launches? Which side of the business will see more product launches? Or any thoughts on that?

**A.T. Malkani**: Nothing very large. It will just be a little bit of new products, products import substitution, new products, all of that, basically, the welding consumables, a little bit on the welding equipment and on the automation front, that's basically it. It'll keep coming in like that. If you talk of new products in our industry, you're not talking about rocket science, you're talking about product upgradations most of the time, right, or incremental differences. So, it's primarily that.

**Amit Melwani**: Lastly, if you could share the volume numbers for FY22 and any guidance for FY23 for the Ador Welding and Ador Fontech?

**A.T. Malkani**: Your volume in terms of quantity of products sold? I think we showed that in stats.

**Amit Melwani**: In tons.

**A.T. Malkani**: Consumables, we sold about 50,000.

**Management**: 50,000 metric tons.

**A.T. Malkani**: 50,000 metric tons last year, we manufactured and sold about 10,000 equipments last year as I showed it in the slides. So, I don't do forecast, I'm sorry, I just don't do forecast. But like I said, as I explained to the earlier questions, it's all related to the growth numbers, but I can't do any forecast, I'm sorry.

**Moderator**: We're taking a follow-up question. Mr. Shivamprashar, you are now being unmuted. Kindly ask your question.

**Participant**: Sir, I have a follow-up question, that can you just highlight on the market share that the company has across the segments? The market share in the industry.

**A.T. Malkani**: The market share we have. So, first, we have a little bit of this stock that goes on about organized and unorganized market in welding consumables space, and it's normally do as a thumb rule, 50-50. I tend to believe it's more 55 organized simply because the market has transitioned post GST and post scaling up and all of that more towards the organized. If you look at the organized market, I think we would be somewhere in the region of 15% to 20% market share even in some segments of it 12%, some 18%, something like that. I presume that's it. Somewhere, I think 15% would be a fair number to put us an up down on that rather than 20%. I think 20% might be a bit too high. On the equipment front, like I said, the imports are huge, they're massive, but we still would have somewhere in the region of 5%, 6% market share in that regard. That's my estimation against supply-side estimations.

**Participant**: And sir, one more question that as you mentioned that your oil and gas revenue contribution is 6% to 7%, so I just want to ask that, has it been historically low from the sector or in the recent past?

**A.T. Malkani**: You have years where it is very good. So, if you have like, for example, companies in Gujarat and the massive expansion for 5 years. More than that, you see a big jump. Like I said, it's expansion related, you have stagnant work that carries on. And once you have massive refinery expansion work going on that year it jumps. So, it depends on that.

**Participant**: So, your revenue contribution from oil and gas can jump?

**A.T. Malkani**: Yes. As I say, good value mix as well. So, when they're doing massive refinery work or something like that, it's always good.

**Participant**: Any guidance on how much up the revenue can go in the oil and gas?

**A.T. Malkani**: I'm sorry, I don't do any guidance on anything. So, I'm sorry.

**Participant**: Because in the last manufacturing cycle, if we see your annual report from fiscal year 2004 to 2007, there has been a lot of mentioning of oil and gas CAPEX. So, I just want to ask that it can be this time also like that?

**A.T. Malkani**: Yes, it could be. It all depends on what sort of drivers are there for the CAPEX definitely. Back in the Middle East, we should see a good from that because there seems to be a lot of CAPEX driven over there. So, yes.

**Participant**: Yes. Any early signs are you seeing in there?

**A.T. Malkani**: Sorry?

**Participant**: Any early signs on the oil and gas CAPEX demand?

**A.T. Malkani**: Nothing very significant at the moment but there's a lot of talk.

**Management**: We're done.

**A.T. Malkani**: Done? Okay. Perfect. Thank you, guys. Thank you, everyone, for their time. Thank you very much.

**Management**: Thanks a lot.