"Ador Welding Limited Business Update Call"

November 15, 2022

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Moderator: Welcome to the Investor Presentation of Ador Welding Limited. My name is Shreesh Shroff. 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.

Aditya Malkani: Sorry about that. Because of some technical issues. Also, there's some construction going on in the building nearby. So in case you can't hear us, please put a note down in the comment section. In updates that we've had since the last time, I'm just going to cover three very quick updates that matter.

One is, on the welding equipment front, we continue to extend the range of mak-in India products that we're manufacturing and looking to take on more and more imports. This is actually a brand-new welding equipment that's been in development for the last four or five months and actually feeds into a slightly lower value range. And we've just launched this product and touchwood, we have been seeing very good demand for it already.

The second thing that is important is in approximately July of 2022 I've spoken about this earlier, but in July of this year, we finally opened up our new office in Jebel Ali Free-Trade Zone. As we said, the export market provides tremendous potential going forward and we start only taking the team but also the infrastructure and also opening up new markets.

So while this data would normally be seen in the annual report, we thought we'd share it over here with regard to the trajectory we see with Ador International sales and as they move forward. Very quickly, is the infrastructure that we have set up in Jebel Ali. Lastly, we also won a very large order for our Flares and Process Equipment division, INR 145 crores, including GST and the timeline execution of thirty months. I know there will be many questions regarding this, and we're happy to take those as we go along.

So these are the three critical announcements and also things that we have been working on internally since the last time we spoke. I think most of this data is fairly self-explanatory with regard to return on capital employed, PBT margins, all of that is already with everyone. We track this, obviously, very regularly and what is happening and where the concern areas are etc.

As we see the market starts to grow, as we see the flares and process equipment also divisions start to pick up a little bit. Our borrowing will pick up slightly going forward, which is why you're seeing that start to happen in Q2 onwards.

What was a concern definitely in, I mean, all the way from December till July/August, it was just the volatility of steel prices that impacted. I'm sure you know about that better than us. Geo-critical issues, interest rates, all that sort of stuff that's very typical in that regard. We have been focusing a lot on strengthening our supply chain management and continuous investments in technology upgradation.

In fact, there's a new product line that we're also working on at the moment, which is going to take some capex in the coming months. Strengthening the distribution and online sales is always important. As mentioned earlier, we're working with various online channels because we see that as a tremendous opportunity, going ahead.

I spoke on Ador International. And lastly, demand stabilization since August and September, based on the price volatility has been fairly good and it seems to be indicating a fairly decent path going forward, August/September/October data.

Most of you would know this, but we put it in here. Just you can understand the volatility we've had to deal with, since January. The left-hand side talks about the steel price issue, we indexed to 100, starting from January onwards and if you look at the drop that we had all the way from April until July. And the way it was moving, as far as the availability of material, that left us with the inventory overhang that we did end up having into the July month.

So, in other raw materials. We're not going to get into the details of those, but are very critical, especially in the welding consumables space. I have not yet come off their highs and that's why we've been sharing that as we thought we'd share that data with you as well. Segment performance. You've seen it in the results. I think the primary concern here is, if you look at the bottom right chart, the results as a percentage of revenue. As we said in Q1, it spiked a bit more than we expected. Again, depreciation in prices at that time and then the drop, so that's why that's happened in Q1.

If you look at the equipment, as the volumes start to pick up, you will see this start to get a lot better going forward from Q2 FY '23 onwards and that seems to be better placed at the moment as well. Flares and Process Equipment division, a lot of cleanup has happened. I think a lot of people know about this. They've asked a lot of questions overtime.

What are the changes we've made? We have targeted INR 75 crores. Orders in hand is INR 134 crores. That takes the run order at the net value of INR 120 crores, plus we guided another INR 20 crores, INR 25 crores of orders, and we've obviously executed some through the year as well. I think more INR 30 crores of orders, we have taken on this year in addition to that.

So we're getting into a much stronger position. The results as a percentage of revenue did badly in Q2 because topline was not so great. But like any other project oriented business is pushes itself more towards Q3 and eventually Q4, a little bit more.

Capex, I know there are lot of questions on capex. So I thought we'd just quickly update over here to the Welding business. We have so far this year altogether incurred approximately INR 5.5 crores, and we have planned another INR 17.5 crores of capex. Of that, approximately 12.5 million is fully -- INR 10 crores of the balance is related to the welding business, which has got to do with a new production line also, which captures about 70% to 80% of that, which is a very critical production line for us, and we should be adding that commission within the next 6 to 8 months -- 6 to 7 months.

And the Flares and Process Equipment division, this is based on simple equipment and things like that, that are required based on Uran and plus the new direction the team is working in. So that's where we come up with this entire capex plan that we have for this year.

There are questions on the merger, the NOC for the proposed scheme of amalgamation with Ador Fontech has been received from the stock exchanges and we are in the process of filing the application with the NCLT. And hopefully, as you are seeing, there are certain delays that happen over there, but we're quite hopeful that it will get passed quite soon.

I am now going to leave it open to question and answers. Pooja you're running it. And these are the guidelines we request everyone to keep it two, three questions, not to repeat the same question. We will try and answer as the best possible. And if there's something left over, we'll try and get to that as well. And by 6-clock, we request, I think that should be plenty of time to try and finish most of this off. All right, thank you, guys. I'm going to now stop sharing this.

Moderator: The first question is from Mr. Rahul Jain.

Rahul Jain: We've done exceptionally well on the sales side with regard to this quarter, about 15%, 16% growth on the sales. But on the margins, I mean, you did allude to probably the raw material cost, the steel cost volatility, which could have affected our gross margins. So our gross margins are again below 30%.

And more so on the consumables side, our EBITDA margins are again around 8%. So typically, if not for the steel on a normal environment, what margin do we envisage. We have been talking about a step-by-step improvement in margins for the last - more than 18 months now. And yes, there was some improvement in 1 or 2 quarters. But again, this quarter, it has gone down. Of course, it will not be a right thing on my part to look at margins in terms of a quarterly basis.

But on a steady state of affairs, do we -- where do we see our margins more so on the consumable side? I'm sorry, did I mention 8% is 11%, 8% is the overall company margins. So how do you see these margins going ahead? What kind of improvements can we see over the next 2, 4 quarters to come? That is my question number one on the margin.

On the capex side, you have mentioned in the AGM as well as in the previous call -- analyst call in June, two parts of the capex was, one was the normal maintenance capex, which you have already given details about in your presentation. And there was this large rejig manufacturing capex, which you had planned and you had mentioned in the earlier call that you would share probably something more in this particular call.

So if you could share some more details on the large capex, which we are talking about in next next two, three years to come? And lastly, on the Equipment division, sir, how do we see Equipment division going ahead in terms of the growth path and the margins also? We have spoken earlier that equipment can be in the region of 12% to 15%. So, if you could share some thoughts on the equipment side? This is from my side. Thank you so much.

Aditya Malkani: Okay. Thanks, Mr. Jain. So I'll attempt to answer your questions first so that you avoid any repetition. Okay let's answer one by one. I'm not going to get into the volatility part, you also addressed that. You understand that's the part that happens. As a philosophy, as a company, as a team, we think that our margins are anywhere between, and the consumables front, anywhere between 100 to 150 to 200 basis points below where they should be at the very minimum.

Like I keep saying, that's going to be a step-by-step progression and you will see that progression happen apart from any significant activities like we've seen in the last eight months, you should see that progression happening. It's a mixed -- product mix, pushing better value and as well as the markets we're selling to. So it's a combination of those three things, we work at all the time, and you will see that, that's our target, and we believe it's definitely achievable in the next two to four quarters.

As far as capex goes, as you said, I showed the normal capex, the rejig-- the rejig takes into consideration the approval for the merger. So, while I am working on things that I can't disclose, so to say, I have to wait for this merger approval to come before I can disclose them entirely. And also, it's a lot of work in progress, not a different things that we're exploring, how does the realignment happen, which is the right locations to be in, the product mix accordingly. It's still some time away. It's not going to happen very soon. I need to wait for the merger to get approved, start the integration process, and then we'll do it. So I think it's looking more like a three to four year plan.

Like I keep saying, when you rejig, at least the philosophy, we follow as a group, when you rejig, you will realign properties and stuff like that accordingly. So I'm not going to take on some massive capex that, that's going to have a lot of debt on it as well. So that rejig will happen accordingly.

On the Equipment division, it's a question of volumes and product mix and we are seeing that pick up -- capex cycle, of course, is the first given, which is touchwood being quite okay now. And we're seeing Q3, Q4 very good indicators of demand as well as certain orders closing some in the pipeline.

Again, another 100 to 150 basis points at least in the Equipment division is what we've been talking about and pushing very hard to get to. It's a question of scalability. I think we should get there. And we are working very, very hard. In fact, it should be more than that if you ask me. On a capex cycle, we could probably push up 200 basis points plus, at least on the next, for this part.

So that's what we're looking at from that angle and the growth seems to be intact on what we're seeing in the capex demand versus I hope that answers your questions, as best possible.

Rahul Jain: Thank you so much, So on the equipment for the next year, can we see somewhere around INR 150 crores kind of top line?

Aditya Malkani: I hate giving forecast guys, I'm sorry, I can't give you guys forecast. I don't give forecast and it's simply because there's so many variables in place, but that's slightly above my internal numbers, it's close to that, but definitely slightly feasible, but slightly above my internal numbers, let's put it that way.

Rahul Jain: If I could just squeeze in one about the demand scenario. How is the looking overall, in terms of the sectors...

Aditya Malkani: So general infrastructure, very good demand certain key sectors, railways, heavy core sectors, defense -- defense volumes are okay, but railways and all of those sort of power, all of that okay, auto, all right. But in general, demand -- a general infra is actually for us, a very good play. And oil and gas is also sort of there. So, I like those kind of plays, it helps us work a lot, gives us good product mix as well. So, I'm quite happy with that so far, whatever we're seeing is it's fairly decent. We're seeing a lot of fusion happening in that demand.

Moderator: The next question is from Mr. Ankit Gupta. Mr. Gupta, you are now being placed in the meeting. Please proceed.

Ankit Gupta: Thanks for the opportunity. Aditya if you can talk about how has been the volume growth during Q2 and Q1 and how much has been the inventory loss in Q2 because of reduction in prices?

Aditya Malkani: For the half year, in terms of welding equipment numbers and remember, numbers is not the best indicator on volume of equipment because you have a mix of equipment from very tiny one to large ones. But anyway, I'll give you the data. We are at approximately 36% versus 47%. So approximately anywhere in the region of 15% to 18% volume growth on equipment. So there's a product mix thing in there that you should always try and decipher a little bit. But definitely seems to be robust that we do see 15% to 18% is definitely very encouraging.

On the electrode and the wires and fluxes and all of that, what we call the consumables altogether, Q1 as far as volumes go because of these charts you've seen were always a little soft. In general, we're approximately on par almost with last year H1 with a healthier product mix this year. I think that product mix might -- I think both those -- that pie will grow a little bit such that even the more commoditized range will grow going into HY2. I hope that answers your question.

Ankit Gupta: So basically, what you're saying is like we have largely been flat on the volume side, but there has been some product mix change, which has been favorable for us?

Aditya Malkani: Yes, especially on the HYI front. If you look at the Q2 front, it's been a little bit soft in terms of certain product lines, but some product lines have also done well. But I expect both those product lines to -- I expect a bit of a change to happen over the next coming quarters, correct.

Ankit Gupta: So you are saying you expect some volume growth during H2?

Aditya Malkani: Definitely. Definitely.

Ankit Gupta: An inventory loss for Q2, if you have that figure or a ballpark number?

Aditya Malkani: Look, I don't have a ballpark number for your inventory loss. I'll tell you what we did. We do a strategic decision to push through material rather than sit on it because at that time, come 1st July, we did not know what was happening in prices. All we know is it was coming down and we had no idea that time, if it's going to remain down, go back up, what's going to happen and I don't believe in doing inventory place, especially in a company of our size.

So I was very clean. I was very clear. The team was also very clear that let's push through that inventory. So, I think we gave up quite a lot of margin in July, that's the only way I'd like to put it. We gave a call out of margin in July to get the throughput of inventory out. And we don't have an inventory loss. We got the inventory through. And then in August and September, we were rotating with new inventory at the right prices and the right market demand as well. So that way is how we did it.

Ankit Gupta: Sure, sure. And my second question is on our ambition of reaching mid-teens kind of margins on the equipment side. So last few quarters, we have been badly hit by higher -- by the imported raw materials that we have because of higher prices and some issues on the freight front. So when do you see this situation easing for us? You have talked about quarter-on-quarter improvement going forward. But when do you see ourselves reaching our ambition of mid-teens kind of margins on the equipment side?

Aditya Malkani: I think it should come around quite quickly. Supply chains are easing demand is picking up quite fast. I mean supply chain issues are still there, but move near as bad as they were in the earlier part of the year. I think you should see that progression happen quite quickly sometime in the next -- early part of next calendar year, middle part of next calendar year, we should see that definitely.

Ankit Gupta: And on the consumables side, our ambitions are also on the higher end of the margins and currently, last quarter was impacted, but with demand stabilizing and price -- with demand improving and prices stabilizing, do you think over next few quarters, we'll be able to reach to higher EBITDA margins?

Aditya Malkani: Definitely. Yes. That's definitely the plan. The only thing I can't take into consideration is, like I said, you didn't, – I could not see at least none of us could see what happened in the first six months of this year is something that you could expect to happen. So I don',t -- if it remains as is, in economic and macro conditions remain the way they are, definitely.

Moderator: Our next speaker is Mr. Jason. Please proceed.

Jason: My first question is continuing from the earlier participant, so the margins have been hit in 2Q for our primary segment, which stood at 11.1%. You already mentioned what's the reason for that? So just wanted to know if the margins can come back to that healthy trajectory of 15% going ahead for 2x? Can we expect that with a lot of the capex team already roaring and it's fairly decent uptick, as you mentioned. So do you see it going back to those 15% levels as we saw in Q1?

Aditya Malkani: Sorry, give me one second. I'm just studying the numbers to make sure I don't mean incorrect. We think, definitely come awfully close to it. Let's put it that way. We can definitely come awfully close to it. But it takes a little bit of a you've dipped down. It's not like it's going to happen tomorrow morning. But I think we definitely, internally are working towards ensure that happens. I think we're working towards it. It should get better.

Jason: That -- very good. Sir, and just in a discussion, I just wanted to understand. So of course, welding is a very technical industry as such. And we, as financial investors always want to know more and more about the subject. So I just wanted to understand that when you talk about in consumables, you spoke about the volume growth was a little bit okay, but the product mix improved. So I just wanted to know if you can get into in terms of consumables, what is -- what will form a high proportion of better product mix? Like what is the high-margin product versus okay, a commoditized product. Can you throw some color on it? Like what can be a better margin product or a better product mix or better margin yielding products rather than a commoditized product. If you can give some color on the consumable side as well and as the equipment side also if possible?

Aditya Malkani: I'll try and give you from a very layman's perspective because I'm not a technical person either, but I'll try and give you from a layman’s perspective of our understanding. So one is the way steel metal that you're going to use or the base steel that is in use. So whether you're going to use simple mild steel or carbon steel or whether that sort of strength qualities and everything like that of the steel change but of course, matters. It depends on what industry is welding, what that's going to have an impact on that. So that's one part of the value mix in terms of different types of steel.

The second part that's very critical is which industry you're working with. So, if you're working with -- for example, the auto industry, for the automation factor and the high volume production factor that is taking place requires processes to be in place accordingly, that also plays a role. And it's a more commoditized sort of product range that you play in there. Whereas if you go into oil and gas and if you go into, for example, a pipeline or you go into something that is high high-pressure steels, so you're going to something nuclear-related. Obviously, accordingly, not only does the steel industry but also ancillary or complementary industries like us, see the benefit of a higher value product going in over there. So it follows that kind of trajectory.

As far as the equipment goes, it's to do with sometimes the quality of the weld and the sort of quality output you're expecting on the weld as well as the place in which you're welding. So the highest value addition products that we would sell would be, for example, when you are doing cross-country pipelines where there is no power. So the type of product that you're selling over there is obviously with the generator, high quality of weld, all of those kind of things.

Whereas if you come all the way down to what your drill weld down the road is doing and while he's welding your small jallies or whatever it is, it's a very different type of weld and sort of more just the need for tach weld to take place. So the range is quite drastic on that front. And that's where it comes to -- I hope that helps in some way...

Jason: And just one final question from my side. You did mention in the earlier con-call that compared to ESAB, 80% to 90% of your portfolio overlap, so there's a gap of 10% to 20%. And you're looking at narrowing this gap. Of course, it will happen in a gradual in a phased manner. So just wanted to know how are those efforts going on? You spoke about putting in better quality of materials, launching higher efficiency products. And you also spoke about lysing technological partner, if need be. So just wanted to know what's the progress on that front? And in this capex, which you mentioned, is there anything relating to this aspect as well?

Aditya Malkani: There's a little bit of it happening in this capex as well. We are ongoing on that, that's a continuous evolution of the industry. And look, at the end of the day, I don't comment on our competitors, but they are globally ahead of the curve compared to us. So, there's always a catch-up element that we have to work on and we are continuously doing that.

However -- and it is as a product sale basis, I firmly believe it's not that different. It's an 80%, 90% similar. Here should keep in mind, if you read their balance sheet, you will see that they also have a very large service component which is part of their knowledge process offshoring that goes on, I think in their group. I don't know, that's what I understand on the balance sheet. So that part is not rapid. And that obviously has its own structures and stuff like that. So I won't comment on them.

But I will tell you as far as products go, it should be 80% to 90%, and we can keep on bridging that gap and we are soon, but that variation will remain as far as the services part goes.

Jason: And just one final question, if I can squeeze in. You did allude to -- you did mention that demand in terms of defense, railways, general infra is fairly decent at a good clip at this point in time. But when you talk about India, there is a lot of talk about a strong capex cycle going through the roof.

For the next three to four years, there is the elections as well going ahead. So there's a strong run-up for capex, which we see year now. So just wanted to know from a two to three perspective as for Ador Welding being the second largest player in the welding consumables space, the welding industry and you predominantly cater to domestic demand. So how do you see the demand trajectory from a two to three year perspective on the ground, how do you feel the spanning of order?

Aditya Malkani: Very robust. I definitely say it's very, very robust. So look, if you ask me fundamentally and we discuss this all the time, fundamentally on the ground, things are great. It's moving in the right path. Things are okay. We are laying out our entire plans based on exactly the cycle you are talking of.

My only concern comes in the last two, three years, given the sort of changes that have happened on a macro level, whether it's COVID, whether it's some more, whether it's the volatility of market supply chains being hit, volatility in commodities. It's very hard to predict that they're going to have stability through the course of this time, globally – globally more than domestically, I'd say. But if you ask me, I completely I'm with you that that's the way we are planning is completely along those lines.

Moderator: Our next speaker for today is Viraj Mehta. Mr. Mehta you are now being placed in the meeting, please proceed with your question.

Viraj Mehta: Aditya, my first question is regarding the volatility in margins. If I see – and of course, there is only just one listed peer for us to compare. So pardon for doing that, but the kind of volatility I saw in margins of both welding and Fontech doesn't match up both this quarter and earlier quarter compared to ESAB? What would you allure it to?

Aditya Malkani: I think you're right.

Viraj Mehta: And also, the growth was higher. So they grew 20% plus.

Aditya Malkani: Yes. So there are two elements here. As I said, I don't like to compare and talk about their business. I can only talk about what I read from the annual report which shows a post of service income. Like I said, I'm not going to keep going back into it, but I don't know what that plays out on a quarterly basis. I don't know what that is on a quarterly basis. I don't have that data. So that's one, but I'm not getting into it.

I think if you ask me, I think they're smarter at managing their long-term rate contracts, passing through of prices. I think the dependability on the end-use customer is better with that than it is with us. I think our reliance on the distribution market is higher, which causes us to have more varies. So I feel that is where a concern is, and we keep working on stabilizing this a little bit more.

I think they have probably some global best practices in terms of their tie-ups with the end-use customers maybe that has better price valuation cases and stuff like that. So it's part of a learning for us. At the same time, I know, look, we compete with them and others and we also know what happens in the market in terms of prices. So it's not like I can be like they're working in their own universe and not. There is all competitive laying field over there that happens.

So I don't have the exact answer for you, but I think there is learnings for us to keep working on quarter-on-quarter that we're trying to do step by step. I think you had one more question. You can ask that. I don't think I answered your question very well, but you have one more question.

Viraj Mehta: And Aditya, the second question was regarding Fontech, and I don't know whether this is the right forum, but obviously, Fontech will most probably be merged with our company. So the results for Fontech also seemed a little underwhelming. So can you comment on a little bit? I'm just asking because there's a shareholder of welding we should equally be asking about Fontech?

Aditya Malkani: Fair enough. I won't get too much into Fontech. I think we'll divert a little bit over here. It has to a bit of the product mix basically in essence. So you will see that product mix improve. There's a lot of new product mix. Essentially, there are three or four main product groups that are there and the services part of it. And Q2 was a bit too soft. I think all of us know that. And you will see some improvement definitely happening. There's a bit of a normal quarter for them. So don't...

Viraj Mehta: So this was one-off in your view for Fontech?

Aditya Malkani: I think it wasn't in the right path of where it should be, so let's put it that and definitely you should see improvements there. It's not like that's the new normal at all, no.

Moderator: Our next speaker for today is Mr. Deepak Tewary. Mr. Deepak, you are now being place in the meeting. Please proceed to ask your questions.

Deepak Tewary: Just -- sorry to repeat maybe sounding repetitive. But as everybody was alluding in regards of margins basically. So just wanted and you also have iterated that definitely there is just hope for improvement. So just wanted to know what are the levers basically apart from the product mix? Are there any levers that you can talk about or give some color that how we -- the margins we are expecting to improve from here? So that would be the first question.

Aditya Malkani: Product mix is such a significant part of it and the way we sell the right products across the spectrum is a very big part of that. I think increasing our share of business in Ador International is very important towards that as well. We had certain product lines at work that we're going very slow for a few months that have now picked up, which should show encouraging margins also. I think it's just that, I think it's literally just basically simple like that.

And I think structuring our sales team to be more geared towards selling higher value sort of products that are now range, which is needing to push that a little bit and that's a learning. It doesn't happen just because I say so, it doesn't happen just because you put a policy in place. It's a learning factor that needs to go into that as well. So you will see. We track it very, very, very regular and you will see it

Aditya Malkani: Sorry, you have something else you wanted to ask on that?

Deepak Tewary: Yes. Just wondered what is the current capacity utilization, current capacity…

Aditya Malkani: So it varies anywhere from certain -- in the consumables side, it varies anywhere from approximately 65% to on the commoditized range as close to 90%, 92%. As far as equipment is concerned, we are probably somewhere in the 70% -- 60% to 70%. Now what we are seeing so good demand here, somewhere in the 70s, high 70s in that regard as far as the equipment is concerned.

Deepak Tewary: And just last one bookkeeping question on that. Obviously, you talked about raw material variation, but I was seeing a line item that operating and manufacturing expenses, that item is actually growing by almost like 30%, 35% on a quarter-to-quarter or even first half basis. So what exactly is this…

Aditya Malkani: The problem is, if you ask -- I mean, from what most of it is you're comparing it against a very dull, quite, locked-down type period last HY 1, right? So obviously, have more expenses that are signed to pick up in regard to that, that's one. Second is, last HY 1, last year, we never had freight included. So now we do inclusion of freight. So we have to adjust that cost accordingly. So this happens on both sides on the top and the bottom accordingly. So that's why there's a certain impact over there.

Moderator: Our next speaker is Mr. Pritesh Chheda. Mr. Pritesh, your now placed in meeting. Please ask your question.

Pritesh Chheda: Yes. So one question on, one feedback that you gave on the volumes. I'm trying to connect that question with past calls. So you've always mentioned on the demand scenario for your product line is far better than what we would have ever seen in the last 8, 10 years. In the last cycle that you saw was about 10 years back, I was just perplexing why is the volume flat? And do you see the demand scenario panning out as of now, just what you saw in the last cycle? There are cases – are there any changes to that observation?

Aditya Malkani: No, there are no major changes to that observation. What has changed is I see the product mix as far as it goes in the demand, the volume has increased. So approximately, if you look at it, HY1, I don't know which period you want to look at, but let's look at...

Pritesh Chheda: H1 to H1.

Aditya Malkani: H1 to H1 in terms of the right product mix of what we want to sell, it will be probably somewhere in the region of 5%, 6% growth in terms of the volumes of the right products that we want to do certain key products -- certain commoditized range, we've had a slight dip that has happened. And that's also going to happen in Q1. Simply speaking, Q1 was -- it was very, very -- it is very slow in that regard. So, the volumes are very soon, you had inflationary demand that just took care of everything from that angle. So that's going to happen.

So I think you have to keep Q1 sort of ready aside, July very aside and you have to look at August and September onwards as more indicators of what is happening, I tend to feel that, that is on the right path.

Pritesh Chheda: So sir, let's say, last year, we had close to 20%, more than 20% volume growth. We were at about 50,000 tons last year. What kind of volumes do you see happening this year of volume growth that you see happening this year? See, as some in fact from a normal thing. If I look at the bill or any other volume growth metrics in a country like India, a lot of it is double-digit volume growth. So, I was a little bit more confused is it for the industry that it has not grown. It is specific to you? How should we read it?

Aditya Malkani: I see is fairly industry-oriented in that regard. And I think that if you look at it – I think if you look at HY2 versus HY2, we should be in a position to at least to somewhere in the region of 10% to 15% volume growth in that regard.

Pritesh Chheda: Any large RM inventory that you are carrying which...

Aditya Malkani: No concerns. We consciously took the margin hit to clear that through. So that's what the plan was. I don't know if it works or not, but that's what we tried...

Pritesh Chheda: So H2 basically starts from a much better slate with better volumes, which can you bring you leverage and RM pricing hit in which you would have taken in the first three, four months or five months, you would had to was a slightly softer RM scenario, which would be good for margins. That's how we should read it, right, as of now?

Aditya Malkani: Yes. Yes.

Pritesh Chheda: And the last thing on the project business that you have taken off -- the project that you have taken of INR 134 crores of ONGC, there what is the execution cycle, if you could break up the -- you said it's 30 months, but we would like to know what will flow in '23, what flows in '24 and what flows in ’25? And how will the margin progression mean in '23, '24, '25 for that particular project? And when you execute that project, does it mean that will it be over and above the usual business that you're doing in the flares business or this will be additional?

Aditya Malkani: Okay. So we started the order. We just started to get some work. In Q4, you will recognize a little bit of revenue. So I'm going to talk in broad percentage terms, Pritesh, I'm not going to or to exactly what percentage we’re going to do. I would expect somewhere in the region of approximately 10% of revenue to be incurred in Q4 of the project. That's mainly related to design, engineering, things like that, and that will obviously help us move closer to the normal in terms of our margins.

The all of next year FY '24 is where you should see 55%, 60% of the balance of the revenue take place, and those margins are being built in so that they do improve versus what the margins you're seeing right now. Like I said, that should pick up 200 basis points, 300 basis points, the very minimum is what we're looking at as we go over there.

And the balance handover will be pushed into FY '25, I think more in the first half of the year, especially and a little bit maybe in Q3. So that's the way we're looking at it we're tracking it very closely.

The other question you had is that a one-off, so one is that gives us -- because of the type of order we've taken, it gives us a lot of interesting opportunities in terms of that technology, which is why we're pushing that a bit hard. I wouldn't say that we're not taking more business. We do take more business. We paid for more projects. But then the criteria, like I've said in various calls that matter now.

The engineering, the amount of exciting value addition or engineering value addition we are putting in the amount of the kind of margins, the kind of working capital as well as the client base that we're working with. And there seems to be quite robust demand for that. So, we take out a few orders. We are doing it, but we are also very particular to ensure that this job is executed correctly. It's part of the life cycle -- of a learning cycle and we must do these large jobs very collected. So it's a mix. We look at it going, okay, we've got this order. What can we take? What can we not take and accordingly, we build up from there.

Pritesh Chheda: And what margin this project, do you think has been bid at?

Aditya Malkani: I'm not going to give you an exact number, but it's definitely healthier than the margins you've seen in this business for a long time. That's all.

Pritesh Chheda: And working capital cycle?

Aditya Malkani: Working Capital cycle should definitely improve. I think we went through that in...

Pritesh Chheda: For this particular project, what is the working capital? Will you need capital?

Aditya Malkani: We will need some capital. We will definitely need some capital for sure. Max exposure over time will be in the region of 30%. 35%, right? 35% is what the math was. We had done a max exposure at any point in time of about 35%. And then you have your progressive payments and all of that. So we had to show, obviously, we've studied all of that. And like I said, I'm ballpark trying to remember, it's about 35% was the max exposure at any point in time.

Pritesh Chheda: One thing you didn't answer is this business, this project will be addition to what existing base business that you have? This will be additional right? So you do a certain number in flares, let me just pull that number to you do above annually INR 30 crores, INR 40 crores of business you do, this will be additional, right?

Aditya Malkani: Yes.

Moderator: Our next speaker for today is Mr. Chandresh Malpani. Mr. Chandresh, you are now being placed in the meeting. Please proceed to ask your questions.

Chandresh Malpani: So sir, firstly, on the flares side, as you mentioned that this ONGC project will start booking revenue from the Q4, 10%. Sir, in the Q4, you mentioned that the target revenue is INR 50 crores. So are we in line to achieve that in this year?

Aditya Malkani: INR 15 crores.

Chandresh Malpani: Yes, INR 50 crores was the mentioned in the investor presentation.

Aditya Malkani: For the year, the sales for the year will be yes. We're on track for that.

Chandresh Malpani: And secondly sir, since this is a very big project for us. So how are we covered on the commodity prices so that we don't take a margin hit?

Aditya Malkani: We've been working quite extensively on that. The sourcing team, the engineering team have been doing a lot of work on that. And so far, we've already started placing orders in fact for the bulk of the raw materials, and we remain within the limits at the moment in fact placing orders for almost a very large percentage of the raw materials at the moment, still issuing purchase orders accordingly. So data I saw last we should be within quite a comfortable parameter, which is on our budget. So we're not yet, we have do concern lag at the moment.

Chandresh Malpani: So we have any escalation clause for the same, and covered?

Aditya Malkani: I don't think we have any escalation clause covered, but I think that's okay at the moment. We study all of that, and it should be okay right now, at the moment.

Chandresh Malpani: And next thing is, sir, since in the AGM, we've seen that the rupee is depreciating against the dollar. So it was mentioned that equipment side, we will see some traction because import getting higher price. And since we are the largest manufacturer of equipment, have you seen any benefit out of the same?

Aditya Malkani: Not seeing a little bit of benefit out of it. But supply chain from the rest of the world have also opened up quite quickly. So I think there is a very short lift. But having said that, I still believe that today, we do get a lot of business by virtue of improved supply chain, Make in India, all of that. So I think to quantify, but it definitely it is the existence. Sorry, Mr. Malpani, anything else you want to ask?

Chandresh Malpani: Yes, last thing on the export number, if you can brief, what was the export revenue we are did away?

Aditya Malkani: I showed in a slide earlier. I think we had last year done approximately INR 30 crores in exports. And this year, we're on track to grow somewhere in the region of approximately 50% to 60% growth on that.

Moderator: Our next speaker is Ms. Nitiksha Shah, Ms. Shah you are now being placed in the meeting, please ask your questions.

Nitiksha Shah: Actually, I had a question regarding the demand scenario in this situation, which a lot of discussion has happened. But just to add to it, I would like to know which sector do we have a very strong demand from like infrastructure, oil and gas. So can you just identify in the clarity by set which sector, which we will get the demand for? And the other thing is when we have projects, so is there in the project specified the name of the company from which these consumables have to be sourced or is it through distributors, or how does that work?

Aditya Malkani: So heavy engineering contributes approximately 30%-odd of our sales. Automotive are approximately 20%. Construction, which I consider a part of heavy engineering and general intra, a full mix is another 10%, 11%. Railways is about 8% to 10% and growing a little bit from that. So I hope that helps answer a few questions on that. We do most of our sales. Approximately 65% of our sales happen through the distribution network of approximately 200 distributors. And the balance 30% to 35% would happen through direct sales, some large parties and some medium-sized parties depends on how structure, some could be rate contract oriented. Some could be direct sales negotiated at that time. Some could be tender-based process, all of those different things. So that covers most, anything else, ma'am, anything else?

Nitiksha Shah: Yes. And demand from which sector, particularly, you see that it's a very strong demand from a couple of sectors. So which would that be?

Aditya Malkani: I think like I said, I keep categorizing on general infra, heavy engineering and railways. I'm seeing those sectors throwing a lot more traction at the moment.

Moderator: Our next speaker for today is Mr. Nikhil Jain. Mr. Nikhil you are now being placed in the meeting, please ask your questions.

Nikhil Jain: Just a couple of questions. I just wanted to know, let's say, what is the time line for completing the merger with Ador Fontech, part one? And second is that is there any, let's say, difficulty or delays do you anticipate at this point of time in that merger going through, given that there were certain opposition that came in and all?

Vinayak M. Bhide: So we take about a year or so for sure, from now on. And if it happens before that, we'll be lucky because that's the way NCLT is running, unfortunately, as of now.

Aditya Malkani: As far as your question regarding any issues with minority shareholders, especially at the Fontech side, I don't think so. I don't know. I can't comment. I think most of them will see rationale and why we are doing this and also value appreciation why we're doing it. So I think as and when the time comes, we'll see at that time. But I'm fairly confident that we have a few significant minority shareholders who understand the long-term proposition of what we are proposing.

Nikhil Jain: And my second question was about the international business. So we are saying that our exports will increase this year also as compared to last year. So what is it that we are actually exporting? Is it like basically the project or the consumable part of it...

Aditya Malkani: Apparently, welding consumables and welding equipment. We also are undertaking a few have in the past done players and all of that, and we will always do that a little bit because there is some interesting engineering work there. However, what I'm talking about is pure-play welding business on the welding consumables and welding equipment.

Nikhil Jain: And just a final question maybe. So I just wanted to understand what in your view is, let's say, a good margin profile for both the businesses, let's say, the consumable as well as the project and flares business. So

Aditya Malkani: as say, each one of these verticals has anywhere between 150 to 300 basis points upwards, which will automatically lead to the company having that much and there is a scale coming in. I think that's the right path.

Nikhil Jain: And that should possibly be achievable over the next, let's say, two to three years?

Aditya Malkani: Should happen, for sure. If you ask me, it should happen. I mean I think that if we don't do it, then there's a failure on our part in some way.

Moderator: Our next speaker for today is Mr. Ravi Purohit. Mr. Purohit, you are now being placed in the meeting, please ask your questions. Mr. Ravi Purohit? Our next speaker for today is Mr. Dhwanil Desai. Mr. Desai, you are now being placed in the meeting. Please ask your questions.

Dhwanil Desai: Yes. So most of the questions have been asked and answered. Just two questions. The first one is on the project business. So we went through a tough phasing on the project business side. And our intention was to go to the INR 75 crores kind of an order book, and then we came across a very large order and took it. So, going forward, how do you think about this business? Do you want to cap this business at certain percentage of our overall revenue in terms of risk mitigation measure? How do you guys think about it?

Aditya Malkani: So I don't think we look at it from a -- I think it's a good question because if you look at the history of what we've come out of and where we're going towards and the opportunity is changing very fast in front of us, which is why we decided to take on this order. So I think the things we look at is the exposure that the company is going to take on. The engine -- first is the engineering capability and value edition the company provides to the order because at the end of the day, that translates into value for the company. So what are we doing in that regard? And that's why the teams being build up to do and they're doing a very good job of evaluating that. So one is that.

Then you go into what my metrics that have been taken care of or aim exposures to what will be the margins on it, all of that have to be looked at. And the Board is, of course, because of what's happened, the Board is very particular about all looking at all of those things. So we have to go through a little bit of that. I think this, if we can do a few these orders correctly at this platform at this level, then I think the upside is quite significant in terms of structuring it correctly. But it's a continuous evolving process over the next six months, I'll keep learning more on nine months, we'll keep learning more and see our execution, our capability, our ability to hit the budgets that we plan for. A lot of that has to happen. So I think it's a very good learning from that perspective.

And look, when flares seems to be having a decent opportunity right now, and that's where our engineering knowledge lies, why not try it, versus when two years ago when we got into this when we were cleaning up a mess, the opportunity was not really sitting in front of us. It is a question of clean up a mess and then see step-by-step, how do you build up the blocks. So I think that sort of has arisen now and we should be reactive to it quite quickly. So that's where we are.

Dhwanil Desai: So I think just to take it forward. So I mean the reason I'm asking this question is that inherently, our consumable business is a very capital-efficient business, right? I mean it generates very high ROCs, vis-a-vis that what we are trying to do in flare at best can give you 15%, 18% ROC. I mean, those are the typical EPC ROCs that you get in any company. So in terms of allocating capital, don't you think that we need to be mindful of a point beyond which you don't want to allocate capital to a project business?

Aditya Malkani: Definitely. But I don't think we've, at least I have not in the last two years, come in a situation of either or. So -- but definitely, if that situation does arise, and the exposure limits were getting a bit high, I would definitely look at it from that perspective. But we are nowhere near that. And if you see from two years ago, September 2020 till today, September 2020, we were INR 120 crores of utilization no, not September, by January, we went to 120, January '21, we are INR 120 crores in…

Management: [inaudible 0:52:30] and put together INR 150.

Aditya Malkani: INR 150, and we are now down to approximately INR 18 crores on fund-based utilization to a much higher sale on that regard. So we're balancing all of that. And I don't think the situations have risen yet, but as and when it does, of course, where is more efficient is where we will be looking at.

Dhwanil Desai: And one question on the export side. So we are doing well on export side. And if I remember our earlier conversation, the final goal post or at least intermittent goes post was INR 100 crores at some point in time. And primarily driven by Middle East. So if you can give some updates in terms of on the business side, what have we done in terms of distribution setup in terms of warehousing in terms of which competition, whom we will be competing with and taking market share from color on that?

Aditya Malkani: Yes. So the first thing we did is we rejig the business team over there and got in a more capable team who has a lot more international business exposure and has worked in the area and done all of that. So we've done that. We've got a few building blocks in that regard. The second thing we did is decided to identify the key pockets and what was going wrong in those. So we first took the UAE and done a lot of work over there to increase the business. We're right now looking at just going over the numbers where almost looking at 100% plus growth in those markets in that market, which is a key market for us already. We're looking at that already happened.

The second thing is distributors, markets we are in, but ineffective sales altogether. So like Saudi Arabia, Qatar and a few others where we have been weak. So Mustafa and his team have been very good at picking out those things and going after them, and we're building it up, like rebuild it. So a lot of people know the brand and have a good perhaps impression of the brand, but may have had a bad experience. People know the brand but haven't had them, products not get qualified. So you have to go through that entire cycle. It takes a little bit of time. The other good advantage that we're having right now. Like I said, the parity between us and China reduced that effect. So you're looking at India as a fairly serious supply chain coming into those markets.

And the third thing is the value addition sale and everything like that. I don't think we're taking market share in market share is still tiny, but we do compete with the Tier 1 and Tier 2 guys as global MNCs, and that's where our brand is placed, which is very fortunate. So that's what we're working at over time. We're actually looking at certain other markets as well. We just picked up something out of Brazil. So like that, we're looking at things much more broad-based with the logical flow to everything. And I'm very happy with the direction the team is going at the moment. And I think that INR 100 crores figure is something that they have to work towards by FY '25, we should all do it. They have to push hard to do it. But I think it's definitely feasible to do.

Moderator: Our next speaker for today is Mr. Milind Warkar. Mr. Varkar, you are now being placed in the meeting, please ask your questions.

Moderator: Our next speaker for today is Mr. Vijay Karpe. Mr. Karpe, you are now being placed in the meeting, please ask your questions.

Vijay Karpe: Aditya, I've two questions. One, what is our current consumable capacity? And what is our margin improvement capacity. The last number which I had for consumables, it was 70,000 tons, I guess. And for welding equipment, it was 24,000 units. So what was it at the end of FY '22?

Aditya Malkani: Sorry, did you say the last part again? What is your...

Vijay Karpe: Welding equipment capacity?

Aditya Malkani: So, approximately for welding consumables would be in the region of 80,000 metric tons. See, again, past product mix, which is why we are debating it like that. But I'll tell you, it's basically around 80,000 is what you're looking at from that regard. That's why I say some product lines were at 60%, 65%, somewhere at 80%, 85% to 90% utilization. So it's very hard to give you a defined number and say, this is it. On the equipment front, again, it's a mix-related thing. But we should be in the region, like I said, the 70s, somewhere in the 70s as far as capacity utilization is concerned.

Vijay Karpe: So I'm considering the consumables capacity to be 80,000. And the last number for equipment, I have 24. So can I consider it to be the same at 24,000 then?

Aditya Malkani: Yes, that should be fine. I'm not going to like reconfirm those numbers as exactly because there is some variation that's open there, but you're fairly for ballpark estimation is fairly fine.

Vijay Karpe: So, and post this expansion, what will…

Aditya Malkani: I think, I'm sorry, I was stopped you 80,000 seems a bit higher, actually, than what I'm comfortable discussing on the call. So I'd say a little bit lower than that, a little bit lower than that, closer to the 70 mark, sorry.

Vijay Karpe: So post this expansion, what will this take our consumables capacity and our welding capacity then?

Aditya Malkani: We are enhancing our consumables capacity at the moment for a few product lines.

Vijay Karpe: Yes. So this 70 will go to what, in '23?

Aditya Malkani: For that specific product line, we're adding another and the other product line, if you piece them together, you're adding somewhere in the region of 4,000, 5,000. But these are, again, very product line-specific, right. So if you look at that product line, that product line specifically is growing at way above 20%, 25%. And the overall basket is concerned, you'll only get 5%, 6% capacity growth. So you have to keep that in mind. That's all.

Vijay Karpe: So, in between, but I got the answer. The second question is with regards to the margins, again, comparing them with ESAB. I got the point when you said that they also have a part of services income embedded India income. So that is fine. But if you look at the other numbers, for then the traded goods in terms of the income, it is somewhere close to 30%. And for us, it is that traded sales goods number is very low. So if you look at their margin, which is somewhere close to 15%. And for us, they are somewhere close to 11.5%. And if we look to practically look at it, the margin is actually, higher, right, for us, as we have lower traded goods sales.

Aditya Malkani: No. And that has not to the global sourcing. I think that they look at certain countries, so global sourcing, especially in the mining equipment front, like I said, we manufactured last year about 12,000 equipments. This year, we manufactured anyway close to 16,000 equipment 15,000 to 16,000 equipments. They keep saying product range matters a bit.

And I believe most of our competitors import them. So I won't go into the details, but definitely on the traded items, that will happen. But there are certain other advantages that will come over the long term that we've got to play out and work with, and I think you'll see that. But when you're a global MNC, $2 billion, $2.5 billion, your supply chains work very differently to 100 crores, INR 700 crore, INR 800 crore company. So they also are supplies to group companies. Like I said, I don't like to comment too much on their numbers, but I keep looking at it because it's a learning for us to understand where we are going wrong. And I can't comment on them, but I feel like this is certain areas that we can keep improving on a little bit...

Vijay Karpe: So, what are the price realization in those? Or is that the product mix improvement, or is it cost costing, or…

Aditya Malkani: It's a margin on the product that is higher through trading, due to global sourcing benefit. That's what I feel that.

Vijay Karpe: And last question from my side. So, what are the -- so this merger is finally going through, right, or Ador Fontech and welding?

Aditya Malkani: It's gone to NCLT. So they why, we have to follow their process. The process is on.

Moderator: Our next speaker for today is Mr. Milind Warkar, Mr. Varkar, you are now being placed in the meeting, please ask your question.

Milind Warkar: My question is again on the demand side. I understand that Q1, there was a volume growth, Q2, it was more flattish. So still we have a guidance of 10% to 15% volume growth on the edge, too. So what are the basically the levers or the ground situation which you feel that from a flattish growth in Q2, the Q3 and Q4, there will be a higher volume growth

Aditya Malkani: This demand indicators seem to indicate that there is a better growth opportunity that is coming. That's one. Secondly, like I keep saying, we had, if you saw that presentation in which we showed you how commodity prices went up, it is bound to sort of stifled demand and supply chains and stuff like that. So I think that had an impact for sure.

Early, if you look at steel consumption data, we talk to steel mills, we talk to a few of those things, and I think it seems to be fairly robust in that regard. But like I keep saying, I can't look beyond three, four, five months. You can look at the long-term story. You look at everything intact. You understand all the economic macroeconomic pillars and that. This is what should be happening. There are certain shocks. They might be small in nature. They might be short lived in nature, but there are certain shocks you have to live with. Having said that, right now, I feel demand scenario is fairly good, going forward.

Milind Warkar: So if I can ask on the same that what difference did actually happen on this round, then there was a volume flattish growth in Q2 compared to Q1, for the H2 guidance is more also considering the...

Aditya Malkani: Our Q2 volume growth is significant compared to Q1. I think there's some misunderstanding on the data. Q2 of this Q2 of this year has seen significant volume growth versus Q1 of this year.

Moderator: Our next speaker for today is Mr. Ravi Purohit. Mr. Purohit, you are placed in the meeting. Please ask your questions.

Ravi Purohit: [inaudible 0:03:52]

Aditya Malkani: We can't hear you Mr. Purohit, but I think there's some message that comes regarding Indotec. Indotec is a partnership we have just signed on with for our welding and cutting automation division. I think they are a company based out of Scandinavia. And it is very early days still, which is looking at different opportunities to work together in how we can hire better solutions, better engineered solutions for our Automation division. Still very early days. That's it. Anyone else?

Moderator: Our last speaker for today is Mr. Amit Anwani. Mr. Anwani, you are now being placed in the meeting. Please ask your questions.

Amit Anwani: My question is with respect to the project business, in the past, we have already faced challenges in the projects business, and it took some good amount of time to clean up the books. Just wanted to understand more color on this INR 145 crores project business. You already mentioned about being more design engineering element and a slightly better margin than the history, so some more color on the customer and what exactly is the nature of this project? And number two, how is our risk assessment strategy with respect to the projects business? And lastly, what exactly is our strategy with respect to the business mix and how the projects will look like going forward in the business mix?

Aditya Malkani: Sure. So the project is actually part of ONGC's Uran project, which is not too far from Bombay, within Bombay and somewhere to Pune [inaudible 0:65:40] Uran. So it's fairly close by, in fact, the project that you're referring to where we had a certain error was -- project you're referring to, which you had to go through the entire cleanup was limited engineering and also being done abroad. So I think there are too many issues that we went into that entirely, but let's leave that in the past.

Here, there's a lot of engineering work where we do the flares, the demountable flares. These are flares that have to be erected on a very large structure. And again, I'm not a technical person, so I can't go into too much detail on all of that. But I will tell you that basically, there are some repairs -- some that have to be taken off and some new things that have to be added on in terms of the entire flare structure. There's a lot of work being done over there in that regard, and it's a fairly sizable and very important project.

We've got a lot more cross-functional teams handling it and we're trying to learn from the past mistakes to handle this and is being monitored more effectively. The other thing you've done is we put an internal audit team, track the project to see if we're hitting our certain metrics, if we're getting everything on track.

So, I think there's a lot more comfort because same doubts you have internally are always there. This is going to be another black hole in some way or form. And we're spending a lot of time and effort to ensure that doesn't happen. A lot of tracking in metrics. And I'm very confident in the team Ajay and the rest of his team are on the right path as far as far as putting this in place. So I think that will definitely improve.

I think we should be able in a position to execute this well, but it's still early days. And it's part of -- look the organization -- this is a learning. Flares has been in our DNA for 30 years, I think. So it's just that we unfortunately had a very bad episode in the project engineering business that sort of made us forget that we were good at that. So we're going back to just ensuring that DNA is in place and how we can keep building on that going forward. I hope that answers. I think you have one more point. I'm blanking out. Do you have anything...

Amit Anwani: So just wanted to understand the strategy project, is it sitting in our long-term strategy?

Aditya Malkani: Switching to our long term and also the general economic environment is good for it, we are going to focus on flares.

First we are going to focus where we are good at that that's number one. Where we add engineering value is in flares and process equipment. That's our capability. So it's very geared whether it's sales, operations or the management team, all gears towards these product lines and inviting where do we add value in the fabrication and the design and engineering of these product lines. So that's where it fits into our long-term strategy for sure...

Amit Anwani: And we used to talk about -- sorry, I'm forgetting that the sub dental technology we talked about six months back and some investment in that.

Aditya Malkani: That is out of context, that's a separate thing.

Moderator: We have a follow-up question from Mr. Jason Mr. Jason, you are now placed in the meeting. Please ask your question.

Jason: Yes. Sir, thanks for taking my follow-up question. An earlier participant did ask for this -- for the margins on this Uran, the big project you have. Now you said that probably you can take it as a base margin, but actually in the projects business, there have been losses earlier. So just if you could just give some color on what exact -- I mean, a ballpark number of our margins, if possible. I just wanted to – just a ballpark number?

Aditya Malkani: I'm trying figure out how to answer your question, that's all. I think someone had indicated you have to look at peers in the process equipment and heavy fabrication industry and sort of look at that, I think that, that would be a fair. I don't want to give you guys a number and I'm agitating to give you a number for my own reasons. But it's significantly better than what you've seen in our track record. But if you – and you can also compare it to people who are in a similar sort of heavy engineering, fabrication kind of space.

Jason: And sir, I just wanted to understand that, I mean, you set up -- so basically, you're going strong on the Ador International front and our exports are at 5% in FY '22, I'm talking about and you're saying that there's a strong growth in FY '23 as well. So just wanted to know, I mean, you set up a facility in the UAE as well right now. But what I understand is consumables is more of a localized business. So, if it's more of a localized business than just wanted to know what are our trends in those that perspective if...

Aditya Malkani: Not a very localized business. In fact, like the Asian markets are playing a lot of supply chain into these markets as well. So it's not a very localized business. It depends on when you're dealing in a very many commoditized range, then you don't have excess shipping costs cannot be born, right? So, if you're selling it halfway across the world and it's a very commoditized range, of course, that is an impact as well. In the markets in which we operate, first of all, localized manufacturing is limited. Secondly, our brand is very strong. So no, I think it's fairly good. And thirdly, like I keep saying, look, globally, things have changed a bit, right, in terms of supply chains. So I think there's opportunities where it's very strong for us.

Jason: So we have manufacturing facilities right there in the - no, right?

Aditya Malkani: All out of India.

Jason: Out of here. Okay. But -- so we'll be playing that the plus one and the tailwinds basically?

Aditya Malkani: But as you grow the business, you can always explore more and more opportunities. The first is to get the base effect up to a larger number, right? So to get where it should be 10% to 12% of your sales, spot 5%, get up 10%, 12%, 15%. And then you can keep exploring different opportunities that are...

Jason: And sir, I just can capture this Ador Fontech merger will get over by the end of this financial year. Is that right?

Aditya Malkani: Look, it's an NCLT thing. So we're all playing guesstimates over here. So I'm all hoping it will happen, but I think the indicators are, no, it will drag a little beyond that.

Jason: And sir, just one final question. I mean earlier participants did ask us consumables total capacity of 80,000 metric tons, a little lower, you mentioned?

Aditya Malkani: A little bit lower.

Jason: Yes. But with this capacity expansion, where can it go to? I mean, is there a number where you can put it at in terms of metric tons?

Aditya Malkani: Well, I think right now, I'd say a regional 75,000 to 85,000 metric tons is what the plan is and 2 things that we need to add on to that. And then later on, we'll take that forward more as we need to. And I'll probably have another call before in a position to do test...

Jason: And equipment is at 24,000 metric tons. That's what it is? Okay.

Moderator: This is all for today's Q&A session. Over to Aditya.

Aditya Malkani: Thank you for taking the time. Appreciate it.

Management: Will try to keep such kind of meetings.

Aditya Malkani: Yes, I think once every 6 months is what we plan right now, and then we'll do that accordingly. But thank you so much for your time.

Management: Thanks a lot. Thanks, everybody.