"Ador Welding Limited Analyst Meet"

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MANAGEMENT: MR. ADITYA T. MALKANI – MANAGING DIRECTOR- ADOR WELDING LIMITED
MR. VINAYAK BHIDE – HEAD - HUMAN RESOURCES, COMPANY SECRETARY, LEGAL AND ADMINISTRATION
MR. SURYAKANT SETHIA – CHIEF FINANCIAL OFFICER - ADOR WELDING LIMITED
MR. HARISH LEDWANI – MANAGING DIRECTOR – ADOR FONTECH LIMITED

Shreesh: Welcome to the investor meet of Ador Welding. Today we are joined by Aditya Sir our MD, Mr. Suryakant Sethia our CFO and myself Shreesh. Mr. Harish Ledwani who is also the MD of Ador Fontech has also joined us from Bengaluru, so if you have any questions you can also ask him. So we will start with the presentation which will be given by Aditya Sir. Then we can start the Q&A session.

Aditya T Malkani: Good afternoon everyone. Thank you for taking the time to attend. We have a short presentation go through it. Mr. Irani is on the call; however, this is primarily an Ador Welding call it is just since the companies are going through the process of merger we have asked him to also be there in case there is anything relevant that needs to be discussed at that time; however, this call will be primarily from the Ador Welding perspective. I am going to run through presentation fairly fast in terms of the data and stuff and then leave it open to any questions that might arise.

I presume most of you would have studied the results I think this is fairly straightforward in terms of what we had in the third quarter, more important part being in terms of the expansion in terms of margin which is what was something that we have been focusing a lot on and trying to drive that altogether. In terms of general demand it still remains to be quite robust and no indications of anything deferring from what we saw in terms of Q3 and all of that and I think the budget most of you know much better than me seems to be outlaying the capex that should be fairly positive for us as well. Fairly standard again in terms of the margin percentages and all of that that we talked of the last time we had a call in terms of how we need to keep working on improving all of those and the return on capital employed. Working capital of course tracking all of that as well as what are the main concerns that come up and how we are making sure that we managed the working capital cycle especially with the growing part of the businesses in all the verticals taking place at the moment.

Segment wise performance this gives you an overview in terms of the consumables and the sort of growth rate and consumables gives you an overview of exactly what we have been talking that it is the key driver of the business and what we have been looking at tracking on that account as well as the results on that basis. If you remember in Q2 we talked of the inventory hangover that did hurt from that perspective and most of that has sort of evened itself out and now is on the right path in terms of the margin percentages. Similarly on equipment as we keep making the effort to grow the margin results more and more and as the capex outlay is good we are seeing a lot of demand coming in from that area we are focused and ensuring that these sort of start moving a little bit more upward as well as the margin comes closer to where it was approximately a year ago.

The last thing I wanted to highlight which was important is the Ador international business as I mentioned before this has been a key focus area in terms of driving the business and then we are starting to see the results. There is a lot of opportunity that is sitting over there and I am very happy to say that team is delivering on that and seems to be robust going ahead as well especially in select key markets that we have gone into. The flares & process equipment division a lot of questions always come over here. We are starting to see the turnaround starting to bear fruit over here and going forward for the next few quarters based on the order book we have, based on all of the cleanups that have been done, all of the execution that is happened we feel more confident in terms of the margin percentages, the working capital requirement as well as the sales that will come going ahead from here. The merger I will just give a quick overview. The application has been filed with NCLT and hopefully it would not take too long. I do not have a guesstimate on it right now but you all will be aware exactly how long these things normally take in NCLT and we are following the due process accordingly. These are some of the new products we have had, some of the more focus in make in India a range of products as well as on certifications and all of that that have been going on and now I leave it open to question answers because I know most of you would have gone through this already and will take questions one-by-one in terms of everything in that account, so thank you very much for that.

Shreesh: So one-by-one we will open for questions so I will read out the guidelines first. Due to the time constraints we would be limiting a maximum of two to three questions per participant. Please be quick and precise with your questions. I will stress that this is a very important point because we would not have much time. Please avoid asking questions already answered or covered in the presentation. Anyone interested in asking questions are requested to put their names and organization in the chat box stating their desire to ask questions and it will be answered in sequence of receiving names in the chat box. The end time of meeting will be at 5:30 pm irrespective of number of questions pending and I request you to please adhere to this timeline. Just to be clear this call will be recorded for compliance purpose.

Moderator: Good evening everyone. The first speaker for today is Mr. Viraj Mehta. Mr. Mehta you are now being placed in the meeting please proceed to ask your questions.

Viraj Mehta: Thank you so much. Congratulations Aditya. A couple of questions, can you break up the growth in terms of volume and realization for three months and nine months in consumable division that was the first question, second if you look at the segmental margins of the consumable division they look significantly higher than our historical margins, A) do you think there is anyone one off in these margins or it is just operating leverage helping us in this business, the third question is regarding the EPC order not EPC but basically the orders that we got from ONGC A) is there any contribution from that in this quarter and what is the revenue you see from that business in Q4 and next year and generally if you would just guide us a little bit in terms of volume and revenue growth you see for FY2024?

Aditya T Malkani: Thanks Viraj. Let me quickly try and answer a few of these. If you recall I think I would have discussed it at the end of Q2 as well that the volume growth because of Q1 because of what happened with the entire steel prices and everything that happened in Q1 volumes actually dipped in terms of Q1 which kind of got back on track in terms of Q2. We are having volume growth at the moment Q3 did see volume growth versus the year before. I think the volume growth would have been in the region of 7% is what we are looking at in terms of volume growth in the last three months and we sort of see that going forward as well from whatever I can see I do not like to take a very long-term view especially based on volatility in pricing and all those other things you all know about, but I think that seems to be sustainable going forward so kind of buoyant by that and kind of happy to have seen that. The margins in consumables is not a one off it is what I consistently expect at a level that we should see going forward that is what we have been trying. I have been telling you guys, I have been telling when we had an analyst meet everything that we did understand where the concerns were and had to follow a step-by-step process to get ourselves back up there so the operating leverage is playing a game plus we are able to understand the learning curve in terms of how steel prices are moving, stuff like that, and how we can price that in the market so we are trying to ensure that is consistent it is not a one off. ONGC revenues have not yet started they will start from this quarter and they will start from this quarter I would say about 7% to 8% of the order value should be in this quarter itself and then moving forward most of it 75% to 80% of it should be over the course of next financial year and then leaving the balance into the term after that so you will start to see that kick in from Q4 onwards it has not yet started. I am not going to give you a guidance per se for next year we are in the middle of figuring out our numbers for next year and a lot of it depends on steel consumption, volatility, all of those different factors but we do expect there to be this sort of volume growth that we are seeing at the moment would sort of be a baseline level that we would be looking at going forward. I hope that answers some of your questions.

Viraj Mehta: Yes it does. Thank you so much. Anything on equipment would you like to add some colour how is it doing, are you seeing newer products introduction?

Aditya T Malkani: Yes we got a few products that are coming in, we got a few large scale orders that are coming in from large customers as well, challenges in supply chain have been there are easing not yet eased are easing so that also helps a little bit. The order book is kind of decent. The market is good for it at the moment and we have to keep running with it. We also seeing the Ador international market pick up a little bit for that so all in all in general okay not bad.

Viraj Mehta: Thank you and best of luck.

Moderator: Our next speaker for today is Mr. Jason. Mr. Jason you are now being placed in the meeting please proceed to ask your questions.

Jason: Yes thank you for taking my question. So just wanted to know from your earlier participants well in terms of traction in the equipment segment how we are looking at it and just wanted to know what is the percentage of imports in this whole equipment segment, ball park number?

Aditya T Malkani: Just to give you an overview. We are the largest engine manufacturer of welding equipment. A very, very large chunk of it is imported. As per our data 80% odd would be imported and we play a very significant role in the domestic market and we believe that is a very big strength of ours. It has its own challenges of course but we strengthen the product accordingly, strengthen our supply chain accordingly and I think over time simple make in India story and sort of the preference towards it will definitely keep playing a role that is our long term opinion of it. We do not want to just be trading in it we want to be manufacturers of it, have the strong technology parts that we do. If you look at the technology we sort of play around with what we call like technology pyramid in the wielding equipment space I say we are in the mid segment if you divide the pyramid we fairly play in the mid segment. There is a top end of the pyramid which is very driven by European or western companies that are very strong in that and I think we do not fiddle-faddle too much with that. We have a certain product range and a customer base for it but we do not eat into that market too much at the moment. The low end market which is catered from imports as well as mid segment market as import but the low end market of imports some part we can play in we again pick and choose where it makes sense to do it. The mid part which is quite a strong middle belt has a lot of opportunity so our game plan is to keep working on that but imports is a very, very significant part of that market.

Jason: Sure. Thanks for that and of course the capex cycle is on up move and this is fairly broadly known from a consensus perspective as well just wanted to know we of course cater to host of industries so just wanted to know in terms of subsegments where are you looking at a lot of traction on the ground?

Aditya T Malkani: This is the same answer pretty much to what I said last meeting also that the general infra, the heavy engineering, railways is playing a very strong role. Lot of fabrication sort of work that is going on it seems to be good so I think those are the very big drivers of what we are seeing and general infra companies are definitely doing it and railways I would say are the highlights in terms of that. Then the rest of it keeps playing out then you will have your oil and gas and then you will have your cement, in fact there is a lot of cement expansion talk that is going on where we see that going forward to be a big role for us in the next financial year in fact we are expecting cement expansion to play a good role for us as well. Steel expansion has been announced a little bit of that should also play a role going ahead so I think it is generally in that path and the easiest way rather than me tell you is if you just look at our steel consumption is happening because we follow that, that is probably better track than the welding industry is will give you a fair perspective of that.

Jason: So this volume growth which you mentioned was 7% for the last three months is that right?

Aditya T Malkani: 10 to 11% for the last three months.

Jason: So 10 to 11% for the last quarter and I think nine months are you saying it is 7%?

Aditya T Malkani: Nine months it is flattish because of Q1, Q1 was down a bit, nine months is fairly flattish. If you ask me in all our meetings right now we do not look too much before July because from the period April to July things were just very, very volatile so we study data now mainly from August till Jan to get a sense of what is happening so that is more relevant data to us.

Jason: So to 10 to 11% is good for this quarter?

Aditya T Malkani: I do not want to get into the exact numbers. We are right on that account but I think I would say 7, 8 is a little more sort of ballpark.

Jason: You did mention that of course we are targeting the mid segment in the equipment segment so just wanted to know of course ESAB is a large player there and has a significant market share as well advantage over us so is there anything more we can do in that segment to basically scale up that equipment base?

Aditya T Malkani: I would not comment on them in anyway but there is scope for us to keep increasing our equipment base for sure. I think there is leveraging opportunity that will come through the merger as well, there is service opportunity leverage that will come and I think there is just a question of preference for a robust Indian made product is definitely coming out. I think supply chain issues are also getting ironed out so that should help a lot going forward so that is it primarily from that account.

Jason: Lastly just wanted to know from the FPD segment perspective of course you won a large order anymore orders in the pipeline how are you looking things on that front?

Aditya T Malkani: It is very simple, it will come in other people's mind it is very, very simple and important to understand the FPD market for us is yes we do have a few more things that are being tracked and a few more things that are hopefully going to come about quite soon. They are not going to be 130, 140 Crores orders which is what we talked of it does not need to go always, the range can be the sweet spot of between 10 to 30 and sort of make sure our margins are correct, our working capital is correct all of that is being followed correctly. We expect revenue to grow quite significantly next year and we definitely need to build up the order book for the year after that to keep taking it forward as well so I think we are on track for what we want to do there. There is no plan to say I want to go 5x over here. There is a plan that says okay I got to grow it step-by-step using this base order that we have now to take us there and execute that order correctly, make sure we get the margin we are projecting on that correctly so that is the way we are looking at it at the moment but I think the pipeline is definitely encouraging.

Jason: Thanks a lot for taking my question.

Moderator: The next speaker for today is Mr. Dhwanil Desai. Mr. Desai you are now being placed in a meeting please ask your questions.

Dhwanil Desai: If we look at the journey last two three years we have kind of streamlined a lot of things both at operational level, financial level everything and the economic environment is in our favor so are we aspiring for slightly higher growth than let us say 12% to 15% growth and pertinent question to that on the consumable side is that how easy or difficult phase to take market share because if you want to grow at a higher pace than market then we need to take market share is it a fair possibility and what are we doing to take higher market share?

Aditya T Malkani: So let me try and answer this but I am not going to be as specific as you want me to be but I am trying to answer it as best as possible. Yes we do want to outperform the market that is very much exactly what we are geared towards and what we are working towards so everything we do is about how do we outperform in terms of what the market growth rate is so there are two or three things that need to be kept very well structured to make that happen. The key product lines that drive the market growth are to be your distribution has to be well set up for it, the product approvals and all of that have been in place. so we have been driving a lot of that and that is the sort of traction we are seeing in Q3 and going forward a little bit helping in that front so I think we will see consumables sort of have the opportunity to outperform a little bit and we have been encouraging that a lot to happen from that angle. To take market share or not is a very subjective question in an industry where you do not track it that closely and there are very few publicly listed companies, it is not only us versus the other public listed company we have other competitors who are privately listed as well so it is not so easy for me to keep jumping up and down and say yes we grabbed this and we grabbed that it is a question of what we see steel consumption moving ahead and how we are growing that altogether, where are the markets and the pockets in which we are kind of outperforming, where are we underperforming so it is a very vague kind of thing but you can definitely say that the ambition and drive and the processes we are putting in place is towards outperforming that.

Dhwanil Desai: Got it, very useful and second question on export I think in the presentation you showed that quarter-on-quarter export is actually doing very well but we are already at quarterly 18 Crores kind of run rate which I think is a fantastic number so we are almost on a full year basis if you look at it, it is 72 Crores we are kind of inching towards that number so next year are you saying that even on this year basis we can grow at 50% to 60% on this year base whatever it might be?

Aditya T Malkani: We should end up this year growing at approximately 60%. I think by the end of it when we clock it out we should be at about 60% growth versus last year and I think the base is still small enough that you can still be talking of 40% to 50% growth in terms of that yes.

Dhwanil Desai: That is it from my side. Thank you.

Moderator: The next speaker for today is Ms. Saloni Hemnani. Ms. Saloni you are now being placed in the meeting please proceed to ask your questions.

Saloni Hemnani: My first question is regarding the flares division. So last to last quarter it was mentioned in the PPT that the orders in hand are 31 Crores which has increased from 31 to 134 so currently what is the order in hand in flares and I would like to understand more on the execution timeline when it comes to this division specifically?

Aditya T Malkani: I presume the number you are referring to is prior to our call because this order came in June, July so I presume you are referring prior to that. In June, July we managed to get a flare order from ONGC at Uran which is pretty much a very interesting order for us to take forward. That order being a large order 130 Crores or whatever it is 120 Crores is approximately anyway from an 18 month sort of up down 18 to 24 months type of execution from July 2022 with the bulk of it happening over next year. Typically these orders vary as I said they can be in the sweet spot of 10 to 20 Crores and 10 to 30 Crores and we have a few more lined up that is supposed to click quite soon. They could range anywhere from approximately a four to six months cycle in terms of execution with the larger ones obviously being more.

Saloni Hemnani: I am aware that this question has already been asked in this concall but I would still like to understand in layman terms basically the distinction between how we are trying to prevent what used to earlier happen in the project engineering regarding the stretching of the working capital so why exactly have you reentered into this and how is it different basically from this?

Aditya T Malkani: I rewind a little bit. The first notion is let me tell you it is not a re-entry, so let me step back a few places and you will have to bear with me while I tell you the story and hopefully that will make sense. The first is the project and we have always been as a company in the flares business since the 1980s it was a division that has been there, it is a very tiny division that was just doing flares. What happened is sometime between the years of 2012-2013, and 2018-2019 we started moving towards EPC or project engineering business where we started taking on contract jobs that was not only flare engineering oriented there were jobs that were beyond flares and we were doing sort of EPC kind of work and as I mentioned in previous calls it was not enough engineering work in it, it was more just execution kind of work so your working capitals would get bloated up, the margins would be thin and sort of inflating revenue in a certain sense. I would not say inflating is not the right word we were working towards the revenue model rather than we are working towards the metrics of bottomline and working capital and stuff like that. In September 2020 when we changed things and we decided to relook at it and we were not happy as a board with the direction which it was going. We basically said that this division first needs to clean itself up and needs to stop doing just this topline heavy and cash intensive work and needs to go back to his roots of doing engineering related work which primarily is in the space of flares & process equipment, hence we renamed it all from the project engineering business which is very generic to go in flares & process equipment work. We built a new team and sort of look at it as a very design and very value addition sort of oriented division. It then cleaned itself up, we have to clean up a lot of the stuff that you would have seen in the prior financials and all of that and then we said okay let us go back to the drawing board and see what are we good at, what can we pick up step-by-step and that is where we started bidding approximately I would say sometime in

March-April 2021 or let us say April to June of Q1 we started getting ourselves together. Okay now what is the projects we want to look at, what are the flare oriented work that is going to come our way, what is the process equipment work where we are adding engineering value coming and then we started the bidding cycle and that happened and then we bid for the projects that you are seeing like one of them that has come in so it is not a re-entry at all it is basically just a cleanup process that says go back to where you are strong in that regard. The order that came in July of 2022 is six months or eight months of work leading into it, so we have been on it for some time and now going forward we remain very committed to it because it is a good opportunity. I think we can do it correctly. It will require capital outlay but I think it can be done correctly given our engineering value addition in it. I hope that helps in some way.

Saloni Hemnani: Yes that does. So my last question is regarding the exports division where you are mentioning that there is a lot of traction I just wanted to get an understanding on what is basically in this export division like 18 Crores of exports this quarter included exactly the equipment parts so which segment is being more focused on the exports?

Aditya T Malkani: Wielding consumables and welding equipment and welding consumables will account for approximately 85% of that sale, 10 to 15% would be on the equipment front.

Saloni Hemnani: Alright thank you so much that answers my question.

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: Congratulations on the good set of numbers so basically Sir I want to ask on the flares division so on Q1 we achieved 13% margin, Q2 we achieved 0%, in this quarter we achieved again 14 so what is the steady state margin from this segment which you are looking at?

Aditya T Malkani: I think Q3 is a good base reference to use and we are going to build on that.

Chandresh Malpani: So believing that we have a big project in hand so any steady state margins that you can give us?

Aditya T Malkani: I cannot give you an exact number on that but I can give you a sort of indication. Suryakant will know better. Gross margins from 20%.

Chandresh Malpani: Secondly nine months run rate has been 542 Crores so where do you see closing this year where basically Q4 being the strongest amongst the quarters?

Aditya T Malkani: I do not give guidance. I will tell you that like I answered in my own way that there is some level of growth that is expected that happened in Q3 and I expect a similar level of growth to lead through to Q4.

Chandresh Malpani: Okay Sir. Thank you for the opportunity.

Moderator: We have one speaker Mr. Ankit Gupta. Mr. Ankit Gupta you are now being placed in the meeting please ask your questions.

Ankit Gupta: Thanks for the opportunity and congratulations to Aditya and the entire team of Ador for very positive numbers. Aditya on the opportunity on the flares side how big will be the opportunity for the kind of projects that we have received from ONGC let us say demountable flare stack so how big is this opportunity and how recurring is this, you are saying next year will have a large base of FEP contributing at least 120, 130 Crores kind of topline and you are saying you want to grow on that so if you can talk about the kind of opportunity which is available to us on this segment?

Aditya T Malkani: So Ankit there is two things one is that the number that you mentioned for next year is little bit higher than what I initially indicated so just keep that it is a little bit lower than that in reality. Having said that look it is not a question of only opportunity one is you have the domestic market which is going through a lot of its own capacity addition and stuff like that that comes up but this division is not only about what is a market opportunity it is also about what is getting built up and then taking orders that fit into our framework of how we want to do things so besides flares, what a flare basically does is it treats effluent gas so it is basically in the pollution control system from that so with that there is many synergies are aligned along to flares in different ways and there is a lot of work going on to reduce emission norms and all of that and there is a lot of design capability we have internally to keep dealing with that sort of stuff which leads in the process equipment part of the space. I think market size for the types of orders that we want to do, build up our track record, get our engineering correct is what matters as I keep saying we have no desire to go for X in this division, we have no desire to suddenly have massive upward cycles and stuff like that, we want to just do it on it a very steady state level. The market is definitely there for what we want to do as per our requirement at the moment so I am quite comfortable with that in terms of market capability. There is also a market that exists abroad in the Middle East and stuff that right now we are just staying away from a little bit but it is not to say that that opportunity will not be looked at as we strengthen ourselves in the Indian market more with delivery.

Ankit Gupta: Sure and on the overall industry growth with the kind of capex cycle which is happening and expected to grow further over the next few quarters or in the medium term at least how do you see the industry growth happening on the consumable side, let us say for FY2024 given how the other industries or your customers are doing currently?

Aditya T Malkani: I think it is fairly in line with what you are seeing in Q3 and maybe a little bit up and down on that but I think that is a fairly good indicator.

Ankit Gupta: Sure thank you and wish you all the best.

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

Nitiksha Shah: Sir actually I just wanted to take it further from what the last participant said when you say that you will grow ahead of the industry just a fair idea about what the industry growth will be and how strong is the capex cycle this time and one more thing will we be benefited by the PLI scheme and how is that panning out and you see any kind of hiccups to the capex cycle in view of what the world scenario is just now? Thank you.

Aditya T Malkani: Thanks. I wish I could answer all your questions I do not think I can but I will try. I cannot give you supply side estimate of what the market growth rate is except to keep looking at the indicators regarding steel consumption and the other players in the market that is only thing I can tell you I do not have any other data that we look at and I think the estimation is that it is pretty around the lines of what you are seeing right now. I am going to stay away from answering that question of exactly what I see is the market cycle as market growth rate but like I said those other indicators should give you some help over there. Your second question was with regard to the capex cycle. Capex cycle seems to be strong at the moment, it is very hard to look beyond 5-6 months simply because of what the last 15 months were so it is very hard to keep saying that oh it is going to keep running robust like that, there are many factors that could play a role in there, global liquidity, all of those sort of things, global supply chain, anything else that could come in but as of now we have seen since July, August a fairly good and positive step-by-step movement upwards and what I can see for the next few months is it seems to be in line and on track beyond that I do not know I do not have an answer beyond that. I do know that we are planning for the much longer capex cycle and we are working towards that but it will be hard for me to confirm that is going to happen for sure. Is that okay. I am sorry I cannot precisely answer your questions.

Nitiksha Shah: Thank you Sir.

Moderator: Our next speaker for today is Mr. Dhaval Shah. Mr. Dhaval you are being placed in the meeting please ask your questions.

Dhaval Shah: I wanted to understand as you mentioned there are many players in India in the business which you are in if you could help me understand how everyone is stacked up in terms of the sizes like for example we are at a quarterly run rate of around 180, 190 Crores consumable and equipment combined so Ador is at a certain market share or a certain place there is market leader and there are many other players so how is everyone placed and how different are each of them in terms of the sizes like your next competitor would be where from you, you are at 180, 190 the next will be at 150, 100 just to understand broadly?

Aditya T Malkani: My understanding of the market is there are two larger players who sort of at the levels we are which are public figures in that regard so you can always get that. Then I think you have a host of I would say approximately three or four players who are approximately anywhere about 25 to

30% smaller than us in that regard, about three or four key players would be in that market and product basket for some of them I do not think it is as varied as ours and the other large players is but a fairly good product basket as well at least 60- 70% of that product basket may not be as varied throughout and then below that you have another run of players who would be at 40-50% of our size, 40% of our size or 50% of our size that would also be there, so yes. Again depending on the more restricted sort of product lines more trades stuff like that.

Dhaval Shah: Got it and in terms of product basket compared to the market leader what is yet to be filled up, where is the gap?

Aditya T Malkani: We do not have many gaps it is okay. As I keep saying people product gaps is not a big issue I think we are pretty much 85-90% is fairly similar in that regard I do not think that is a big concern. There is some by virtue of being a global leader and being a MNC and stuff like that which is obviously natural which we cannot always tackle head on but I do not think it matters to a very large degree in the Indian market at least not yet I do not feel it is.

Dhaval Shah: Given the focus of government on make in India and you being the only supplier of equipment in India in any of the government related projects is there a requirement to source locally?

Aditya T Malkani: There is definitely some favorability that does come. Yes we are seeing some favorability it has come but that is happening for I think all Indian players in various different spaces not only welding and there is definitely a push towards it as long as you are able to meet the technical and commercial requirements it is not just obviated so you cannot just disregard that but yes definitely we are seeing that a little bit yes for sure.

Dhaval Shah: Let us say the third or the fourth player which you said is 25-30% smaller to you if they were to roll up their sleeves and become aggressive they would be able to penetrate the market with newer products or pricing what would be your sense?

Aditya T Malkani: No their game plan is primarily pricing. You cannot keep changing that game I mean that is the game that allows that next level of players to come in so I do not think that can keep affecting everything. There is a certain thing that is there. Scale matters in terms of your distribution capabilities, scale in terms of our manufacturing capability, being able to ramp up across, having the full product basket, it all matter a lot in that regard, brand value of course, so those things matter a lot, having said that they have grown well also in the last few years or whatever it is and they have also grown down a certain path so they are also established in their own way and they will have their strategies to do that. I do not get into that too much. I do not want to look more than that.

Dhaval Shah: Okay got it. Thank you very much.

Moderator: Our next speaker for today is Mr. Saket. Mr. Saket you are now being placed in the meeting please proceed to ask your questions. Our next question is a followup question for Ms. Saloni. Ms. Saloni you are now being placed in the meeting please ask your questions.

Saloni Hemnani: My followup question Sir is on the flares division just wanted to understand the bidding system is it the lowest bidder and basically how does it work trying to get the orders in place?

Aditya T Malkani: It depends on customer-to-customer and there is a bidding system that would take place but you have to meet certain technocommercial requirements as well and we are dealing with PSUs not much to do with flares only but in terms of most product lines there is obviously commercial bidding that matters in terms of being lowest or not so yes it does but you do not only deal with PSUs you deal with private customers as well so both of those come into play.

Saloni Hemnani: Depending on the order size what kind of capital outlays are basically required in flares?

Aditya T Malkani: If you are asking specifically about the Uran project I think we have a max exposure level of approximately 35 to 40 crores is what we capped out the peak exposure level is what we mapped out and we should be well within that I think hopefully we should be there so in general that should give you a ratio that matters a little bit.

Saloni Hemnani: Sir just a final confirmation from your side. Just wanted to understand in terms of the margin profile is it fair to assume that the consumable will always be leaving the segmental margins around 15-16% followed by equipments and then flares because we are being aggressive in flares division can we expect higher returns coming from that segment?

Aditya T Malkani: I think we have got to a base level in terms of consumables that were kind of goodwill and you can build on that a little bit, equipment has a little bit of potential to pick up and depends a lot on the capex cycle. I think flares you should see an improvement from that as well that is the way we are looking at it, so in summation we should have all three should be little to deliver a little bit better in this economic environment.

Saloni Hemnani: So I can assume equipment being the third with flares coming in the second in terms of value addition in your returns?

Aditya T Malkani: I would resist answering that question if you do not mind.

Saloni Hemnani: That is alright. Thank you so much Sir.

Moderator: Our next speaker is Mr. Dhaval Shah. It is a followup question. Mr. Dhaval Shah you are now being placed in the meeting please ask your questions.

Dhaval Shah: Just a very basic question. Given I am little fairly new to understand the business of your company. If you can explain me and help me understand what exactly is the flares division and what is it about?

Aditya T Malkani: Okay so the flares division is basically through process industries such as oil and gas or steel and stuff like that. There is basically emissions of certain gases that happens primarily it could be like H2S04 type of thing or sulphur that sort of stuff, nitrogen sulphur base in terms of its vision that needs to be controlled you cannot let that out in the atmosphere so what you normally would do is you flare it through certain technology and we work on that flare tip. If you ever look at in refinery or any of these other things that I mentioned you will see a flame that flame is coming out of a tip that hopefully we made so that is basically it.

Dhaval Shah: So it will also be a lot used in chemical industries as well?

Aditya T Malkani: Yes there is and there is a lot of what I was sort of leaning on earlier in terms of the complementary products that will come into the chemical industry as well.

Dhaval Shah: You were also mentioning about subordinate process equipments also you were mentioning something about process equipment what was that I did not understand?

Aditya T Malkani: The process equipment basically means that in terms of heat exchanges any other process will not be restricted in terms of flares but similar type of process equipment where you are treating something or doing something like that is also what the division works of.

Dhaval Shah: Okay so you provide the engineering?

Aditya T Malkani: Design, engineering, fabrication those kind of things, correct.

Dhaval Shah: So there you might be buying it from someone and then doing the fabrication?

Aditya T Malkani: Most of what we will do today 95% of what we will do today is where we do the engineering and design as well as I said that is where the value addition comes so there is a lot of stuff that comes our way that we do not take simply because it is not good enough value addition.

Dhaval Shah: Understood. Okay great thank you.

Moderator: We have a followup question from Mr. Jason. Mr. Jason you are now being placed in the meeting please ask your questions.

Jason: Thanks for taking my question again. Actually just one question I had Ador Fontech person also is there on the call. Just wanted to ask in terms of an outlook Ador Fontech is mostly into refurbishment and repair of products so how is the outlook for them in this current scenario just wanted a general sense of that?

Aditya T Malkani: It is fairly robust as well the outlook is there. I do not think you can see as bigger necessarily growth as you would in a conventional fabrication sort of business but at the same time there is definitely opportunity for growth over there as well.

Jason: In terms of the flares equipment you said we have a small division doing heat exchangers and other equipment as well just wanted to ask **(inaudible) 45:27** company which does these things of course probably we might get a small level but do we compete with them also in this products?

Aditya T Malkani: We do not particularly compete with them. It is a different sort of market that we work on but it is slightly differently than that.

Jason: Sure that is all.

V. M. Bhide: One investor Mr. Akshay has asked one question how long will it take for the merger to happen between Ador Fontech with Ador Welding?

Aditya T Malkani: As we said the application has been filed before NCLT we sort of in their hands at the moment. We have got an indicative timeline that we would like to see it. I am very, very hopeful we will close everything in this calendar year so that is basically where we are.

Moderator: So one more question from Mr. Akshay Kothari. Mr. Kothari you are now being placed in the meeting please answer your questions.

Akshay Kothari: Sir just wanted to know in this flares division would there be opportunity on the FGD side as well?

Aditya T Malkani: I did not understand that sorry?

Akshay Kothari: Flue gas desulfurization which is COP26 guidelines refineries are bound to follow that guidelines.

Aditya T Malkani: We would not say we are very into that entire thing but I explained earlier there are certain ancillary product lines they may do flares that might come into that part of it but yes we could be in a small way from that angle but the fact that I do not know exactly what you talked about. I presume means it is not exactly on our radar at the moment.

Moderator: Aditya Sir that was last speaker for today.

Aditya T Malkani: Thank you so much for taking the time we really appreciate it. We have been advised to try and do this every quarter and we will keep doing that every quarter and keep driving it and thank you for taking the time to attend.