Company Name: GMM Pfaudler Ltd.

Quarter under review: Q4-FY26

GMM Pfaudler Ltd - Q4-FY26 / FY26 Concall Highlights:

GMM Pfaudler Ltd (Consolidated)								
INR In Mn	Q4-FY26	Q4-FY25	Y-o-Y	Q3-FY26	Q-o-Q	FY26	FY25	Y-o-Y
Total Income	9,436	8,066	17.0%	8,835	6.8%	35,239	31,987	10.2%
EBITDA	751	1,050	-28.5%	830	-9.5%	4,030	3,610	11.6%
EBITDA M (%)	7.96%	13.02%	-506 bps	9.39%	-143 bps	11.44%	11.29%	15 bps
PAT	153	-279	NA	-114	NA	518	492	5.4%
PAT M (%)	1.63%	-3.46%	509 bps	-1.28%	291 bps	1.47%	1.54%	-7 bps
Diluted EPS	3.82	-6.00	NA	-2.30	NA	12.86	11.78	9.2%

Operational Highlights:

- We delivered another strong year with revenue growing ~10% YoY and EBITDA increasing ~11%, while maintaining a stable margin profile despite a difficult global environment.
- Our India business remained a key growth driver, with revenue growth of ~12%, EBITDA growth of 24%, and PAT growth of nearly 40%, reflecting strong execution and operating leverage.
- Despite macro headwinds and weakness in core chemical markets, we continued to improve profitability through operational discipline, cost optimization, and diversification into higher-growth sectors.
- Traditional chemical markets continued to remain weak globally, particularly in Europe and parts of India, while pharma demand remained relatively healthy during FY26.
- Our diversification strategy is now contributing meaningfully, with nearly 50% of annual order intake coming from non-traditional industries outside chemicals and pharma.
- New growth sectors such as semiconductors, defense, oil & gas, petrochemicals, metals, and minerals are increasingly driving order inflows and expanding our addressable market.
- Order intake remained robust through the quarter, with annual order inflows rising ~20% YoY to INR 3,714 crore, strengthening medium-term visibility.
- Our opening order backlog for FY27 increased by ~34%, providing strong revenue visibility despite macro uncertainty and a slower global investment environment.
- We acknowledge that the global business environment remains challenging, especially due to geopolitical tensions and uncertainty arising from the Middle East conflict.
- We undertook organizational restructuring initiatives aimed at aligning the business more effectively across product verticals, industries, and geographies to support future growth.
- Our restructuring initiatives in Germany resulted in slightly higher one-time costs but are expected to generate higher recurring cost savings and improve operational efficiency going forward.
- We incurred one-time exceptional costs of ~INR 65 crore in FY26, comprising severance costs from the Germany restructuring and the impact of the new labor code in India.
- We generated strong free cash flow of ~INR 367 crore, maintaining cash flow to EBITDA conversion above 90%, supported by better working capital management.
- Our net debt to adjusted EBITDA improved further to ~0.4x, remaining comfortably below our internal target levels and reflecting continued balance sheet strengthening.

Key Questions & Answers discussed during the Concall:

- **Margins declined sequentially despite strong revenue growth. What led to the pressure on profitability during the quarter?** Looking at a single quarter in isolation can sometimes be misleading for a manufacturing business like ours because product mix changes significantly across quarters. During this quarter, we had certain lower-margin shipments, including a large AG-related order, which impacted blended margins. There was also temporary pressure from higher gas and metal costs.

- **What should investors assume as a sustainable margin profile going forward?** We remain confident that margins should improve over time as restructuring benefits start flowing through and operational efficiency improves. The initiatives we have taken in Europe, including workforce rationalization and site optimization, will support profitability. We prefer evaluating the business on a rolling 12-month basis rather than quarterly volatility. Overall, we expect steady improvement in margins next year as well.

- **Europe has remained weak operationally. How are you viewing the region now?** Europe continues to be slow from an execution and investment standpoint, especially in chemicals. However, interestingly, order intake from Europe has improved significantly this year. This gives us confidence that the groundwork for future growth is building up. We are also restructuring the European operations aggressively to improve efficiency and cost competitiveness.

- **What restructuring measures have been implemented in Europe?** We downsized and rightsized the German operations and reduced headcount there. We also shut down the UK facility and the Hyderabad unit while ramping up the Poland facility as a lower-cost manufacturing base. These initiatives are helping us move toward a more efficient cost structure. There are still additional optimization opportunities that we continue to work on.

- **What are the key growth drivers for the next few years?** We have broken the strategy into three broad pillars — growth, cost optimization, and organization. Growth will come from multiple areas including market share gains, new industries, regional expansion, and emerging technologies. We do not expect one product or one geography to drive everything. Instead, multiple growth levers across different businesses will contribute over time.

- **Which businesses outside traditional glass lining are seeing strong traction?** Heavy engineering, mixing technologies, systems, and semiconductor-related applications are all seeing good traction. We are also seeing increasing opportunities in oil & gas, defense, metals & minerals, and nuclear applications. These are industries where we previously had limited participation. Diversification is now becoming a meaningful contributor to growth.

- **How is the semiconductor business evolving within the group?** The Edlon business has emerged as a strong semiconductor play. We work with leading global chip manufacturers requiring high-purity lined systems for fabrication facilities. A few years ago, this was a relatively small business, but now it has scaled significantly with strong margins and healthy growth. We are also seeing opportunities in nuclear applications using similar technologies.

- **How is the systems business contributing to growth?** Systems has become one of the major growth drivers, especially internationally. We secured large orders in the US and Eastern Europe, and the opportunity pipeline remains strong. These projects are typically multi-year in nature, so revenue conversion is more gradual.

- **Why is management cautious despite a strong order book and order intake?** While order intake has been very strong, the macro environment remains uncertain due to geopolitical tensions and slower industrial investments globally. Some of the larger projects also execute over two to three years, so revenue conversion is staggered. We would rather remain realistic than overly optimistic. Our intention is to steadily improve performance without overcommitting externally.

- **When can investors expect a clearer long-term strategy and guidance?** We already completed a strategic planning exercise with the board and have outlined broad three-year initiatives internally. However, we want more visibility and confidence before formally communicating detailed targets to the market. We expect to articulate a clearer long-term roadmap once the external environment stabilizes further. The intent is to provide realistic and achievable goals.

- **What changes can investors expect in disclosures and reporting structure?** The business has evolved significantly over the last few years, especially with diversification into new sectors. Accordingly, we are redesigning our reporting framework to provide better visibility by products, industries, and verticals. Starting next quarter, investors should see more granular disclosures and a clearer reporting structure. This aligns with the new organizational setup as well.

- **How should we view the tax rate and international structure complexities?** A large part of the issue comes from the Luxembourg structure and inter-company financing arrangements inherited during the acquisition. We are already working on restructuring these arrangements, though such changes take time across multiple jurisdictions. There has already been some improvement sequentially. We expect further normalization over the coming periods.

- **Why are finance costs still elevated despite strong cash generation?** We have a clear intent to reduce debt meaningfully, and we are specifically targeting repayment of approximately $20 million, roughly INR 165–170 crore, of group-level debt in FY27. Some restructuring approvals are already in place from the board. However, I want to be transparent that full settlement may not be completed by March-end, given the complexity of our financing setup, which spans multiple countries, tax structures, and legacy inter-company arrangements that we inherited during the acquisition.

- **How much debt reduction can be expected going forward?** We intend to reduce debt meaningfully over the coming years, and some restructuring approvals are already in place. However, because the financing setup spans multiple countries and tax structures, execution takes time. The objective is clearly to optimize the balance sheet and reduce unnecessary interest burden.

- **What level of cost savings will come from the Germany restructuring?** The Germany restructuring is expected to generate annualized savings of roughly INR 45 crore once fully implemented. These benefits will flow gradually as workforce transitions are completed over the year. The savings should improve profitability meaningfully in the international business. Importantly, most of the major restructuring actions have now been completed.

- **Should investors expect further exceptional restructuring charges?** As of now, there are no major restructuring plans that would lead to significant one-time costs next year. Most of the planned restructuring actions have already been executed. However, if additional optimization becomes necessary in the future, we will continue to report such costs transparently. The objective remains long-term efficiency improvement.

- **How is the demand environment evolving across chemicals and pharma?** Chemicals remain relatively weak globally, especially in Europe and agrochemicals. However, pharma has remained stronger, particularly in India where CDMO-related investments continue. International pharma is also seeing improved momentum due to localization trends and GLP-related opportunities. We are beginning to see early signs of broader recovery in project discussions as well.

- **What is the medium-term margin aspiration for the business?** We believe a consolidated EBITDA margin of around 15% should be achievable over the medium term. Certain businesses can operate at materially higher margins, while others may remain lower. The blended portfolio should structurally move upward as growth, diversification, and restructuring benefits play out. Achieving this depends partly on normalization of the external environment as well.

- **What role will non-traditional sectors play in future growth?** We believe non-traditional sectors will increasingly become core growth drivers for the company. Areas like semiconductor, nuclear, energy transition, lithium extraction, battery technologies, and metals & minerals are creating significant opportunities. We are investing organizationally and technologically to capture these opportunities globally. Diversification is no longer experimental — it is becoming strategic.

- **How is the Poland facility performing?** The Poland facility is fully utilized already and is becoming an important low-cost manufacturing base for Europe. We are expanding the facility further to support additional production transfer from higher-cost European operations. This should improve competitiveness and support margin expansion. The long-term intent is to scale this facility significantly over time.

Key Participants:
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