

# GMM Pfaudler

## A year of transformation

Consol. revenue came in line and remained stable QoQ. International business revenue was below expectation (flat YoY), but standalone business grew ahead of expectation (+12% YoY). GMM expects India order intake to accelerate from 2HFY26 with order backlog (+20% YoY) providing near-term visibility. International business continues to face challenges amid muted end-user capex and uncertain US tariff situation. GMM closed its UK/Hyderabad plants and established manufacturing at Poland as part of its cost optimization program. Consol. EBITDAM adjusted for cost optimization one-offs at 11.5% was in line, while standalone EBITDAM at 17.4% surprised positively (Ambit: 12%). This was led by volume offtake, easing pricing pressures and cost optimization. Order intake remains sluggish; considerable recovery a few quarters away given end-users (chem/agro-chem) aren't announcing large capex. We marginally trim revenue, but raise margin; our unchanged 2-year TP of Rs2,300 implies **34x FY28 P/E**.

### KTAs from the earnings call

- **Demand scenario:** Demand remains sluggish in the chemicals industry, mainly agro-chemicals given players are yet to announce large capex decisions; that said, with increasing end-user volumes and utilization levels, management expects new capex decisions from 2HFY26. Specialty chemicals continue to see good traction. Lastly, outlook for Indian pharma industry continues to be positive with significant new capacities for CDMO and exports market being added; Pharma outlook positive internationally as well.
- **Outlook on India business:** GMM expects India order intake to accelerate from 2HFY26 with order backlog at Rs5.5bn (+20% YoY) providing near-term visibility. Management highlighted that April has seen strong order intake in both India and international business. Further, it expects EBITDAM in the range of 15-16% for India business.
- **Outlook on international business:** While management expects few more quarters before considerable pick-up is visible, outlook seems to have improved compared to prior quarters. Management highlighted that the international business is likely to see a growth slowdown longer than initially expected. They remain cautiously optimistic as actual order intake may take longer than expected to materialize.
- **Order backlog and intake:** Consol. order backlog stands at Rs16.4bn, down 3% YoY. FY25 order intake at Rs31bn was up 3% YoY.
- **Cost restructuring:** Management remains focused on cost optimization as it awaits demand recovery. GMM rationalized its Hyderabad and UK GLE manufacturing facilities, while it started with low-cost manufacturing at Poland. Management will continue to reduce manufacturing in high-cost countries, although requirement for local presence for servicing is still needed. Management highlighted that all transformation-related costs have been recognized in FY25 and does not expect further impact in FY26.
- **Others:** GMM appointed Gregory Gelhaus as Chief Transformation Officer. Gregory has a proven track record of driving business growth, executing financial and operational turnarounds, and expanding into new markets. As CTO, he will lead the group's transformation efforts and key strategic initiatives to drive business expansion, improve operational efficiencies, and enhance collaboration and integration across the company's operations and locations. Before joining GMM Pfaudler, he served as the COO for Asia Pacific and Central Europe at Global Blue. In that role, he managed 17 businesses across 15 countries. Prior to his tenure at Global Blue, he held positions at PwC, Alvarez & Marsal, and Kirkham Group.

# BUY

## Results Update

### Stock Information

Bloomberg Code:	GMM IN
CMP (Rs):	1,266
TP (Rs):	2,300
Mcap (Rs mn/US\$ mn):	57/0.7
3M MDV (Rs mn/US\$ mn):	67/0.7

### Stock Performance (%)

	1M	3M	12M	YTD
Absolute	13.8	13.5	(9.5)	7.4
Rel. to Sensex	11.1	5.1	(19.8)	3.0

Source: ICE, Ambit Capital research

### Ambit Estimates (Rs mn)

	FY25	FY26E	FY27E
Revenue	31,987	33,213	36,534
EBITDA	3,610	4,318	5,297
EPS (basic) (Rs)	11.8	35	51

Source: Ambit Capital research, Company

### Research Analysts

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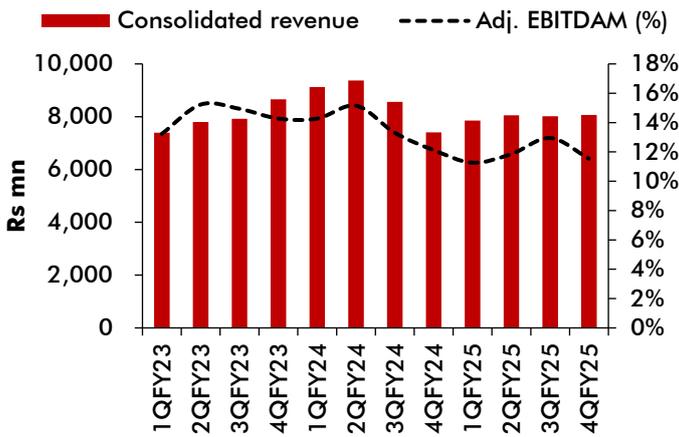
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**Where do we go from here?**

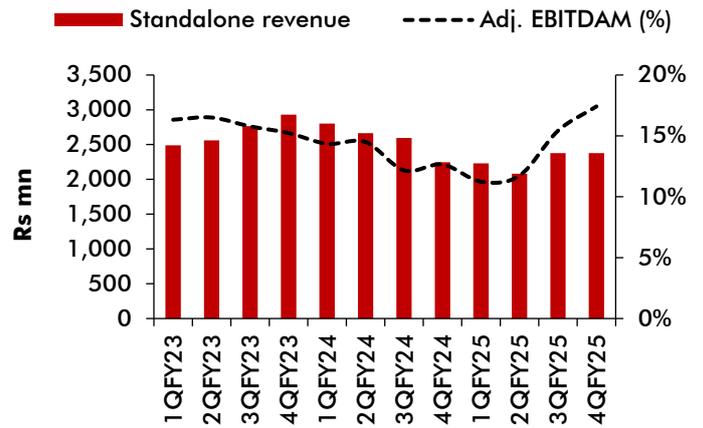
GMM's global leadership (>40% market share) in niche glass-lined process equipment stems from superior tech know-how, long customer ties and technocrat promoters. GMM did >10 acquisitions in last decade, driving scalability and diversification across geographies/products/end-users. Track record of scale-up and margin turnaround of target provides edge (Pfaudler, Mavag). With expected uptick in chemicals/pharma capex, continued growth in non-GL/services and cost optimization initiatives, growth and margins will revive in FY26/27E. Expect 8%/20% revenue/EBITDA CAGR over FY25-28E as growth/margins bottom out in FY25E. We marginally trim revenue, but raise margin estimate; our unchanged 2-year TP of Rs2,300 implies [35x FY28 P/E](#).

**Exhibit 1: Consolidated revenue and margins have seen signs of recovery over last few quarters**



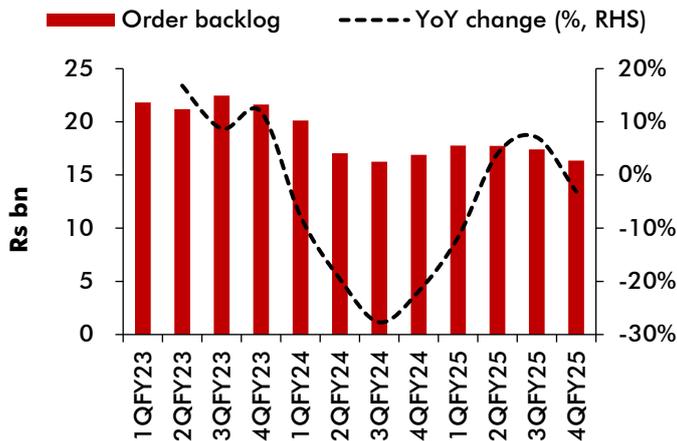
Source: Company, Ambit Capital research

**Exhibit 2: Standalone revenue/margins have picked up in 2HFY25 after consecutive decline since 4QFY23**



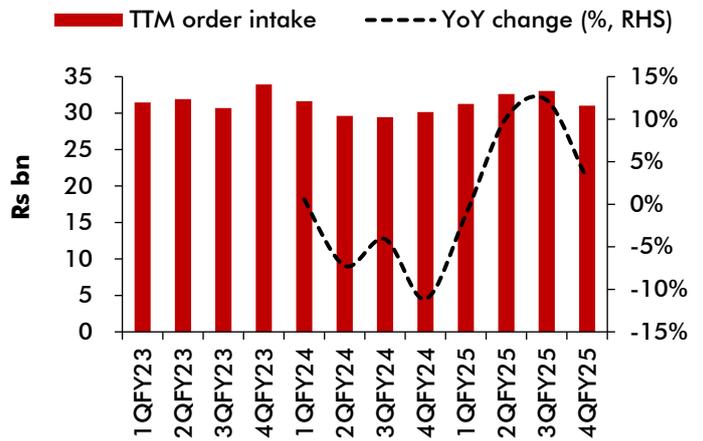
Source: Company, Ambit Capital research

**Exhibit 3: Order backlog has remained stable over last few quarters post a steep decline in FY24**



Source: Company, Ambit Capital research

**Exhibit 4: TTM order intake has shown signs of stabilization over last few quarters; major uptick still few quarters away**



Source: Company, Ambit Capital research

**Exhibit 5: Consolidated quarterly snapshot**

Rs mn	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)	4QFY25E	Divergence (%)
<b>Revenue from operations</b>	<b>8,066</b>	<b>7,407</b>	<b>9%</b>	<b>8,015</b>	<b>1%</b>	<b>7,966</b>	<b>1%</b>
Cost of materials consumed	3,118	2,531	23%	3,144	-1%	3,140	-1%
Employee expenses	2,226	2,310	-4%	2,272	-2%	2,295	-3%
Other expenses	1,890	1,668	13%	1,640	15%	1,594	19%
<b>EBITDA</b>	<b>832</b>	<b>898</b>	<b>-7%</b>	<b>959</b>	<b>-13%</b>	<b>937</b>	<b>-11%</b>
<b>Adj. EBITDA</b>	<b>930</b>	<b>898</b>	<b>4%</b>	<b>1,038</b>	<b>-10%</b>	<b>937</b>	<b>-1%</b>
Depreciation	384	394	-2%	349	10%	368	4%
<b>EBIT</b>	<b>448</b>	<b>504</b>	<b>-11%</b>	<b>610</b>	<b>-27%</b>	<b>569</b>	<b>-21%</b>
Finance costs	266	300	-11%	251	6%	237	12%
Other Income	(47)	105	-145%	258	-118%	-	nmf
<b>PBT</b>	<b>135</b>	<b>310</b>	<b>-56%</b>	<b>617</b>	<b>-78%</b>	<b>332</b>	<b>-59%</b>
Exceptional item	477	-	nmf	-	nmf	-	nmf
<b>PBT after Exceptional items</b>	<b>(341)</b>	<b>310</b>	<b>-210%</b>	<b>617</b>	<b>-155%</b>	<b>332</b>	<b>-203%</b>
Tax	(62)	57	-208%	216	-129%	75	-183%
<b>PAT</b>	<b>(279)</b>	<b>253</b>	<b>-211%</b>	<b>400</b>	<b>-170%</b>	<b>257</b>	<b>-209%</b>
<b>Adj. PAT</b>	<b>151</b>	<b>253</b>	<b>-40%</b>	<b>459</b>	<b>-67%</b>	<b>257</b>	<b>-41%</b>
Employee expenses (% of revenue)	28%	31%	(358)	28%	(75)	29%	(121)
COGS (% of revenue)	39%	34%	448	39%	(58)	39%	(77)
Other Expenses (% of revenue)	23%	23%	91	20%	297	20%	342
<b>EBITDA margin (%)</b>	<b>10.3%</b>	<b>12.1%</b>	<b>(180)</b>	<b>12.0%</b>	<b>(164)</b>	<b>11.8%</b>	<b>(145)</b>
<b>Adj. EBITDA margin (%)</b>	<b>11.5%</b>	<b>12.1%</b>	<b>(59)</b>	<b>12.9%</b>	<b>(141)</b>	<b>11.8%</b>	<b>(23)</b>
<b>Profit before tax (%)</b>	<b>2%</b>	<b>4%</b>	<b>(251)</b>	<b>8%</b>	<b>(602)</b>	<b>4%</b>	<b>(249)</b>
Tax rate (% of PBT)	18%	18%	(32)	35%	(1,693)	22%	(431)
PAT margin (%)	-3%	3%	(688)	5%	(846)	3%	(669)
<b>Adj. PAT margin (%)</b>	<b>2%</b>	<b>3%</b>	<b>(154)</b>	<b>6%</b>	<b>(386)</b>	<b>3%</b>	<b>(136)</b>

Source: Company, Ambit Capital research

**Exhibit 6: Change in estimates**

Rs mn	New estimates		Old estimates		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>		<b>UNCHANGED</b>	
<b>2 yr TP (Rs)</b>	<b>2,300</b>		<b>2,300</b>		<b>0%</b>	
Revenue	33,213	36,534	34,414	37,671	-3%	-3%
EBITDA	4,318	5,297	4,474	5,274	-4%	0%
EBITDA margin (%)	13.0%	14.5%	13.0%	14.0%	0bps	50bps
PBT	2,254	3,276	2,593	3,321	-13%	-1%
PAT	1,578	2,293	1,815	2,325	-13%	-1%
EPS (Rs)	35.1	51.0	40.4	51.7	-13%	-1%

Source: Company, Ambit Capital research

**Exhibit 7: Standalone quarterly snapshot**

Rs mn	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)	4QFY25E	Divergence (%)
<b>Revenue from operations</b>	<b>2,522</b>	<b>2,245</b>	<b>12%</b>	<b>2,378</b>	<b>6%</b>	<b>2,380</b>	<b>6%</b>
Cost of materials consumed	1,261	1,028	23%	1,206	5%	1,222	3%
Employee expenses	268	270	0%	279	-4%	294	-9%
Other expenses	651	664	-2%	605	8%	583	12%
<b>EBITDA</b>	<b>341</b>	<b>284</b>	<b>20%</b>	<b>288</b>	<b>19%</b>	<b>280</b>	<b>22%</b>
<b>Adj. EBITDA</b>	<b>439</b>	<b>284</b>	<b>55%</b>	<b>367</b>	<b>20%</b>	<b>280</b>	<b>57%</b>
Depreciation	77	85	-10%	78	-1%	88	-13%
<b>EBIT</b>	<b>265</b>	<b>199</b>	<b>33%</b>	<b>210</b>	<b>26%</b>	<b>193</b>	<b>37%</b>
Finance costs	67	80	-17%	67	0%	64	5%
Other Income	7	2	279%	7	7%	20	-64%
<b>PBT</b>	<b>205</b>	<b>121</b>	<b>70%</b>	<b>150</b>	<b>36%</b>	<b>149</b>	<b>37%</b>
Exceptional item	-	-	nmf	-	nmf	-	nmf
<b>PBT after Exceptional items</b>	<b>205</b>	<b>121</b>	<b>70%</b>	<b>150</b>	<b>36%</b>	<b>149</b>	<b>37%</b>
Tax	53	45	20%	33	63%	41	29%
<b>PAT</b>	<b>152</b>	<b>76</b>	<b>99%</b>	<b>117</b>	<b>29%</b>	<b>108</b>	<b>41%</b>
<b>Adj. PAT</b>	<b>225</b>	<b>76</b>	<b>195%</b>	<b>176</b>	<b>27%</b>	<b>108</b>	<b>109%</b>
Employee expenses (% of revenue)	11%	12%	(136)	12%	(111)	12%	(173)
COGS (% of revenue)	50%	46%	421	51%	(71)	51%	(134)
Other Expenses (% of revenue)	26%	30%	(373)	25%	38	25%	132
<b>EBITDA margin (%)</b>	<b>13.5%</b>	<b>12.7%</b>	<b>88</b>	<b>12.1%</b>	<b>144</b>	<b>11.8%</b>	<b>175</b>
<b>Adj. EBITDA margin (%)</b>	<b>17.4%</b>	<b>12.7%</b>	<b>476</b>	<b>15.4%</b>	<b>200</b>	<b>11.8%</b>	<b>563</b>
<b>Profit before tax (%)</b>	<b>8%</b>	<b>5%</b>	<b>274</b>	<b>6%</b>	<b>181</b>	<b>6%</b>	<b>186</b>
Tax rate (% of PBT)	26%	37%	(1,093)	22%	424	28%	(178)
PAT margin (%)	6%	3%	262	5%	107	5%	149
<b>Adj. PAT margin (%)</b>	<b>9%</b>	<b>3%</b>	<b>551</b>	<b>7%</b>	<b>148</b>	<b>5%</b>	<b>438</b>

Source: Company, Ambit Capital research

## GMM Pfaudler (GMM IN, BUY)

### Valuation Methodology

We use DCF methodology to arrive at our fair valuation.

We have assumed 15%/13% CoE/WACC and 4% terminal growth.

### Risks

Delay in capex uptick mainly across chemicals and pharma end-users.

Failed acquisitions.

## Financials - Consolidated

### Income statement

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Revenue</b>	<b>34,465</b>	<b>31,987</b>	<b>33,213</b>	<b>36,534</b>	<b>40,135</b>
-growth (Rev)	8.5%	(7.2%)	3.8%	10.0%	9.9%
Cost of goods sold	13,794	12,573	12,953	14,065	15,251
<b>Gross profit</b>	<b>20,671</b>	<b>19,414</b>	<b>20,094</b>	<b>22,286</b>	<b>24,483</b>
Gross profit growth	9.1%	(6.1%)	3.5%	10.9%	9.9%
Employee expenses	9,036	8,924	9,134	9,864	10,636
Power/fuel expenses	988	960	996	1,096	1,204
Other expenses	3,691	3,864	3,819	4,019	4,415
<b>EBITDA</b>	<b>4,735</b>	<b>3,610</b>	<b>4,318</b>	<b>5,297</b>	<b>6,221</b>
-growth (EBITDA)	10.3%	(23.7%)	19.6%	22.7%	17.4%
Depreciation	1,467	1,444	1,433	1,557	1,640
<b>EBIT</b>	<b>3,268</b>	<b>2,166</b>	<b>2,885</b>	<b>3,740</b>	<b>4,581</b>
-growth (EBIT)	6.3%	(33.7%)	33.2%	29.7%	22.5%
Other income	233	304	332	274	301
<b>EBIT (including other income)</b>	<b>3,502</b>	<b>2,470</b>	<b>3,217</b>	<b>4,014</b>	<b>4,882</b>
Finance costs	948	1,032	963	738	538
<b>Profit before tax</b>	<b>2,554</b>	<b>962</b>	<b>2,254</b>	<b>3,276</b>	<b>4,344</b>
<b>Profit before tax (adjusted)</b>	<b>2,554</b>	<b>962</b>	<b>2,254</b>	<b>3,276</b>	<b>4,344</b>
-growth (PBT)	(5.8%)	(62.3%)	134%	45.4%	32.6%
Tax	813	471	676	983	1,303
<b>PAT</b>	<b>1,741</b>	<b>491</b>	<b>1,578</b>	<b>2,293</b>	<b>3,041</b>
<b>Profit after tax (adjusted)</b>	<b>1,741</b>	<b>491</b>	<b>1,578</b>	<b>2,293</b>	<b>3,041</b>
-growth (PAT)	(17.2%)	(71.8%)	221%	45.4%	32.6%
<b>Consolidated profit after tax</b>	<b>1,741</b>	<b>491</b>	<b>1,578</b>	<b>2,293</b>	<b>3,041</b>
-growth (CPAT)	(17.2%)	(71.8%)	221%	45.4%	32.6%
EPS (basic) (Rs)	39	11.8	35	51	68
EPS (diluted)	39	11.8	35	51	68

Source: Ambit Capital research, Company

**Balance sheet**

<b>Year to March (Rs mn)</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Property, plant and equipment	4,098	4,280	4,147	4,190	4,151
Capital work in progress	274	119	119	119	119
Right of use assets	2,210	2,010	1,810	1,610	1,410
Goodwill	1,350	1,091	1,091	1,091	1,091
Other intangible assets	4,670	4,270	3,870	3,470	3,070
<b>Total fixed assets</b>	<b>12,601</b>	<b>11,770</b>	<b>11,037</b>	<b>10,480</b>	<b>9,840</b>
Non-current investments	0.1	0.1	0.1	0.1	0.1
Other non-current assets	328	423	423	423	423
Assets held for sale	2.1	465	465	465	465
<b>Total non-current assets</b>	<b>12,929</b>	<b>12,193</b>	<b>11,460</b>	<b>10,903</b>	<b>10,263</b>
Inventories	6,254	5,403	5,915	6,306	6,708
Trade receivables	4,328	3,868	4,095	4,504	4,948
Cash and cash equivalents	3,436	4,671	4,784	5,624	6,209
Other current assets	4,496	4,432	4,632	4,832	5,032
<b>Total current assets</b>	<b>18,514</b>	<b>18,374</b>	<b>19,425</b>	<b>21,266</b>	<b>22,896</b>
<b>Total assets</b>	<b>31,445</b>	<b>31,031</b>	<b>31,350</b>	<b>32,633</b>	<b>33,624</b>
Share capital	90	90	90	90	90
Other equity	9,588	10,138	11,558	13,622	16,358
Minority interest	64	68	68	68	68
<b>Total equity</b>	<b>9,742</b>	<b>10,296</b>	<b>11,716</b>	<b>13,780</b>	<b>16,516</b>
Long-term borrowings	5,014	4,336	3,336	2,336	336
Long-term provisions	3,005	2,856	2,856	2,856	2,856
Deferred tax liabilities (net)	575	621	621	621	621
Lease liabilities	1,581	1,614	1,614	1,614	1,614
<b>Total non-current liabilities</b>	<b>10,174</b>	<b>9,428</b>	<b>8,428</b>	<b>7,428</b>	<b>5,428</b>
Short-term borrowings	2,107	2,170	1,670	1,170	670
Trade payables	4,025	4,006	4,095	4,504	4,948
Lease liabilities	385	401	411	421	431
Other current liabilities	3,288	3,118	3,318	3,518	3,718
Short term provisions	1,724	1,613	1,713	1,813	1,913
<b>Total current liabilities</b>	<b>11,528</b>	<b>11,307</b>	<b>11,206</b>	<b>11,426</b>	<b>11,680</b>
<b>Total liabilities</b>	<b>21,702</b>	<b>20,735</b>	<b>19,634</b>	<b>18,853</b>	<b>17,107</b>
<b>Total equity and liabilities</b>	<b>31,445</b>	<b>31,031</b>	<b>31,350</b>	<b>32,633</b>	<b>33,624</b>

Source: Ambit Capital research, Company

**Cash flow statement**

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Profit before tax</b>	<b>2,554</b>	<b>963</b>	<b>2,254</b>	<b>3,276</b>	<b>4,344</b>
Depreciation	1,467	1,444	1,433	1,557	1,640
Interest expense	948	887	963	738	538
Other items	73	484	(332)	(274)	(301)
Working capital changes	(1,262)	770	(539)	(281)	(292)
Taxes	(940)	(767)	(676)	(983)	(1,303)
<b>Cash flow from operations</b>	<b>2,839</b>	<b>3,781</b>	<b>3,102</b>	<b>4,033</b>	<b>4,626</b>
(Net) capital expenditure	(626)	(599)	(700)	(1,000)	(1,000)
Acq./ (disp.) of Investments	171	16.7	-	-	-
Interest/dividend Received	138	59	332	274	301
<b>Cash flow from investments</b>	<b>(317)</b>	<b>(523)</b>	<b>(368)</b>	<b>(726)</b>	<b>(699)</b>
Net short-term borrowings	440	486	(500)	(500)	(500)
Net long-term borrowings	(1,448)	(1,156)	(1,000)	(1,000)	(2,000)
Issuance of equity	-	42	-	-	-
Interest paid	(881)	(793)	(963)	(738)	(538)
Dividends paid	(89)	(88)	(158)	(229)	(304)
Other items	(463)	(497)	-	-	-
<b>Cash flow from financing</b>	<b>(2,440)</b>	<b>(2,006)</b>	<b>(2,621)</b>	<b>(2,468)</b>	<b>(3,342)</b>
<b>Opening cash balance</b>	<b>3,115</b>	<b>3,196</b>	<b>4,671</b>	<b>4,784</b>	<b>5,624</b>
<b>Net change in cash</b>	<b>81</b>	<b>1,252</b>	<b>113</b>	<b>840</b>	<b>585</b>
<b>Closing cash balance</b>	<b>3,196</b>	<b>4,448</b>	<b>4,784</b>	<b>5,624</b>	<b>6,209</b>
<b>Free cash flow to firm</b>	<b>2,213</b>	<b>3,182</b>	<b>2,402</b>	<b>3,033</b>	<b>3,626</b>

Source: Ambit Capital research, Company

**Preferred Ratios**

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
EBITDA margin	13.7%	11.3%	13.0%	14.5%	15.5%
EBIT margin	9.5%	6.8%	8.7%	10.2%	11.4%
Net profit margin	5.1%	1.5%	4.7%	6.3%	7.6%
Gross block turnover	2.1	1.9	1.9	1.9	2.0
ROE (%)	16.9%	4.5%	12.8%	15.9%	17.7%
pre-tax RoCE	19.1%	12.4%	16.6%	21.2%	25.4%
Net debt/equity	0.4	0.2	-	(0.2)	(0.3)
pre-tax CFO/EBITDA	79.8%	126%	87.5%	94.7%	95.3%

Source: Ambit Capital research, Company

**Ratio analysis**

<b>Year to March (Rs mn)</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Gross margin	60.0%	60.7%	60.5%	61.0%	61.0%
EBITDA margin	13.7%	11.3%	13.0%	14.5%	15.5%
EBIT margin	9.5%	6.8%	8.7%	10.2%	11.4%
Net profit margin	5.1%	1.5%	4.7%	6.3%	7.6%
Net debt/equity	0.4	0.2	-	(0.2)	(0.3)
Net debt/EBITDA	0.8	0.5	0.1	(0.4)	(0.8)
Working capital turnover	5.2	5.4	5.9	6.0	6.2
Cash conversion days	69	60	65	63	61
Inventory days	66	62	65	63	61
Receivable days	46	44	45	45	45
Payable days	43	46	45	45	45
Gross block turnover	2.1	1.9	1.9	1.9	2.0
pre-tax CFO/EBITDA	79.8%	126%	87.5%	94.7%	95.3%
pre-tax RoCE	19.1%	12.4%	16.6%	21.2%	25.4%
post-tax RoCE	13.0%	8.4%	11.6%	14.9%	17.8%
ROE (%)	16.9%	4.5%	12.8%	15.9%	17.7%

Source: Ambit Capital research, Company

**Valuation parameters**

<b>Year to March (Rs mn)</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
PE	32	108	36	25	18.7
EV/EBITDA	12.8	16.3	13.2	10.4	8.3
P/B	5.9	5.6	4.9	4.2	-

Source: Ambit Capital research, Company

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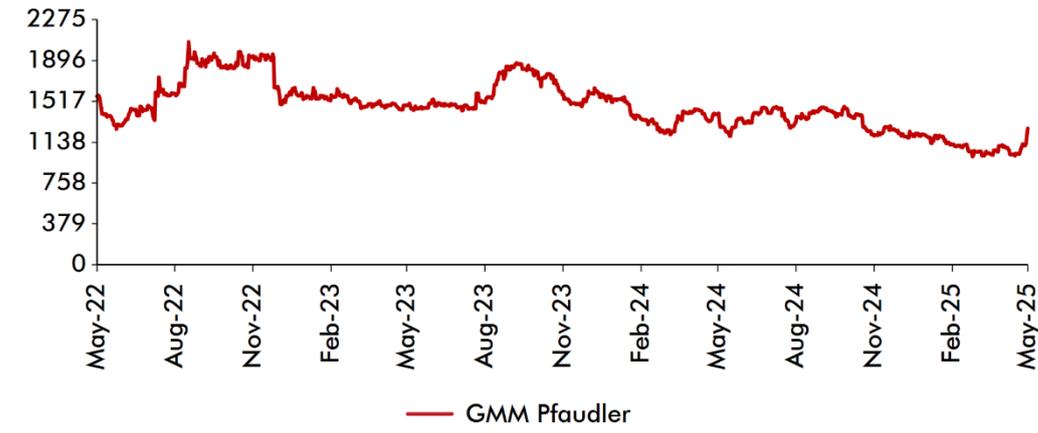
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Source: ICE, Ambit Capital research

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