GMM Pfaudler

Recovery acceleration underway

Consol. rev, up 12%/14% YoY/QoQ, was 11% above Ambit with India business up 31%/18% YoY/QoQ. Order intake grew 15% YoY to Rs8.8bn led by uptick in India business. GMM expects India order intake to accelerate across both GLE/non-GLE in 2H. Growth in international business continues to be led by non-GLE and SEMCO integration, but Europe business remains sluggish. Order backlog stands at Rs21.5bn, up 21% YoY (incl. US$20mn SEMCO backlog), providing growth visibility. Better GM and cost restructuring initiatives implied better EBITDAM at 13.5% (Ambit: 12.5%), driving 20% EBITDA beat. GMM completed SEMCO acquisition in Aug'25 complementing its mixing capabilities. It remains focused on cost optimization via manufacturing at low-cost destinations. Order intake across India/international business remains key monitorable. Amid better-than-expected growth, we increase FY26/27 revenue by 4% each, while keeping margin unchanged. Our 2-year TP of Rs2,500 (Rs2,400 earlier) implies 34x 1yr fwd P/E.

KTAs from the earnings call

- **Outlook on India business:** GMM expects India order intake to accelerate further in 2H with increasing investments across pharma, chemical/agro-chemical and other allied industries. Further, it has healthy orderbook in its non-GLE business.
- **Outlook on international business:** Management remains cautious of postponement of capex decisions by end-users amid geopolitical uncertainties, especially by European chemical companies. That said, non-GLE business (including systems, mixing, F&D) continues to do well. Further, management highlighted it could likely see more investments coming in US capacities amid 'Make in US' initiative.
- **Order intake and backlog:** Order intake increased 15% YoY to Rs8.8bn led by uptick in India business. Order backlog stands at Rs21.5bn, up 21% YoY (incl. US$20mn backlog for SEMCO), providing near-term growth visibility.
- **Working capital:** Management highlighted that the higher WC was on account of higher inventory amid improved growth visibility for India business and higher receivables which should normalize by year-end.
- **Cost restructuring:** Management remains focused on cost optimization and will continue to reduce manufacturing in high-cost countries wherever possible, although requirement for local presence for testing and servicing is still needed. It has ramped up production at its low-cost facility in Poland.
- **Other items:** Finance costs during the quarter include non-cash net loss on restatement of foreign currency borrowings amounting to ₹2mn in 2QFY26 (vs ₹198mn in 1QFY26) amid stable EUR-USD rate.

Where do we go from here?

GMM's global leadership (>40% market share) in niche glass-lined process equipment stems from its superior technical know-how, long-standing customer ties, and technocrat promoters. With our thesis on margin improvement led by cost-restructuring initiatives already playing out, we expect growth and margin revival in FY26/27E with further expected uptick in chemicals/pharma capex, continued growth in non-GL/services and cost optimization initiatives. Expect 10%/22% revenue/EBITDA CAGR over FY25-28E as growth/margins bottom out in FY25E. Amid better-than-expected growth, we increase FY26/27 revenue by 4% each, while keeping margin estimates largely unchanged. Our 2-year TP of Rs2,500 (Rs2,400 earlier) implies 34x 1yr fwd P/E.

BUY

Results Update

Stock Information

Bloomberg Code:	GMM IN
CMP (Rs):	1,282
TP (Rs):	2,500
Mcap (Rs bn/US$ bn):	58/0.6
3M MDV (Rs mn/US$ mn):	67/0.8

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	25.6	(2.3)	(7.9)	8.7
Rel. to Sensex	23.7	(5.8)	(11.5)	2.1

Source: ICE, Ambit Capital research

Ambit Estimates (Rs mn)

	FY25	FY26E	FY27E
Revenue	31,987	35,186	38,928
EBITDA	3,610	4,680	5,645
EPS (basic) (Rs)	11.8	29	49

Source: Ambit Capital research, Company

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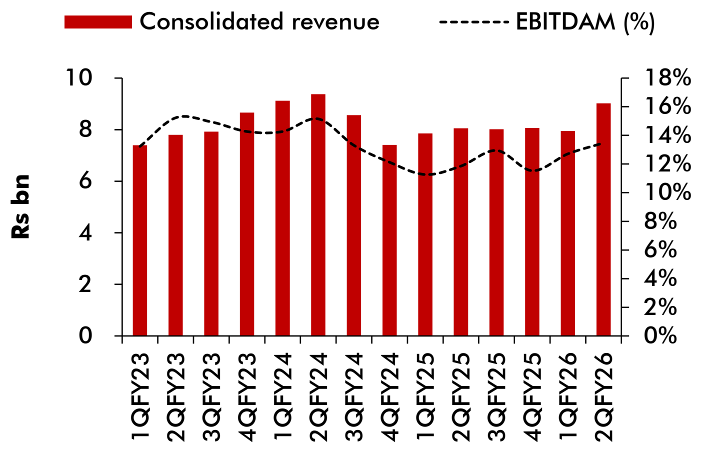
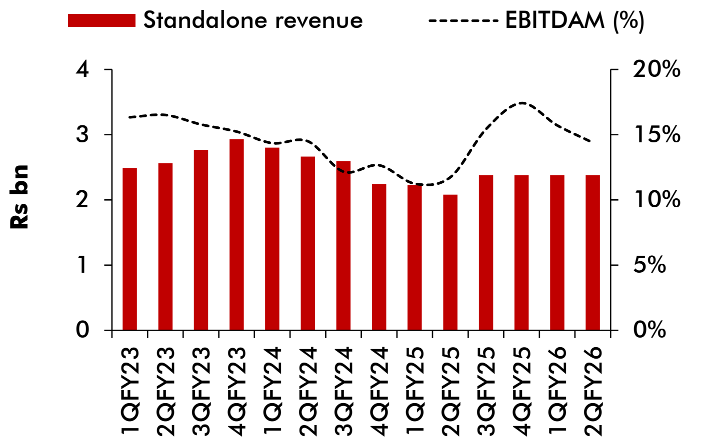
Exhibit 1: Consolidated revenue and margins have seen signs of recovery over last few quarters



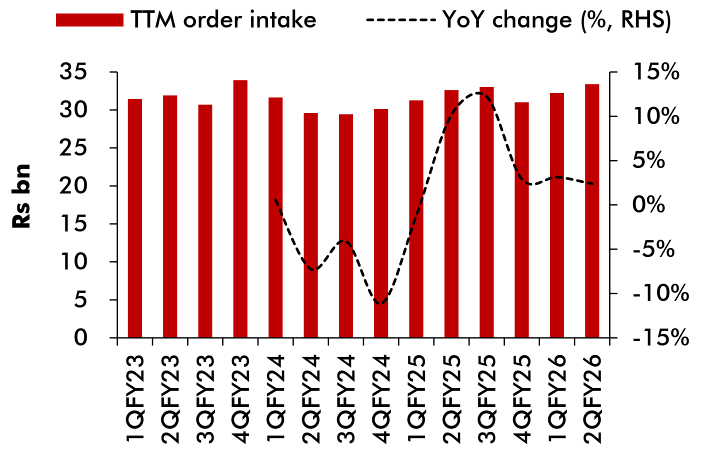
Source: Company, Ambit Capital research; Note: FY25 EBITDAM adjusted for one-off transformation costs.

Exhibit 2: Standalone revenue/margins have picked up since 1QFY25 after a consecutive decline since 4QFY23



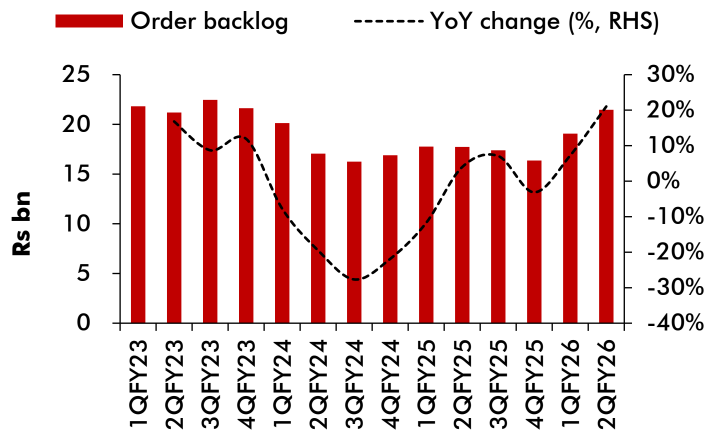
Source: Company, Ambit Capital research; Note: FY25 EBITDAM adjusted for one-off transformation costs.

Exhibit 3: TTM order intake has shown signs of stabilization over last few quarters; major uptick still few quarters away



Source: Company, Ambit Capital research

Exhibit 4: Order backlog has improved over the last few quarters post a steep decline in FY24



Source: Company, Ambit Capital research; Note: 2QFY26 order backlog includes US$20mn order backlog for SEMCO acquired in Aug'25.

Exhibit 5: Consolidated quarterly snapshot

Rs mn	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)	2QFY26E	Divergence (%)
Revenue from operations	**9,023**	**8,054**	**12%**	**7,946**	**14%**	**8,104**	**11%**
Cost of materials consumed	3,307	3,251	2%	2,910	14%	2,958	12%
Employee expenses	2,504	2,195	14%	2,339	7%	2,391	5%
Other expenses	1,996	1,673	19%	1,687	18%	1,742	15%
EBITDA	**1,216**	**935**	**30%**	**1,010**	**20%**	**1,013**	**20%**
Adj. EBITDA	**1,216**	**955**	**27%**	**1,010**	**20%**	**1,013**	**20%**
Depreciation	365	333	10%	358	2%	370	-1%
EBIT	**851**	**602**	**41%**	**652**	**30%**	**643**	**32%**
Finance costs^	297	265	12%	429	-31%	350	-15%
Other Income	88	(7)	nmf	93	-5%	83	5%
PBT	**642**	**330**	**94%**	**316**	**103%**	**376**	**71%**
Exceptional item	-	-	nmf	-	nmf	-	nmf
PBT after Exceptional items	**642**	**330**	**94%**	**316**	**nmf**	**376**	**71%**
Tax	248	158	58%	215	16%	151	65%
PAT	**394**	**173**	**128%**	**101**	**nmf**	**226**	**74%**
Adj. PAT	**394**	**188**	**110%**	**101**	**288%**	**226**	**74%**
Gross margin (%)	**63.3%**	**59.6%**	**372**	**63.4%**	**(3)**	**63.5%**	**(15)**
Employee expenses (% of revenue)	28%	27%	50	29%	(168)	30%	(175)
Other Expenses (% of revenue)	22%	21%	135	21%	89	22%	62
EBITDA margin (%)	**13.5%**	**11.6%**	**187**	**12.7%**	**76**	**12.5%**	**97**
Adj. EBITDA margin (%)	**13.5%**	**11.9%**	**162**	**12.7%**	**76**	**12.5%**	**97**
Profit before tax (%)	**7%**	**4%**	**302**	**4%**	**314**	**5%**	**247**
Tax rate (% of PBT)	39%	48%	(903)	68%	(2,922)	40%	(133)
PAT margin (%)	4%	2%	222	1%	309	3%	158
Adj. PAT margin (%)	**4.4%**	**2.3%**	**203**	**1.3%**	**309**	**2.8%**	**158**

Source: Company, Ambit Capital research; Note: ^Finance costs include net loss (non-cash) on restatement of foreign currency borrowings amounting to ₹ 2mn and ₹ 198mn for 2Q/1QFY26, ₹ 90mn for 4QFY25, while other income has net loss of ₹ 107mn for 2QFY25.

Exhibit 6: Change in estimates

Rs mn	New estimates		Old estimates		Change	
	FY26E	**FY27E**	**FY26E**	**FY27E**	**FY26E**	**FY27E**
Rating	**BUY**		**BUY**		**UNCHANGED**	
2 yr TP (Rs)	**2,500**		**2,400**		**4%**	
Revenue	35,186	38,928	33,677	37,404	4%	4%
EBITDA	4,680	5,645	4,378	5,424	7%	4%
EBITDA margin (%)	13.3%	14.5%	13.0%	14.5%	30bps	0bps
PBT	2,201	3,131	2,025	3,319	9%	-6%
PAT	1,321	2,192	1,266	2,323	4%	-6%
EPS (Rs)	29.4	48.7	28.2	51.7	4%	-6%

Source: Company, Ambit Capital research; Note: FY26 PBT/PAT is impacted amid non-cash loss on restatement of foreign currency borrowings; Note: Lower FY27 PBT/PAT amid higher finance costs

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
Revenue	**34,465**	**31,987**	**35,186**	**38,928**	**42,746**
-growth (Rev)	8.5%	(7.2%)	10.0%	10.6%	9.8%
Cost of goods sold	13,794	12,573	12,843	14,014	15,175
Gross profit	**20,671**	**19,414**	**22,343**	**24,914**	**27,571**
Gross profit growth	9.1%	(6.1%)	15.1%	11.5%	10.7%
Employee expenses	9,036	8,924	10,028	10,900	11,755
Power/fuel expenses	988	870	1,056	1,168	1,282
Other expenses	3,691	4,031	4,398	4,866	5,343
EBITDA	**4,735**	**3,610**	**4,680**	**5,645**	**6,626**
-growth (EBITDA)	10.3%	(23.7%)	29.6%	20.6%	17.4%
Depreciation	1,467	1,444	1,480	1,655	1,738
EBIT	**3,268**	**2,166**	**3,200**	**3,990**	**4,888**
-growth (EBIT)	6.3%	(33.7%)	47.7%	24.7%	22.5%
Other income	233	304	352	292	321
EBIT (including other income)	**3,502**	**2,470**	**3,552**	**4,282**	**5,208**
Finance costs	948	1,032	1,351	1,151	926
Profit before tax	**2,554**	**962**	**2,201**	**3,131**	**4,282**
Profit before tax (adjusted)	**2,554**	**962**	**2,201**	**3,131**	**4,282**
-growth (PBT)	(5.8%)	(62.3%)	129%	42.3%	36.8%
Tax	813	471	880	939	1,285
PAT	**1,741**	**491**	**1,321**	**2,192**	**2,998**
Profit after tax (adjusted)	**1,741**	**491**	**1,321**	**2,192**	**2,998**
-growth (PAT)	(17.2%)	(71.8%)	169%	66.0%	36.8%
Consolidated profit after tax	**1,741**	**491**	**1,321**	**2,192**	**2,998**
-growth (CPAT)	(17.2%)	(71.8%)	169%	66.0%	36.8%
EPS (basic) (Rs)	39	11.8	29	49	67
EPS (diluted)	39	11.8	29	49	67

Source: Ambit Capital research, Company

Balance sheet

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Property, plant and equipment	4,098	3,662	4,662	4,607	4,470
Capital work in progress	274	119	119	119	119
Right of use assets	2,210	2,353	2,153	1,953	1,753
Goodwill	1,350	1,091	1,091	1,091	1,091
Other intangible assets	4,670	4,545	4,145	3,745	3,345
Total fixed assets	**12,601**	**11,770**	**12,170**	**11,515**	**10,777**
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
Total non-current assets	**12,929**	**12,193**	**12,593**	**11,938**	**11,200**
Inventories	6,254	5,403	6,266	6,719	7,144
Trade receivables	4,328	3,868	4,338	4,799	5,270
Cash and cash equivalents	3,436	4,671	5,569	6,853	7,974
Other current assets	4,496	4,432	4,632	4,832	5,032
Total current assets	**18,514**	**18,374**	**20,805**	**23,203**	**25,420**
Total assets	**31,445**	**31,031**	**33,862**	**35,606**	**37,084**
Share capital	90	90	90	90	90
Other equity	9,588	10,138	11,326	13,299	15,997
Minority interest	64	68	68	68	68
Total equity	**9,742**	**10,296**	**11,485**	**13,457**	**16,155**
Long-term borrowings	5,014	4,336	4,836	4,336	2,836
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
Total non-current liabilities	**10,174**	**9,428**	**9,928**	**9,428**	**7,928**
Short-term borrowings	2,107	2,170	2,670	2,170	1,670
Trade payables	4,025	4,006	4,338	4,799	5,270
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
Total current liabilities	**11,528**	**11,307**	**12,449**	**12,721**	**13,001**
Total liabilities	**21,702**	**20,735**	**22,377**	**22,148**	**20,929**
Total equity and liabilities	**31,445**	**31,031**	**33,862**	**35,605**	**37,084**

Source: Ambit Capital research, Company

Cash flow statement

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	**2,554**	**963**	**2,201**	**3,131**	**4,282**
Depreciation	1,467	1,444	1,480	1,655	1,738
Interest expense	948	887	1,351	1,151	926
Other items	73	484	(352)	(292)	(321)
Working capital changes	(1,262)	770	(891)	(343)	(315)
Taxes	(940)	(767)	(880)	(939)	(1,285)
Cash flow from operations	**2,839**	**3,781**	**2,909**	**4,362**	**5,026**
(Net) capital expenditure	(626)	(599)	(1,880)	(1,000)	(1,000)
Acq./(disp.) of Investments	171	16.7	-	-	-
Interest/dividend Received	138	59	352	292	321
Cash flow from investments	**(317)**	**(523)**	**(1,528)**	**(708)**	**(679)**
Net short-term borrowings	440	486	500	(500)	(500)
Net long-term borrowings	(1,448)	(1,156)	500	(500)	(1,500)
Issuance of equity	-	42	-	-	-
Interest paid	(881)	(793)	(1,351)	(1,151)	(926)
Dividends paid	(89)	(88)	(132)	(219)	(300)
Other items	(463)	(497)	-	-	-
Cash flow from financing	**(2,440)**	**(2,006)**	**(483)**	**(2,370)**	**(3,226)**
Opening cash balance	**3,115**	**3,196**	**4,671**	**5,569**	**6,853**
Net change in cash	**81**	**1,252**	**898**	**1,284**	**1,121**
Closing cash balance	**3,196**	**4,448**	**5,569**	**6,853**	**7,974**
Free cash flow to firm	**2,213**	**3,182**	**1,029**	**3,362**	**4,026**

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
EBITDA margin	13.7%	11.3%	13.3%	14.5%	15.5%
EBIT margin	9.5%	6.8%	9.1%	10.2%	11.4%
Net profit margin	5.1%	1.5%	3.8%	5.6%	7.0%
Gross block turnover	2.1	1.9	1.9	2.0	2.0
ROE (%)	16.9%	4.5%	10.9%	15.6%	17.9%
pre-tax RoCE	19.1%	12.4%	17.3%	19.9%	23.4%
Net debt/equity	0.4	0.2	0.2	-	(0.2)
pre-tax CFO/EBITDA	79.8%	126%	81.0%	93.9%	95.2%

Source: Ambit Capital research, Company

Ratio analysis

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Gross margin	60.0%	60.7%	63.5%	64.0%	64.5%
EBITDA margin	13.7%	11.3%	13.3%	14.5%	15.5%
EBIT margin	9.5%	6.8%	9.1%	10.2%	11.4%
Net profit margin	5.1%	1.5%	3.8%	5.6%	7.0%
Net debt/equity	0.4	0.2	0.2	-	(0.2)
Net debt/EBITDA	0.8	0.5	0.4	(0.1)	(0.5)
Working capital turnover	5.2	5.4	6.1	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	2.0	2.0
pre-tax CFO/EBITDA	79.8%	126%	81.0%	93.9%	95.2%
pre-tax RoCE	19.1%	12.4%	17.3%	19.9%	23.3%
post-tax RoCE	13.0%	8.4%	10.4%	13.9%	16.3%
ROE (%)	16.9%	4.5%	10.9%	15.6%	17.9%

Source: Ambit Capital research, Company

Valuation parameters

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PE	33	109	44	26	19.2
EV/EBITDA	13.0	16.5	12.7	10.2	8.2
P/B	6.0	5.6	5.0	4.3	-

Source: Ambit Capital research, Company

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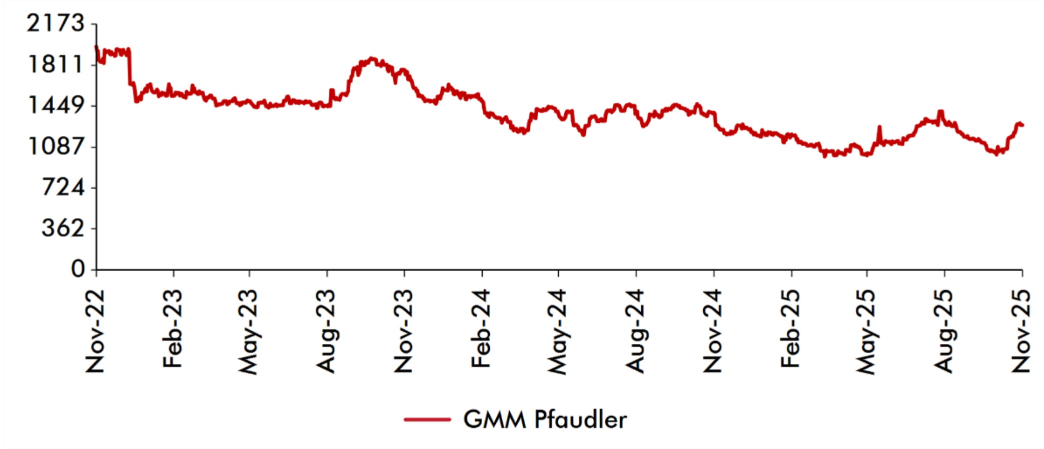

Source: ICE, Ambit Capital research

Explanation of Investment Rating - Our target prices are with a 12-month perspective. Returns stated are our internal benchmark

Investment Rating	Expected return (over 12-month)
BUY	We expect this stock to deliver more than 10% returns over the next12 month
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