

CMP: INR 1,281

Rating: BUY

Target Price: INR 2,062

Stock Info

BSE	505255
NSE	GMMPFAUDLR
Bloomberg	GMM IN
Reuters	GMMP.BO
Sector	Capital Goods
Face Value (INR)	2
Mkt Cap (INR Bn)	57.59
52w H/L (INR)	1418/953
Avg yearly Vol (in 000')	107.31

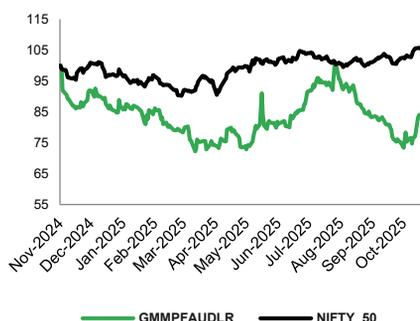
Shareholding Pattern %

(As on June, 2025)

Promoters	25.18%
Public & Others	74.82%

Stock Performance (%)	1m	6m	12m
GMM Pfaudler	+26.4	+27.3	-7.3
Nifty 50	+1.7	+4.6	+4.2

GMMPFAUDLR Vs Nifty 50



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GMM Pfaudler reported strong numbers for Q2FY26 (consolidated). Revenue came in at INR 9.02 Bn, growing by +13.6% QoQ and by +12.0% YoY (+10.2% compared to our estimates). EBITDA stood at INR 1.22 Bn, growing by +20.4% QoQ and +30.0% YoY (+15.3% compared to our estimates). EBITDA margins were 13.5%, compared to 12.7% QoQ and 11.6% YoY (against our estimate of 12.9%). PAT came in at INR 393.8 Mn, increasing by +288.0% QoQ and by +147.4% YoY (+52.6% compared to our estimates). PAT margins were 4.4%, compared to 1.3% QoQ and 2.0% YoY (against our estimate of 3.2%).

India Business Momentum Driven by Pharma Innovation and Agrochemical Recovery: GMM is benefiting from significant investments in next-generation pharmaceutical manufacturing, particularly peptide and semaglutide production, where company's proprietary HPPS reactor technology provides a competitive advantage. The company is executing a large contract for a peptide manufacturer in South India with multiple additional opportunities in the pipeline, as Indian pharma companies aggressively build capacity in this high-growth segment. Additionally, after an 18-24 month investment pause, agrochemical companies are resuming capex, with two major clients placing orders in Q2.

Strategic Diversification into High-Growth Defence and Nuclear Sectors: GMM Pfaudler is successfully pivoting from its traditional chemical and pharmaceutical equipment business into high-growth strategic sectors, particularly defence-related acid recovery systems and India's nuclear power program. The company has secured large contracts in Eastern Europe for asset recovery plants producing nitric acid for defence applications, with additional opportunities worth approximately Euro 10 Mn in the pipeline. In the nuclear sector, GMM is supplying critical heat exchangers for primary and secondary circuits to Nuclear Power Corporation of India Limited, representing a continuous five-year opportunity as India expands its nuclear capacity.

Outlook: GMM Pfaudler is experiencing robust momentum in In underpinned by strong order intake across glass-lined equipment, systems, and heavy engineering, particularly from the high-growth pharmaceutical segment and agrochemical recovery. The company's heavy engineering business anticipates large opportunities in India's nuclear power expansion program where the company is now well-positioned following regulatory approvals from the HDO acquisition. International diversification through strategic acquisitions SEMCO in Brazil and the Poland manufacturing hub is reducing dependency on weak European chemical/pharma markets and creating a structured geographic expansion, with the company targeting mid-to-high double-digit growth and beginning next fiscal year with 15-20% order backlog growth to ensure sustainable visibility. **We maintain our BUY rating and revise our target price to INR 2,062.**

Valuation summary

Y/E Mar, Rs Mn	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	31,776	34,465	31,987	36,886	40,506	44,861
EBIDTA	4,293	4,758	3,611	5,106	5,688	6,389
Net Profit	2,104	1,707	492	1,482	2,239	2,662
Diluted EPS	36.37	39.04	11.78	32.96	49.82	59.23
PER, x	35.22	32.82	108.70	38.86	25.71	21.63
EV/EBIDTA, x	14.40	12.88	16.45	11.83	10.75	9.63
P/BV, x	7.09	5.93	5.59	4.93	4.16	3.51
ROE, %	25.91%	17.58%	4.78%	12.68%	16.18%	16.22%
Debt/Equity (x)	0.98	0.73	0.63	0.55	0.45	0.37

GMM Pfaudler Q2FY26 Concall Highlights

Strategic Diversification & New Growth Drivers:

- The company is successfully executing large contracts in the asset recovery sector for nitric acid production, with multiple opportunities in the EUR 10 million range currently being negotiated, marking a meaningful shift from traditional pharma/chemical focus.
- India's semaglutide and peptide manufacturing ecosystem is becoming a major growth avenue; the company is executing a large contract for a South Indian peptide manufacturer with substantial pipeline of follow-on opportunities from multiple pharma players.
- GMM has secured approvals and registrations to supply heat exchangers for India's nuclear power program (NPCIL), positioning itself as a key supplier for India's next-generation nuclear fleet with 5+ year visibility.
- The company has already executed orders for German EPCs for Indian end-customers on hydrogen plants, representing a high-potential early-mover advantage in India's green transition.

International Business Repositioning:

- The Brazilian mixing business brings a year-long order backlog with strong positioning in rapidly growing metals & minerals, mining, and water treatment sectors across South America.
- Poland facility functioning as low-cost manufacturing hub, Successfully executing orders from Swiss (MAVAG) and French (Mixel) subsidiaries at high quality standards, reducing European cost structure by leveraging Eastern European manufacturing capacity.
- Multiple inquiries received for US-made glass-line equipment with customers specifically mandating domestic supply requirements.

Domestic Market Recovery Gaining Momentum:

- Agrochemical capacity additions restarting after 18-24 month, Two major agrochemical clients have resumed investments, signaling end of prolonged capex freeze in this critical segment, though not yet back to historical 6-plant-per-year pace.
- India order book grew by INR 900-1000 Mn QoQ, Strong order trajectory across all three business lines with well-diversified backlog positioning the company for sustained H2 growth.
- Karamsat facility running at full capacity with pre-shifts operational, all furnaces deployed, indicating strong pricing rationalization ahead as market tightens.
- Systems and non-glass-line business gaining order mix share, Companies now preferring complete integrated systems with instrumentation and automation rather than standalone equipment, opening higher-margin systems business avenue.

Operational & Financial Improvements:

- Price rationalization after prior year undercutting, combined with Shikhar cost optimization program implementation and operational efficiencies, driving margin sustainability.
- Creating unified global mixing portfolio across four platforms (Semco, Mixpro, Mixel, and India operations) divided by industry segments for cross-selling globally; expected to significantly expand addressable market.
- Heavy engineering INR 2600 Mn base business growing 15% in first half with nuclear, green hydrogen, and Middle East export opportunities now generating tangible RFQs and opportunities pipeline.

Market Dynamics & Cautions:

- Western Europe experiencing extended capex delays due to geopolitical uncertainties and global trade tensions, though Eastern Europe and Southern Europe showing relatively better demand momentum.
- China market Chemical industry overcapacity being worked down; management expects market recovery by next calendar year but current period remains challenged.
- Equipment services business lagging in growth but showing positive inflection as customer asset utilization increases, with services typically recovering faster than capex cycle.

Management Guidance & Forward Outlook:

- Management aspires to start FY27 with significantly stronger order backlog across all business segments, driven by nuclear, heavy engineering, and diversification plays with targeting 15-20% India orderbook improvement
- Company targeting sustainable double-digit growth in India operations while international mix (including Edlon semiconductor-linked business and recent acquisitions) expected to contribute material incremental growth.
- Management maintaining disciplined capital allocation post-acquisitions, committed to keeping net leverage below 1x as long-term guidance despite recent SEMCO debt funding.

Outlook: GMM Pfadler reported strong Q2, driven by the Non-GLE segment. company is successfully executing a multi-pronged diversification strategy beyond traditional glass-line equipment, with concrete traction in high-growth adjacencies (asset recovery, peptides, nuclear, green hydrogen) while domestic glass-line recovery creates margin tailwinds. Near-term catalysts include nuclear order finalization, peptide contract execution, and SEMCO operational leverage. The elevated order backlog of INR 21.46 Bn signals improving order flow momentum and customer confidence, creating a favorable backdrop for sustained top-line expansion and margin sustainability. **We maintain our BUY rating and revise our target to INR 2,062.**

Exhibit: Income Statement (Consol)

Income statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross Sales	31,776	34,465	31,987	36,886	40,506	44,861
Net Sales	31,776	34,465	31,987	36,886	40,506	44,861
YoY (%)	25.07%	8.46%	-7.19%	15.32%	9.81%	10.75%
Adjusted COGS	13,813	14,905	13,589	14,915	16,297	17,960
YoY (%)	27.12%	7.90%	-8.83%	9.76%	9.27%	10.20%
Personnel/ Employee benefit expenses	7,916	9,036	8,924	10,181	11,180	12,382
YoY (%)	10.95%	14.15%	-1.24%	14.08%	9.82%	10.75%
<i>Manufacturing & Other Expenses</i>	<i>5,753</i>	<i>5,765</i>	<i>5,863</i>	<i>6,685</i>	<i>7,341</i>	<i>8,130</i>
YoY (%)	25.98%	0.21%	1.70%	14.02%	9.81%	10.75%
Total Expenditure	27,482	29,706	28,376	31,780	34,818	38,472
YoY (%)	51.24%	10.84%	-24.11%	41.39%	11.40%	12.33%
EBITDA	4,293	4,758	3,611	5,106	5,688	6,389
YoY (%)	51.24%	10.84%	-24.11%	41.39%	11.40%	12.33%
EBITDA Margin (%)	13.51%	13.81%	11.29%	13.84%	14.04%	14.24%
Depreciation	1,218	1,503	1,444	1,668	1,851	2,052
% of Gross Block	10.19%	11.56%	11.41%	11.90%	11.92%	11.93%
EBIT	3,075	3,256	2,167	3,438	3,837	4,337
EBIT Margin (%)	9.68%	9.45%	6.77%	9.32%	9.47%	9.67%
Interest Expenses	666	948	1,032	1,274	1,275	1,262
Non-operating/ Other income	517	200	304	386	424	469
PBT	2,711	2,508	963	2,549	2,986	3,545
Tax-Total	607	802	471	1,067	746	882
Adj. Net Profit	2,104	1,707	492	1,482	2,239	2,662
Reported Profit	2,104	1,707	492	1,482	2,239	2,662
PAT Margin	6.62%	4.95%	1.54%	4.02%	5.53%	5.93%
Shares o/s/ paid up equity sh capital	44.95	44.95	44.95	44.95	44.95	44.95
Adj EPS	36.37	39.04	11.78	32.96	49.82	59.23
Dividend payment	89.50	88.70	89.90	89.90	89.90	89.90
Dividend payout (%)	4.25%	5.20%	18.28%	6.07%	4.01%	3.38%
Retained earnings	2,014	1,618	402	1,392	2,149	2,572

Exhibit: Balance Sheet (Consol)

Balance sheet (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds						
Equity Share Capital	90	90	90	90	90	90
Reserves & Surplus/ Other Equity	8,029	9,618	10,206	11,598	13,747	16,320
Networth	8,119	9,708	10,296	11,688	13,837	16,410
Unsecured Loans/ Borrowings/ Lease Liabilities	7,124	5,965	8,504	8,495	8,497	8,411
Other Liabilities	15,357	14,192	3,495	3,749	4,034	4,352
Total Liabilities	25,506	22,028	20,735	22,205	23,215	24,261
Total Funds Employed	33,625	31,736	31,031	33,892	37,052	40,671
Application of Funds						
Net Fixed Assets	12,238	12,507	11,650	13,300	14,714	16,262
Capital WIP	133	274	119	119	119	119
Investments/ Notes/ Fair value measurement	0	0	0	0	0	0
Current assets	20,718	18,514	18,374	20,010	21,702	23,698
Inventory	7,729	6,254	5,403	6,397	7,408	8,163
Days	191	171	157	157	166	166
Debtors	4,355	4,328	3,868	4,726	5,190	5,748
Days	45	46	47	47	47	47
Other Current Assets	2,003	1,414	1,285	1,542	1,851	2,221
Cash and Cash equivalent	3,716	3,436	4,671	3,569	2,723	2,129
Current Liabilities/Provisions	13,907	11,648	11,307	12,443	13,085	13,725
Creditors / Trade Payables	5,367	4,025	4,006	5,373	5,874	6,431
Days	59	61	53	60	60	62
Liabilities	19,971	15,991	15,377	16,309	17,108	17,933
Net Current Assets	6,811	6,866	7,067	7,567	8,617	9,973
Total Asset	33,625	31,736	31,031	33,892	37,052	40,671
Total Capital Employed	26,814	24,870	23,964	26,325	28,435	30,698

Exhibit: Cash Flow (Consol)

Cash Flow Statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit After tax	2,104	1,707	492	1,482	2,239	2,662
Adjustments: Add						
Depreciation and amortisation	1,218	1,503	1,444	1,668	1,851	2,052
Interest adjustment	149	748	728	889	851	793
Change in assets and liabilities	3,381	3,868	2,574	3,948	4,851	5,417
Inventories	-1,034	1,475	851	-994	-1,011	-756
Trade receivables	-793	27	460	-858	-464	-558
Trade payables	1,455	-1,343	-19	1,367	501	557
Other Liabilities and provisions	1,675	-1,645	-727	281	178	206
Other Assets	-2,836	450	56	-881	-1,057	-1,269
Taxes	337	-44	-156	-31	-30	-28
Net cash from operating activities	2,839	3,497	3,137	2,845	2,988	3,498
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-3,039	-1,759	-290	-3,082	-3,006	-3,315
Net Sale/(Purchase) of investments	117	51	164	152	167	186
Others	-265	63	9	-18	-19	-20
Net cash (used) in investing activities	-3,186	-1,645	-118	-2,948	-2,858	-3,149
Interest expense	-892	-2,092	-1,223	428	-419	-335
Dividend paid	-72	-90	-90	-90	-90	-90
Other financing activities	632	-70	93	-90	-90	-90
Net cash (used) in financing activities	786	-2,133	-1,784	-1,000	-976	-942
Closing Balance	3,716	3,436	4,671	3,569	2,723	2,129
FCF	1,316	2,019	2,128	496	360	586
Capex (% of sales)	1,523	1,478	1,009	996	1,134	1,256

Exhibit: Ratios (Consol)

Key Ratios	FY23	FY24	FY25	FY26E	FY27E	FY28E
Solvency Ratios						
Debt / Equity	0.98	0.73	0.63	0.55	0.45	0.37
Net Debt / Equity	0.52	0.38	0.18	0.24	0.26	0.24
Debt / EBITDA	1.86	1.50	1.80	1.25	1.11	0.95
Current Ratio	0.99	0.77	0.51	0.55	0.63	0.62
DuPont Analysis						
Sales/Assets	0.94	1.09	1.03	1.09	1.09	1.10
Assets/Equity	4.14	3.27	3.01	2.90	2.68	2.48
RoE	25.91%	17.58%	4.78%	12.68%	16.18%	16.22%
Per share ratios						
Reported EPS	36.37	39.04	11.78	32.96	49.82	59.23
Dividend per share	1.99	1.97	2.00	2.00	2.00	2.00
BV per share	180.63	215.97	229.06	260.02	307.84	365.07
Cash per Share	69.29	71.11	98.96	75.61	57.68	45.10
Revenue per Share	706.91	766.74	711.61	820.60	901.14	998.02
Profitability ratios						
Net Profit Margin (PAT/Net sales)	6.62%	4.95%	1.54%	4.02%	5.53%	5.93%
Gross Profit / Net Sales	56.53%	56.75%	57.52%	59.57%	59.77%	59.97%
EBITDA / Net Sales	13.51%	13.81%	11.29%	13.84%	14.04%	14.24%
EBIT / Net Sales	9.68%	9.45%	6.77%	9.32%	9.47%	9.67%
ROCE (%)	37.88%	33.54%	10.99%	16.03%	16.01%	16.10%
Activity ratios						
Inventory Days	190.57	171.20	156.55	156.55	165.91	165.91
Debtor Days	45.47	45.98	46.76	46.76	46.76	46.76
Creditor Days	59.39	60.71	53.24	59.84	59.84	62.00
Leverage ratios						
Interest coverage	4.62	3.44	2.10	2.70	3.01	3.44
Debt / Asset	0.05	0.06	0.21	0.19	0.17	0.15
Valuation ratios						
EV / EBITDA	14.40	12.88	16.45	11.83	10.75	9.63
PE (x)	35.22	32.82	108.70	38.86	25.71	21.63

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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