

CMP: INR 994

Rating: BUY

Target Price: INR 1,854

Stock Info

BSE	505255
NSE	GMMPFAUDLR
Bloomberg	GMM IN
Reuters	GMMP.BO
Sector	Capital Goods
Face Value (INR)	2
Mkt Cap (INR Bn)	44.73
52w H/L (INR)	1418/950
Avg yearly Vol (in 000')	102.43

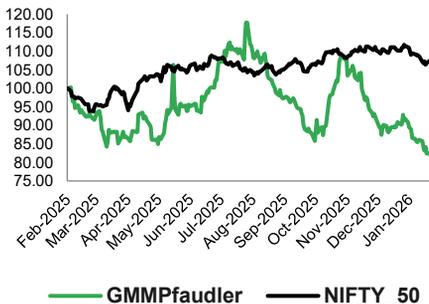
Shareholding Pattern %

(As on June, 2025)

Promoters	25.18%
Public & Others	74.82%

Stock Performance (%)	1m	6m	12m
GMM Pfaudler	-6.7	-23.1	-16.8
Nifty 50	-1.7	+4.5	+9.1

GMMPFAUDLR Vs Nifty 50



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GMM Pfaudler reported weak Q3FY26 (consolidated) results. Revenue came in at INR 8.84 Bn, declining -2.1% QoQ and growing +10.2% YoY (-7.1% vs our estimates). Gross margins stood at 56.27%, compared with 59.88% QoQ and 57.73% YoY (vs our 59% estimate). EBITDA was INR 1.05 Bn, down -13.7% QoQ and up +9.5% YoY (-22.3% vs our estimates). EBITDA margins were 11.9%, versus 13.47% QoQ and 11.96% YoY (vs our 14.2% estimate). PAT came in at INR -88.9 Mn, while Adj PAT stood at INR 325.05 Mn, declining -17.5% QoQ and -15.9% YoY (-25.4% vs our estimates). Adj PAT margins were 3.64%, compared with 4.32% QoQ and 4.67% YoY (vs our 4.58% estimate).

Portfolio diversification and margin mix: The strategic shift away from legacy GLE toward mixing, heavy engineering and specialty businesses is reshaping the company's earnings profile. Platforms such as SEMCO and Edlon operate at structurally higher margins and benefit from cross-selling opportunities across geographies. As these businesses scale, they should progressively lift blended EBITDA and reduce volatility tied to chemical/pharma capex cycles.

Cost actions and margin recovery runway: Europe footprint rationalisation (UK exit and Germany restructuring) represents a key structural margin lever, with phased cost savings expected over the next two years and management indicating a meaningful run-rate benefit once fully implemented. While exceptional charges weighed on the current quarter, these actions should improve operating leverage as volumes recover, providing a clearer pathway for medium-term EBITDA normalisation.

Improving operational momentum in near term: Strong recent order inflows and record backlog provide improving production visibility across key facilities, supporting better capacity utilisation over the next few quarters. Early ramp-up at Poland and Edlon, along with recovery in the Americas (SEMCO/MixPro), should gradually offset weakness in Europe GLE. While margins may remain uneven quarter-to-quarter due to project phasing, operational momentum is turning positive, creating a supportive setup for sequential performance improvement.

Outlook: The company is entering a growth phase supported by strong order momentum and a record backlog, improving near-term operational visibility. Ongoing portfolio diversification toward higher-margin mixing, heavy engineering and specialty businesses, alongside Europe cost rationalisation, provides a clear pathway for medium-term EBITDA recovery. While margins may remain volatile in the near term due to project phasing and regional GLE softness, improving capacity utilisation and ramp-up of newer platforms underpin a gradually strengthening earnings trajectory with a slightly positive medium-term bias. **We maintain our BUY rating and revise our target price to INR 1,854.**

Valuation Summary

Y/E Mar, INR Mn	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	31,776	34,465	31,987	35,181	38,781	42,916
EBITDA	4,293	4,758	3,611	4,447	4,980	5,597
PAT	2,104	1,707	492	775	1,754	2,133
Adjusted PAT	2,104	1,707	492	1,338	1,754	2,133
EPS (INR)	36.4	39.0	11.8	17.2	39.0	47.5
EPS (INR) on Adj PAT	36.4	39.0	11.8	29.8	39.0	47.5
EBITDA Margin (%)	13.5%	13.8%	11.3%	12.6%	12.8%	13.0%
EV/EBITDA	12.3	11.0	14.0	11.7	10.7	9.7
P/E (x)	29.8	27.7	91.9	62.8	27.8	22.8

GMM Pfaudler Q3FY26 Concall Highlights

- Record backlog provides strong revenue visibility into FY27, though conversion is expected to be gradual rather than immediate.
- Order inflows remain broad-based, with ~50% of nine-month intake coming from non-chemical/pharma end markets, highlighting accelerating diversification of the revenue mix.
- Large-ticket wins in defence (~US\$30 Mn) and nuclear (~US\$15 Mn) validate the company's capability in complex engineered projects and materially expand addressable opportunities beyond core GLE.
- India shows improving traction across pharma, nuclear and oil & gas; Americas are recovering led by SEMCO and MixPro; Europe remains weak in traditional chemical/pharma; China continues to be challenging.
- Defence-led systems orders in Europe are emerging as a meaningful incremental growth driver amid higher regional defence spending.
- The global mixing platform like Mixel, MixPro, SEMCO, Mixion is increasingly central to strategy, with cross-selling, geographic reach and margin accretion expected to support medium-term profitability improvement.
- SEMCO Brazil is contributing positively to margins and backlog, benefiting from metals/minerals and oil & gas capex in South America, reinforcing the Americas recovery narrative.
- Edlon US has scaled into a profitable specialist business (~US\$25 Mn size) and is seeing demand from semiconductor investments; commissioning of a new facility positions it for the next growth phase.
- Heavy Engineering is being deliberately repositioned toward higher-value alloys like stainless, Hastelloy, titanium, Inconel, improving revenue intensity per unit of capacity and reducing dependence on commoditised carbon steel work.
- Project execution risk in Heavy Engineering is mitigated through fixed-price contracts with milestone billing and escalation clauses, though delivery discipline remains critical given rising project complexity.
- Europe restructuring continues: earlier UK manufacturing exit and ongoing Germany workforce rationalisation are aimed at aligning capacity with structurally lower demand in GLE.
- Weaker absorption in European GLE due to soft chemical/pharma demand led to underutilisation and higher fixed-cost impact on gross margins.
- Increasing contribution from early-stage large engineered projects (defence/nuclear/Heavy Engineering) diluted near-term margins, as these projects typically carry lower margins in initial execution phases before profitability normalises over the lifecycle.
- One-time exceptional charges related to Germany workforce restructuring (severance provision) and India Labour Code implementation directly reduced reported EBITDA for the quarter.
- Cost savings from Germany restructuring are expected to begin in FY27 (~INR150-170 Mn initial benefit), with total run-rate improvement of ~INR400 Mn once fully implemented.
- Glass-lined equipment remains a mature, structurally slower-growth business where margin improvement will be driven primarily by cost optimisation and footprint consolidation rather than volume-led growth.
- Non-GLE businesses (mixing, sealing, Interseal and systems) already operate at higher EBITDA margins and are positioned as the principal levers for medium-term margin expansion.
- Poland manufacturing has become operational and is supporting Swiss and French subsidiaries, with plans to scale capacity further, strengthening the group's low-cost European production base.
- The overall portfolio is transitioning from a GLE-heavy profile toward a more balanced engineered solutions platform, improving resilience across cycles and reducing dependence on chemical/pharma capex.
- Near-term performance is expected to be driven by execution of the enlarged backlog, ramp-up of newer facilities (Poland, Edlon), recovery in the Americas, and progressive benefits from Europe cost actions, while China and core European chemicals remain key watch points.

Outlook: Backlog strength and large defence/nuclear wins provide solid revenue visibility into FY27, while the mix shift toward mixing, heavy engineering and specialty businesses supports medium-term margin improvement. Near-term profitability remains pressured by Europe GLE softness, one-off restructuring/labour provisions, and early-stage margins on large projects. Execution on backlog conversion, Germany cost savings and Poland/Edlon ramp-up remains key, but improving order quality and margin-accretive segments underpin a slightly positive medium-term view. Continued diversification away from chemical/pharma and growing contribution from higher-margin platforms should gradually enhance earnings resilience across cycles. **We maintain our BUY rating and revise our target to INR 1,854.**

Exhibit: Income Statement (Consol)

Income statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross Sales	31,776	34,465	31,987	35,181	38,781	42,916
Net Sales	31,776	34,465	31,987	35,181	38,781	42,916
YoY (%)	25.07%	8.46%	-7.19%	9.99%	10.23%	10.66%
Adjusted COGS	13,813	14,905	13,589	14,645	16,065	17,692
YoY (%)	27.12%	7.90%	-8.83%	7.77%	9.70%	10.12%
Personnel/ Employee benefit expenses	7,916	9,036	8,924	10,004	11,027	12,203
YoY (%)	10.95%	14.15%	-1.24%	12.10%	10.23%	10.66%
<i>Manufacturing & Other Expenses</i>	<i>5,753</i>	<i>5,765</i>	<i>5,863</i>	<i>6,086</i>	<i>6,709</i>	<i>7,425</i>
YoY (%)	25.98%	0.21%	1.70%	3.80%	10.24%	10.67%
Total Expenditure	27,482	29,706	28,376	30,734	33,801	37,319
YoY (%)	51.24%	10.84%	-24.11%	23.15%	11.98%	12.39%
EBITDA	4,293	4,758	3,611	4,447	4,980	5,597
YoY (%)	51.24%	10.84%	-24.11%	23.15%	11.98%	12.39%
EBITDA Margin (%)	13.51%	13.81%	11.29%	12.64%	12.84%	13.04%
Depreciation	1,218	1,503	1,444	1,480	1,639	1,813
% of Gross Block	10.19%	11.56%	11.41%	10.59%	10.61%	10.64%
EBIT	3,075	3,256	2,167	2,967	3,341	3,784
EBIT Margin (%)	9.68%	9.45%	6.77%	8.43%	8.62%	8.82%
Interest Expenses	666	948	1,032	1,402	1,402	1,388
Non-operating/ Other income	517	200	304	363	400	442
PBT	2,711	2,508	963	1,365	2,339	2,838
Tax-Total	607	802	471	590	585	706
Adj. Net Profit	2,104	1,707	492	775	1,754	2,133
Reported Profit	2,104	1,707	492	775	1,754	2,133
PAT Margin	6.62%	4.95%	1.54%	2.20%	4.52%	4.97%
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	17.24	39.02	47.45
Dividend payment	89.50	88.70	89.90	89.90	89.90	89.90
Dividend payout (%)	4.25%	5.20%	18.28%	11.60%	5.13%	4.21%
Retained earnings	2,014	1,618	402	685	1,664	2,043

Exhibit: Balance Sheet (Consol)

Balance sheet (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds						
Equity Share Capital	89.90	89.90	89.90	89.90	89.90	89.90
Reserves & Surplus/ Other Equity	8,029.40	9,618.00	10,206.20	10,891.09	12,555.26	14,598.27
Networth	8,119.30	9,707.90	10,296.10	10,980.99	12,645.16	14,688.17
Unsecured Loans/ Borrowings/ Lease Liabilities	7,124.40	5,964.80	8,503.90	8,495.30	8,497.11	8,411.41
Other Liabilities	15,357.10	14,191.50	3,494.90	3,749.44	4,034.08	4,351.62
Total Liabilities	25,506.10	22,028.10	20,734.70	22,014.06	23,049.97	24,069.25
Total Funds Employed	33,625.40	31,736.00	31,030.80	32,995.05	35,695.14	38,757.42
Application of Funds						
Net Fixed Assets	12,238.40	12,506.80	11,650.20	13,268.96	14,649.44	16,159.96
Capital WIP	133.30	273.60	119.30	119.30	119.30	119.30
Investments/ Notes/ Fair value measurement	0.10	0.10	0.10	0.10	0.10	0.10
Current assets	20,718.10	18,513.70	18,373.80	19,144.07	20,409.39	21,886.58
Inventory	7,728.90	6,253.60	5,403.10	6,281.09	7,302.34	8,041.61
Days	190.57	171.20	156.55	156.55	165.91	165.91
Debtors	4,355.30	4,328.30	3,867.90	4,507.36	4,968.56	5,498.30
Days	45.47	45.98	46.76	46.76	46.76	46.76
Other Current Assets	2,003.10	1,413.90	1,285.30	1,542.36	1,850.83	2,221.00
Cash and Cash equivalent	3,716.10	3,435.70	4,671.00	3,037.46	1,756.70	688.53
Current Liabilities/Provisions	13,907.00	11,647.90	11,307.00	12,252.01	12,919.46	13,533.20
Creditors / Trade Payables	5,367.30	4,024.70	4,005.60	5,182.29	5,708.59	6,239.08
Days	59.39	60.71	53.24	59.84	59.84	62.00
Liabilities	19,970.60	15,991.00	15,377.20	16,118.70	16,943.02	17,740.81
Net Current Assets	6,811.10	6,865.80	7,066.80	6,892.06	7,489.93	8,353.38
Total Asset	33,625.40	31,736.00	31,030.80	32,995.05	35,695.14	38,757.42
Total Capital Employed	26,814.30	24,870.20	23,964.00	26,102.99	28,205.21	30,404.04

Exhibit: Cash Flow (Consol)

Cash Flow Statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit After tax	2,103.70	1,706.60	491.70	774.79	1,754.07	2,132.91
Adjustments: Add						
Depreciation and amortisation	1,217.90	1,502.80	1,444.40	1,480.00	1,638.85	1,812.81
Interest adjustment	148.80	747.50	727.50	1,039.12	1,002.30	945.50
Change in assets and liabilities	3,380.90	3,868.20	2,573.70	3,204.01	4,305.32	4,801.31
Inventories	-1,033.60	1,475.30	850.50	-877.99	-1,021.25	-739.27
Trade receivables	-793.00	27.00	460.40	-639.46	-461.20	-529.74
Trade payables	1,455.40	-1,342.60	-19.10	1,176.69	526.30	530.49
Other Liabilities and provisions	1,674.90	-1,645.10	-726.80	281.26	177.94	206.17
Other Assets	-2,835.60	449.50	55.60	-881.06	-1,057.27	-1,268.73
Taxes	337.10	-43.90	-156.10	-31.06	-29.50	-28.03
Net cash from operating activities	2,838.90	3,497.20	3,136.70	2,244.73	2,459.07	2,899.94
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-3,038.70	-1,758.90	-290.40	-2,862.45	-2,760.43	-3,038.54
Net Sale/(Purchase) of investments	117.10	50.90	163.60	129.40	142.90	158.99
Others	-264.70	63.40	9.20	-18.18	-19.09	-20.04
Net cash (used) in investing activities	-3,186.30	-1,644.60	-117.60	-2,751.23	-2,636.61	-2,899.60
Interest expense	-892.00	-2,092.30	-1,222.70	110.23	-521.40	-487.37
Dividend paid	-72.00	-89.50	-89.90	-89.90	-89.90	-89.90
Other financing activities	632.10	-69.90	92.60	-89.90	-89.90	-89.90
Net cash (used) in financing activities	786.10	-2,133.00	-1,783.80	-1,127.03	-1,103.23	-1,068.51
Closing Balance	3,716.10	3,435.70	4,671.00	3,037.46	1,756.70	688.53
FCF	1,316.40	2,018.80	2,128.10	114.54	77.03	264.69
Capex (% of sales)	1,522.50	1,478.40	1,008.60	949.89	1,085.87	1,201.64

Exhibit: Ratios (Consol)

Key Ratios	FY23	FY24	FY25	FY26E	FY27E	FY28E
Solvency Ratios						
Debt / Equity	0.98	0.73	0.63	0.58	0.50	0.42
Net Debt / Equity	0.52	0.38	0.18	0.31	0.36	0.37
Debt / EBITDA	1.86	1.50	1.80	1.44	1.26	1.09
Current Ratio	0.99	0.77	0.51	0.76	0.91	0.97
DuPont Analysis						
Sales/Assets	0.94	1.09	1.03	1.07	1.09	1.11
Assets/Equity	4.14	3.27	3.01	3.00	2.82	2.64
RoE	25.91%	17.58%	4.78%	7.06%	13.87%	14.52%
Per share ratios						
Reported EPS	36.37	39.04	11.78	17.24	39.02	47.45
Dividend per share	1.99	1.97	2.00	2.00	2.00	2.00
BV per share	180.63	215.97	229.06	244.29	281.32	326.77
Cash per Share	69.29	71.11	98.96	64.35	37.22	14.59
Revenue per Share	706.91	766.74	711.61	782.68	862.76	954.75
Profitability ratios						
Net Profit Margin (PAT/Net sales)	6.62%	4.95%	1.54%	2.20%	4.52%	4.97%
Gross Profit / Net Sales	56.53%	56.75%	57.52%	58.37%	58.57%	58.78%
EBITDA / Net Sales	13.51%	13.81%	11.29%	12.64%	12.84%	13.04%
EBIT / Net Sales	9.68%	9.45%	6.77%	8.43%	8.62%	8.82%
ROCE (%)	37.88%	33.54%	10.99%	14.30%	14.67%	15.00%
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	2.12	2.38	2.73
Debt / Asset	0.05	0.06	0.21	0.19	0.18	0.16
Valuation ratios						
EV / EBITDA	12.33	11.00	13.99	11.70	10.69	9.66
PE (x)	29.77	27.74	91.90	62.83	27.75	22.82

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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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