

CMP: INR 807

Rating: BUY

Target Price: INR 1,708

Stock Info

BSE	505255
NSE	GMMPFAUDLR
Bloomberg	GMM IN
Reuters	GMMP.BO
Sector	Capital Goods
Face Value (INR)	2
Mkt Cap (INR Bn)	36.29
52w H/L (INR)	1418/784
Avg yearly Vol (in 000')	101.01

GMM Pfaudler reported mixed Q4FY26 (consolidated) results. Revenue came in at INR 9.44 Bn, growing +6.8% QoQ and +17% YoY (+0.6% vs our estimates). Gross margins stood at 51.86%, compared with 56.27% QoQ and 57.1% YoY (vs our 57% estimate). EBITDA was INR 751.1 Mn, down -28.4% QoQ and -9.8% YoY (-35.9% vs our estimates). EBITDA margins were 7.96%, versus 11.88% QoQ and 10.32% YoY (vs our 12.5% estimate). PAT came in at INR 153.4 Mn, while Adj PAT stood at INR 207.28 Mn, increasing +7.6% QoQ and +165.6% YoY (-43.7% vs our estimates). Adj PAT margins were 2.15%, compared with 2.52% QoQ and 0.97% YoY (vs our 3.86% estimate).

Structural Business Diversification De-risking the Earnings Model: The company has successfully pivoted ~50% of its order intake away from its traditionally cyclical chemicals and pharma base towards high-growth sectors including semiconductor, defense, oil & gas, and metals & minerals. This is not a one-off aberration but a deliberate strategic shift, reducing earnings volatility and opening up a significantly larger addressable market that was largely untapped until 2-3 years ago.

Concrete Margin Expansion Levers Driving Path to 15% EBITDA: With ~INR 450 Mn of annualized cost savings from European restructuring, a full-capacity low-cost Poland facility, closure of high-cost UK and Hyderabad sites, and a business mix increasingly skewed towards higher-margin segments like Edlon and systems, the company has a credible pathway to its stated 15% EBITDA margin target from ~11.4% currently. The exceptional item burden is also expected to taper meaningfully in FY27, further aiding reported profitability.

Edlon and Heavy Engineering Emerging as High-Growth Underpenetrated Engines: Edlon, the high-margin PTFE-lining business catering to marquee semiconductor clients, has already doubled revenues to ~\$25 Mn and is now expanding into nuclear applications a market with significant long-term potential. Simultaneously, the heavy engineering business has a clear capacity runway to INR 7-8 Bn from ~INR 3 Bn currently, with strong export order momentum building. Both businesses are at an early stage of their growth curves and could emerge as meaningful value creators over the next 3-5 years.

Outlook: GMM Pfaudler is well-positioned for a meaningful earnings re-rating over FY27-28, backed by a record order backlog, ~50% diversification into high-growth non-traditional sectors, and ~INR 450 Mn of annualized European restructuring savings flowing into profitability. The company has a credible pathway to its 15% EBITDA margin target, driven by operating leverage, an improving business mix, and the gradual ramp-up of high-margin businesses like Edlon and heavy engineering. The single biggest re-rating catalyst, however, remains the resolution of the inherited Luxembourg financing structure a cleanup that could drive a disproportionate improvement in PAT conversion and unlock significant value currently hidden below the EBITDA line. **We maintain our BUY rating and revise our target price to INR 1,708.**

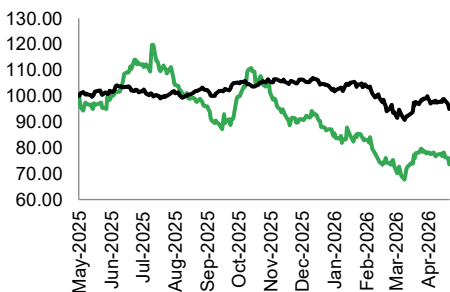
Shareholding Pattern %

(As on Mar, 2026)

Promoters	25.18%
Public & Others	74.82%

Stock Performance (%)	1m	6m	12m
GMM Pfaudler	-12.0	-30.0	-31.2
Nifty 50	-2.7	-8.6	-3.6

GMMPFAUDLR Vs Nifty 50



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Valuation Summary

Y/E Mar, INR Mn	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	31,776	34,465	31,987	35,239	38,839	42,965
EBITDA	4,293	4,758	3,611	4,026	4,640	5,347
PAT	2,104	1,707	492	518	1,425	1,946
Adjusted PAT	2,104	1,707	492	1,428	1,754	2,133
EPS (INR)	36.4	39.0	11.8	11.5	31.7	43.3
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%	11.4%	11.9%	12.4%
EV/EBITDA	9.4	8.4	10.6	9.4	8.2	7.1
P/E (x)	22.2	20.7	68.5	70.0	25.5	18.6

GMM Pfaudler Q4FY26 Concall Highlights

Financial Performance:

- Q4 consolidated gross margins declined both QoQ and YoY, primarily due to an unfavorable product mix specifically a large low-margin agro-glass-lining shipment alongside a temporary spike in gas and metal costs. Management indicated these are transient factors and not reflective of the underlying margin trajectory.
- Free cash flow conversion remains strong at ~90%+ FCF/EBITDA, yet the flow-through from EBITDA to PAT continues to disappoint due to ~INR 1200-1300 Mn in annual interest costs on a net debt position of sub-INR 2 Bn a structural inefficiency inherited from the Luxembourg-Germany intercompany loan arrangement post the Pfaudler acquisition.
- The company holds ~INR 6800 Mn of cash on its balance sheet, a significant portion of which is tied to customer prepayments on large systems contracts and cannot be immediately deployed for debt repayment. This distinction is important when assessing the apparent inefficiency in balance sheet utilization.
- The effective tax rate for the international business has improved towards ~30% in Q4 from elevated levels earlier in the year, driven by reduced FX-linked intercompany loan impacts. Full tax normalization remains a multi-quarter process and is a key lever for meaningful PAT improvement once resolved.
- The company has board approval to restructure its intercompany financing across 18 jurisdictions, with an intent to repay ~\$20 Mn of international debt; however, full resolution is unlikely before FY28, implying continued drag on PAT conversion in the near term.

Order Book & Business Momentum:

- FY26 order intake surged 20% YoY to INR 37.14 Bn, with the opening backlog for FY27 up 34% the strongest order position in the company's history, providing robust revenue visibility and significantly de-risking near-term growth concerns.
- A landmark shift in business mix is underway, with ~50% of FY26 order intake now coming from non-traditional industries such as semiconductor, defense, oil & gas, petrochemicals, and metals & minerals a structural diversification away from the company's historical dependence on chemicals and pharma.
- The Systems business emerged as a key order intake driver, with two large wins in the US and Eastern Europe anchoring growth. Management sees potential for \$20-30 Mn in annualized systems order intake globally, with India also being actively targeted for the same technology platform.
- The chemicals segment historically the core revenue driver remains sluggish in both India (agrochemical overcapacity from China) and Europe (BASF, Bayer-led capex cuts). A recovery here remains a meaningful upside catalyst, but management is not building its base plan around a near-term rebound.
- India pharma, driven by CDMO demand, peptide manufacturing, and GLP-1-related API expansion, is a clear domestic growth driver. International pharma has also improved on the back of localization trends and new molecule development, providing a meaningful offset to the ongoing chemical weakness.

Operational & Strategic Initiatives:

- European restructuring is largely complete, with the closure of UK and Hyderabad facilities, German workforce rationalization, and rightsizing of Switzerland and France operations expected to deliver ~INR 450 Mn in annualized cost savings that will phase in gradually through FY27 as headcount exits.
- Exceptional charges in FY26 stood at ~INR 650 Mn, primarily comprising German severance costs and India labor code impact. Management guided that no further large restructuring is currently planned, pointing to a materially cleaner P&L in FY27.
- The Poland manufacturing facility (GMM Inox, 51% owned) is already running at full capacity and requires additional shed expansion. It serves as a structurally low-cost production hub for European operations and is a key plank in the company's cost competitiveness strategy going forward.
- Edlon, the company's PTFE-lining business serving semiconductor clients like Micron and Intel, has scaled from ~\$10 Mn to ~\$25 Mn in revenue with high margins and strong growth momentum. It is now also penetrating the US nuclear industry through glove box applications a nascent but high-value adjacency.
- The heavy engineering business at the Baroda facility is on a strong growth trajectory, currently generating ~INR 3 Bn in revenue with capacity to scale to INR 7-8 Bn with modest incremental investment. Beyond that level, a greenfield facility would be required a decision that would signal a meaningful step-up in the company's engineering ambitions.
- The South American mixing business (Semco) and Canadian mixing unit are performing exceptionally well, benefitting from robust capex activity in the metals and minerals sector. A recent \$12-13 Mn agitator order from Semco underscores the geographic and sectoral breadth of the order pipeline.

Management Guidance & Capital Allocation

- Management refrained from issuing formal FY27 guidance, citing macro uncertainty including the Middle East conflict and global tariff volatility. A comprehensive 3-year strategic plan is expected to be presented to capital markets around August-September 2026, with a potential slip of one to two quarters.
- The medium-term EBITDA margin aspiration is 15% at a consolidated level versus ~11.4% currently an expansion of ~350 bps to be driven by operating leverage, a higher share of non-traditional and systems revenues, and structural cost benefits from European restructuring.
- Order intake momentum has continued into Q1 FY27, with a fresh \$8-9 Mn order from Edlon and a large heavy engineering win in India. Early pipeline signals suggest the diversification-led order strategy is sustaining beyond FY26, which is an encouraging leading indicator for revenue growth in FY27-28.

Outlook: Company enters FY27 in its strongest-ever order position, with a 34% higher opening backlog and a structurally diversified order intake nearly 50% now sourced from non-traditional industries providing a solid foundation for sustained double-digit revenue growth. Margin improvement is expected to be gradual but directional, supported by ~INR 450 Mn of annualized European restructuring savings, operating leverage on a higher revenue base, and an improving business mix skewed towards higher-margin segments like Edlon, heavy engineering, and systems. However, the EBITDA-to-PAT conversion will remain a key overhang in the near term, given the unresolved Luxembourg financing structure and elevated interest costs that are unlikely to be fully addressed before FY28. **We maintain our BUY rating and revise our target to INR 1,708.**

Exhibit: Income Statement (Consol)

Income statement (INR Mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Gross Sales	31,776	34,465	31,987	35,239	38,839	42,965
Net Sales	31,776	34,465	31,987	35,239	38,839	42,965
YoY (%)	25.07%	8.46%	-7.19%	10.17%	10.21%	10.62%
Adjusted COGS	13,813	14,905	13,589	15,154	16,862	18,440
YoY (%)	27.12%	7.90%	-8.83%	11.52%	11.27%	9.36%
Personnel/ Employee benefit expenses	7,916	9,036	8,924	10,070	10,917	12,077
YoY (%)	10.95%	14.15%	-1.24%	12.84%	8.42%	10.62%
<i>Manufacturing & Other Expenses</i>	<i>5,753</i>	<i>5,765</i>	<i>5,863</i>	<i>5,989</i>	<i>6,420</i>	<i>7,102</i>
YoY (%)	25.98%	0.21%	1.70%	2.15%	7.19%	10.62%
Total Expenditure	27,482	29,706	28,376	31,213	34,199	37,618
YoY (%)	51.24%	10.84%	-24.11%	11.49%	15.24%	15.24%
EBITDA	4,293	4,758	3,611	4,026	4,640	5,347
YoY (%)	51.24%	10.84%	-24.11%	11.49%	15.24%	15.24%
EBITDA Margin (%)	13.51%	13.81%	11.29%	11.43%	11.95%	12.44%
Depreciation	1,218	1,503	1,444	1,576	1,754	1,949
% of Gross Block	10.19%	11.56%	11.41%	10.34%	10.45%	10.55%
EBIT	3,075	3,256	2,167	2,450	2,886	3,398
EBIT Margin (%)	9.68%	9.45%	6.77%	6.95%	7.43%	7.91%
Interest Expenses	666	948	1,032	1,228	1,473	1,449
Non-operating/ Other income	517	200	304	451	497	549
PBT	2,711	2,508	963	1,020	1,910	2,498
Tax-Total	607	802	471	502	484	552
Adj. Net Profit	2,104	1,707	492	518	1,425	1,946
Reported Profit	2,104	1,707	492	518	1,425	1,946
PAT Margin	6.62%	4.95%	1.54%	1.47%	3.67%	4.53%
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	11.53	31.70	43.29
Dividend payment	89.50	88.70	89.90	89.90	89.90	89.90
Dividend payout (%)	4.25%	5.20%	18.28%	17.35%	6.31%	4.62%
Retained earnings	2,014	1,618	402	428	1,335	1,856

Exhibit: Balance Sheet (Consol)

Balance sheet (INR Mn)	FY23	FY24	FY25	FY26	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	12,240.00	13,575.24	15,431.17
Networth	8,119.30	9,707.90	10,296.10	12,329.90	13,665.14	15,521.07
Unsecured Loans/ Borrowings/ Lease Liabilities	7,124.40	5,964.80	8,503.90	10,414.00	10,371.94	10,204.33
Other Liabilities	15,357.10	14,191.50	3,494.90	5,685.70	6,024.46	6,405.63
Total Liabilities	25,506.10	22,028.10	20,734.70	27,905.60	29,677.80	30,779.63
Total Funds Employed	33,625.40	31,736.00	31,030.80	40,235.50	43,342.93	46,300.69
Application of Funds						
Net Fixed Assets	12,238.40	12,506.80	11,650.20	14,970.90	16,260.56	17,668.27
Capital WIP	133.30	273.60	119.30	198.60	198.60	198.60
Investments/ Notes/ Fair value measurement	0.10	0.10	0.10	34.70	34.70	34.70
Current assets	20,718.10	18,513.70	18,373.80	24,256.60	26,012.90	27,475.22
Inventory	7,728.90	6,253.60	5,403.10	6,368.90	7,664.50	8,381.60
Days	190.57	171.20	156.55	141.77	165.91	165.91
Debtors	4,355.30	4,328.30	3,867.90	4,653.30	4,695.78	5,194.70
Days	45.47	45.98	46.76	44.13	44.13	44.13
Other Current Assets	2,003.10	1,413.90	1,285.30	1,368.10	1,504.91	1,655.40
Cash and Cash equivalent	3,716.10	3,435.70	4,671.00	6,876.40	6,655.36	6,197.79
Current Liabilities/Provisions	13,907.00	11,647.90	11,307.00	15,161.90	16,514.74	17,150.76
Creditors / Trade Payables	5,367.30	4,024.70	3,755.60	4,705.40	5,818.79	6,284.52
Days	59.39	60.71	51.59	47.99	59.84	62.00
Liabilities	19,970.60	15,991.00	15,377.20	21,202.10	22,827.06	23,786.65
Net Current Assets	6,811.10	6,865.80	7,066.80	9,094.70	9,498.16	10,324.46
Total Asset	33,625.40	31,736.00	31,030.80	40,235.50	43,342.93	46,300.69
Total Capital Employed	26,814.30	24,870.20	23,964.00	31,140.80	33,844.76	35,976.23

Exhibit: Cash Flow (Consol)

Cash Flow Statement (INR Mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Profit After tax	2,103.70	1,706.60	491.70	518.20	1,425.14	1,945.83
Adjustments: Add						
Depreciation and amortisation	1,217.90	1,502.80	1,444.40	1,576.10	1,754.14	1,949.27
Interest adjustment	148.80	747.50	727.50	777.30	976.09	899.54
Change in assets and liabilities	3,380.90	3,868.20	2,573.70	2,781.70	4,065.46	4,704.74
Inventories	-1,033.60	1,475.30	850.50	-965.80	-1,295.60	-717.09
Trade receivables	-793.00	27.00	460.40	-785.40	-42.48	-498.92
Trade payables	1,455.40	-1,342.60	-269.10	949.80	1,113.39	465.73
Other Liabilities and provisions	1,674.90	-1,645.10	-726.80	3,056.10	296.00	347.26
Other Assets	-2,835.60	449.50	55.60	-1,918.10	-632.34	-695.57
Taxes	337.10	-43.90	-156.10	474.10	-56.92	-54.07
Net cash from operating activities	2,838.90	3,497.20	3,136.70	3,205.30	3,477.64	3,453.97
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-3,038.70	-1,758.90	-290.40	-4,992.90	-2,805.81	-3,099.59
Net Sale/(Purchase) of investments	117.10	50.90	163.60	430.70	265.25	293.77
Others	-264.70	63.40	9.20	-280.90	-32.23	-33.84
Net cash (used) in investing activities	-3,186.30	-1,644.60	-117.60	-4,843.10	-2,572.79	-2,839.66
Interest expense	-892.00	-2,092.30	-1,472.70	1,125.40	72.88	-527.29
Dividend paid	-72.00	-89.50	-89.90	-89.90	-89.90	-89.90
Other financing activities	632.10	-69.90	92.60	1,298.90	-89.90	-89.90
Net cash (used) in financing activities	786.10	-2,133.00	-1,783.80	3,843.20	-1,125.89	-1,071.87
Closing Balance	3,716.10	3,435.70	4,671.00	6,876.40	6,655.36	6,197.79
FCF	1,316.40	2,018.80	2,128.10	1,183.90	979.20	681.31
Capex (% of sales)	1,522.50	1,478.40	1,008.60	951.46	1,087.49	1,203.03

Exhibit: Ratios (Consol)

Key Ratios	FY23	FY24	FY25	FY26	FY27E	FY28E
Solvency Ratios						
Debt / Equity	0.98	0.73	0.63	0.68	0.60	0.51
Net Debt / Equity	0.52	0.38	0.18	0.12	0.11	0.11
Debt / EBITDA	1.86	1.50	1.80	2.07	1.77	1.48
Current Ratio	0.99	0.77	0.51	0.37	0.33	0.32
DuPont Analysis						
Sales/Assets	0.94	1.09	1.03	0.88	0.90	0.93
Assets/Equity	4.14	3.27	3.01	3.26	3.17	2.98
RoE	25.91%	17.58%	4.78%	4.20%	10.43%	12.54%
Per share ratios						
Reported EPS	36.37	39.04	11.78	11.53	31.70	43.29
Dividend per share	1.99	1.97	2.00	2.00	2.00	2.00
BV per share	180.63	215.97	229.06	274.30	304.01	345.30
Cash per Share	69.29	71.11	98.96	141.35	136.81	127.40
Revenue per Share	706.91	766.74	711.61	783.97	864.04	955.85
Profitability ratios						
Net Profit Margin (PAT/Net sales)	6.62%	4.95%	1.54%	1.47%	3.67%	4.53%
Gross Profit / Net Sales	56.53%	56.75%	57.52%	57.00%	56.58%	57.08%
EBITDA / Net Sales	13.51%	13.81%	11.29%	11.43%	11.95%	12.44%
EBIT / Net Sales	9.68%	9.45%	6.77%	6.95%	7.43%	7.91%
ROCE (%)	37.88%	33.54%	10.99%	9.77%	10.76%	11.66%
Activity ratios						
Inventory Days	190.57	171.20	156.55	141.77	165.91	165.91
Debtor Days	45.47	45.98	46.76	44.13	44.13	44.13
Creditor Days	59.39	60.71	51.59	47.99	59.84	62.00
Leverage ratios						
Interest coverage	4.62	3.44	2.10	2.00	1.96	2.34
Debt / Asset	0.05	0.06	0.21	0.21	0.19	0.17
Valuation ratios						
EV / EBITDA	9.44	8.40	10.55	9.38	8.15	7.11
PE (x)	22.19	20.67	68.48	70.00	25.45	18.64

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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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