

Company Name: GMM Pfaudler Ltd.

Management Participants :

- Mr. Tarak Patel - Managing Director
- Mr. Raveen Kanabar - Manager Finance & Accounts

11th Annual Valorem Conference Highlights:

Key Highlights:

- Revenues across heavy engineering and GLE segments are supported by an active order backlog, though margins on recently won orders are expected to be slightly lower due to constrained customer investment cycles.
- The robust order backlog provides strong near-term revenue visibility, with the Heavy Engineering segment expected to deliver solid performance in the coming year. The company indicated that execution remains on track, with the primary focus now shifting towards sustaining strong order inflows.
- Europe continues to face headwinds in chemicals and pharmaceuticals, with major customers reducing capacity additions. Cost restructuring and manufacturing migration to lower-cost countries such as Poland and India is underway.
- The US market is actively engaging on pharmaceutical investments, while other geographies remain broadly stable.
- The Systems business is gaining traction with leading players across specialty chemicals, industrial manufacturing, and defence sectors - a technology-led, high-growth segment distinct from the GLE business.
- In GLE, the company holds over 50% domestic market share and operates in a mature segment. While margins are yet to reach the 15% target, operating leverage and pricing improvements are expected to drive gradual expansion.
- Heavy Engineering is expected to deliver strong margin performance, with profitability likely to exceed 15% and potentially reach 20%+ with effective execution.
- CDMO-driven capex in India is the primary growth driver for domestic GLE demand. The domestic GLE market is estimated at ~INR 800 crore, with company holding roughly half.
- India's equipment lifecycle behaviour (10-year life, with ~90% of customers buying new rather than refurbishing) contrasts with the 30–40% refurbishment share seen in the US and Europe.

Key Questions & Answers discussed during the Concall:

- **What is the near-term margin outlook given recently won orders?** Recently won orders carry slightly lower margins due to limited investment activity across key geographies. This is not structural - it reflects competitive bidding in a slow European market. As order mix improves and volumes ramp, margins are expected to recover toward stated targets.

- **What gives confidence in Heavy Engineering reaching 20% margins?** We believe the heavy engineering order backlog is healthy and converting well. Comparable businesses in this segment are already operating at EBITDA margins of 15%+, providing a clear benchmark. With operating leverage on a INR 350 crore base and a growing backlog, we believe 20% EBITDA is achievable if executed well, with FY27 expected to be the year this plays out.
- **Can GLE margins realistically reach 15%? When?** We believe 15% margin is achievable through operating leverage alone without any pricing upside. The domestic GLE market (~INR 800 cr, 50%+ market share) is the key lever. Pricing improvement, if it comes, would be incremental upside. Restructuring and cost consolidation in the Europe GLE business are ongoing to support this.
- **How is SEMCO performing and what is the order visibility?** We are seeing strong performance in SEMCO with a healthy order backlog. While specific order book numbers have not been disclosed, we indicate that the pipeline remains healthy.
- **What is the revenue and margin profile of Edlon?** Edlon (US) is a \$25mn revenue business operating at approximately 20% EBITDA margins. It sits within the CRT vertical alongside the core GLE business. It is a steady, profitable contributor with exposure to the US chemical sector.
- **Can you elaborate on the Defence business opportunity?** The PST segment sells process systems with guaranteed output performance - a fundamentally different model from standard equipment supply. The Europe defence business is already a meaningful segment performing well. In India, we cater to leading players across defence, metals, and specialty chemicals. This segment is growing faster and carries better margins.
- **Does company intend to continue its strategy of growth through acquisitions, and which sectors are currently viewed as attractive for inorganic expansion?** We continue to view acquisitions as a key pillar of growth, particularly to enhance technology capabilities and expand into adjacent process industries such as precision engineering and food process equipment.
- **Why is European order intake weak and when might it improve?** Major European chemical players are not adding capacity. They are focused on cost reduction - cutting manufacturing costs in Switzerland, France, and Germany, shifting production to Poland and India. Order intake will likely remain subdued until the European chemical capex cycle revives, with no near-term visibility on improvement.
- **What is the India GLE refurbishment opportunity?** In Europe and the United States, 30–40% of the GLE market is driven by refurbishment (given a ~10-year equipment lifecycle). In India, over 90% of customers still prefer new reactors. As the Indian installed base ages over the next 5–10 years, we see a meaningful refurbishment opportunity emerging that is yet to be fully captured, and we view this as a structural tailwind.
- **What is the status of the India CDMO/pharma demand pipeline?** CDMO capex remains the primary driver of domestic GLE demand. Several CDMO players are investing in capacity, along with agrochemical companies. The domestic GLE market is estimated at ~INR 800 crore, with us holding approximately 50%+ share. Pricing is slightly better than before, but volume remains the key driver.



- **What is the Filtration & Drying (F&D) business and why is Poland important?** F&D covers membranes, filtration, and drying equipment. It targets chemical, pharmaceutical, and food sectors, with expected growth of 15–20% and EBITDA margins of 15–20%. The Poland facility directly benefits from European manufacturers shifting production to lower-cost countries, positioning us as a local-for-Europe supplier.

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