

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs1123	50.5	Hold	Rs1530	36%

*as on 23rd May, 2025

About the Company:

GMM Pfaudler Ltd (GMMP) is a leader in the chemical process equipment's space and is one of the largest glass-lined equipment (GLE) manufacturers in the world. GMMP delivers corrosion-resistant technologies, systems, and services worldwide and is one of the preferred choices as an innovative and cost-effective solutions provider for the speciality chemical and pharmaceutical industries. GMMP is certified by international standards such as GRI, UNSDG, ISO 9001, ISO 14001 and ISO 45001.

Results: Quick Glance:

- On a consolidated level, the company has reported net sales of Rs8066mn as compared to Rs7407mn Q4FY24, growth of 8.9%
- The Ebitda margins for the quarter under review stood at 10.3% as compared to 12.1% in Q4FY24
- The company reported a loss of Rs279mn as compared to profit Rs253mn in the same quarter last year
- The EPS for the quarter stood at Rs(6.0) as compared to Rs6.15 in the corresponding period of last year
- For the full year, the revenues and PAT de-grew by 7.2% and 71.2% respectively while the Ebitda margins stood at 11.3%
- The total final dividend (including interim dividend) is Rs2 per equity share of FV of Rs2 each

Conference Call Highlights:

- In Q4FY25, the **India business** reported a strong performance, with H2FY25 witnessing improvement led by higher volumes and a favourable product mix. The Management continues to remain optimistic about growth in revenue and margins in the domestic market, while the **macroeconomic uncertainties** affecting GLE and non-GLE orders continues, especially in the US. During the **quarter under review** as well as the year under review, there was a lot of uncertainty in the industry which is shown in the slow order intake. This was basically due to slower decision making processes by the clients however, without loss of any market share. Currently, GMMP has many projects in the pipeline
- During the quarter under review, the **order intake** was ~Rs6.6bn, reflecting a ~24% decline y-o-y, while on a standalone basis, the India backlog as of FY25 stood at ~Rs5,490mn, marking a ~20% y-o-y increase
- In FY25, the **order intake** reached ~Rs31.02bn, up 3% y-o-y, while **order backlog** stood at ~Rs16.36bn, down 3% on a y-o-y basis. For Q4FY25, consolidated order intake was dominated by Technologies at ~55%, followed by Services at ~34% and Systems at ~11%
- For the **international business**, FY25 order intake stood at ~Rs21.69bn, largely flat compared to ~Rs21.78bn in the same period last year, while order backlog in Q4FY25 was ~Rs11.13bn, down from ~Rs12.49bn in the corresponding quarter of the previous year
- For the quarter under review, the **revenue mix** was led by the Technologies business contributing ~53%, followed by Services at ~31% and Systems at ~16%. Within the International segment, both Technologies and Services contributed ~40% each, while Systems accounted for ~20%. In the current industry scenario, some of these **capex spends by some clients** are coming back however, the margins are not as encouraging
- The **services segment** remains a key focus, with the company expanding its footprint through smaller workshops and service centers across India, the US, and Europe to capture more opportunities as demand recovers
- The focus to grow the service revenue continues; in FY25, the service order intake was below the expectations due to the general slowdown in the industry, the capital equipment in terms of new capex as well as services across the client base had reduced. The business was lower in the US as well as in India. Some of the bigger service jobs were kept on hold by customers. The industry as a whole has gone through a lean period both in terms of capex for new equipment as well as for the service business. Service is a very important portion of the overall order intake and is the key focus area for GMMP. But, as per the Management commentary, currently the pipeline is on track. The strategy to continue to be closer to the customers across all the locations remains intact
- The company is actively pursuing orders, expanding into new markets like food and beverage, and diversifying beyond chemicals and pharma, with strong performance from businesses like **Edlon** in the US
- The **specialty chemicals** and **Pharmaceuticals**, especially peptide and GLP2-based API manufacturers, continue to perform strongly, the Management is witnessing larger pharma orders in Q1FY26

Conference Call Highlights (contd.):

- Demand in the **Agrochemical** remains weak but is expected to recover from H2FY26. Globally, chemical and pharma sectors remain subdued due to macroeconomic uncertainties, though growth in other end-segments across the US and Europe has helped partly offset the impact
- Globally, the company is optimizing its manufacturing footprint, with the UK facility in Leven set to close in Q2FY26. The exceptional costs pertaining to Leven, UK site closure, consists of severance pay, inventory write-offs, asset impairment and other closure costs amounting to Rs477mn for Q4FY25 as well as & FY25 (total net of tax Rs430mn for Q4FY25 and Rs504mn for FY25). The Poland facility is now operational and ramping up the production, while the India facility remains focused on the domestic market and has also begun exploring export opportunities to the Middle East and Southeast Asia. The Management has highlighted the recent acquisition of a ~51% stake in GMM Inox at the Poland facility. This unit is expected to witness a significant growth in its revenue to ~USD5mn in FY26E, driven by significant orders from French and Swiss units. The expansion plans include adding new buildings to double revenues within the next 2-3 years, with anticipated cost structure improvements of about 30%, significantly enhancing margins. The **India transformation** program has helped GMMP improve the costs for the year. There has been improvement, both in terms of the cost structure as well as in terms of operational excellence. The teams have also enhanced the flexibility of the factory at Karamsad. The company is focused on improving the capacity as they are consolidating operations owing to closing down the factory at Hyderabad. The company is also trying to be ready to absorb the capacity as and when the demand comes back
- The **opportunity pipeline** in India has gradually improved. The Management has a positive view on India supported by a stronger backlog than the previous year; the company has already seen good order intake in the month of April. On the GLE side, the business is very much stable; with the anticipated incremental volume, the overall margins are expected to increase significantly. **India margins** are anticipated to be in the 15-16% range
- The facility at **Poland** is expected to support the mixing business at both the mixing arms, i.e. Mixel and Mavag. Both these plants are in a higher cost belt of western Europe while Poland is in the eastern European region. Thus, the site has much cheaper engineering as well as manufacturing costs. The manufacturing at Poland is anticipated to fetch ~30% of cost benefits. The company will continue to move production to Poland
- The **heavy engineering (HE)** business in India which caters to the oil and gas, petrochemical, power, nuclear, etc. has shown healthy growth and is expected to continue to perform well in the upcoming quarters. The demand is very strong for the HE business, and there could be a possibility of ramping the capacities with margin expansion. In terms of the capacity available at the site at Vatva, the Management believe they have plenty of room for growth at the current site
- GMMP is **looking to rationalize** and to improve the manufacturing and continues to invest in areas that can support the growth and the cost structure. If the utilization levels at the plants come back on track with better volumes, then the margins too will start looking better. All the three product lines have a very strong backlog and a very strong outlook
- The order intake in the **technologies** segment was lower owing to a slowdown in the GLE business and slowdown in the chemical and pharmaceutical sectors
- The continuous **flow reactors** in the chemical space have been seeing some traction from the industry. Whenever the industry for flow chemistry picks up, GMMP will be ready to provide solutions to the industry players. The company has a collaboration with NCL along with other industry leaders including partnership with a UK agency
- The operations in Europe, US or the Americas and Asia occupy approximately **one third** of the total revenue. The company is in the process of **cleaning up of the balance sheet** via the manufacturing footprint optimization process which may go on for another 2-4 quarters. The Management is closely looking at the various subsidiaries and step down subsidiaries where there are opportunities for further tweaking the operations. During the year under review, GMMP has completed site closures for 2 sites as well as restructured the facility at Mavag to improve the flow of the product. The Management is looking at tweaking some operations in **South America** which have not reported too much success but for the mixing business. The company is looking at large orders coming in from Australia and India and the Management is looking at targeting some mining companies related to lithium extraction or heavy metals extraction
- Soft **diversification** in the new areas has started benefiting the international business. Diversification and having multiple product lines in many areas has been helping the overall revenues while compensating for the slightly sluggish GLE business
- The company is witnessing strong traction in defence, driven by recent orders linked to increased capex in the EU, especially Germany, where they aim to capitalize on growth opportunities in defence, infrastructure, and energy

Conference Call Highlights (contd.):

- Domestically, the Hyderabad facility was closed during FY25, with operations consolidated into Gujarat, enhancing utilization and plans for a third shift to meet strong GLE backlog
- The Management has emphasized on the ongoing **FGD projects** which are progressing as planned, with active engagement in current implementations. While discussions with advanced stage customers for new FGD investments continue. To support the market, the Management highlighted the recent launch of a test center at the Gujarat facility, allowing customers to trial and validate FGD technologies before large investments, expected to boost confidence and adoption as regulatory momentum returns
- In FY25, the company has **repaid its long-term debt** of ~Rs1.16bn which has helped improve net debt-to-Ebitda to 0.5x (from 0.8x on a y-o-y basis) and net debt-to-equity to 0.2x (from 0.4x on a y-o-y basis). The company has generated a **strong free cash flow** of Rs3.18bn during FY25, an improvement of nearly Rs1000mn on a y-o-y basis. Inventory days as of 31st March 2025 stood at 35 days as compared to 40 days in Mar'24
- GLE** is a mature business where GMMP is a market leader with ~50% market share; the focus in the GLE is to improve margins and rationalize the manufacturing footprint. The **fluctuations in the forex** have a natural hedge, and some part of the forex cannot be hedged which can at times translate into loss and vice versa
- GMMP is looking at starting the **third shift** at Karamsad, which is purely to cater to the green shoots seen in the GLE order book from the Indian market from the speciality chemicals and Pharma division, the agrochemicals market is yet to show signs of revival
- The company has established a test centre at the **Gujarat facility** which was inaugurated in the last quarter. This centre offers the customers the ability to try/test the products before spending a large part of capital

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	Mar-25	Mar-24	y-o-y	Dec-24	q-o-q	FY25	FY24	y-o-y	FY26E
Total Revenue	8066	7407	8.9%	8015	0.6%	31987	34465	(7.2%)	33906
EBITDA	832	898	(7.3%)	959	(13.2%)	3611	4758	(24.1%)	4238
Other Income	(47)	105	-	258	-	304	200	51.9%	213
Interest	266	300	(11.4%)	251	5.6%	1032	948	8.9%	908
Depreciation	384	394	(2.4%)	349	10.1%	1444	1503	(3.9%)	1420
Exceptional Items	477	0	-	0	-	477	0	-	0
Tax	(62)	57	-	216	-	471	802	(41.2%)	680
Net Profit	(279)	253	-	400	-	492	1707	(71.2%)	1444

Outlook and Recommendations:

The company has reported a decent set of numbers for the quarter under review, however FY25 has been challenging, primarily due to a general slowdown in the chemical and pharmaceutical sectors. GMMP is well positioned for future growth with improved volumes in the domestic market, a favourable product mix, and a healthy order backlog, particularly in HE and GLE segments. The Management continues to remain optimistic about further revenue growth and margin expansion in India, driven by strong demand in sectors like oil & gas, nuclear, and petrochemicals, while agrochemical recovery is expected from H2FY26. The consolidation of operations in Gujarat, closure of the Hyderabad plant, and planned third shift reflect efforts to enhance capacity utilization amid strong GLE demand. On the export front, while order intake remained flat due to softness in the services segment, a healthy pipeline and Q1FY26 order wins reflects an indication of a recovery, especially as the company diversifies into new verticals such as food & beverage, and mining, with strong momentum in South America and businesses like Edlon performing well. GMMP has a global manufacturing footprint and is constantly working for a much better and leaner cost structure. The company took advantage of the slowdown in the industry to consolidate the operations and improve the cost position and become more competitive. There is a tremendous opportunity within the GMMP group and the diversification program is already bearing fruits; it is a matter of time, as and when the volumes begin to swell, the overall blended margins will automatically begin to improve and inch towards the north. The company continues to work on the global transformation program, the company has appointed a new CTO for the same.

Outlook and Recommendations (contd.):

The Management is already working at aligning the business and reorganising the strategy to fetch more growth on the domestic as well as the international front. The Mixing business continues to be a very important part of the growth story for GMMP going forward as well. GMMP needs to transition and is already in the process of doing so; realigning, diversifying, adding more verticals to the traditional business, reorganizing the operations/plants for better growth. In addition to this, the focus is also on the other verticals i.e., the non-GLE, HE and the systems verticals which have immense growth opportunities. There is scope and opportunities to continue to improve with formal transformation programs which can benefit the group going forward as well. The company is also looking at starting the third shift to cater to the large order backlog as well. While GMMP has faced short-term headwinds due to sectoral slowdowns and one-time losses, the company has taken proactive steps to streamline operations and reposition itself for long-term growth. Its focus on diversification, cost optimization, and global footprint realignment reflects a clear strategic vision aimed at strengthening core profitability and reducing risk exposure. GMMP is well-placed to deliver sustained value creation as market conditions stabilize and demand picks up across industries. The Management has more or less laid the foundation for the upcoming demand; the confidence to fetch better revenues stems from the fact of having a higher backlog as compared to the previous year, and expectation of deliveries execution of these orders in the upcoming quarters. The efforts to optimize production, enhance capacity utilization, and streamline the supply chain are expected to yield benefits in the medium term to long term where timely execution of the projects will be the key to sustainable growth. All these factors fortify the conviction in the operations of GMMP and we continue to maintain our target price of Rs1530.

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