



GMM/SEC/2026-27/14

May 28, 2026

To,
BSE Limited
Scrip Code: 505255

National Stock Exchange of India Limited
Symbol: GMPFAUDLR

Sub.: Earnings Call Q4 FY26 – Transcript

Dear Sir/ Ma'am,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of earnings conference call for the quarter ended March 31, 2026, conducted on May 21, 2026, for your information and records.

The above information is also being made available on the website of the Company at www.gmmpfaudler.com.

Thanking you.

Yours faithfully,

For **GMM Pfaudler Limited**

Mittal Mehta
Company Secretary & Compliance Officer
FCS. No. 7848

Encl.: As above

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“GMM Pfaudler Limited Q4 & Year Ended FY26 Earnings Conference Call”

MAY 21, 2026

MANAGEMENT:

- **MR. TARAK PATEL – MANAGING DIRECTOR, GMM PFAUDLER LIMITED**
- **MR. GREGORY GELHAUS – GROUP CHIEF EXECUTIVE OFFICER, GMM PFAUDLER LIMITED**
- **MR. ALEXANDER POEMPNER – GROUP CHIEF FINANCIAL OFFICER, GMM PFAUDLER LIMITED**
- **MR. ANKIT NAYYAR – DEPUTY CHIEF FINANCIAL OFFICER, GMM PFAUDLER LIMITED**
- **MS. MITTAL MEHTA- COMPANY SECRETARY**
- **MR. RAVEEN KANABAR – MANAGER FINANCE & ACCOUNTS, GMM PFAUDLER LIMITED**

GMM Pfaudler Limited
Q4 and Year Ended FY'26 Earnings Conference Call
May 21, 2026

Moderator: Ladies and gentlemen, good day, and welcome to Q4 FY '26 Conference Call of GMM Pfaudler Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raveen Kanabar. Thank you and over to you, sir.

Raveen Kanabar: Thank you. Good evening, ladies and gentlemen. A very warm welcome to all of you into the Q4 and Year Ended FY '26 Earnings call of GMM Pfaudler Limited.

The earnings presentation was uploaded on the stock exchanges today and is also available on our website. Hope all of you had a chance to go through it.

From the management today, we have with us our Managing Director – Mr. Tarak Patel, our Group CEO, Mr. Gregory Gelhaus – our Group CFO, Mr. Alexander Poempner – our Deputy CFO, Mr. Ankit Nayyar – our Company Secretary, Ms. Mittal Mehta.

We will give you a “Brief Overview of the Performance of the Company,” after which we will get into the “Q&A.”

Before we begin with the overview, a brief disclaimer. The presentation was uploaded on the stock exchanges and also on our website, including our call discussions that will happen now, contain or may have certain forward-looking statements regarding our business prospects and profitability, which are subject to several risks and uncertainties. The actual results could materially differ from those in such forward-looking statements.

I now hand over the call to Mr. Tarak Patel to provide you an overview of the performance. Over to you, Tarak.

Tarak Patel: Thank you, Raveen. Good evening, everybody, and thank you for joining us today.

Let me start with a brief overview of last year's performance:

We delivered another steady year with a notable increase in revenue by about 10% and EBITDA at about 11%. Our margins remain stable in the year and the India business particularly did quite well. The India business grew revenue by about 12%, the EBITDA grew by about 24% and the PAT in India also grew by about 40%.

The good news is that the order intake continued to remain strong this quarter as well, but on a year-on-year basis, order intake is up 20%. We have an order intake this year of INR 3,714 crores versus INR 3,100 crores in the previous year. Our opening backlog on April 1st is also up by about 34%, which gives us a strong revenue visibility as well.

The general economic business environment is not so strong and has been difficult over the last 6 to 9 months. Most recently, of course, you all have been part of the turmoil in the Middle East which has, of course, kind of created uncertainties and investments going forward.

There are definitely geographies within the global sphere that we operate that are doing quite well. We do see also some positive developments in certain industry segments as well, but in our traditional segments of chemical and pharma, pharma has done quite well this year, but chemical still remains slow, especially in our India and international markets.

Having said that, our diversification strategy is now playing out quite well. Nearly 50% of our order intake this year has come from non-traditional industries. So, when I say non-traditional, these are non-chemical and non-pharma. So, our diversification strategy into these new industries has given us a lot of additional order intake as well. Some of these new industries are, like I said before, semiconductors, defence, oil and gas, petrochemicals, metals and minerals.

We have also had some organizational changes this quarter. So we have, as of this Board meeting, announced Gregory Gelhaus appointment to Group CEO and Ankit Nayyar has joined us as Deputy CFO of the company.

With that, I now hand over the call to Alex. Alex will take you through the brief financial performance of the company. Over to you, Alex.

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Alexander Poempner: Thanks, Tarak. As said by Tarak, I would like to say also a few words about the financials, especially focused on, first, on the extraordinary, the exceptional items which we already flagged in the last quarter. There is a minor change. It is an increase of INR 9 crore for our restructuring initiative in Germany. This comes from the fact that we now signed the agreement with all the individuals and it was slightly more costly. However, it also then results in a higher cost saving going forward.

And regarding the balance sheet, I would like to focus here on working capital. We were able to achieve an improvement versus the half year, which I think we also already estimated in the last call, so we were able to achieve this. And therefore, we generated a strong free cash flow of INR 367 crores, which is even slightly upper than prior year by INR 49 crores. And our free cash flow to EBITDA ratio remained slightly above 90%.

We have repaid our long-term debt of INR 60 crores during this year and therefore, with also the strong cash generation that we achieved in this year, we reduced our net debt to adjusted EBITDA ratio to 0.4x versus 0.5x in the previous year, and significantly below our target range and the net debt to equity also remains low with 0.1

If we come to the outlook, we have a really strong backlog as Tarak already said, so this also gives us some comfort for the year just started. However, as already mentioned in prior calls, there are also still some territories which are impacted by the ongoing crises due to the now new Middle East conflict, and the general geopolitical tensions, uncertainties. So, we are confident, but we also do not want to be too bullish. We will also benefit from the initiated restructuring measures. This at least will help us to improve our profitability.

This is all from my side as of now. Therefore, I hand over to Raveen again, and we start with questions.

Raveen Kanabar: Thank you, Alex. Moderator, you may now open the lines for the questions. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. First question is from the line of Sagar Shah from Spark PWM. Please go ahead.

Sagar Shah: Thanks for the opportunity a very good evening to entire Management of GMM Pfaudler Limited. Sir, my first question was related to our margins, actually. In this particular quarter, obviously, our revenue growth was quite good, but almost 7% sequentially, 17% Y-o-Y. But there was some serious derailment in margins, actually. And more than your other expenses, it looks like your gross margins have weighed even on a standalone, even on a consolidated level. Our consolidated level margins stood at 55.4%, and as compared to Y-o-Y, as well as sequentially, it has dropped down.

So, first of all, I wanted to know what was the reasons behind the same, and what are the sustainable margins going forward that we can assume, actually. So, that was my first question.

Tarak Patel: So, let me start off by saying, I mean, just looking at one quarter in isolation will not be fair for the company. We are a manufacturing company. So, we will have a little bit of fluctuation in margins, especially when we have a very wide range of products. So, sometimes we have shipments and dispatches that come from maybe a lower kind of the margin business, and some quarters we might have high, so the mix of the products will definitely play a part in that.

I don't think we believe that this is something that will continue. It is probably a margin specific to this quarter. We would like to at least maintain or grow margins in the next year. And even for the full year basis, if you see, we have still improved over previous year.

So, our EBITDA value has increased from about INR 361 Crores reported last year to INR 403 Crores, and even the margin percentage has gone up by 1 percentage point on a full 12-month basis, right!

So, again, I think the foundation is in place. It's been a tough year for us. There has been a lot of multiple different issues that have impacted our performance. I will just again highlight some of them. There is already a general slowdown in chemicals, especially agrochemicals. So, that has impacted us.

Europe, for us, has been slow. You know the story in Europe in terms of the new investment. However, I would like to add that the large orders that we have received and the order intake has actually also come from Europe. So, even though Europe, the execution, the performance was slow, the order intake from Europe is much stronger this year, which obviously sets us up nicely for next year.

From a margin profile perspective, I will maybe let Alex speak a little bit in terms of what the expectations are next year and what specifically happened this quarter.

Alexander Poempner: Look, and as Tarak already mentioned, if we just look at one quarter, it could be a little bit misleading. I think we stated once in a prior call that it is better to look on an LTM basis to always a 12-month period because at the end, you do not see these big fluctuations, which are coming from the share of the different businesses in the quarter.

In general, we improved versus last year. We were also able to increase our margin. We significantly increased our order intake. So, we are confident to see further improvement in the next year.

We have a really solid basis based on the background that we have, based on the operational improvement that were initiated. So, on a constant basis, we expect an improvement, which we already started in this current, I would say, difficult economic environment.

Tarak Patel: Yes. So, just to add to that, there has been significant work that we have done in Europe in terms of taking out costs. So, the German factory, which we have downsized, right-sized, we have reduced people there, which will definitely benefit us a little bit next year and obviously for future years as well.

We have also right-sized some of the other operations within the European continent to make it more efficient as well. Our Poland facility is now up and running, so that should also help as a low-cost source for Europe. We shut down the UK and the Hyderabad facility here in India.

So, we are working to a much more efficient cost structure. There are still low-hanging fruit that we are working on. We have not finished all the work, but if the volumes were to return and with the backlog that we have now, we do believe that next year, we should definitely improve from this year.

Sagar Shah: I agree, sir, that you have a very solid order backlog and we have done the measures to actually curb the cost. But I wanted to understand, particularly in this quarter, so is the increase in the glass lining business has led to the derailment in gross margins? How can we read?

And secondly, the guidance for FY '27 and FY '28, what are the stable-state EBITDA margins that we can target, sir?

Tarak Patel:

So, a couple of things on this. I think there was a large HE order that was shipped out this year, which could have impacted the margins. That was one.

Number two is that we probably had a little bit of increases in some of our costs, which were a result of the gas prices going up and metal prices and stuff like that. But that has now stabilized, so we should be okay.

And looking forward, I think what I can say now is that we had with our Board yesterday a strategic plan meeting. We have outlined some basic three-year plans and we are in a good position to come to the market in the next few quarters. Again, we would like to come when we have a little bit more confidence around just the general business environment, but we have something in place now that will at least give us some visibility and vision for the next few years.

So, we are preparing. I have spoken about this before. So, we are there now in terms of at least the ideas, the initiatives, the broad level numbers, and now we will find the right opportunity to come to the market and explain to you what we are talking about and what we are trying to do.

Alexander Poempner: From the market perspective, we improved versus last year. We only look on a 12-month basis. There are continuous improvements. We really were able to improve order intake significantly. So, when we are stating, we are confident that also next year will look better.

We feel really comfortable to state this. But really on a quarterly basis, it is tough to say how each quarter will develop. So, really let's focus on 12 months and be confident in the order intake, the backlog that we have, the restructuring measures initiated. So for the next year, we are really confident to see further improvement.

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Sagar Shah: So, my second question, sir, as you are seeing a very good outlook for the next two years, so what would be the drivers? I understand the diversification beyond chemicals, pharma, the disclosures that you have given on investor presentations, that is one of them.

But I wanted to understand that what would be the drivers within the non-glass lining technologies, whether it will be industrial mixing or whether it will be some add-on services business or where we will see some supernatural growth, which will actually help GMM Pfaudler to at least have double-digit growth in the next two years. I mean in terms of revenue.

Tarak Patel: So, I think there are a couple of things that we would like to speak about here. One is that when we speak about the three-year strategy, the vision of the company, we have broken it down into three big buckets. One is growth.

Growth is going to come from multiple different avenues. Growth can come from share in market share. It can go from regional expansion. It can go by selling into new industries or some new phenomenon that comes in which drives a further more requirement of a specific product. So, growth is something as a company that we have been focusing on and not every product of ours will grow.

Of course, like a glass-lined business of ours where we are a market leader, we have a very high market share, the growth rate there will be slower than, let's say, a heavy engineering business where we have a small market share and we have multiple different industries that we can cater to who are currently growing.

Mixing could be another growth area for us, but again, because mixing, we have a global organization and it caters to multiple different industries, we have growth there.

So, growth is definitely something that we are planning, but again, I can't say one product or one industry will drive growth. It is going to be multiple different levers across multiple different products. So, that work has gone in.

The second part is cost. So, as a company, we are the technology leader. Can we also become the cost leader?

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So, a lot of work that we have had, we have inherited a lot of costs in Europe and those geographies obviously are not growing as fast as we would like. So, the only option really for us is to create a much more efficient cost structure in these geographies. So, that is what we are working on as well.

So, you have seen that also happen last year. So, that gives us confidence that next year we are operating with a much lower cost structure. We could say that things are fine and we expect growth to come back in a big way and have 20% growth year-on-year. Realistically, I don't think that is going to happen. If it does happen, great, fantastic. We will have more orders in at a lower cost structure. So, we will be happy with that, but we are not building our plan around some of these geographies.

And the last is organization. If we want to win, if we want to operate in these multiple different geographies, in these different industries, we have to kind of reorganize and change behavior as well. So, going from an international Indian organization, can we really align by product, by vertical, by industry to really drive some of these growth.

So, a lot of work has gone in, a lot of work is going in and growth is a very important part of our business. But do keep in mind, certain geographies will grow fast, some will grow slow, but we do believe that we have plans in place to help us grow at least double digits over the next, whatever, three years or so.

Sagar Shah: Just last one, sir. You had guided for a closure of the China plant. You were working on that. In the last quarter also you mentioned to curb down the cost further because due to lack of business there. So, any color on that, sir, part?

Tarak Patel: That is an incorrect statement. We have never said anything about closing our China facility. It remains a very important part of our business. We have just looked at maybe taking some costs out with the slowness in the business.

But as of this quarter, some of the business has come back in China. We hope that will continue. So, I don't see China closure or any cost reduction there to be a big part of this year. If anything, we expect China to do okay.

Moderator: Next question is from the line of Kunal Mehta from InCred Equities. Please go ahead.

Kunal Mehta: Hi, Tarak, very good evening. I know it is a tough time right now. And just two questions. One is on the tax. How are we on that? How are we working on improving the tax? This in this quarter, the tax has been pretty high. Are we again in the Luxembourg entity, which is still not solved? Or are there more further complications in other places as well?

And the second question is, we were to change the way we report our segments. So, are we going to be doing it from next quarter onwards? Or what is the plan for that? Because we had last time we met you in the conference, you said that there will be change in tech, heavy engineering process, performance, and systems. So, we will be reporting it in that way. So, will we be doing it from the next quarter onwards?

Tarak Patel: Yes, so I think a few points before I let the technical answer come from Alex. One is that, like you started off saying it is a tough time. It is not. I mean, it is definitely not as tough as what it was 12 months ago.

So, I think as management today, we are confident that some of the work that has gone in will definitely bear fruit in the near foreseeable future. I think that the market itself also is showing some positivity. I just hope that some of this craziness that is happening around the world, if that is going to stabilize, I think things can look very, very different.

So, we are positive. Again, like I am saying, it is part and parcel of life. You are not going to have every quarter where we are going to go by 20%. There are going to be good quarters and bad quarters. It is not going to be just your smooth sailing going forward.

And as a good company, I think mitigating risk, identifying risks and these issues, and even for us, if you do look back, and we are a large company, INR 3,500 crore for a manufacturing company is not small and to have that much order intake coming in this year, especially when our core industries, our traditional industries were not growing that fast, I think that is a significant achievement and these sectors, until two years ago, we were not even speaking about.

So, to get an order of INR 130 crores from nuclear or getting a USD 30 million order for some acid recovery are not normal. We have worked hard, we have put in, and we were there at the right place to capture this. We could have very easily said, hey, everything is slowing down, so we will degrow.

So, even in a tough year, we have grown 10% revenue and what is even better is our profitability at the EBITDA level has grown at the same rate or slightly better. So, we haven't lost a lot.

Yes, there is a lot of work to be done in cost in Europe. There is a lot of work to be done in our restructuring and I will let Alex speak about that. Alex?

Alexander Poempner: Regarding the taxes, the taxes was, I think it is coming up regularly, and we already worked on it. And if you would take a comparison here on the quarter, you already see an improvement in the international connections.

Nevertheless, it is not there where it should be. And it is coming mainly from the Luxembourg entity, fully correct and we are working on this. But this, unfortunately, does not go so fast. It requires some time. But as I said, as you already, as you look to the quarter over quarter comparison of the tax rates for the international business, it's already improved.

Tarak Patel: Yes, maybe you want to also talk about the Fx and stuff like that, while we are on that, on anything that we are doing for the loans.

Alexander Poempner: Yes. Well, for example, this is one, and I think it was also mentioned in prior quarters, there is one company loan, which we have between the German entity and the Luxembourg entity, and which creates some Fx exposure, which also could result then or impact the result and this also triggers or could trigger some additional tax expenses. And there we, especially in the beginning of the Calendar Year '25, and the beginning of our financial year, we saw a negative impact and this drove significantly this strange tax rate.

However, if you look to the international business in the last quarter, you see a tax rate in the 30% area, which I think comes already closer to the expectations and we are working on it to get this also settled in the coming financial year.

Kunal Mehta: Just one question. How are we placed on the order contracts? Do we have a pass through? How much of raw material input costs that has risen can pass through to the customer?

Tarak Patel: So it depends on the contract. Fast moving contracts, small contracts, you can't. In any case, we buy material to stock for our glass line business. So, there will always be that discrepancy. But sometimes it helps us, sometimes it doesn't, but it is not a significant impact.

Some of the longer-term projects have a built-in expedition clause. Heavy engineering, some of the system contracts will have that. So, if we kind of go above or below that 5% threshold, we can go and ask for more or they can ask for less, right, in a worse situation.

So, that is something that we have and mostly internationally, most material is only ordered after the order comes in. So, that material cost is already priced into the cost of the product.

Kunal Mehta: I think I fall back in the queue for further questions.

Moderator: Next question is from the line of Praveen Kumar from Equitas Capital Advisors. Please go ahead.

Praveen Kumar: I had a couple of questions. The first one was trying to understand the commentary on, you know, when Alex was referring to the fact that he sees that the management is confident but don't want to be too bullish and Tarak, you yourself were also referring that you would want to defer guidance until more clarity emerges, you know, we want to come back later.

So, I just wanted to understand, on one hand, you have a very strong order book and order intake that seems to be going well. But on the other hand, of course, there are macroeconomic uncertainties related to the war and other issues.

So, I just wanted to understand your reluctance to provide guidance. Is it more driven by worries that some of these projects could get, orders could get cancelled or delayed or whether the margin on those could be volatile? Or I just wanted to understand, double click and understand further on that. That is my first question.

Alexander Poempner: If you currently see the economic environment, I think we all agree that a lot of uncertainty is going on. I think in the last conference call, we were not aware of the crisis in the Middle East.

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If you now look to our order intake, it increased by 20%. If we would now just say, okay, the order intake gives some guidance for the next financial year, I consider this to be too bullish. Why? Because some of the order intake is also coming from businesses like the system business, which does not have the direct conversion into revenue.

Some of the bigger orders that we gained, they will be converted over two or even three years into revenue. So, this is in a little bit the intent to not set the expectations that we will improve by 20% next year and maybe EBITDA improvement is even higher. We are confident we will improve. We improved this year. I think we are fully on track what we said. We just don't want to be too bullish.

We would like to be realistic and as I said, I repeat myself, we will improve. We have profitability improvement, cash flow will improve, the restructuring measures initiated. We will have, I think, a solid year again, but we will be impacted by all the economic situations. If there is something else that is coming up, of course, we will see it.

Tarak Patel:

Yes, so just to finish off that point, I think the apprehension is not about giving and the idea is, so we were hoping to come to the market, the plan was August, September. With the current crisis in the Middle East, we probably would still like to hit that date, but if not, then a couple of months more. But this year, we do believe that we should be in a position if everything goes smoothly to articulate our strategy, our three-year vision to the capital markets.

We have seen other companies do certain things, and if you don't achieve those numbers, then that also hurts. So, we want to be realistic. At the same time, we want to be smart about it. The last thing we want is to come out and give a number and then not achieve it.

So, I think it is the right combination. But again, as management, the last couple of years have been tough, a lot of work on it. Even for us to build more confidence, we would like to see momentum build some good quarters and the idea is to have improvement every year, from not only the internal performance, but things like taxation, Fx, loans, everything, cash flow.

So, across the board, we are trying to improve and I think when we are ready to give that number, we will do so. So, we are not afraid to give that number, but we want to have more confidence before we do.

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Praveen Kumar: My second question was on a broader question on the disclosure and presentation itself over time. See, over time, as the business has evolved, and now, as you yourself mentioned, a good part of the orders as well as revenues are coming from non-traditional industries. But the presentation format seems to be still somewhat kind of indexed to the older kind of business model. So, I just wanted to get your thoughts.

Tarak Patel: Yes, so that is going to change. Sorry, I know you are talking about it. I am sorry to interrupt, but we don't like to change something during the year. It will be weird to change it now in Q4.

But next quarter onward, you will see some different stuff. We are reorganizing. We have a new organization in place. We have new ideas. So, we will come to you with that. You will get more information. It is a work in progress and we are going to come at least next quarter, for sure, with a new reporting system with much more clear data where you can track different things. So, it is something that we are working on.

Praveen Kumar: And just one follow-up to what Alex was saying earlier on the order intake. If I look at the overall order intake, it seems to have been largely helped along by a large systems order intake uptake, right? Whereas the rest of the orders were probably low to mid-single-digit kind of a growth.

So, just wanted to understand your thought process on the sustainability of this because quite a significant part of the order intake has come from, you know, the increase has come from systems, right?

Tarak Patel: Yes. So, that is absolutely right. Two large orders in systems, one in the U.S. and one in Eastern Europe. We are still in the process of many more opportunities in this space in Europe. We currently have open opportunities, and we believe that that should actually generate USD 20 to 30 million of order intake per year over the next few years.

It is not only a European play. We see that happening in more geography. We are now in talks with Indian companies as well to look at the same technology for India, and I think that is going to be at least maybe one of the growth areas for us globally, not only in Europe.

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The other businesses which were traditionally focused, I mean, they were more traditional in nature, more dependent on chemical and pharma. Chemical has definitely been slow. You guys know this. We know this. Europe Chemicals is definitely slow. You know BSF, Bayer, you hear of people shutting down facilities. So, it is not something that is growing at 20% for sure.

India has also seen some slowdown because of agrochemicals, because of overcapacity in China. But the good news is the last few quarters, whenever we speak to owners, promoters, management, the volumes have come back.

So you have seen a spurt of new opportunities that have been finalized, large orders, and you are seeing something more happening now as well. Pharma in India is still being driven by CDMO. So, they are doing quite well.

Internationally, pharma has picked up also because of GLP and the other drugs and also localization and the American market is also something that we are quite bullish on. Hopefully, some of the deals that Mr. Trump has signed will translate into new investments which would benefit us.

But having said that, again, the general uncertainty, the tariff situation, just the mindset today is not gung-ho investment. People are more cautious, and we would like to be a little bit more cautious right now. It is a tough environment for sure and it is something that we will have to work around and that is probably the new world order, I guess, how things will operate in the future.

But I think for us, we do believe that growth will come from these non-traditional industries. But again, we have to focus more and build an organization to capture more and more from these. But yes, the work is definitely happening, and we believe that this is a growth opportunity for us.

Praveen Kumar: Thanks for that.

Moderator: Next question is from the line of Anil Shah from Insightful Investment Managers. Please go ahead.

Anil Shah: Hi Team, I just wanted to check with you on your cash flow statements on the consolidated cash flow that you released. There is a line item for unrealized foreign exchange fluctuation loss of about INR 72 crores. Where would that be sitting in the P&L, please?

Alexander Poempner: It is in the OCI. You don't see it directly. You see it in the OCI.

Anil Shah: And in the other comprehensive income ? In terms of the INR 137 crores that you talked about, is that where it is sitting?

Alexander Poempner: Yes. You do not have one single line in the P&L. You see it everywhere. Because the FX is impacting several lines in the P&L. But it is summarized.

Anil Shah: My second question to you is, I mean, in the sense, when we look at your P&L account, we continue to see pretty large finance cost for the year. But when I look at your gross debt, and then I look at the cash on hand, the net debt is actually not that much.

So clearly, the interest income that we earn from the cash seems to be meager to nothing. But we are really paying up for our loans, whether it is long term or short term. I mean, what use is this cash INR 600 crores plus that is just sitting in terms of cash and bank balances. I mean, it just doesn't make sense from EBITDA to PAT. The flow through just is very, very meager.

Alexander Poempner: Yes. And there are several things. First, you already talked about the FX fluctuations and if you remember, before to a question, I explained the one big intercompany loan that we have between the entity in Germany and the entity in Luxembourg and we have an FX fluctuation, which you also see there in the interest due to this intercompany loan.

Additionally, you are also right, we have a lot of cash on the balance sheet. It is too much cash and usually you would repay the debt. But currently, we have our financing agreement in place till 2028. We will restructure this and this is also part of the general tax restructuring, which I answered before, we could not do it within a few months. It is intended to do it in the next year. But unfortunately, currently, we have to live with this.

- Anil Shah:** I am sorry, but there are many companies in India listed companies operating across the world. I haven't seen this kind of flow through from EBITDA to PAT to be as meager as this and particularly on the interest side. I mean, net debt is about, if I leave out the pension fund liabilities, which anyway is a year-to-year change, you are not paying interest on it on a yearly basis. It is just, I mean, our net debt would be less than INR 200 crores today on March 26, but I still end up paying INR 120-130 crores of interest.
- Tarak Patel:** So, Anil, let me also just jump in. You are right. Absolutely right. It is a work in progress. We already got some approvals today for restructuring. It is ongoing. But do keep in mind that this was inherited because we acquired the Pfaudler business and was structured in a certain way.
- The restructuring also comes at a cost. But we are working to reduce and improve the flow through from EBITDA to PAT for sure. You will see some improvement also next year in the coming quarters as well. The work is going in, but some will take a little bit longer. But we are on this. So, we understand the concern here and we are definitely working on it.
- And now we obviously have Alex also supported by Ankit who has joined us on May 11. So, they will work together to create the right structure and create the right efficient movement of EBITDA and PAT.
- Alexander Poempner:** And as Tarak said, unfortunately, we have it since a few years. You could not get it set up within a few months. The plan is there, the Board approval is there to change it and it is coming from the intercompany loan we manage we already mentioned and from the setup with the Luxembourg entity. We are not properly set up there, but it will take me a while to clean it.
- Moderator:** Next question is from the line of Rushabh Sharedalal from Pravin Ratilal Wealth. Please go ahead.
- Rushabh Sharedalal:** Sir, thanks for the opportunity and congratulations on a good order book in this tough environment. I again want to pick up from the last participant who had alluded to the fact that you currently have almost INR 680 crores of cash and on the other hand, our debt is increasing.

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So, I do understand that some of these would be through the acquisitions that have come to our balance sheet. But sir, if I just look at your cash flow statement, since the last two years, you have been generating a lot of cash flow. So, almost INR 380 crores of cash flow in both the years.

So cumulatively, if I look at that, it is almost INR 720-730 crores plus of cash flow that you have generated in two years. And why is it taking almost two years and still our debt is going up?

So, can you just give a timeline as to when do you plan to reduce it? Because I think that INR 122 crores can literally flow to our PAT and improve our earnings. And sir, I believe that two years is a reasonably good time for management to realize this. That is my first question.

Alexander Poempner: I agree that look, we are on this. We will reorganize the financing within the next year calendar. This is something which currently is in place. However, what you should also not overestimate, we have a lot of these big contracts that came with prepayments of customers. And therefore, a lot of cash that we have on the balance sheet, we require to finance these big orders.

We discussed especially the systems business. We received a lot of cash, which we now have to use in the coming months to finance the business. So, currently, the balance sheet looks really strong. But let's not say that we generate this kind of cash also going forward. Yes, we also still need some cash.

Rushabh Shredalal: So, I got your point. But can you give some numbers as to what kind of debt profile would it look for FY '27 and '28? And based on that, what will be our interest cost for the coming two years? At least some directionally, if you can give something or some range or a number would also be good.

Alexander Poempner: We will repay or intend to repay easily 20 million USD...

Tarak Patel: From the international.

Alexander Poempner: From the group, to reduce the cash and reduce also the debt position. This could be easily done.

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Rushabh Shredalal: So, we can assume at least INR 200 crores of debt coming down in FY '27.

Alexander Poempner: It will probably not be there as of March. The challenge that we have, we have a structuring in place and we also have some financing arrangements in place, which were signed, which came also with the transaction and it is because we have to check with other parties, we have to check with tax authorities and I could not get it implemented just within a few months.

I know that it takes long. But unfortunately, to change these setups, it takes a little bit longer. It was inherited. We are working on this. We get some Board approval to continue now with the proposed measures. But I do not want to confirm that it is settled, solved by end of this financial year.

Tarak Patel: So, let me maybe just, because it is a long conversation and I think from a management perspective, I need to just highlight a couple of things. One is that certain, you know, do keep in mind the complexity of the scale and size of the operations we have.

We have about 18 jurisdictions. So, money is there. It is in different jurisdictions. We need to be smart about it, and we are trying to reduce, obviously, the debt position. If we had cash, there is no point for the cash to sit there and not earn interest.

So, these are all things, like I said, besides operations, besides the growth, besides the cost, besides the organization, there are also low hanging fruit in some of the inefficiencies that we have in the system. We are working on them, and you will see some improvement.

Right now, you don't see it because we needed time also to first understand the situation. We brought in a Big Four who spent six months to identify the ways that we could do it. We looked at multiple different options, some cost us money, some don't.

So, it is not as easy as just saying, okay, let's move on and go from this jurisdiction to this and pay it off, right. So, it is a bit complex. Maybe we are a little bit slower than we should be, but let's do it right. But the intent is there to clean that up once and for all and not have a situation where we do it because we as management also and Alex is part of this, sometimes we feel bad that the hard work that we do at a business level sometimes doesn't show up at the earnings level, right.

So, we are working on that. I mean, we can't change what's happened in the past, but the idea is to definitely change what we can do in the future.

Rushabh Shredalal: My second question is on, again, the European operation. So, we have completed significant restructuring actions in Europe, especially the closure of the UK Leven facility and there was some workforce rationalization that we did across Germany, France and Switzerland and the commissioning of the Poland plant at a very low-cost manufacturing hub. But we did have an exceptional item and somehow or the other, either a small number or a large number, but an exceptional item keeps coming.

So, my question specifically is that how much more exceptional items should we expect going ahead? And once this, you know, the rationalization has already been done. So, can you just quantify the annual run rate cost savings that we expect once these actions are fully absorbed, both in terms of the absolute terms and also in terms of improvement in the international EBITDA margin, which are currently at 10%?

Tarak Patel: So, on the one off, I don't think we will have anything significant next year. I can't say right now, but as of now, there is no plan. Most of the stuff that we wanted to do has been done. So, there is no specific plan right now to do anything in terms of onetime cost, right. So, I don't see that hitting the P&L next year.

In terms of the cost savings, I think we had mentioned something. The contract has been we have added about four or five more people to that restructuring as well. And we could probably articulate some savings. They start over next year and really materialize as and when people retire. So, we could share something. Yes, Alex.

Alexander Poempner: In fact, we would like to share that we saved with this initiative INR 45 crores on an annual basis.

Tarak Patel: The German one.

Alexander Poempner: The German one, the German restructuring fund and I echo it is exceptional. Yes, you are right. We had last year exceptional. We have this year exceptional. Why do we have it? Because we really shut down the site and this, of course, will not continue.

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Currently, there is not a plan to do something. But of course, depending on the environment and everything, we have to improve here and there. And we initiate another big restructuring measure and we will report it as a one-off item. But then you will also see additional cost saving in the future. As said Germany restructuring cost us money.

Rushabh Sharedalal: Sir, sorry to interrupt.

Alexander Poempner: And therefore, we see INR 45 crores improvement in future.

Rushabh Sharedalal: Sir, sorry to interrupt. Just wanted to get a clarification. The INR 45 crores that you alluded to the number, that was an exceptional item in the Leven closure alone cost, right? So, when we say that we have made the Poland...

Tarak Patel: No, we are talking about the German Waghausel, we borne 4.5 million that we spent this year.

Alexander Poempner: I think we have an exceptional this year. We have INR 65 crores. This consists of the restructuring, mainly severance costs in Germany, as well as the impact on the labor code in India.

This INR 45 crore that I mentioned, this is an improvement, the cost saving going forward in the international business in Germany. So, in fact, the costs that were taken out with this restructuring initiative.

Rushabh Sharedalal: So, the normalized EBITDA for the international business currently for this quarter, it was around INR 50 crores. But if I even look at the annual EBITDA number, it is around INR 260 crores for this quarter for the international business. We can expect that to be anywhere between INR 320 crores to INR 330 crores. Is that a fair assumption?

Tarak Patel: So, what he is saying is everything remains the same, if business continues, margins continue, prices don't increase, everything is the same, you will see that saving coming through and adding to that number. Yes, it does in an ideal situation, but there could be some other savings that might come up. Pricing might increase. It could increase to that. It might decrease a little bit, but the savings in terms of what we pay people, the salary that goes out.

Alexander Poempner: But he is right. Currently, if you start with 260, 264 EBITDA this year, you have to add the 40-45 to come to a like-for-like comparison just based on the restructuring measures. But as also Tarak mentioned, we will not get everything directly from April because some people will leave during the year. So, 45 is the full-year impact.

Rushabh Sharedalal: So, we can expect...

Moderator: Sorry to interrupt, Mr. Rushabh. May we please request you to rejoin the queue, sir, for the follow-up question? Next question is from the line of Dheeraj Kumar Reddy from AlphaSqr. Please go ahead.

Dheeraj Kumar Reddy: Sir, I have two questions. The first one being, in the last quarter, I remember you mentioning our sustainable operating margin structure. I understand there are some gross margin issues this quarter, but if we have to understand our sustainable operating margin structure, how should one think about it, maybe, if not next year, probably two, three years out, what is the management vision there?

Tarak Patel: So, our company of us, in engineering, we believe that a 15% EBITDA margin, if you look at some of our peers, that should be something that we should definitely aspire to. So, we are today at 11.5%, 11.4%, and we believe that in the medium term, that is a number, at least as a minimum, that we should achieve, if not more, right.

If our initiatives work out the way we planned them, if the growth comes in, if the order intake comes in, there is no reason why we should do it even faster. But again, general business environment today is a bit slow, so it does take a little bit of time. But we do believe with the current this year also initiatives, we believe that next year we will improve again, right.

So, yes, it is an improvement that maybe some of us feel is a bit slow, but keeping in mind the current situation, I think it is a steady performance this year. But again, next year, again, like you said, people would like to see improvement, and some of the improvements which are within our control, they would like to be done faster.

So, we are working on those. But I think a 15% margin is something that we should definitely be targeting. And I think management and my colleagues here feel I think that is at least a minimum that we should be having.

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At a global consolidated level, At a global consolidated level, so within that, you will have certain products maybe earning a 20% EBITDA margin and some maybe a 12% EBITDA margin. But at a blended rate, we believe a 15% margin would be achievable.

Dheeraj Kumar Reddy: This is slightly lower to what we had expected last quarter. If I remember it correctly, last quarter, it was more like in the range of 16 to 18 if I am not wrong.

Tarak Patel: Yes, so, again, we are taking a three year view. So, the idea today is again to be cautious and to be, I would say, we are optimistic, but again, promising you something and then not achieving it. So, the idea is to get to 15 as soon as possible. If that time frame becomes faster, then there is no reason why 16, 17 should not be achievable.

Dheeraj Kumar Reddy: I think I will just ask my second question. Sir, fundamentally, any company will drive their growth in two ways, right? One is through existing products. And the second one is the new products, right?

So, I know that now GMM is working in the areas of semiconductor and nuclear. So, we just wanted to understand like what are the kind of products which we are working and who is the typical customer? What are the end use cases here? And how do you see this vertical growing for us in the mid, if not like next year, probably a two, three year view. And what are the typical margin structures? Like are these higher margin products? So, I think this is the question I had.

Tarak Patel: Yes. So, this is maybe a slightly different way to answer the question. So, continuing on the strong order intake for last year, in spite of the current situation, we do see a good amount of traction also in Q1. So, order intake is continuing to be of a decent level. So, that is definitely a positive.

Again, this quarter, we have seen a nice order coming in for Edlon in the tune of USD 8-9 million. We have had a large order in Asia, in India as well for a heavy engineering business. So, order intake is coming in and like you are saying, it is coming in from the non-traditional segments of, for example, defense, oil and gas. We have got some international export business as well.

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So, these different industries are definitely driving a little bit of growth. Our current markets of pharma have also seen some improvement here in India. The CDMO play is picking up, like I told you. The peptide play is also adding to that. Chemicals, unfortunately, has not seen significant improvement. We are still kind of waiting for the big projects to line up, but still, they are a little bit few and far in between.

So, I think that is a concern, but generally some of the slowdown in chemicals, we tried and made up from the other industries.

Dheeraj Kumar Reddy: Yes, sir, my question was more in the lines of what are the applications in semiconductors and what are the end applications and who are the typical customers you are working in, and what are the typical operating margin structures?

Tarak Patel: Yes, so in our Edlon business, we have maybe the big focus on semiconductor where we work with Micron, we work with Intel, we work with all these companies who manufacture fab and chips and things like that. Because they require very high purity linings within those vessels where they do these kinds of chip manufacturing and things like that.

So, the who's who of semiconductor. But today, Edlon, if you remember a few years ago, it was a USD 10 million business, it was put up for sale and as the market turned and semiconductor started booming, we decided to keep that business within the group. It is now a USD 25 million business, high margin business, and good growth as well. So, that is the application.

Edlon also now is seeing some traction into the nuclear industry in the U.S. where they are making glove boxes lined with the same material. So, that is another area that we are kind of trying to get into.

The third part for the other products where I think we have done a lot of work in diversification, we have a lot of new emerging kind of technology like lithium extraction, battery technology, we have built systems for that.

And then in our mixing technology business, we have done a lot of work with metal and minerals. So, both our South American units, SEMCO, have done exceedingly well. This quarter, they got another large USD12-13 million order for agitators as well.

And the MixPro in Canada also based on the same investment going into metals, minerals, is growing quite well and highly profitable. So, there are different pockets around the world that are doing quite well and generating good order intake.

The chemical, traditional markets of chemicals are a bit slow and patchy. Hopefully, that will come back.

Moderator: Next follow-up question is from the line of Kunal Mehta from InCred Equities. Please go ahead.

Kunal Mehta: Just a couple of follow-up questions. One is, the other intangible assets in the balance sheet has grown about INR 150-160 crores. So, if Alex can maybe just guide us, how the SEMCO acquisition has been distributed on the balance sheet, how much is for goodwill? How much is for the intangible and how much assets, the property, plant and equipment?

Tarak Patel: Yes, we can. But it is probably better if you just connect directly. We can share the working with you because on the call, you might get some different numbers. So, probably better to get these details. It is easily available. I think Raveen can share with you. So, just reach out and we will share it.

Kunal Mehta: Sure, And just one on the provisions. Provisions also have increased by INR 110 crores. So, these are the pension liabilities. Have they increased?

Alexander Poempner: No, this is just, you asked regarding the pension liabilities on the balance sheet?

Kunal Mehta: Yes.

Alexander Poempner: No, this is coming just from a different interest rate. It is a valuation which was provided by the actuary, but the plans are closed. So in fact, we have irregular, there are some fluctuations, but this is just driven by the assumptions, by the interest rates maybe.

Just coming back also regarding the intangibles and goodwill, I think it was provided. You see it in the papers and the amount, the new amount is coming with the SEMCO acquisitions and partly Inox. So, the two acquisitions, but the split, I think you also see it here.

- Kunal Mehta:** What is GMM Inox?
- Alexander Poempner:** That is the Poland facility that we incorporated this year.
- Kunal Mehta:** And do we plan to acquire 100% of that in future?
- Alexander Poempner:** We have the possibility to acquire at one stage, but currently we have a strong local partner and currently it is not our interest to increase it to 100%. No.
- Kunal Mehta:** And how much is the capacity utilization over there right now?
- Tarak Patel:** It is full. It is completely full. We need to build another two sheds as soon as possible.
- Alexander Poempner:** Currently, this acquisition we invested, yes, more or less it was a cash investment to get the 51%. And now we are setting up, we are increasing the size and as mentioned before, it is more or less to set up more production facilities for the other sites in Europe to also benefit from cost savings in Poland.
- Kunal Mehta:** And how much revenue from Ahmedabad facility, the heavy engineering, how much revenue has been done this year?
- Tarak Patel:** Heavy engineering, I think INR 300 plus-ish crores, yes.
- Kunal Mehta:** And all is domestic, right?
- Tarak Patel:** No, I think they would have had some small export component, but not major. But the new orders that have come in, there have been some good export orders. But for last year, I don't remember them having a very large export, maybe a couple of ones to the Middle East, but nothing significant. But yes, generally, maybe domestic, but the current order backlog will have a little bit more exports.
- Alexander Poempner:** But Inox is not heavy engineering.
- Tarak Patel:** Yes. You are talking about the Vatva facility, right?
- Kunal Mehta:** Yes.

- Tarak Patel:** So, that's grown year-on-year double digits. It has grown for sure. And the plan there is to continue growing as well, because that is one business line that has the legs for growth.
- Kunal Mehta:** And we can do how much revenue from there, about INR 600 crores from current?
- Tarak Patel:** No, I think from the current facility, we could expand a little bit more there, but I think around INR 700 Crores to INR 800 Crores can be targeted from that facility with some more investment, small investment. More than that, we will need a new facility.
- Moderator:** Ladies and gentlemen, due to time constraint, we will take this as a last question for the day. I now hand the conference over to the management for the closing comments.
- Raveen Kanabar:** Thank you everyone for joining us today. It was a pleasure interacting with all of you and we look forward to many such interactions during the course of the year. Take care and see you soon.
- Moderator:** Thank you very much. On behalf of GMM Pfaudler Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.