GMM/SEC/2025-26/18 June 21, 2025

To,

BSE Limited

Scrip Code: 505255

National Stock Exchange of India Limited

Symbol: GMMPFAUDLR

Sub.: **Update on credit rating**

Dear Sir/ Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we wish to inform you that CRISIL has reaffirmed the credit rating assigned to GMM Pfaudler Limited and revised the outlook from 'Positive' to 'Stable'.

The report from CRISIL providing the rationale for update on rating is enclosed for reference.

This is for your information and records.

Thanking you.

Yours faithfully,

For **GMM Pfaudler Ltd**

MITTAL KARTIK MEHTA

Digitally signed by MITTAL KARTIK MEHTA
Date: 2025.06.21 12:00:50 +05'30'

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

Crisil Ratings

Rating Rationale

June 19, 2025 | Mumbai

GMM Pfaudler Limited

Rating outlook revised to 'Stable'; Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.600 Crore**
Long Term Rating	**Crisil AA-/Stable (Outlook revised from 'Positive'; Rating Reaffirmed)**
Short Term Rating	**Crisil A1+ (Reaffirmed)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has revised its outlook on the long-term bank facilities of GMM Pfaudler Ltd (GMM Pfaudler) to '**Stable**' from 'Positive' while reaffirming the rating at **'Crisil AA-'**. The rating on the short-term bank facilities has been reaffirmed at 'Crisil A1+'.

The revision in outlook reflects moderation in demand in key end user industries, which will result in rangebound revenue growth over the near-to-medium term. The ratings continue to reflect the company's continued leading position in the glass-lined equipment (GLE) market, experienced management and comfortable financial risk profile. These strengths are partially offset by large working capital requirement, however, this burden is mitigated by customer advances received by the company and reducing, albeit high, dependance on chemical and pharmaceutical (pharma) segments.

In fiscal 2025, GMM Pfaudler reported consolidated revenue of Rs 3,199 crore, a 7% on-year decline from Rs 3,446 crore in fiscal 2024, impacted by subdued demand from the chemical and agrochemical sectors. Orders remained stable at Rs 3,102 crore, backed by improvement seen in the last quarter of fiscal 2024, and pickup in demand in the domestic market. The company had orders of Rs 1,636 crore as on March 31, 2025, ensuring revenue visibility.

Profitability moderated in fiscal 2025, with earnings before interest, tax, depreciation and amortisation (Ebitda) margin declining to 11.9% from 13.8% in fiscal 2024 due to lower absorption of fixed costs amid revenue degrowth. Profitability was further impacted by a one-time exceptional item, relating to the closure of the UK facility at Leven and the Hyderabad facility, resulting in inventory write-offs, severance pay, other closure cost and asset impairments. The company continues to focus on structural cost reduction and manufacturing optimisation through transformation initiatives and global footprint rationalisation. The operating margin is expected at 12-13% over the medium term, supported by ongoing cost optimisation, consolidation of operations and increased production at low-cost locations in India and Poland.

Despite the moderation in operational performance, the financial risk profile remains comfortable supported by strong adjusted networth (adjusted for goodwill amortisation) of Rs 931 crore and gross debt of Rs 1,132 crore (including pension and lease liabilities) as on March 31, 2025. Gearing was ~1.1 times as on that date and is expected to improve to below 1.0 time as on March 31, 2026, aided by steady internal accrual and debt repayment. Total outside liabilities to adjusted networth ratio was ~2.2 times as on March 31, 2025, and is expected at ~1.7 times in fiscal 2026 with progressive deleveraging.

Analytical Approach

Crisil Ratings has combined the credit risk profiles of GMM Pfaudler and its subsidiaries, Mavag AG and GMM International SARL, collectively referred to as GMM Pfaudler.

Crisil Ratings has treated pension liabilities and lease liabilities as part of total debt.

Crisil Ratings has also amortised goodwill from acquisitions over a period of five years and has also adjusted Intangibles for the purpose of Net Worth.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Leadership in the global GLE industry:** Strong product quality and large production capacities have enabled the company to become the market leader in the global GLE segment, with market share of 50% in America, 40% in Europe, 20% in China and 50% in India. GMM Pfaudler faces intense competition in the small vessel segment but has near monopoly in the large vessel segment. It has steady and longstanding customer relationships and has been servicing around 70% of its top customers for more than 20 years.

- **Strong technological expertise and market presence of the Pfaudler group in global markets:** The business risk profile benefits from the technological support provided by the Pfaudler group. The company has acquired technology for manufacturing GLE from Pfaudler and has access to the diversified product mix and strong research and development capabilities of the group. Besides, the group has robust global reach with 20 manufacturing facilities in four continents. Post acquisition of Pfaudler Inc, the company has been able to diversify its revenue streams with share of revenue from systems and services segments increasing to ~13% and 29%, respectively, on a consolidated basis, as against 6% and 8%, respectively, on a standalone basis.

- **Comfortable financial risk profile:** The financial risk profile of GMM Pfaudler continues to be comfortable supported by robust internal accrual, prudent debt management and improving capital structure. As on March 31, 2025, the company's gross debt stood at Rs 1,132 crore, including pension liabilities of Rs 282 crore and lease liabilities of Rs 200 crore. Gearing was comfortable at ~1.1 times as on March 31, 2025. Given steady earnings, debt repayment and no major debt-funded capex plan, the company is well-positioned to strengthen its capital structure over the medium term with gearing expected to improve to below 1 time. Gross debt to adjusted Ebitda (adjusted Ebitda is inclusive of other operating income of Rs 15 crore) ratio was 3.01 times in fiscal 2025, as against 2.50 times in fiscal 2024. The net debt to Ebitda ratio improved significantly to 0.5 time in fiscal 2025 from 0.8 time in fiscal 2024. Adjusted interest coverage ratio moderated to 3.8 times in fiscal 2025, and is expected to improve to over 5 times over the near-to-medium term.

Weaknesses:

- **High, albeit reducing, dependance on chemical and pharma segments:** GMM Pfaudler is highly dependent on orders from chemical and pharma segments, which are the main end-user industries. While almost 100% of the revenue was derived from these segments 6-7 years ago, dependance has gradually reduced to around 60%. To reduce dependance, the company has been expanding its product portfolio and ramping up its non-GLE and mixing portfolios, which find applications in industries such as paints, biotech, metals and minerals, and oil and gas. This will shield the company from downturns in a segment.

- **Large working capital requirement:** Long lead time for production and high cost of specialised raw materials result in large working capital requirement. Inventory (including unbilled revenue) is 100-120 days while receivables are 40-50 days. Operations may remain susceptible to inventory pricing risk and potential delays by customers in taking deliveries.

Liquidity: Strong

Liquidity will remain healthy, with expected annual cash accrual of Rs 320-400 crore over the medium term against debt obligation (term loan and lease liability) of Rs 60-130 crore. Fund-based bank limit of Rs 557 crore was utilised 74% on average over the 12 months through April 2025. Further, the company had cash and equivalent of Rs 467 crore as on March 31, 2025 (Rs 445 crore unencumbered), spread across different geographic locations; clarity around the fungibility and cross-border movement of funds continues to be limited.

Environmental, social and governance (ESG) profile

Crisil Ratings believes the ESG profile of GMM Pfaudler supports its already strong credit risk profile. The capital goods sector has moderate environment and social impacts driven by its raw material sourcing strategies and energy-intensive processes. The company's increasing focus on addressing ESG risks supports its ESG profile.

Key ESG highlights:

- GMM saw reduction in intensities of scope 1 and 2 emission by ~4% and energy consumption by ~2% CAGR, respectively, over fiscals 2022 and 2024. Share of renewable energy in the total energy mix stood at ~2% in fiscal 2024
- GMM reported a high share of workers trained on safety (100%).
- At a standalone level, the share of female employees stood at ~5% and attrition rate at ~17% in fiscal 2024.
- GMM governance structure is characterized by ~71% of its board comprising of independent directors, 29%-women board directors, high attendance of independence directors in the board and committee meetings and extensive financial disclosures.

Outlook: Stable

Crisil Ratings believes GMM Pfaudler will continue to benefit from its global leadership in the GLE industry. The financial risk profile will likely remain strong over the medium term backed by healthy cash accrual and large liquid surplus.

Rating sensitivity factors

Upward factors:

- Steady increase in revenue while maintaining operating margin over 14%
- Improvement in debt to Ebitda ratio to below 2.75 times (net debt to Ebitda ratio below 2 times on a sustained basis)

Downward factors:

- Decline in revenue by over 10% and operating margin below 11%
- Large, debt-funded acquisitions or stretched working capital cycle, leading to debt to Ebitda ratio beyond 4 times (net debt to Ebitda ratio above 3.2 times)

About the Company

GMM Pfaudler was incorporated as Gujarat Machinery Manufacturers Ltd (GMM) in 1962. The company provides corrosion-resistant technologies, systems and services. Its products are used in the chemical, pharma and allied industries. During 2020 to 2022, GMM Pfaudler acquired 100% stake in its parent company, Pfaudler International.

Key Financial Indicators*

Particulars	Unit	2025	2024
Revenue	Rs crore	3,214	3,450
Reported profit after tax (PAT)	Rs crore	49	174
Reported PAT margin	%	1.52	5.04
Adjusted debt / adjusted networth	Times	1.22	1.33
Adjusted interest coverage	Times	3.80	5.09

**Crisil Ratings-adjusted financials*

Any other information: Not applicable

Note on complexity levels of the rated instrument:

Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Term Loan	NA	NA	28-Sep-27	25	NA	Crisil AA-/Stable
NA	Term Loan	NA	NA	28-Sep-27	15	NA	Crisil AA-/Stable
NA	Term Loan	NA	NA	30-Sep-27	15	NA	Crisil AA-/Stable
NA	Working Capital Demand Loan%	NA	NA	NA	5	NA	Crisil AA-/Stable
NA	Working Capital Demand Loan	NA	NA	NA	20	NA	Crisil AA-/Stable
NA	Working Capital Demand Loan***	NA	NA	NA	146	NA	Crisil AA-/Stable
NA	Working Capital Demand Loan**	NA	NA	NA	44	NA	Crisil AA-/Stable
NA	Working Capital Demand Loan*	NA	NA	NA	70	NA	Crisil AA-/Stable
NA	Cash Credit#	NA	NA	NA	5	NA	Crisil AA-/Stable
NA	Cash Credit&	NA	NA	NA	15	NA	Crisil AA-/Stable
NA	Letter of Credit^^	NA	NA	NA	5	NA	Crisil A1+
NA	Letter of Credit	NA	NA	NA	35	NA	Crisil A1+
NA	Letter of Credit	NA	NA	NA	15	NA	Crisil A1+
NA	Letter of Credit&&&	NA	NA	NA	30	NA	Crisil A1+
NA	Letter of Credit&&	NA	NA	NA	4	NA	Crisil A1+
NA	Bank Guarantee	NA	NA	NA	61	NA	Crisil A1+
NA	Bank Guarantee@	NA	NA	NA	60	NA	Crisil A1+
NA	Bank Guarantee^	NA	NA	NA	30	NA	Crisil A1+

& - with sublimit of non-fund based limit upto Rs 7.5 crore
 # - with sublimit of non-fund based limit upto Rs 5 crore
** - with sublimit of non-fund based limit upto Rs 35 crore*
*** - with sublimit of non-fund based limit upto Rs 44 crore*
**** - with sublimit of non-fund based limit upto Rs 146 crore*
% - with sublimit of non-fund based limit upto Rs 5 crore
^ - with sublimit of fund based limit upto Rs 25 crore
@ with sublimit of fund based limit upto Rs 60 crore
&& - with sublimit of fund based limit upto Rs 4 crores
&&& - with sublimit of fund based limit upto Rs 30 crores
^^ - with sublimit of fund based limit upto Rs 2.5 crores

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Mavag AG	Full	Subsidiary
GMM International S.A.R.L.	Full	Subsidiary

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	360.0	Crisil AA-/Stable		--	21-03-24	Crisil AA-/Positive	03-01-23	Crisil AA-/Stable	16-08-22	Crisil AA-/Stable	Crisil AA-/Stable
			--		--		--		--	02-02-22	Crisil AA-/Stable	--
Non-Fund Based Facilities	ST/LT	240.0	Crisil A1+		--	21-03-24	Crisil A1+	03-01-23	Crisil A1+	16-08-22	Crisil A1+	Crisil A1+
			--		--		--		--	02-02-22	Crisil A1+	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee&	30	Axis Bank Limited	Crisil A1+
Bank Guarantee^	60	The Hongkong and Shanghai Banking Corporation Limited	Crisil A1+
Bank Guarantee	61	State Bank of India	Crisil A1+
Cash Credit%	15	Axis Bank Limited	Crisil AA-/Stable
Cash Credit$	5	DBS Bank Limited	Crisil AA-/Stable
Letter of Credit#	4	Axis Bank Limited	Crisil A1+
Letter of Credit@	30	The Hongkong and Shanghai Banking Corporation Limited	Crisil A1+
Letter of Credit	15	HDFC Bank Limited	Crisil A1+
Letter of Credit	35	Kotak Mahindra Bank Limited	Crisil A1+
Letter of Credit!	5	DBS Bank Limited	Crisil A1+
Term Loan	15	Axis Bank Limited	Crisil AA-/Stable
Term Loan	15	The Hongkong and Shanghai Banking Corporation Limited	Crisil AA-/Stable
Term Loan	25	HDFC Bank Limited	Crisil AA-/Stable
Working Capital Demand Loan~	70	Axis Bank Limited	Crisil AA-/Stable

Working Capital Demand Loan[<]	**44**	**The Hongkong and Shanghai Banking Corporation Limited**	**Crisil AA-/Stable**
Working Capital Demand Loan[>]	**146**	**State Bank of India**	**Crisil AA-/Stable**
Working Capital Demand Loan	**20**	**HDFC Bank Limited**	**Crisil AA-/Stable**
Working Capital Demand Loan[&&]	**5**	**DBS Bank Limited**	**Crisil AA-/Stable**

& - ^ - - with sublimit of fund based limit upto Rs 25 crore
^ - @ with sublimit of fund based limit upto Rs 60 crore
% - & - with sublimit of non-fund based limit upto Rs 7.5 crore
$ - # - with sublimit of non-fund based limit upto Rs 5 crore
 # - && - with sublimit of fund based limit upto Rs 4 crores
@ - &&& - with sublimit of fund based limit upto Rs 30 crores
! - ^^ - with sublimit of fund based limit upto Rs 2.5 crores
*~ - * - with sublimit of non-fund based limit upto Rs 35 crore*
*< - ** - with sublimit of non-fund based limit upto Rs 44 crore*
*> - *** - - with sublimit of non-fund based limit upto Rs 146 crore*
&& - % - with sublimit of non-fund based limit upto Rs 5 crore

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for consolidation
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

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