

## GMM Pfaudler Limited.

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs595	Rs332	Rs800	34%	BUY	Rs8.7

### About the Company:

GMM Pfaudler Limited (GMM) is a leading supplier of engineered equipment and systems which have critical applications in the pharmaceutical and chemical market. The company pioneers in manufacturing Glass-lined steel equipment's which have applications in pharmaceutical, chemical, petrochemical, pesticide and food industries. The company is also involved in designing, manufacturing and marketing of glass-lined reactor vessels, storage tanks, valves and pipe & fittings. GMM is an ISO 9001:2008 company. The company has also been approved by Special Equipment Licensing Office (SELO) for the supply of pressure vessels to the Peoples Republic of China. GMM has its manufacturing plant located at Karamsad in Gujarat.

### Results Declared:

- The growth story for the company continues. The company has delivered a very strong performance. Net sales for the quarter stood at Rs764mn as against Rs631mn in the same quarter last year, growth of 21%
- The Ebitda margins for the quarter came in 15.16% as against 17.27% in the comparative quarter.
- The net profit stood at Rs71mn as compared to Rs63mn in the corresponding quarter last year.
- The EPS for the quarter stands at Rs4.81 as compared to Rs4.88 in the corresponding period last year.

### Other highlights:

- The Board of Directors of the company at their meeting held on 9<sup>th</sup> November, 2017 have considered and approved the payment of second interim dividend ie Rs0.70 per share of equity shares of Rs2 each for the year 2017-18.
- The expenses for the company have increased (one-off expense) for the quarter under review, which is due to change in product mix, increase in cost of energy (as they are using electricity instead of the regular gas furnace) and the company has hired a consultant to help them achieve higher operational efficiencies.
- The company will be installing the new gas furnace by the end of the year and the long-term benefits of the same will be seen in the second half of the financial year.
- The company has a healthy order back log, which is better than the previous year.
- The company is anticipating more order via the parent in the next year. The company has got second export order from the parent company.
- Moreover, the company is seeing traction for the heavy engineering business via the Pfaudler network.
- The company does not require any major capex for the next 2-3 years.

### Financials ( Standalone):

Result Update (Q2FY2018)									
Q2FY18 Result (Rs mn)	Sep-17	Sep-16	y-o-y	June-17	q-o-q	FY16	FY17	y-o-y	FY18E
Total Income	764	631	21.1%	689	10.9%	2296	2663	16.0%	2991
EBITDA	116	109	6.2%	79	46.2%	320	410	28.3%	449
Other Income	13	6	-	29	-	32	78	140.0%	80
Interest	1	2	-	4	-	7	9	30.7%	10
Depreciation	20	19	5.3%	20	0.0%	67	74	9.6%	79
Tax	37	31	19.4%	28	32.1%	94	123	30.4%	132
Net Profit	71	63	12.4%	56	26.0%	184	282	53.7%	308

### Outlook and Recommendations:

The company as well as the subsidiary (Mavag) has a strong order book. The management is focusing at further improving their operational efficiencies which will have long term benefits for the company. Keeping the upcoming growth in view, we maintain our target of Rs800 over a horizon of 12 months.

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