

GMM Pfaudler Limited.

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs840	Rs332	Rs1,000	19%	BUY	Rs12.3

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 net sales for the quarter under review came in at Rs879mn as compared to Rs795mn, growth of 10.6%
- The Ebitda margins improved to 16.4% from 13.6% in the same quarter last year
- The net profit grew by 11.8% to Rs84mn from Rs75mn
- For the full year, the net sales clocked growth of 9% while the net profit grew by 8.8%.
- The EPS for the quarter is Rs5.8 while for the full year it stands at Rs19.4

Conference Call and Other Highlights:

- The company continues to have a healthy order book for FY19 for both standalone as well as for their subsidiary Mavag.
- During the year, the company was banking on the segments agrochemical and specialty chemicals; management sees some more sluggishness in the segment for Pharma. In line with the current scenario, management continues to be confident about the long-term prospects in agrochem and specialty chemicals. As per the management, these two sectors will be the main growth drivers in times to come as well. Management has indicated they are looking at certain opportunities in the petrochemical, oil and gas segments. Management is anticipating the Pharma sector to become stronger in later half of FY19. By then, the Pharma city (Telangana) will begin to propel growth.
- The gas furnace which the company has been mentioning since the last three quarters was commissioned in Feb 2018. This will help them achieve better operational efficiencies and thus increase the final output as well.
- In the segment for Glass Lined equipments, the company's current capacity utilization is nearly 80%. As of now, the company continues to follow the path of no significant capex planned for FY19. The minimum capex of Rs100mn to Rs120mn will remain in the system.
- GMM Pfaudler has ample work from the domestic Indian market itself, which is allowing a scope of nearly 10% for exports. However, the company is open to cater to the exports order if any from the parent i.e. Pfaudler.
- As per the Management, the subsidiary of the company i.e. Mavag is doing quite well. Mavag needs volume, wherein they are outsourcing from GMM. For the company exports have grown in shipments as well as orders.
- The commentary of the Management sounded consistent for the growth in the next year as well. The company has seen good strong growth for the year and Management is very positive on the India growth story.

Financials:

Result Update (Q4&FY2018)								
Q4&FY18 Result (Rs mn)	Mar-18	Mar-17	y-o-y	Dec-17	q-o-q	FY18	FY17	y-o-y
Total Income	879	795	10.6%	792	11.0%	3177	2914	9.0%
EBITDA	144	108	33.3%	123	17.1%	462	408	13.2%
Other Income	21	10	106.6%	9	129.6%	70	52	34.8%
Interest	2	3	(20.7%)	2	13.3%	10	9	14.8%
Depreciation	22	19	17.9%	21	7.8%	83	74	12.5%
Tax	56	21	166.7%	35	60.0%	155	117	32.9%
Net Profit	84	75	11.8%	74	13.2%	284	261	8.8%

Outlook and Recommendations:

The company has reported good set of numbers for the quarter under review. Also with respect to the full year numbers, the results are slightly above expectations. The new gas furnace will help the company achieve better operational efficiencies and thus help in saving expenses as well. The company has taken many internal initiatives which will help the profitability of the company in times to come. We continue to remain bullish on the story and maintain our fourth revised target price of Rs1,000 with a 12 months perspective.

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