

GMM Pfaudler Limited

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs1370	Rs332	Rs1600	17%	BUY	Rs20

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 grew by 33.8% to Rs1503mn as compared to Rs1123mn in the same quarter last year
- The EBITDA margins for the quarter under review stood at 18.36%
- The net profit grew by 54% to Rs177mn as against Rs115mn in the comparative quarter
- The EPS stands at Rs12.1

Financials:

Result Update (Q1FY20)								
Q1FY20 Result (Rs mn)	June-19	June-18	y-o-y	Mar-19	q-o-q	FY19	FY18	y-o-y
Total Revenue	1,503	1,123	33.8%	1,391	8.0%	5,026	4,057	23.9%
EBITDA	276	165	67.3%	198	39.2%	770	621	24.0%
Other Income	13	31	(56.9%)	24	(45.6%)	85	94	(10.0%)
Interest	6	2	247.7%	3	79.0%	12	10	13.7%
Depreciation	43	28	55.6%	25	74.2%	110	98	12.1%
Exceptional Items	0	0	-	0	-	0	0	-
Tax	63	52	22.1%	62	2.9%	227	180	26.2%
Net Profit	177	115	54.5%	133	33.0%	506	427	18.5%

We attended the AGM of the company on 14th August 2019:

Key Takeaways:

- The standalone numbers seem to be much better than that of the consolidated as there is a slowdown in the European market and Mavag seems to be content with the revenues and profit which they earn. The parent company's i.e. Pfaudler group and DBAG group are satisfied by GMM's performance and talk very high about the operations and working of the company.
- The company does not disclose the order book in hand, but always mention about the same being strong and has a visibility of next 4-6 months.
- The company is capable of manufacturing ~200 equivalent units per month which is a new bench mark for the company.
- During the year under review, GMMP acquired Industrial Mixing Solutions Division from Sudarshan Chemical Industries Ltd. The intension of the Management is to create a world class business vertical (over the next 2-3 years) that will focus on the industrial mixing space and provide innovative mixing technologies which may help improve efficiencies and reduce costs.
- Technological advancement and innovative technologies are something that will help the company going forward and the intensions of the Management also keep pace with the idea. The company is trying to explore new horizons in the segment of acid recovery, which is an absolute breakthrough technology, if the company becomes successful in this endeavor. Along with the new and high quality technologies provided to its customers, the company will also focus on the after sales services and try and maintain the status as a key supplier to many players in the market.
- GMMP sees significant traction and promising opportunities in new sectors such as Oil & Gas, Petrochemical, Fertilizers and Minerals & Metals
- Management spoke about work and orders from Engineers India and PI Industries.
- Post the completion of Mission 2020, the Management will now start formulating the next plan for the upcoming five years.

Outlook and Recommendations:

GMM continues to be a premium supplier of equipment's and has a royal customer base. To further strengthen the efficiencies, the company intends to add another gas furnace which will be installed by end of Q2FY20. The company continues to reward its shareholders with incremental dividend. The company continues to look stronger, ambitious hungry for growth, which compels us to maintain our target price of Rs1600

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