

GMM Pfaudler Limited

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs1364	Rs332	Rs1600	17%	BUY	Rs19.9

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 37.3% to Rs1,207mn as compared to Rs879mn in the same quarter last year
- The EBITDA margins for the quarter under review stood at 14.1%
- The net profit grew by 27.8% to Rs108mn as against Rs84mn in the comparative quarter
- The EPS stands at Rs7.3
- For the full year, the company has clocked revenue growth of 31.8% and ended the year with net profit growth of 43%
- The board of directors of the company have recommended a final dividend of Rs1.5 per equity share FV=Rs2 subject to approval by the shareholders

Conference Call Highlights:

- The company has indicated of a strong order book and is accordingly upgrading and adding capacity to capitalize on the increasing demand opportunity. More than 60% of the order backlog is from the glass lined equipments. It is well spread across the product line
- The company acquired the Industrial Mixing Solutions division of Sudarshan Chemical Industries Ltd on a going concern basis in April, 2019 which should further add to the revenues of the company post synergy.
- The heavy engineering division saw contraction in EBIT margins mainly due to 1-2 jobs that reduced the profitability but should good going forward
- Mavag was weaker than guided (reported USD13.1mn as compared to the targeted USD15-16mn) as there was a delay seen in the shifting out of two equipments on time.
- The company expects 2400EUs this year and then a 20% growth going forward
- The expected capex is in the range of ~Rs20cr but probably in the second half of FY20

Financials:

Result Update (Q4&FY2019)								
Q4&FY19 Result (Rs mn)	Mar-19	Mar-18	y-o-y	Dec-18	q-o-q	FY19	FY18	y-o-y
Total Revenue	1,207	879	37.3%	1,056	14.3%	4,187	3,177	31.8%
EBITDA	170	144	17.9%	172	(1.4%)	656	462	42.0%
Other Income	20	21	(4.2%)	21	(4.5%)	72	70	2.8%
Interest	3	2	38.7%	3	2.5%	12	10	13.3%
Depreciation	24	22	8.5%	28	(12.1%)	104	83	24.8%
Exceptional Items	-	-	-	-	-	-	-	-
Tax	54	56	(2.4%)	53	3.1%	207	155	33.4%
Net Profit	108	84	27.8%	110	(1.6%)	406	284	43.0%

Outlook and Recommendations:

There was an impact on the margins seen mainly due to the performance of heavy engineering as well the delay of shifting out of two large equipments. However, the management is confident of continuing the positive performance going forward and have laid out the five-year vision plan which will propel the company into next leg of growth. We have achieved our earlier target of Rs1300 and further build on our conviction by revising it to Rs1600 over a 12 months horizon.

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