



Farsight

MORNING FARSIGHT

Friday, July 13, 2018

GMM PFAUDLER

CMP:RS 825

TRGT:RS 1000

TIME HORIZON: 1 YEAR

GMM Pfaudler, the largest manufacturer of Glass Line Equipments in India. with 53% market share (Industry size —Rs 400cr) having more than five decades of experience, with company growing its PAT at over 35% for last 2 years, having debt free balance-sheet, undertaking significant capacity expansion, having more than 8 months of order book and strong balance-sheet with Cash of more than 10%of current market cap, makes it a good buy now. Consolidated PAT of Rs. 42.7 cr in FY18 against Rs. 31.1 cr in FY17, a growth of 37% YoY, on an income of Rs. 420 cr (healthy PAT margin of 10.2%). Now, company had achieved total sales of 1,400 Glass Equipment Vessels in FY17 and 1,500 Glass Equipment Vessels in FY18. Currently, it is operating at 80% utilisation levels and undertaking de-bottlenecking, which will increase its capacity to 2,100 Glass Line Equipment. Company's other two divisions viz., Heavy Engineering and Proprietary Products (Mixing systems, engineered systems, filtration & drying) are also expected to achieve strong growth in the coming quarters, led by order execution and robust inflow of the orders. These divisions will also get support from Mavag, which is wholly owned subsidiary based in Switzerland and contributes 25% to the consolidated revenue. It was acquired in 2008 (value undisclosed) and is a supplier of non-GL equipments, such as high engineered Filtration & Drying Equipment and Mixing systems to the Pharma Biotech and Fine Chemical industries. Mavag is now witnessing stable margins due to increased outsourcing from GMM, (90% of manufacturing work outsourced to GMM from currently 45% and only 10% of finishing work to be done at Mavag AG). Further, management has guided that revenue from pharma industry to Just 30% during Q4FY18 against more than half of Glass Line segment revenue earlier, mainly due to the challenging environment in the sector and increased order from chemicals sector. Management expects in FY19, recovery in the pharma sector as capex cycle to see better pace. Company is having debt free balance-sheet with Cash Equivalents of Rs. 120 cr or Cash Per Share of Rs. 60. Company has posted an EPS of Rs. 29 for FY18 and on an estimated EPS of Rs. 38 for FY19, stock is trading at PE of 21.7x. Share ruling at Rs. 825 can move to Rs. 1000 in 1 year

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Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.