



Smart Multibagger

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01 Aug 2019

GMM Pfaudler Limited

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Smart VERC: 28, 9-B, Saket, Bhopal (India)

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Price related information

Company	GMM Pfaudler Ltd.
Current Price (Rs)	1179
Target Price (Rs)	2500
Target Gains	109%
Stop Loss (Rs)	900
Perceived Risk	Medium
Holding Period (months)	24 months
Recommended Portfolio weightage	4%
Market Capitalisation (Rs crores)	1725 crores

Stock related information

NSE Symbol	GMMPFAUDLR
BSE Ticker	505255
Face Value (Rs)	2
Book Value (Rs)	149
Sector	Industrial Machinery
BSE Group	B
Liquidity	Medium
BSE Index constituent	S&P BSE SmallCap

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GMM Pfaudler Ltd.

- ✓ GMM Pfaudler Limited was incorporated in the year 1962 as Gujarat Machinery Manufacturers Private Limited.
- ✓ Listed on the Bombay Stock Exchange in 1963.
- ✓ In 1987, Pfaudler Inc., USA subscribed to 40% equity of the Company to form a joint venture.
- ✓ Pfaudler Inc. further increased their stake to 51% in 1999 and the name of the Company was changed to GMM Pfaudler Limited.
- ✓ GMM Pfaudler Limited (GMMP) is a leading supplier of process equipment to the pharmaceutical and chemical industries.

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Financial Highlights (standalone)

	03/'16	03/'17	03/'18	03/'19	03/'18*	03/'19*
Total Income	232.84	274.09	324.71	425.94	89.96	122.70
Other Income	3.24	7.78	7.04	7.24	2.07	1.98
Interest	-0.69	-0.90	-1.03	-1.17	-0.24	-0.33
Depreciation	-6.74	-7.38	-8.31	-10.37	-2.24	-2.43
Tax	-9.45	-12.32	-15.52	-20.64	-5.56	-5.42
Net Profit	18.36	28.22	28.38	40.64	8.43	10.78
Equity	2.92	2.92	2.92	2.92	2.92	2.92
EPS	12.56	19.31	19.41	27.80	5.77	7.37
CEPS	17.17	24.36	25.10	34.90	7.30	9.04
OPM%	15.34	18.00	16.43	17.11	18.46	15.44
NPM%	8.00	10.60	8.93	9.70	9.59	8.93
Dividend%	150%	200%	200%	225%	-	-
Fixed Assets (crs)	43	49	63	67	-	-

* - 3 months

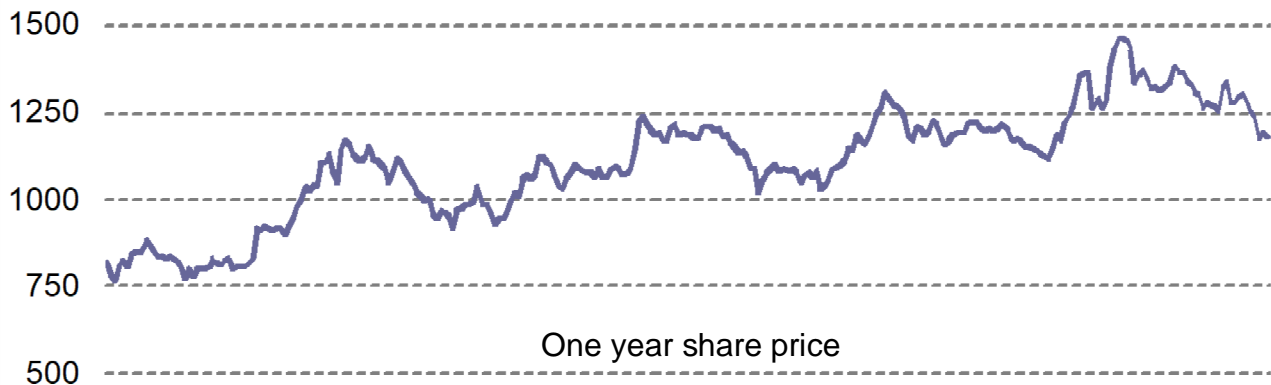
All EPS and CEPS calculated on current Face Value

Rs in Crores

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- ✓ It is the market leader and has more than five decades' experience in manufacturing Glass lined Equipment.
- ✓ Over the years GMMP has diversified its product portfolio to include Mixing Systems, Filtration & Drying Equipment, Engineered Systems and Heavy Engineering Equipment and is today a one stop shop for the chemical process industry.
- ✓ Being a Part of Pfaudler Inc., a global leader in glass lined equipment manufacturing, it enjoys strong parentage.
- ✓ Pfaudler Inc. holds 50.44% stake in the company which in turn is wholly owned subsidiary of Pfaudler Holding S.a.r.l Luxembourg, which in turn is owned by Deutsche Beteiligungs AG, and its Fund VI, a PE, listed in German Stock Exchanges
- ✓ The key industries it serves are Pharmaceutical, Agrochemical and Speciality Chemical. Agro and Specialty account for about 60% of total revenue. Pharma accounted for 30% revenue.
- ✓ Indian arm enjoys very strong customer base and includes clientele like Cipla, Ion Exchange, Thermax, Clariant, Sun Pharma, Jubilant Life Sciences, Sandoz,

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Lupin, Piramal, Sumitomo, Excel, United Phosphorus, Bayer etc.

- ✓ Last year it derived 11% income from exports.
- ✓ The Company has a state-of-the-art manufacturing facility spread over 20 acres in Karamsad, Gujarat.
- ✓ Currently employs 480 people and has regional sales and service offices in Ahmedabad, Ankleshwar, Chennai, Hyderabad, Mumbai, Pune, Roha, Vadodara and Visakhapatnam.
- ✓ Company has acquired the Industrial Mixing Solutions Division (IMSD) of Sudarshan Chemical Industries Ltd., Pune
- ✓ The acquisition of IMSD would enhance GMMP's industrial mixing business vertical by bringing in new products, technologies, customers and industry segments. Significant cost synergies are expected due to economies of scale, value engineering and by leveraging the strengths of both the organisations.

"We are pleased to announce the acquisition of Industrial Mixing Solutions Division from Sudarshan Chemical Industries Ltd. With this acquisition we will create a business vertical that will have a greater focus in the industrial mixing space and will provide our customers with innovative mixing technologies which will help them improve efficiencies and reduce costs.....We believe that this acquisition is a strategic fit and will reinforce our strategy of growing profitably and creating long term value for our shareholders."

- Mr. Tarak Patel, Managing Director

- ✓ GMM Pfaudler has been accredited by ASME for the manufacture and repair of pressure vessels under 'U' Stamp, 'U2' Stamp and 'R' Stamp, by TUV Nord for the manufacture of pressure vessels under CE 0045 (PED 2014/68/EU, Module H/H1) and AD 2000-Merkblatt HP0.

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- ✓ The company has also been approved by Special Equipment Licensing Office (SELO) for the supply of pressure vessels to the People's Republic of China and by Korean Gas Safety Corporation (KGS) for the supply of pressure vessels to the Republic of Korea.
- ✓ The Company has a long standing track record of consistent dividends.
- ✓ It is a total Debt free company from many years and as on 31 Mar 2019 it had cash and Investments of Rs 122 crores.
- ✓ RoE at 18.&% is pretty attractive.
- ✓ Last year it posted EPS of Rs 34.6 on consolidated basis. Considering the strong order book, we have assumed 30% growth in Revenues and 40% growth in EPS for next two years. Thus 24 months hence EPS should be around Rs 68

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"...As a company, we are definitely looking to increase the profitability again. We are around 15% level right now. We would like to at least add 1% at this point over the next year. We have a good backlog and we have good export orders also in the backlog which should help us really come back to...."

We don't disclose order book numbers but we started this year with a 50% higher backlog than previous year. It's the revenue growth that we have, we still managed a 50% higher backlog as the starting backlog and the first couple of months have also been quite strong in terms of order book. The good thing about the order backlog is it is well spread out between all our product lines. So, we are quite confident and we have good amount of visibility for this next financial year. "

- Mr. Tarak Patel, Managing Director

(Conference Call 30 May 2019) (Edited excerpts)

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and applying the reasonable PE of 40 (same as growth in EPS) stock price should cross Rs 2500 mark. ✱

Stock was advised in Smart Gains first time on 5 Feb 2014 at Rs 94 (became 15 bagger in 5 years) and on 31 Aug 2016 at 347 (became 4 bagger in 3 years).

"We continued with our healthy performance in this quarter with revenue growth of 37% and EBITDA growth of 18% over the same period in the previous year. We continue to witness strong order book momentum and we are accordingly upgrading/adding capacity to capitalize on the increasing demand opportunity..... We are confident of continuing the positive performance going forward and have laid out our five-year vision plan which will propel the company into next leg of growth."

- Mr. Tarak Patel, Managing Director (31 May 2019) (Edited excerpts)

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Frequently Asked Questions

Q. *What is the Guarantee of success of the expected returns indicated in this report ?*

A. There is no Guarantee of meeting the expected returns, it is only a probability. Returns have been calculated based on our past experience and certain expectations from the company, industry and the economy.

Q. *Can these stocks go down ?*

A. Recommendations are based on current valuations of these stocks with respect to the market. Any adverse news about the individual company or sharp correction in stock indices can drag the individual stock prices down.

Q. *Will these stocks be reviewed in future ?*

A. At least One review shall be made as and when required.

Q. *What is the minimum amount, one should invest in these stocks?*

A. Limit your exposure in any single stock to maximum 5% of your total portfolio value.

Q. *Stock advised by you is ruling up from your recommended price, can I still purchase this stock?*

A. One can buy the stock as long as it is within the 5% band of recommended price.

Q. *If I have a query, how and whom should I contact ?*

A. All the related queries shall be addressed to support@smartverc.com. We shall revert back to you within 24 hours.

Note :

- Investors are advised not to borrow money even for the short term to invest in these stocks.

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Disclosures Recommendations given in this report have been researched and prepared by A K Asnani (SEBI Reg. - INH000000420). He has experience of 30 years into stock investments and author of book 'Way To Billionaire'. By qualification he is BE, MBA (Finance), ERA (ICFAI, Hyderabad) and pursuing PhD.

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