

GMM Pfaunder Limited

Performance Update

Standalone (₹ cr)	Q3FY19	Q3FY18	% yoy	Q2FY20	% qoq
Net sales	136.6	105.6	29.4%	136.1	0.4%
EBITDA	28.6	16.7	71.7%	26.7	7.1%
EBITDA margin (%)	21.0%	15.8%		19.6%	
Adjusted PAT	19.4	10.9	78.3%	18.0	7.8%

Source: Company, Angel Research

For Q3FY2020, GMM Pfaunder (GMM) posted a yoy growth of 29.4%/78.3% in revenue/ led by margin expansion. The company is seeing good traction from its user industries like chemicals and agro chemicals agrochemicals which are seeing robust capex owing to shift in production from China.

Broad based growth: Q3's top-line growth was driven across all verticals. GL equipment segment registered a growth of 18.8% YoY while non GL segment grew by 52.1% YoY. Heavy engineering segment grew by 51.8% YoY while Proprietary products division too grew by 52.2% YoY.

Strong operating performance: Operating margin were robust at 21.0% due to better realizations and lower raw material costs. Management has indicated that margins are expected to remain stable at current levels on account of benign raw material costs and commissioning of new gas based furnace in Q4FY20.

Outlook and Valuation: We expect GMM Pfaunder to post CAGR of ~23%/39% in revenue/ earnings over FY19-22E. Management has indicated that the company is going to add two more gas based furnace from Q2FY21 which will help drive the GL business. Management also sounded positive on the heavy engineering business which is expected to scale up significantly in FY21. **Hence, we recommend Accumulate with a target price of ₹3437 (30x FY2022E EPS).**

Key Financials

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Net Sales	405.7	525.7	681.4	834.5	981.6
% chg	14.9	29.6	29.6	22.5	17.6
Net Profit	42.7	61.4	112.9	140.1	166.8
% chg	28.3	44.0	83.7	24.1	19.1
EBITDA (%)	15.3	17.1	22.2	22.3	22.4
EPS (Rs)*	29.2	42.1	77.3	95.9	114.5
P/E (x)	110.9	77.0	41.9	33.8	28.4
P/BV (x)	20.5	16.7	12.5	9.5	7.4
RoE (%)	18.5	21.7	29.9	28.2	26.2
RoCE (%)	22.7	28.1	36.9	35.0	32.4
EV/EBITDA	74.7	51.3	30.1	24.0	19.8
EV/Sales	11.4	8.8	6.7	5.4	4.4

Source: Company, Angel Research, closing price at the end of 12th February 2020

Accumulate

CMP	₹3241.2
Target Price	₹3437.0
Investment Period	12 Months

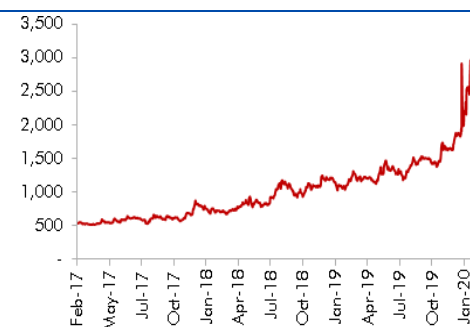
Stock Info

Sector	Industrial Machinery
Market Cap (₹ cr)	4,738
Beta	0.7
52 Week High / Low	3347/1021
Avg. Daily Volume	68,375
Face Value (₹)	2
BSE Sensex	41,568
Nifty	12,201
Reuters Code	GMMP.BO
Bloomberg Code	GMM.IN

Shareholding Pattern (%)

Promoters	75.0
MF / Banks / Indian Fls	1.9
FII / NRIs / OCBs	1.2
Indian Public / Others	21.9

Price Chart



Source: Company, Angel Research

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Q3 results at a glance

Standalone results – ₹ cr	Q3FY19	Q2FY20	Q3FY20	YoY %	QoQ %	M9FY20	M9FY19	YoY %
Net Sales	105.6	136.1	136.6	29.4%	0.4%	403.0	298.0	35.2%
Raw Material Consumed	59.8	53.8	64.9	8.5%	20.7%	187.8	157.3	19.4%
Stock Adjustment	-8.6	7.7	-3.1	-64.3%	-139.9%	-4.9	-7.8	-37.8%
Employee Expenses	10.1	14.2	13.8	36.1%	-2.8%	41.0	30.5	34.5%
Other Expenses	27.7	33.8	32.4	17.0%	-4.1%	99.7	70.1	42.2%
Total Expenditure	88.9	109.4	108.0	21.4%	-1.3%	323.7	250.1	29.4%
EBITDA	16.7	26.7	28.6	71.5%	7.3%	79.3	47.9	65.5%
Other Income	2.1	0.7	2.9	38.4%	301.9%	4.8	5.3	-9.0%
Interest	0.3	1.1	0.9	212.3%	-11.3%	2.6	0.8	223.9%
Depreciation	2.8	4.9	5.5	94.7%	11.9%	14.4	7.9	82.2%
PBT	15.7	21.5	25.2	60.3%	17.1%	67.1	44.4	51.2%
Tax	5.3	3.5	5.7	8.4%	65.8%	15.0	15.3	-1.9%
Reported PAT	10.9	18.0	19.4	78.1%	7.7%	52.1	29.7	75.4%
Ratios								
EBITDA margin %	15.8%	19.6%	21.0%			19.7%	16.1%	
PAT margin %	10.3%	13.2%	14.2%			12.9%	10.0%	
Tax rate %	30.5%	16.1%	22.8%			22.4%	34.4%	

Source: Company, Angel Research

Segmental performance

₹ cr	Q3FY19	Q2FY20	Q3FY20	YoY %	QoQ %	M9FY20	M9FY19	YoY %
Revenue from Operations	106.6	136.1	136.6	28.2%	0.4%	403.0	299.0	34.8%
Glass Lined Equipments	76.7	84.0	91.1	18.8%	8.5%	271.4	209.7	29.4%
Heavy Engineering	9.9	20.2	15.0	51.8%	-25.7%	41.5	33.9	22.5%
Proprietary Products	20.0	31.9	30.4	52.2%	-4.5%	90.0	55.3	62.7%
Non GL segment	29.9	52.1	45.5	52.1%	-12.7%	131.5	89.2	47.5%
As a % of revenue								
Glass Lined Equipments	72.0%	61.7%	66.7%			67.4%	70.0%	
Heavy Engineering	9.0%	14.9%	11.0%			10.3%	11.0%	
Proprietary Products	19.0%	23.4%	22.3%			22.3%	18.0%	
Non GL segment	28.0%	38.3%	33.3%			32.6%	30.0%	
PBIT	17.6	27.0	28.7	63.2%	6.5%	78.6	50.7	55.0%
Glass Lined Equipments	13.9	18.9	20.1	44.7%	6.7%	57.7	39.1	47.6%
Heavy Engineering	1.4	2.4	4.2	198.6%	71.6%	6.8	6	13.2%
Proprietary Products	2.3	5.7	4.4	92.6%	-22.1%	14.1	5.6	151.8%
Non-GL segment	3.6	8.1	8.6	139.1%	6.0%	20.9	11.6	80.1%
PBIT margin %	16.5%	19.8%	21.0%			19.5%	17.0%	
Glass-Lined segment	18.2%	22.5%	22.1%			21.3%	18.6%	
Heavy Engineering	13.7%	12.0%	27.8%			16.3%	17.6%	
Proprietary Products	11.3%	17.8%	14.5%			15.7%	10.2%	
Non-GL segment	12.1%	15.6%	18.9%			15.9%	13.0%	

Source: Company, Angel Research

Risks to our estimates

- GMM's primary raw material is steel; any abrupt fluctuation in pricing will adversely impact its profitability.
- Business may get impacted owing to the inability to get break through with new clients or slowdown in capex by its clients.
- GMM has market exposure to foreign exchange rates mainly on account of exports, imports and investments in foreign subsidiary, and therefore, it is subjected to the exchange fluctuation risk.

Profit & Loss Statement

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Total operating income	405.7	525.7	681.4	834.5	981.6
% chg	14.9	29.6	29.6	22.5	17.6
Total Expenditure	336.7	435.6	530.1	648.4	761.7
COGS	240.9	312.1	367.9	450.6	530.1
Selling and Administration Expenses	23.7	30.7	40.9	50.1	58.9
Personnel	63.5	82.3	107.0	129.3	151.2
Others Expenses	8.7	10.5	14.3	18.4	21.6
EBITDA	69.0	90.1	151.3	186.1	219.9
% chg	44.5	30.6	67.9	23.0	18.2
(% of Net Sales)	17.0	17.1	22.2	22.3	22.4
Depreciation & Amortisation	9.8	10.8	11.7	12.7	13.7
EBIT	59.2	79.3	139.6	173.4	206.2
% chg	49.8	34.0	76.0	24.2	18.9
(% of Net Sales)	14.6	15.1	20.5	20.8	21.0
Interest & other Charges	1.0	1.0	1.0	1.0	1.0
Other Income	9.4	10.8	12.4	14.9	17.9
(% of Sales)	2.3	2.1	1.8	1.8	1.8
Extraordinary Items	-	-	-	-	-
Share in profit of Associates	-	-	-	-	-
Recurring PBT	67.5	89.1	150.9	187.3	223.0
% chg	44.1	31.9	69.5	24.1	19.1
Tax	18.0	27.6	38.0	47.2	56.2
PAT (reported)	42.7	61.4	112.9	140.1	166.8
% chg	28.3	44.0	83.7	24.1	19.1
(% of Net Sales)	10.5	11.7	16.6	16.8	17.0
Basic & Fully Diluted EPS (Rs)	29.2	42.1	77.3	95.9	114.5
% chg	28.3	44.0	83.7	24.1	19.1

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2020E	FY2020E
SOURCES OF FUNDS					
Equity Share Capital	2.9	2.9	2.9	2.9	2.9
Reserves & Surplus	227.9	279.7	375.0	493.1	633.9
Shareholders Funds	230.8	282.7	377.9	496.1	636.8
Minority Interest	-	-	-	-	-
Total Loans	-	-	-	-	-
Other Liab & Prov	11.6	12.1	12.8	13.6	14.6
Total Liabilities	242.4	294.8	390.7	509.7	651.4
APPLICATION OF FUNDS					
Net Block	66.4	70.6	73.9	76.2	77.5
Capital Work-in-Progress	2.0	2.0	2.0	2.0	2.0
Investments	64.6	84.6	94.6	104.6	114.6
Current Assets	233.2	290.7	418.7	570.0	743.2
Inventories	94.5	122.5	158.8	194.4	228.7
Sundry Debtors	80.3	104.1	134.9	165.2	194.4
Cash	30.6	28.2	78.5	153.3	253.1
Loans & Advances	27.7	35.9	46.5	57.0	67.0
Other Assets	-	-	-	-	-
Current liabilities	127.9	158.4	205.3	251.5	295.8
Net Current Assets	105.3	132.3	213.3	318.5	447.4
Other Non Current Asset	4.1	5.3	6.8	8.3	9.8
Total Assets	242.4	294.8	390.7	509.7	651.4

Source: Company, Angel Research

Consolidated Cash flow Statement

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2020E	FY2020E
Profit before tax	60.7	89.1	150.9	187.3	223.0
Depreciation	9.8	10.8	11.7	12.7	13.7
Change in Working Capital	(9.7)	(29.3)	(30.8)	(30.3)	(29.1)
Interest / Dividend (Net)	-	-	-	-	-
Direct taxes paid	(18.0)	(27.6)	(38.0)	(47.2)	(56.2)
Others	-	-	-	-	-
Cash Flow from Operations	42.8	42.9	93.8	122.5	151.4
(Inc.)/ Dec. in Fixed Assets	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)
(Inc.)/ Dec. in Investments	-	-	-	-	-
Cash Flow from Investing	(36.9)	(35.4)	(25.5)	(25.5)	(25.5)
Issue of Equity	-	-	-	-	-
Inc./(Dec.) in loans	-	-	-	-	-
Others	6.7	9.6	17.7	21.9	26.1
Cash Flow from Financing	(6.7)	(9.6)	(17.7)	(21.9)	(26.1)
Inc./(Dec.) in Cash	(0.8)	(2.1)	50.6	75.1	99.8
Opening Cash balances	31.1	30.3	28.2	78.8	153.9
Closing Cash balances	30.3	28.2	78.8	153.9	253.7

Source: Company, Angel Research

Key Ratios

Y/E March	FY18	FY19	FY20E	FY21E	FY22E
Valuation Ratio (x)					
P/E (on FDEPS)	110.9	77.0	41.9	33.8	28.4
P/CEPS	65.6	47.1	26.8	21.8	18.4
P/BV	20.5	16.7	12.5	9.5	7.4
Dividend yield (%)	0.1	0.2	0.3	0.4	0.5
EV/Sales	11.4	8.8	6.7	5.4	4.4
EV/EBITDA	74.7	51.3	30.1	24.0	19.8
EV / Total Assets	19.1	15.7	11.7	8.8	6.7
Per Share Data (₹)					
EPS (Basic)	29.2	42.1	77.3	95.9	114.5
EPS (fully diluted)	29.2	42.1	77.3	95.9	114.5
Cash EPS	49.4	68.8	120.9	148.8	176.2
DPS	4.0	5.5	10.1	12.5	14.9
Book Value	158.1	193.6	258.8	339.8	436.2
Returns (%)					
ROCE	22.7	28.1	36.9	35.0	32.4
Angel ROIC (Pre-tax)	35.5	43.6	64.1	68.9	72.7
ROE	18.5	21.7	29.9	28.2	26.2
Turnover ratios (x)					
Asset Turnover (Gross Block)	3.2	3.8	4.4	4.9	5.3
Inventory / Sales (days)	85	85	85	85	85
Receivables (days)	72	72	72	72	72
Payables (days)	115	110	110	110	110
WC cycle (ex-cash) (days)	42	47	47	47	47

Source: Company, Angel Research, closing price at the end of 12th February 2020

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	GMM Pfaudler
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on Expected Returns: Over 12 months investment period)	<i>Buy (> 15%)</i>	<i>Accumulate (5% to 15%) Reduce (-5% to -15%) Hold (Fresh purchase not recommended)</i>	<i>Neutral (-5 to 5%) Sell (< -15%)</i>
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