

Date: 19/03/2021

Recommended Price: 4050-4100 • Target: 4800 • Stoploss: 3750

Time Frame: 6 months

GMM Pfaudler Ltd. - Weekly Chart



Technical Outlook

- The stock has witnessed a breakout of ascending triangle pattern on 19th Feb as highlighted in the above chart. Currently, the stock is placed close to the breakout point of ascending triangle pattern.
- 50 WEMA is placed close to 3750 levels, which is acting as strong support for the stock.
- RSI on the weekly scale is placed above its previous breakout point suggesting strength.
- Based on the above technical set up, we recommend **BUY GMMPFAULR** in the range of 4050-4100 with a stop loss of 3750 on a closing basis for the target of 4800 for the medium term.

Fundamental Rationale

- GMM Pfaudler has been operating in India for close to five decades and has been a credible supplier to most of the large Indian companies in the pharmaceuticals, chemicals, and petrochemicals sectors. By leveraging its technology edge and supplying high quality reactors, GMM has won repeat orders on a recurring basis and built long-standing relationships with all its key customers.
- The GMM Pfaudler's product quality and large production capacities have made the company a market leader in the domestic the glass lined equipment (GLE) market industry, with a market share of around 55%.
- GMM Pfaudler's business profile benefits from the technological support provided by the Pfaudler group. The company has acquired technology for manufacturing GLE from Pfaudler and has access to the diversified product mix and strong research and development (R&D) capabilities of Pfaudler and other group companies. Besides, the group also has a strong global reach with manufacturing facilities in four continents.
- GMM has acquired the global business of Pfaudler Inc. Along with its wholly-owned subsidiary, Mavag AG, GMM would own 54% of Pfaudler Global, with 26% being owned by the Patel family and 20% by DBAG, the current owner. This acquisition would consolidate the company's businesses globally and make GMM Pfaudler the market leader in corrosion-resistance technologies, systems and services.
- For the nine months ended December 31, 2020, revenues grew 18% to Rs 543 crore, backed by steady demand from end user segments specifically the pharmaceutical sector. Operating margin remained healthy at 20% in the first nine months of the current fiscal, driven by a favourable product mix and healthy operating efficiencies. The company should sustain its growth momentum and maintain profitability, driven by stable demand from end-user industries such as pharmaceuticals, despite the Covid-19 pandemic. **Hence we recommend to "ACCUMULATE" the stock.**

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