

Vikas WSP Limited

₹ 64

Gumming up Next**Buy**

Sep 07, 2012

Company Background

Vikas WSP Limited (Vikas WSP) was established in 1998. The Company is one of India's foremost Guar gum powder (GGP) manufacturer, supplying to all sectors of the food industry with an extensive range of quality products. Besides food, the company also offers guar gum for technical applications such as pet food, oil drilling, textile printing, mining paper, etc. Annual production Capacity of all grades of guar gum powder is 46200 MT. The company is committed to provide better products in a timely and efficient manner. Besides food applications, Vikas WSP also manufactures guar gum products for highly specified applications such as oil and natural gas exploration, explosives and mining. The company has achieved the status of most preferred supplier, among the international buyers and is categorized as an excellent vendor by the customers while conducting QC audits/ inspections.

Key Highlights

- ➔ To meet out the increasing Global Demand of guar gum polymers, Company has started building a new Plant on April 28, 2012 at Jodhpur. Its Annual production capacity would be 38400MT. The plant will be capable to generate an additional annual export turnover of ₹ 46 bn. The plant is expected to commence commercial production for Export by the end of December 2012.
- ➔ Vikas WSP have continued to expand globally by employing innovative technologies to produce unique guar gum products, ranging from cipher viscosity to 104 cps depending upon the needs of the process.
- ➔ The global demand for guar gum polymers (hydrocolloids) is on increase at a fast rate due to evolution of newer food uses. In hydrocolloid business, the company has focused on developing easy-to-use guar products to meet out the needs of foods production professionals.
- ➔ Through their expertise in dealing with food producers and convenience stores in the global market, which demands a constant stream of new products, the company have accumulated a wealth of product development know-how.
- ➔ Vikas WSP is expanding the global food market by proposing new product ideas to meet continually changing market needs and challenges as well.
- ➔ As from the Corporate announcements it appears that Promoters of Vikas WSP are consistently buying quite a lot of shares in current market.

Key Financials

Year Ended 31 st	Mar 09	Mar 10	Mar 11
Revenue (INR mn)	3,881.9	4,347.4	5,560.5
Rev. growth (%)	21.47	11.99	27.90
EBITDA (INR mn)	1,553.8	1,681.3	1,888.0
Net profit (INR mn)	1,216.2	1,199.7	1,223.5
Shares outstanding (mn)	136.0	137.4	137.4
EPS (INR)	8.9	8.7	8.9
EPS growth (%)	168.77	(2.36)	1.98
P/E (x)	1.0	3.7	2.1

Arpit Jain

aj@indiratrade.com

Info Codes

Reuters	: VWSP.BO
Bloomberg	: VWSP@IN
NSE	: -
BSE	: 519307

Market Data

52 Wk Range (₹)	: 77 / 9
Shares in Issue (mn)	: 137.4
Mkt. Cap (₹ bn)	: 8.76
BSE 2 Wk Avg Vol (mn)	: 2.36

Share Holding Pattern (%)

Promoters	: 21.29
DII's	: 02.54
FII's	: 05.62
Others	: 70.55

Investment Theme

Guar gum global market is expanding at a CAGR @ 15%. Its main demand is increasing in the food and oil and gas segment. The demand in food segment is increasing at 8% in developed world whereas it is showing an increase of 15% in developing countries. The Demand for oil and gas wells drilling and fracturing is increasing day by day as the global crude oil prices are on rise. Company's R&D is developing newer guar products for food and other industrial applications for the effective control of processing problems and the same is conducive in expanding global market. International market for certified organic guar polymer is also on increase at a robust rate of 25% per annum. Taking all this together, the demand for guar polymers is bound to increase So the future prospects are expected to be even better.

The "G" Stock !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 09	Mar 10	% Chg	Mar 11	% Chg
Total Sales + Excise	3,663.5	4,594.3	25.41	5,462.9	18.91
Other Income	115.2	(52.4)	(145.49)	40.3	(176.91)
Change in Stocks	146.5	(193.9)	(232.35)	76.5	(139.45)
Raw Material Con.	1,975.2	2,372.6	20.12	3,215.4	35.52
Employee Exp.	36.3	39.8	9.64	52.8	32.66
Indirect Taxes	0.5	0.3	(40.00)	1.4	366.67
Other Exp.	316.6	253.7	(19.87)	404.3	59.36
Operating Exp.	2,328.6	2,666.4	14.51	3,673.9	37.79
Operating Profit	1,596.6	1,681.6	5.32	1,905.8	13.33
Total Interest	75.8	51.2	(32.45)	169.5	231.05
Gross Profit	1,520.8	1,630.4	7.21	1,736.3	6.50
Net Dep.	214.0	303.6	41.87	407.5	34.22
Total Taxation	90.6	127.1	40.29	105.3	(17.15)
Net Profit/Loss	1,216.2	1,199.7	(1.36)	1,223.5	1.98

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 08	Mar 09	Mar 10	Mar 11
SOURCES OF FUNDS	6279.4	7412.1	9002.5	10275.3
Equity Share capital	136	136	137.4	137.4
Share Application Money	0	0	0	0
Preference Share Capital	0	0	0	0
Reserves & Surplus	5685.6	6855.8	7981	9163.3
Secured Loans	455.3	420.3	884.1	974.6
Unsecured Loans	2.5	0	0	0
USES OF FUNDS	6279.4	7412.1	9002.5	10275.3
Gross Block	5976.9	6694.1	9186.1	10862.5
Less : Revaluation Reserves	0	0	0	0
Less : Accumulated Depreciation	1196.4	1169.3	1472.9	1852.5
Net Block	4780.5	5524.8	7713.2	9010
Capital Work in Progress	646.1	1033.5	347.9	29.2
Investments	0	0	0	0
Current Assets	1289.4	1299.8	1483.1	1862.4
Less : Current Liabilities	436.6	446	541.7	626.3
Total Net Current Assets	852.8	853.8	941.4	1236.1
Misc. Expenses not written	0	0	0	0
NOTE				
Bk Val Unquoted Investments	0.0	0.0	0.0	0.0
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	134.2	95.9	3.1	331.4
Dividend (%)	25	50	50	25

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 11	Dec 11	Mar 12	Jun 12
Net Sales	1388.0	2302.1	5274.4	10067.5
Cost Of Sales	885.3	1784.5	4053.5	7488.6
Operating Profit	502.7	517.5	1220.9	2578.9
Recurring Income	53.5	74.0	13.6	14.7
Adjusted PBDIT	556.2	591.6	1234.5	2593.6
Financial Expenses	60.3	44.2	106.3	93.5
Depreciation	123.9	124.3	78.0	112.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	372.0	423.0	1050.2	2388.1
Tax Charges	120.7	137.3	338.6	782.0
Adjusted PAT	251.3	285.8	711.6	1606.1
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	251.3	285.8	711.6	1606.1

52 Week Index Relative Percentage Appreciation

Vikas WSP vs SENSEX
Points to Ponder

Vikas WSP is world's leading provider of guar gum polymers, knows how much traceability means to food and pharmaceutical producers. It offers a complete and trustworthy range of guar polymers world-wide and can fully prove their origins. Traceability serves both regulatory and consumer requirements. The company is known for proven production processes, advanced quality systems and reliable supplies. These are the reasons that the company has abductured most of the expanding market of guar polymers. Company's R&D has a gimlet-eye on the application problems and their solutions which goes a long way in expanding its business in all segments in the years ahead. Currently, the company is the sole producer of "Certified Organic guar polymers" and the same is an opportunity for the company to spread its wings in markets where none existed before.

Risks Associated

Guar is a xero-phyte plant and the rain pattern of the monsoons in the Indian arid zone – mainly Western desert of Rajasthan provides ideal growing conditions. The need for just the right amount of rain at the right time leaves the guar crop heavily dependent on the annual rainfall pattern and causes occasional wide swings in guar supply and prices. However now with the emergence of irrigated guar seeds, dependency of guar crop on monsoon has been minimized. Now its crop is irrigated with canal water at the right time that increased its per hectare yield greatly.

In a Nutshell

Vikas WSP Limited is World's leading and India's largest manufacturer and exporter of Guar Gum Powder (GGP). The company was incorporated in 1988 to meet out growing global demand of GGP by establishing two 100% export oriented units at Sriganganagar (Rajasthan). The company has encouraged guar cultivation locally, which was hitherto considered a neglected crop. By developing guar gum tailoring techniques for food and industrials applications, Vikas WSP, has achieved international recognition. The company supplies guar products to food manufacturers in almost all the continents. With commitment to manufacture excellent food grade GGP, the company has established well-equipped laboratory including microbiological testing facility. The company has also implemented international QC systems such as ISO-9001: 2000 Quality Management System, HACCP based Food Safety System September 2002 and follow guidelines for Good Manufacturing Practices (GMP), Vikas WSP has the privilege to be the world's dominating food grade GGP producer who has implemented HACCP - Food Safety System. The company has also been awarded with Three Star Export House by NOIDA Export Processing Zone, Ministry of Commerce & Industry. Besides food applications, Vikas WSP also manufactures guar gum products for highly specified applications such as oil and natural gas exploration, explosives and mining. The company is committed to maintain and enhance the faith of its present and prospective customers.

Indira Group Offices

Registered Office	: Singh House, 3rd Floor, 23/25 Ambalal Doshi Marg, Fort, Mumbai 400023
	Tel : +91-22-22656812 Fax : +91-22-22656985 Email : im@indiratrade.com
Administrative Office	: Ramavat House, E-15 Saket Nagar, Indore 452018
	Tel : +91-731-2566361 Fax : +91-731-2562117 Email : ii@indiratrade.com
Institutional Dealing Unit	: Africa House, 3rd Floor, 5 Topiwala Lane, Lamington Road, Mumbai 400007
	Tel : +91-22-30080675 Fax : +91-22-23870767 Email : ie@indiratrade.com

Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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