

**Walchand PeopleFirst**

₹ 104

**Want to come First ?****Buy**

May 13, 2016

**Company Background**

Walchand PeopleFirst Ltd (WPFL) was founded by Seth Walchand Hirachand in 1920. Over its nearly eight decade history, the Company has promoted ventures across diverse sectors such as civil construction, heavy engineering, automobiles and sugar. With a successful divestment and restructuring of assets in 2000, Walchand PeopleFirst Ltd, ventured into the new economy and the services sector. Currently WPFL is addressing three key segments: 1) Corporate Training Segment which is the key business 2) Education segment where it has made some initial inroads to develop faculty and students so that they are made employable 3) CSR segment where it builds capacities of corporate foundations and Not for Profits organizations who are working towards enhancing livelihoods for communities through skill development.

**Key Highlights**

- ➔ WPFL has partnered with Dale Carnegie & Associates USA to be their front face in India. Dale Carnegie is the world leader in performance-based training and skills development and is headquartered in New York, USA. It has a presence in 90 countries. It has trained more than 9 million people worldwide in more than 30 languages. Over 400 of the Fortune 500 companies & successful individuals Olympic champions & Heads of States have been trained by it.
- ➔ Deepening the connect with education, the Walchand Dale Carnegie Finishing School has launched, in association with Dale Carnegie, a first-of-its kind program called India Futures: License to Train aimed at certifying existing and aspirational trainers for employability skills. These will expand the reach of WPFL throughout India.
- ➔ Expanding its portfolio of services, WPFL also offers a broad range of assessment consultancy services in partnership with PerformanSe SAS. Headquartered in France, PerformanSe SAS is Europe's largest Competency Assessments firm. PerformanSe has over 17 years of experience and has engaged university researchers in Knowledge Mining and Artificial Intelligence with experts in Human Resources (Work Psychology) in developing expert systems that are specialized in behavioral skills assessments.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	184.1	165.1	191.3
Rev. growth (%)	(10.06)	(10.32)	15.87
EBITDA (INR mn)	35.6	17.4	22.2
Net profit (INR mn)	17.6	4.5	11.6
Shares outstanding (mn)	2.9	2.9	2.9
EPS (INR)	6.1	1.6	4.0
EPS growth (%)	(22.12)	(74.43)	157.78
P/E (x)	6.96	27.10	17.11
RONW (%)	16.94	3.39	8.23
ROCE (%)	14.49	3.02	7.80

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**Info Codes**

Reuters	: WACC.BO
Bloomberg	: WPFL@IN
NSE	: -
BSE	: 501370

**Market Data**

52 Wk Range (₹)	: 65 / 130
Shares in Issue (mn)	: 2.9
Mkt. Cap (₹ bn)	: 0.03
BSE 2 Wk Avg Vol	: 1422

**Share Holding Pattern (%)**

Promoters	: 54.97
Public	: 45.03
Others	: 00.00

**Investment Theme**

Walchand PeopleFirst represents the first corporate face of Training industry in India. In the last decade of operations, it has succeeded in setting new global benchmarks and has created a quiet revolution in this sector. It has become the first choice partner amongst leading corporates and professionals. Some of their clients include Tata Teleservices, Reliance, Mahindra's, Novartis, Philips, Wipro, ICICI, HSBC, Cognizant, Standard Chartered, Lupin, Oracle, Microsoft, Infosys, Bharti Airtel, Alfa Laval, General Motors, Forbes Marshall, EY, McKinsey, PWC, Maruti, HPCL, etc. WPFL also offers a broad range of assessment consultancy services in partnership with PerformanSe SAS. With Corporate culture Rising and Corporate Training gaining importance. We feel the company is poised to grow at a very good growth rate. We therefore recommend to buy the scrip at current prices.

**From Good to Great !**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Total Sales + Excise	171.9	152.6	(11.2)	180.5	18.3
Other Income	11.4	11.2	(1.8)	10.8	(3.6)
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	92.6	94.6	2.2	108.3	14.5
Indirect Taxes	0.8	1.1	37.5	1.0	(9.1)
Other Exp.	54.3	50.7	(6.6)	59.8	17.9
Operating Exp.	147.7	146.4	(0.9)	169.1	15.5
Operating Profit	24.2	6.2	(74.4)	11.4	83.9
Total Interest	2.1	2.9	38.1	0.8	(72.4)
Gross Profit	33.5	14.5	(56.7)	21.4	47.6
Net Dep.	8.9	7.4	(16.9)	5.0	(32.4)
Total Taxation	7.0	2.6	(62.9)	4.8	84.6
Net Profit/Loss	17.6	4.5	(74.4)	11.6	157.8

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 12	Mar 13	Mar 14	Mar 15
<b>SOURCES OF FUNDS</b>	<b>108.1</b>	<b>118.2</b>	<b>120.6</b>	<b>115.2</b>
Equity Share capital	29.0	29.0	29.0	29.0
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	60.7	74.9	79.4	86.2
Long Term Loans	13.5	8.1	6.5	0.0
Short Term Loans	4.9	6.2	5.7	0.0
<b>USES OF FUNDS</b>	<b>108.1</b>	<b>118.2</b>	<b>120.6</b>	<b>115.2</b>
Gross Block	79.2	68.4	66.4	67.6
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	38.2	36.0	38.3	43.2
Net Block	41.0	32.4	28.1	24.4
Capital Work in Progress	0.0	0.9	0.4	0.0
Investments	11.0	6.9	0.2	0.3
Current Assets	113.2	126.7	132.4	142.8
Less : Current Liabilities	57.1	48.7	40.5	52.3
Total Net Current Assets	56.1	78.0	91.9	90.5
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	(0.6)	(0.5)	0.2	0.3
Mkt Val. Quoted Investments	1.4	0.7	0.0	0.0
Contingent Liabilities	41.4	32.6	34.5	57.6
Dividend (%)	10.0	0.0	10.0	10.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 15	Jun 15	Sep 15	Dec 15
Net Sales	38.1	61.4	59.7	68.2
Cost Of Sales	38.3	39.0	43.4	51.4
Operating Profit	(0.2)	22.4	16.3	16.8
Other Income	4.6	2.7	2.8	3.9
Adjusted PBDIT	4.4	25.1	19.1	20.7
Financial Expenses	0.0	0.0	0.0	0.0
Depreciation	0.7	0.8	1.0	1.1
Other Write Offs	4.9	7.9	7.5	7.8
Adjusted PBT	(1.2)	16.4	10.6	11.8
Tax Charges	1.0	4.4	3.5	4.1
Adjusted PAT	(2.2)	12.0	7.1	7.7
Non Recurring Items	0.1	0.1	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	(2.1)	12.1	7.1	7.7

52 Week Index Relative Percentage Appreciation



WPFL vs SENSEX

Risks Associated

- Outsourcing Human Resource Management may be a costly affair and not many firms in India especially the SME’s will agree to it. Corporate Employee Training may be a costly affair too and not many SME’s would think of venturing into it.
- Traditionally, Indian companies operate in a markedly top-down manner-the person with the corner office made the final decisions, and senior managers oversee their specific silos. The participative approach which Corporate Training imparts may not work well in many scenarios.
- Considering the pay packages for the junior workforce the attrition rate is too high. Many Companies would not want to invest money to train their junior workforce, just in case they shift jobs. So not all in a firm can be subject to training.
- The overall macro-economic scenario and the gloom spread over business may cause the business model to fail in some years as the corporate spending reduces.
- CSR though made compulsory for listed firms is still an optional virtue for others, this is in a very nascent stage and therefore may not yield exceptional results.



**In a Nutshell**

Corporate Training Industry is one of the upcoming fields in Indian Corporate sector. Companies have understood the benefits of an approach that Trained Managers are able to handle complex decisions and solve business complexities in a better way. While most of the top corporates in India already have taken to Corporate Training, there is a lot of business potential especially with the Mid and SME level companies. Even individual candidates are very much alert about the benefits of such certifications during appearing for job interviews. WPFL is a renowned name in this area its associations with Dale Carnegie Training Centre and the French SAAS is its USP in India. To enhance reach it is now also training Trainers so that they can cater to all corners of the country. The association with PerformanSE SAS has also added to its portfolio Talent assessment and behavioural training which are very important aspects as considered today for Corporate. The Company is run by top Brass management who have enough contacts, business accumen and realise the potential of this industry. CSR is also an upcoming field. Given the enormous shift towards CSR, the question for corporates is not whether to engage in CSR, but to find the best possible way forward. Many of the professionals who are practicing CSR lack the skills required to craft and implement CSR programs. WPFL caters to both these areas. The growth prospects of Indian Corporate have been on the high with new Government Policies coming up. We therefore feel that the Company is better placed.

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**Rating Interpretation**

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

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