

WPIL Ltd.**₹ 750*****Pumps Designer...!!!*****Buy**

Nov 03, 2017

Company Background

WPIL Ltd dedicates itself to the customer satisfaction. It has rich experience of more than 65 years in Designing, Developing, Manufacturing, Erecting, Commissioning and Servicing of Pumps & Pumping Systems. Company engaged in the business of water handling from supply of pumps to turnkey projects execution and supplies pumps to various power/irrigation/water and industrial sectors. After consolidating its position as a leading pump and pumping systems company in India company has expanded its operations globally and now has manufacturing operations in United Kingdom, Italy, France, Switzerland, South Africa, Zambia, Australia and Thailand through its Group companies. Combining country specific experience and optimizing synergies within the Group the aim is to cover the Global spectrum of pumps and pumping systems. Further constant investment in manufacturing and R&D supported by 12 manufacturing locations covering the entire process of pump manufacture from Casting, fabrication, machining, assembly and testing have allowed it to deliver great value to its client by enhancing efficiencies at every step.

Key Highlights

- ➔ Company has two main business segments namely; Pumps and Pump Spares & Accessories. Pumps segment is contributing 41.25% and Pump Spares & Accessories is generating 58.75% of revenue.
- ➔ For 2016-17 company earned a revenue ₹ 2979.50 mn out of ₹1229.05 mn is from Pumps and ₹ 1750.45 mn from Pump Spares & Accessories segments. Revenue growth was 31.13% on same period last year.
- ➔ Other Income jumped by 50.8% to 94.4 mn, Indirect Taxes were dip by 10.3% to 79.50 mn and Net Profit Jumped by 21.8% to 209.20 mn.
- ➔ Debt is going to come down, being the sale of land and reduction of debt. Advances from export contracts have reduced working capital requirements.
- ➔ Company has eight subsidiaries in various countries, board has considered to discontinue one of its subsidiary operations in line with the process in compliance with UK laws, name called; Mathers Foundry Ltd. Due to the uncertainty in the Oil and Gas sector.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	2,483.0	2,272.2	2,979.5
Rev. growth (%)	(11.30)	(8.49)	31.13
EBITDA (INR mn)	439.8	388.8	348.5
Net profit (INR mn)	168.4	171.8	209.2
Shares outstanding (mn)	9.8	9.8	9.8
EPS (INR)	17.2	17.2	21.0
EPS growth (%)	(20.37)	0.17	22.22
P/E (x)	33.83	22.83	22.11
RONW (%)	10.75	7.75	8.77
ROCE (%)	16.78	11.82	15.57

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Info Codes

Reuters	: WRTH.BO
Bloomberg	: WPI IN
NSE	: N/A
BSE	: 505872

Market Data

52 Wk Range (₹)	: 315/780
Shares in Issue (mn)	: 9.8
Market. Cap (bn)	: 7.32
BSE 2 Wk Avg Vol	: 57000

Share Holding Pattern (%)

Promoters Holding	: 62.00
Public & Others	: 24.00
Corporate Holding	: 00.00
Foreign Institution	: 00.00
Institutions	: 14.00

Investment Theme

WPIL Ltd has rich experience of more than 65 years in Designing, Developing, Manufacturing, Erecting, Commissioning and Servicing of Pumps & Pumping Systems. It has 12 manufacturing facilities, with constant investment in manufacturing and R&D covering the entire process of pump manufacture from Casting, fabrication, machining, assembly and testing. Company has launched various new pumps with higher energy efficiencies both in India and in Italy. During the second quarter of the current year Company got the work order for ₹ 850 Cr, this order will execute in next year second quarter. For June quarter, company booked a 81% rise in net sales to ₹ 734.00 mn. Other income was jumped by 204% to ₹ 49.3 mn. Interest costs was ₹ 26.7 mn down by 3% YoY. Company has good global presence to expand the sales.

One of the leader in the pump industry...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	2,330.3	2,121.0	(9.0)	2,805.6	32.3
Other Income	58.5	62.6	7.0	94.4	50.8
Change in Stocks	(66.0)	31.9	(148.3)	7.5	(76.5)
Raw Material Con.	1,275.9	1,260.8	(1.2)	1,658.5	31.5
Employee Exp.	214.0	216.0	0.9	279.0	29.2
Indirect Taxes	94.1	88.6	(5.8)	79.5	(10.3)
Other Exp.	350.0	301.6	(13.8)	367.3	21.8
Operating Exp.	1,934.0	1,867.0	(3.5)	2,384.3	27.7
Operating Profit	388.8	348.5	(10.4)	523.2	50.1
Total Interest	123.8	64.5	(47.9)	195.0	202.3
Gross Profit	265.0	284.0	7.2	328.2	15.6
Net Dep.	27.5	28.2	2.5	29.9	6.0
Total Taxation	69.1	84.0	21.6	89.1	6.1
Net Profit/Loss	168.4	171.8	2.0	209.2	21.8

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	1,987.4	2,328.0	3,099.6	3,280.3
Equity Share capital	79.7	97.7	97.7	97.7
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	914.4	2,050.4	2,198.8	2,416.2
Secured Loans	782.9	171.2	615.9	536.6
Unsecured Loans	210.4	8.7	187.2	229.8
USES OF FUNDS	1,987.4	2,328.0	3,099.6	3,280.3
Gross Block	589.4	619.2	638.6	836.9
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	260.4	289.1	316.6	392.5
Net Block	329.0	330.1	322.0	444.4
Capital Work in Progress	4.3	9.4	4.3	4.3
Investments	379.5	379.5	663.8	418.2
Current Assets	2,393.4	2,285.2	2,824.9	3,373.3
Less : Current Liabilities	1,141.1	713.9	750.5	1,006.2
Total Net Current Assets	1,252.3	1,571.3	2,074.4	2,367.1
Misc. Expenses not writtenoff	22.3	37.7	35.1	46.3
NOTE				
Book Value of Unquoted Investments	379.5	379.5	663.8	418.2
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	1,740.3	1,538.2	2,045.4	1,652.0
Dividend (%)	20.0	20.0	20.0	20.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 16	Dec 16	Mar 17	Jun 17
Net Sales	581.1	653.8	1,017.0	734.0
Cost Of Sales	523.3	575.1	836.7	665.5
Operating Profit	57.8	78.7	180.3	68.5
Other Income	29.7	16.7	36.7	49.3
Adjusted PBDIT	87.5	95.4	217.0	117.8
Financial Expenses	28.3	27.9	108.6	26.7
Depreciation	7.3	7.3	7.4	7.6
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	51.9	60.2	101.0	83.5
Tax Charges	14.1	17.2	25.3	30.3
Reported Profit	37.8	43.0	75.7	53.2
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	37.8	43.0	75.7	53.2

52 Week Index Relative Percentage Appreciation



WPIL vs SENSEX

Risks Associated

- ➔ Company was bearing losses due to repayment of loans taken by foreign subsidiaries, these loans are part of interest cost in FY 17.
- ➔ For June 17 quarter net sales was delined by 27.82% to ₹ 734 mn, tax charges was up by 19.75% to ₹ 30.3 mn and finally net profit also dip by 29.72% to 53.2 mn on QoQ basis.

Scope of Growth

- ➔ There are no forex losses expected due to interest swap. Even though forex exposure has increased and the company takes adequate hedging to mitigate the risks.
- ➔ Company is planning to reduce debt by sale of land and working capital requirement have reduced from export order advances.
- ➔ In July company got the order around ₹ 850 cr for supplying pumps domestically and globally. This order will be delivered by mid of next financial year.
- ➔ Company has launched various new pumps with higher energy efficiencies both in India & Italy, further new products are planning to launch in FY 2018.
- ➔ Company strengthened by itself with good manufacturing infrastructure and financial health to be a very strong company in its sector. Products have technical edge in the market.

In a Nutshell

WPIL Ltd has rich experience of more than 65 years in Designing, Developing, Manufacturing, Erecting, Commissioning and Servicing of Pumps & Pumping Systems. It has operations in India and now have manufacturing operations in United Kingdom, Italy, France, Switzerland, South Africa, Zambia, Australia and Thailand through its Group companies. Constant investment in manufacturing and R&D supported by 12 manufacturing locations covering the entire process of pump manufacture and deliver great value of its client by improveing efficiencies at every stage. Company has decided to close the operations of its subsidiary Mathers Foundry UK in line with the process in compliance with UK laws. Due to the sustained uncertainty in the Oil and Gas sector, its key market, the viability of operations was under severe pressure. Board has considered to discontinue its operations and to bear closure costs rather than be exposed to continuous uncertainty and losses. On amalgamation of Mody Industries with company, the operation efficiency of Waste water division of WPIL will improve which will ensure enhancement of brand clarity. The client would have a single source for water and wastewater needs. The Waste water division of the company is performing exceedingly well with new product Company has booked a 32.3% increase in net sales to ₹ 2805.60 mn, operating profit growth of 50.1% to ₹ 523.20 mn, Other income was up by 50.80% to ₹ 94.40 mn. Interest costs was higher by 202.30% to ₹ 195.0 mn and depreciation costs was higher by 6% to ₹ 29.90 mn on YoY basis. Interest costs included some forex losses. Company has good dividend payout history, for 2016-17 has announced ₹ 2 per share.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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