

WPIL**Rs 439***Capitalising on investment in water*

Sensex: 38,855

Nifty: 11,464

FINANCIALS SUMMARY

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INT	PBDT	DEP.	PBT	SHARE OF P(L) ASSOCIATES	TOTAL TAX	PAT	MINORITY INT	NET PROFIT	EPS (Rs)*
1903 (12)	1156.47	20.2	234.01	20.65	254.66	13.12	241.53	19.42	222.12	0.76	65.55	157.33	31.63	125.7	128.7
2003 (12)	908.89	13	118.34	16.2	134.55	20.99	113.55	37.55	76	1.13	23.3	53.84	-2.38	56.22	57.6
2103(12P)	942.81	14.8	139.92	16	155.91	21.43	134.49	34.68	99.81	0.22	30.84	69.19	5.33	63.86	65.4
2203(12P)	1018.24	15.8	160.91	17.28	178.19	22.67	155.52	35.72	119.8	0.9	36.21	84.49	6.66	77.82	79.7

* EPS is on current equity of Rs 9.7671 crore, Face value of Rs 10.

EPS is not annualised due to seasonality of business.

(P): Projections. Figures in crore, Source: Capitaline Database

TWPIL is engaged in manufacturing & sale of different types of pumps, spares & accessories and execution of water supply projects on a turnkey basis for industrial units, power utilities, irrigation departments, etc. The Company has to its credit a rich experience of more than 65 years in Designing, Developing, Manufacturing, Erecting, Commissioning and Servicing of Pumps & Pumping Systems.

WPIL incorporated in 1952 as Johnston Pump India renamed as Worthington Pump India in 1983 became WPIL in 1996. In 2002, Prakash Agarwal of Kolkata acquired controlling stake in the company from B. M. Khaitan group. Currently in India WPIL has two operational manufacturing units in Kolkata, one in Ganipur (24 Parganas District of West Bengal), one unit in Ghaziabad (in UP near Delhi) and two units in Maharashtra.

Established player with a range of products and solutions for diverse industries

WPIL has an established position in the domestic pump industry with wide product range comprising Vertical Turbine/Mixed & Axial Flow Pumps, Horizontal Split Case, End Suction, Multistage, Non Clog and Submersible Motor Pumps, Volute Pumps both metallic and concrete as well as turnkey solution in the area of water handling.

The domestic Conventional Pump Division located near Delhi is the only manufacturer of large submersible sea water lift pumps in India upto 1500 KW. The product basket of this division comprise Vertical Turbine/Mixed & Axial Flow Pumps, Horizontal Split Case, End Suction, Multistage, Non Clog and Submersible Motor Pumps.

The domestic Engineered Pump Division is based in Kolkata and has 3 plants with manufacturing area of 20000 square meters and has more than 50 years of supplying engineered pumps for Critical applications. It has capabilities to manufacture Metallic Volute Pumps for high head Irrigation Applications and Concrete Volute Pumps for large flows upto 80000 M³/H for Drainage Applications.

The domestic turnkey project division of the company has over 50 years of experience in providing complete turnkey solutions from concept to commissioning in the field of water handling covering the complete domain of Hydraulic / Civil / Mechanical / Electrical and instrumentation engineering etc., in the verticals of power, irrigation, municipal and industry.

After consolidating its position as a leading pump and pumping systems company in India the company has expanded its operations globally both organically and inorganic

**STOCK DATA**

BSE Code	:	505872
BSE Group	:	X
NSE Code	:	Not listed
Bloomberg	:	WPI.IN
Reuters	:	WRTH.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 745 / Rs 218
Sector	:	Capital Goods - Non Elect. Equip

SHAREHOLDING PATTERN *

Category	% of equity
Foreign	: 1.59
Institutions	: 6.68
Govt Holding	: 0.00
Corporate Holding	: 6.81
Promoters	: 69.38
Public & Others	: 15.54

* as on 30/06/2020

Source: Capitaline Databases

route. Since 2011, WPIL has expanded its operation in the international market by acquiring pump companies in different regions of the world.

Vast global footprint

The company has expanded its operations globally via synergistic acquisitions or joint ventures made since 2011 which has given both access to market as well as technology apart from strong brands to explore more global markets.

The company in 2011 acquired Mathers Foundry, and in 2012 it acquired APE Pumps, Mather & Platt SA and PSV Zambia. Latter in 2015 it acquired Gruppo Aturia and Rutschi. Further in April 2019, Gruppo Aturia S.p.A (a step down subsidiary of the company) has acquired Finder Pompe Sri, an Italian Company which has become a subsidiary of Gruppo Aturia S.p.A. Gruppo Aturia is fast emerging as a strong engineered pump company supplying to the global industrial, oil & gas and nuclear EPC space. During the quarter ended Dec 2019, Finder Pompe Sri got merged with Gruppo Aturia S.p.A.

WPIL now has manufacturing operations in United Kingdom, Italy, France, Switzerland, South Africa, Zambia, Australia and Thailand through its Group companies. Sterling pump Australia has acquired UCP Australia recently which is the leading Australian supplier to the Oil & Gas sector. The acquisition of UCP would ensure strong operational synergies between Sterling and UCP which would be leveraged to increase the combined efficiency in areas of Engineering, Operations, supply chain etc. The combined entity would be an important part of the Australian engineered pump segment. In 2008, the company formed a JV with Clyde pumps U.K. to manufacture boiler feed/ concrete volte and other special pumps for power sector including nuclear power plants and O&G sector. The JV was named Clyde Pumps India. So the company continues its expansion into newer markets and is focused on becoming a Global leader in its sector.

Strong installed base of both Finder Pompe and UCP Australia has strong installed base facilitating strong replacement demand. Currently for the company about 45% of the consolidated revenue came from domestic market and balance from international market.

Combining country specific experience and optimizing synergies within the Group the aim is to cover the Global spectrum of pumps and pumping systems.

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.

Excellent show in last two quarters in spite of Covid related lockdowns

For the quarter ended Jun 2020, consolidated sales of the company registered a growth of 3% to Rs 201.98 crore even as its standalone sales was down by 35% to Rs 56.78 crore due to Covid-related lockdowns. Performance was largely driven by strong show at subsidiary level, which more than compensated for the loss in revenue at standalone level. That together with 640 bps expansion in operating profit margin has led to sharp 194% jump in operating profit to Rs 19.85 crore. The other income was down by 13% to Rs 3.19 crore and thus the growth at PBIDT was 122% to Rs 23.03 crore. The interest cost was up by 2% to Rs 5.59 crore, and thus the PBDT was up by whopping 255% to Rs 17.44 crore. The depreciation was down by 17% to Rs 7.06 crore and thus the PBT was a profit of Rs 10.38 crore compared to a loss of Rs 3.57 crore in the

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corresponding previous period. The SoP of Associate was a loss of Rs 0.63 crore compared to a profit of Rs 0.18 crore in the corresponding previous period. Thus the PBT after SoP was a profit of Rs 9.75 crore compared to a loss of Rs 3.39 crore in the corresponding previous period. The taxation was higher by 109% to Rs 3.76 crore and thus the PAT was a profit of Rs 5.99 crore compared to a loss of Rs 5.19 crore in the corresponding previous period. The minority interest was a loss of Rs 0.60 crore, a fall of 92%. Thus the net profit (After MI) was a profit of Rs 6.59 crore, a jump of 146% in the corresponding previous period.

Even for quarter ended March 2020, WPIL had performed well, even though Covid related lockdowns had started in March quarter itself. WPIL registered 4% growth in consolidated sales to Rs 200.98 crore for the quarter ended Mar 2020. That together with 740 bps expansion in operating profit margin led to sharp 67% jump in operating profit to Rs 54.79 crore. The other income was up by 65% to Rs 3.94 crore and thus the growth at PBIDT was 67% to Rs 58.73 crore. However the growth at PBT moderated to stand at 60% to Rs 43.77 crore after accounting for higher interest cost and higher depreciation. With share of loss from associate stand at Rs 0.50 crore against a profit of RS 0.19 crore, the PBT after share of profit from associate and before EO was up by 57% to Rs 43.26 crore. The EO was nil for the quarter as well as corresponding previous period. Taxation in absolute terms stood higher by 33% to Rs 14.24 crore but the tax rate was lower at 32.9% compared to 39.1% in the corresponding previous period. Thus the PAT was up by 73% to Rs 29.02 crore. After accounting for 91% jump in minority interest to Rs 4.12 crore, the net profit (After MI) was up by 71% to Rs 24.90 crore.

Most of its domestic businesses expect to improve performance in FY21

Domestic order book remained stable even though the company was selective in picking orders in FY20 and the company expects an improved performance from the second half of 2020-21. The Government focus on water supply augurs well for the future along with new initiatives like piped irrigation. The infrastructure division continues to strengthen its operations with new water supply contracts and expects good growth going forward.

The Engineered pump division has a sizable order book and hopes for an improved performance in 2020-21 as the pending projects gain traction. Some significant projects are for ONGC offshore platforms and power projects along with export Irrigation projects.

Similarly completion of two major Telengana irrigation projects as well as that of Gujarat and MP and execution of Dibrugarh Water Supply project is expected to drive the growth for turnkey division of the company.

The Conventional Pump Division that sits with a stable order book aims to improve its performance in 2020-21. The division has been constantly expanding its product portfolio and market presence and sees considerable opportunities in the near future. The division has been focusing on improving its manufacturing infrastructure which is now strengthening its positioning as a supplier of choice in the growing rural water supply market. The focus going forward remains on energy efficient pumps across its product range.

Order book position with reputed client portfolio provides revenue visibility in the medium term. As in February 2020, WPIL had an order book (standalone) of about Rs.1000 crore (as against Rs.755.31 crore as on June 01, 2019), being

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1.92x of net sales in FY19. Majority of the same is expected to be executed over a period of next 12 – 18 months. The client portfolio of the company is diversified comprising irrigation department of various states especially Telangana, Madhya Pradesh, central utilities, large PSUs and various private sector entities.

Improved performance expected from global operations also

Gruppo Aturia, the European Subsidiary of the company, that had a mixed year in 2019 with average performance at the industrial pump business and excellent performance at the nuclear business of Rutsch, started 2020 with a strong order book and is targeting a much improved performance.

The company is in advanced discussions for monetizing the real estate assets of Mathers UK. The process had slowed down due to the Covid crisis but is restarting now.

The performance of WPIL South Africa was affected by the constant political disturbances in South Africa coupled with the complete lack of investment. However, things have improved considerably over the last six months and now the business is looking forward to an excellent year based on strong order intake.

Sterling pump Australia is confident of maintaining the strong trend of FY20 in FY21 as well. The acquisition of UCP by sterling pumps Australia would ensure strong operational synergies between Sterling and UCP which would be leveraged to increase the combined efficiency in areas of Engineering, Operations, supply chain etc. The combined entity would be an important part of the Australian engineered pump segment.

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FY20 has been a landmark period for WPIL as it acquired Finder Pompe and UCP Australia in the API oil & gas sector, both are marquee brands with a large installed base and grant WPIL access to a tremendous product range in the sector for both new build and aftermarket. It will now be a major focus area to leverage this strength across all its markets.

As end of Feb 2020, the company had unexecuted order book of about 60 million Euro in its Italian subsidiary Gruppo Aturia, 4 mn Euro in Sterling Pumps Pty Ltd (Australia) and about 120 million Rand in WPIL SA (South Africa).

Overall Outlook

In the domestic market, major opportunities exist in the mega Jal Jeevan Mission to be executed by 2024 which aims to provide water to every household in India. Similar, opportunities exist in energy efficiency projects across the country along with an expected upturn in public/private investments in India.

Global pumps market, though currently feels the impact of Covid pandemic, is a continuously growing market, marked by increasing demand from building & construction, oil & gas and mining industries over the past few years. Increasing investments in developing economies which leads to industrialization in Asia Pacific and Latin American regions has also led to increase in demand. Post COVID fresh investment in developed markets of Europe and North America, which hitherto largely witnessed replacement/modernisation capex in processing/fluid handling industries are expected to start auguring well for international subsidiaries.

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On profitability front though volatility in pig iron prices a concern, the company however has cost escalation clauses in most of its contracts for supply of engineered pumps & execution of EPC contracts to insulate itself from vagaries of RM price volatility.

The company has been focussing on consolidating its operations and critically reviewing its operations from aspects of cost efficiency and sustainability to emerge stronger from this crisis. Considering its diversified operations in terms of products and services, sectors and geographies the company is better placed compared to its peers.

Valuation

We expect the company to register consolidated EPS of Rs 65.4 in FY21 and Rs 79.7 in FY22. At current market price of Rs 439, the scrip trades at 5.5 times its expected FY22 EPS.

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WPIL: CONSOLIDATED RESULTS						
	2006(03)	1906 (03)	VAR%	2003 (12)	1903 (12)	VAR. (%)
Sales	201.98	196.55	3	908.89	1156.47	-21
OPM (%)	9.8	3.4		13.0	20.2	
OP	19.85	6.74	194	118.34	234.01	-49
Other inc.	3.19	3.64	-13	16.20	20.65	-22
PBIDT	23.03	10.38	122	134.55	254.66	-47
Interest	5.59	5.47	2	20.99	13.12	60
PBDT	17.44	4.91	255	113.55	241.53	-53
Dep.	7.06	8.48	-17	37.55	19.42	93
PBT	10.38	-3.57	LP	76.00	222.12	-66
Share of P(L) from Associates	-0.63	0.18	-450	1.13	0.76	49
PBT before EO	9.75	-3.39	LP	77.13	222.88	-65
EO	0.00	0.00		0.00	0.00	
PBT after EO	9.75	-3.39	LP	77.13	222.88	-65
Taxation	3.76	1.80	109	23.30	65.55	-64
PAT	5.99	-5.19	LP	53.84	157.33	-66
Minority Interest	-0.60	-7.87	-92	-2.38	31.63	LP
Net profit	6.59	2.68	146	56.22	125.70	-55
EPS (Rs)*	#	#		57.6	128.7	
* EPS is on current equity of Rs 9.7671 crore, Face value of Rs 10. # EPS is not annualised due to seasonality of business. Figures in Rs crore. Source: Capitaline Corporate Database						