Volume No. IX Issue No. 19 **July 20, 2018**

WPIL

Rs 574

Powering ahead

BSE Sensex: 36,496 Nifty-50: 11,010

FINANCIALS: STANDALONE

	NET SALES	OPM %	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEPRECIATION	PBT	TOTAL TAX	PAT	EPS (RS)*
1503(12)	233.03	14.20%	33.03	4.64	37.67	11.17	26.5	2.75	23.75	6.91	16.84	17.2
1603(12)	212.1	13.50%	28.59	6.26	34.85	6.45	28.4	2.82	25.58	8.4	17.18	17.6
1703(12)&	279.8	13.30%	37.14	8.41	45.55	13.45	32.1	3.16	28.94	8.61	20.33	20.8
1803(12)&	422.06	15.50%	65.46	19.32	84.78	10.46	74.32	3.16	71.16	23.6	47.56	48.7
1903(12P)&	464.27	15.00%	69.64	15	84.64	8.37	76.27	3.32	72.95	24.8	48.15	49.3

*Annualised on current equity of Rs 9.77 crore of face value of Rs 10 each. & Projected FY 19 and FY 20 financials are as per New AS. # Consolidated EPS on current equity of Rs 9.77 crore of face value of Rs 10 each. (P) Projections. Figures in crore. *Source: Capitaline Database*

WPIL has to its credit a rich experience of more than 65 years in designing, developing, manufacturing, erecting, casting, commissioning and servicing and after sales and refurbishment of Pumps & Pumping Systems.

With the help of erstwhile foreign partners such as Johnston Pumps for Vertical Turbines, Hayward Taylor for Submersibles and Worthington for Horizontals; or with the in-house R&D recognized by the Ministry of Science and Technology, Govt. of India, today, the company has grown into a strong brand - WPIL.

These pumps whether vertical or horizontal, of various sizes, are required in micro and major irrigation systems, Barge Pump stations, river water pumping, sewage submersible, offshore, fire fighting and other industrial applications, thermal, nuclear power plants, hydro power etc.

The company has operations spread across India and in International market.

Strong and diversified presence

The company continues expanding into newer markets and is focused on becoming a global leader in the sector. The company has invested around Rs 170- 200 crore in past 5 years and has build capacities both organically and inorganically. Around 51% of total consolidated sales is from Overseas markets and rest is from India.

On consolidating its position as a leading pumps and pumping-systems company in India, WPIL expanded its operations globally and now has manufacturing operations in the United Kingdom, Italy, France, Switzerland, South Africa, Zambia, Australia and Thailand.

Constant investment in manufacturing and R&D supported by 12 manufacturing locations and covering the entire process of pump manufacture (casting, fabrication, machining, assembling, testing) have allowed it to deliver value to clients through enhanced efficiencies at every step.

WPIL has strong presence in South Africa and in Middle East, through the acquisition of Mather & Platt and PSV Zambia. The business has various divisions which are well positioned in projects, large engineered pumps and standard pumps to supplement WPIL's existing business.

Mathers Foundry, the UK subsidiary's main business is to supply high integrity

STOCK DATA

BSE Code	:	505872
BSE Group	:	X
NSE Code	:	Not Listed
Bloomberg	:	WPI@IN
Reuter	:	WRTH.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 799 / Rs 440
Sector	:	Capital Goods

SHAREHOLDING PATTERN*

Category		% of equity
Institutions	:	6.53
Govt Holding	:	0
Corporate Holding	:	0
Promoters	:	68.8
Public & Others	:	24.67
Total:	:	100

* as on 31/06/2018
Source: Capitaline Databases

components to the Oil &Gas and nuclear industry. The business is at the forefront in technology as a supplier of high end castings to the nuclear and oil & gas sectors and remains the foundry of choice.

Sterling Pumps in Australia caters to the pumps market in Australia and Asia Pacific region. The company has expanded its facility and has set up new test capabilities to cater the business growth.

The joint venture of WPIL Thailand's major focus remains on the industrial, irrigation and municipal sectors where the company's products are achieving greater penetration regularly which has resulted in increase in market share.

WPIL acquired Mody Industries (F.C.) Pvt. Ltd., in India to supplement its presence in the sewage and drainage sector. This business based out of Thane is a strong player in the sewage and drainage sector and commands a premium position in the market.

In FY 2016, the Company acquired Gruppo Aturia, a mid-sized Italian group of Pump Companies with annual revenues of 50 million Euros. This acquisition allows access to new technologies such as API Pumps, magnetic drive Pumps, FM/UL fire systems and canned motor Pump. Similarly, it opens new markets across Europe and MENA region.

WPIL continues expanding into newer markets and is focused on becoming a global leader in the sector

Diversified user base and strong order book

Broadly, of the total sales, around 33% is from Engineered Pumps, 33% is from conventional pumps and the rest 34% is from Turnkey projects.

Engineered pumps includes sales to Power, Nuclear, industrial sectors, special water handling pumps etc. Conventional pumps include sale to irrigation and water treatment segment. WPIL enjoys around 20% market share in irrigation projects

Of the total domestic sales, around 70% comes from PSU clients such as BHEL, NTPC, Nuclear Power corporation, NHPC etc and rest from private players.

The current domestic order book is more than Rs 1000 crore as on April 18 which provides strong visibility in earnings. Order pipeline also remain strong due to emerging opportunities in irrigation, water supply projects, river linking and cleaning projects and industrial sector.

Tendering of modernisation of plants by NTPC and other private players also provide strong future visibility in earnings.

Moreover lower international competition due to discontinuation of operations from some foreign players has resulted in better pricing.

Internationally, EU subsidiary has an order book of around 85 M Euro which has to be executed in FY 19 and FY 20.

No major capex in near term

The company has sufficient capacities for next 2 years and no capex is required by the company.

Thus interest and debt cost is expected to remain lower going forward which will drive bottom line going forward.

The company plans to be a debt free company in next couple of years.

Restructuring is complete and all the subsidiaries have break even at profitability level

The performance of the International business was greatly affected by the losses at Mathers Foundry, UK and the transition process of the new acquisitions. The

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operations at South Africa, Australia and Thailand performed well and look promising going forward.

Post the acquisition of Gruppo Aturia in FY 16, the transition process was smoothly done. Large number of strategic initiatives is already under implementation to leverage the growth. Gruppo Aturia has a strong order book to start with. With improving economic conditions in European markets, Gruppo Aturia is expected to generate strong sales given its strong order book.

During FY 17 the International business was restructured with the merger of Gruppo Aturia and WPIL Europe for operational efficiency. Singapore subsidiary was renamed as Aturia International to align it with International operations of the Company. Fresh capital was injected into Aturia International by the promoters to meet the equity requirements of its subsidiaries especially Mathers U.K.

The company has decided to close the operations of its subsidiary Mathers Foundry UK in Sep 17 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.

Hence the board considered it prudent to discontinue its operations and to bear closure costs rather than be exposed to continuous uncertainty and losses. This has resulted in closure losses of around Rs 8 crore in FY 18 vis a vis loss of around Rs 21 crore in continued operations in FY 17.

Mathers Foundry has land worth of around Rs 30 crore which can result in some recovery of losses going forward.

Its Australian entity is looking at opportunities in the Irrigation and Municipal Sectors. South African APE Pumps and M&P SA saw a dip in their revenues due to the drastic devaluation of the Rand, however maintained margins with a focus on aftermarket business. Thai joint venture of the Company had a good year and is optimistic about growth with a good order book.

Various restructuring activities were aimed at bringing synergies by removing duplication, reducing overall debt and a continued strong focus on profitable business for long run.

There is a significant jump in consolidated profitability in FY 18 largely due to lower losses of subsidiaries and as most of the subsidiaries break even and have started yielding profits. Thus, the international operations are expected to perform better going forward.

Domestic performance to further improve

The company's strength and product superiority allowed it to face the tough environment and achieve good results despite a continued downturn in the market. Domestic business continued its focus on completing old projects and expanding market presence and product portfolio.

The domestic operations saw a return to growth as the company rebalanced its focus on the municipal sector. Major improvement was at the Infrastructure division which completed all old projects and started execution of new municipal orders. A pick up in public spending in the water and wastewater sector enabled the company to close the year with a strong order backlog brightening future prospects.

The company also saw an increase in order intake and closed the year FY 18 with a strong order backlog which would allow the growth in sales to be maintained.

The company is seeing demand traction uniformly across its three divisions ie engineered pump division, standard pump division and infrastructure division,

Broadly, of the total sales, around 33% is from Engineered Pumps, 33% is from conventional pumps and the rest 34% is from Turnkey projects

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with a major thrust in the Infrastructure division with large orders in the municipal and irrigation sectors. These orders will enable the division to grow rapidly in revenues and improve capability in the Infrastructure sector.

The engineered pump division has booked further orders for pump turbines and large submersible pumps for Irrigation and municipal sectors in FY 17. These products along with its established capabilities in the power sector are establishing its growing competency in the Indian market.

The Standard pump division is now focusing on energy efficient pump development which would be the new growth area. Consequent upon amalgamation of Mody Industries with Company, the operation efficiency of Wastewater 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 Wastewater division of the company is performing exceedingly well with new product and market development aided by the Swachh Bharat programme.

The Infrastructure division is now growing in strength as it received two large contracts from Madhya Pradesh Jal Nigam in the rural water supply sector. These projects combined with Irrigation projects in Telengana maintain the focus of the division on Municipal and Irrigation sector which align well with the Govt. initiative of providing water to all.

More than 7 Million pumps are expected to be ordered by Energy Efficiency Services (EESL) in five states in the next three - four years. The government is expected to expedite the river-linking project in one year since general elections have been lined up for May'19.

Central government has chartered out river-linking projects of around Rs 60000 crore which would generate orders of around Rs 11200 crore in the next 3-4 years for pumps sector.

Consequent to major push for "make in India" by the Government, and emphasis laid by the Government to carry Swachh Bharat programme, planning on new projects has been initiated. This would provide a robust environment for the company in the near term in anticipation of major spending by Government in infrastructure and capital goods sectors. Additional orders from EESL for energy-efficient pumps would add impetus to order inflow growth in the next two years.

Strong Standalone and Consolidated Financials will improve further

For the quarter ended Mar 18, WPIL registered a 63% increase in standalone net sales to Rs 174.15 crore. OPM inched higher to 25.4%, as compared to 12.7% thus resulting in a spurt in the OP growth to 227% to Rs 44.31 crore. Other income was higher by 152% to Rs 7.86 crore. Interest costs stood at Rs 2.68 crore down by 45% YoY. Depreciation costs was down by 23% to Rs 0.72 crore. Thus PBT stood at Rs 48.77 crore, up by 351% YoY. After providing total tax of Rs 15.17 crore, up by 340%, standalone PAT stood at Rs 33.60 crore, up by 356% YoY.

For 12 months ended Mar 18, company reported net sales growth of 51% to Rs 422.06 crore. OPM stood at 15.5% up by 220 bps thus resulting in a 76% increase in OP to Rs 65.46 crore. Other income was higher by 130% to Rs 19.32 crore thus resulting in a 86% increase in PBIDT to Rs 84.78 crore. Interest cost was lower by 22% to Rs 10.46 crore and depreciation was flat at Rs 3.16 crore resulting in a 146% increase in PBT to Rs 71.16 crore. After providing total tax of Rs 23.60 crore, up by 174%, PAT for 12 months ended Mar 18 stood at Rs 47.56 crore up by 134% YoY.

A significant jump in consolidated profitability in FY 18 largely due to lower losses of subsidiaries and as most of the subsidiaries break even and have started yielding profits. Thus, the international operations are expected to perform better going forward

The company also saw an increase in order intake and closed the year FY 18 with a strong order backlog which would allow the growth in sales to be maintained

For the year ended Mar 18, consolidated net sales were up by 19% to Rs 844.55 crore. OPM was up by 370 bps to 10.8% resulting in a 81% increase in OP to Rs 91.05 crore. Other income was up by 237% to Rs 22.48 crore. Interest cost was lower by 18% to Rs 22.40 crore and depreciation was up by 2% to Rs 22.14 crore. Thus PBT was up by 772% to Rs 68.99 crore. After providing total tax of Rs 33.07 crore, PAT stood at Rs 35.92 crore. After considering profit from associates of Rs 25 lakh as compared to loss from associates of Rs 2.38 crore of FY 17 and MI of Rs 4.41 crore as compared to MI of Rs 8.99 crore for FY 17, consolidated PAT for FY 18 stood at Rs 40.08 crore up by 465%.

Outlook

The domestic outlook is looking promising and the Company starts the year with a strong order book providing visibility in earnings for next couple of years. Various initiatives by the Government to enhance water supply and sewage schemes coverage should provide growth going forward.

The shift in demand of Pumps from unorganized sector to organized sector is happening faster than ever. WPIL has strong set of product mix with value added pumps to cater to growing demand of domestic market. In coming years, government's focus on energy conservation with star rated pumps and in renewable energy products will drive the growth for the company.

The International business is now strong as post restructuring and closures, margins can improve substantially as execution kick starts.

The Company being one of the leaders in the pump industry foresees good growth in both domestic and international operations and continues to strengthen its business by diversifying across geographies and product categories to both de-risk and grow business. All divisions are well equipped to deal with their growing order book and provide good quality and delivery of products to continue enhanced market share.

Valuation

For FY 19, we expect the company to register standalone net sales and PAT of Rs 464.27 crore and Rs 48.15 crore. This gives an EPS of Rs 49.3.

At current market price of Rs 574, the scrip trades at around 11.7 times its FY 19 projected standalone earnings.

The company is seeing demand traction uniformly across its three divisions ie engineered pump division, standard pump division and infrastructure division, with a major thrust in the Infrastructure division with large orders in the municipal and irrigation sectors

The domestic outlook is looking promising and the Company starts the year with a strong order book providing visibility in earnings for next couple of years

WPIL: STANDALONE RESULTS

	1803(03)&	1703(03)&	VAR.(%)	1803(12)&	1703(12)&	VAR.(%)
Sales	1931.44	1496.29	29	5741.20	4894.06	17
OPM (%)	10.8	10.5		11.0	10.8	
OP	209.15	157.27	33	631.22	529.12	19
Other inc.	10.89	10.20	7	48.01	49.34	-3
PBIDT	220.04	167.47	31	679.23	578.46	17
Interest	31.03	19.79	57	103.29	98.18	5
PBDT	189.01	147.68	28	575.94	480.28	20
Dep.	19.11	19.28	-1	76.60	77.70	-1
PBT	169.90	128.40	32	499.34	402.58	24
Current Tax	65.07	38.80	68	177.34	133.50	33
PAT	104.83	89.60	17	322.00	269.08	20
EPS (Rs)*	#	#		21.0	17.5	

* EPS is on current equity of Rs 30.69, of face value of Rs 2 each. & Quarterly results and full year results are as per New Accounting Standard (AS). # EPS is not annualised due to seasonality of business. Figures in Rs crore. *Source: Capitaline Database*

WPIL: Consolidated Financials

	1703 (12)&	1803 (12)&	VAR. (%)
Sales	708.42	844.55	19%
OPM (%)	7.1%	10.8%	
OP	50.38	91.05	81%
Other inc.	6.68	22.48	237%
PBIDT	57.06	113.53	99%
Interest	27.44	22.40	-18%
PBDT	29.62	91.13	208%
Dep.	21.71	22.14	2%
PBT	7.91	68.99	772%
Total Tax	12.18	33.07	172%
PAT	-4.27	35.92	LP
Share of loss from Associates	2.38	-0.25	LP
MI	-8.99	-4.41	-51%
PAT after MI and Associates	7.10	40.08	465%
EPS (Rs) *	7.3	41.0	

*Annualised on current equity of Rs 9.77 crore: Face value of Rs 10 each. Figures in crore. *Source: Capitaline Databases*