

## WPIL Ltd.

**Market Cap.**

Rs.6661.2 Mn

**52 Week H/L**

Rs.799 / 431

**CMP**

Rs.671

**June 15, 2018**

### STOCK DATA

Reuters Code	WRTH.BO	
Bloomberg Code	WPI IN	
BSE Code	505872	
Face Value	Rs.10	
Shares Outstanding*	9.8 mn	
Avg. Daily Volume (6m)	16,506 shares	
Price Performance (%)		
1M	3M	6M
23	22	5

**200 Days EMA Rs. 587**

\* On fully diluted equity Shares

### SHARE HOLDING (%)

Promoters	66.0
FII	0.6
FI/Bank	10.6
Body Corporate	8.3
Public & Others	14.5

**Q4FY18 Update (Standalone basis)** – Revenues grew by ~63% YoY to Rs.1,742 mn, which was majorly due to spill over of orders to Q4. Higher gross margins (48%) coupled with lower overhead cost on back of better cost efficiencies resulted in operating profit of Rs.436 mn vs Rs.126 mn in Q4FY17. OPM stood at 25%. Interest cost in Q4 stood much lower at Rs.27 mn v/s Rs.49 mn YoY largely due to repayment of debt. PBT excl. other income & exceptional item came in at Rs.409 mn v/s Rs.77 mn YoY. Other income was high at Rs. 78.6 mn mainly on account of forex gain due to rupee depreciation.

**FY18 Results** – Company reported topline of Rs. 8,446 mn (on consol basis), a growth of 16% YoY due to execution of govt. orders in 2HFY18. Domestic sales were much better than expected reporting a 50% yoy growth. At operating level, Company reported operating profit of Rs.689 mn v/s Rs.431 mn in FY17 majorly due to higher gross margins & cost curtailment. Interest cost reduced to Rs.224 mn (as compared to Rs.361 mn in FY17) with debt repayment of ~Rs.800 mn. PAT ex. Minority Interest stood at Rs.357 mn in FY18 after reporting loss in FY16 and FY17.

**Guidance** – Domestic order book stands healthy, similar to order book in last year, while international O/s orders have improved as compared to the previous year, providing strong visibility of revenue for next ~2 years. Order book is spread across sectors like Power, Irrigation and Municipalities. Company has shut down its subsidiary, Mathers Foundry (U.K) which had incurred loss of £ 2.5 mn in FY18.

**Outlook** - WPIL with major focus on Engineered Pumps & EPC contracts has its fortunes linked to the economy. Slowdown in economy resulted in lower order-inflows impacting growth & margins in past. Also, underperformance by subsidiaries due to turmoil in overseas markets led to additional pressure on profitability. However, with improving ordering scenario in domestic & overseas markets, the Company is likely to have better growth visibility going forward. Likely turnaround of subsidiaries coupled with operating leverage benefits can result in better profitability growth.

Y/E Mar.	Revenues (Rs.mn)	APAT (Rs.mn)	AEPS (Rs.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY15	4830.2	184.9	18.9	35.7	16.6	9.6	2.7
FY16	7309.2	10.1	1.0	652.1	4.7	0.4	2.7
FY17	7268.7	73.5	7.5	89.7	8.1	2.9	2.6
<b>FY18P</b>	<b>8445.5</b>	<b>400.8</b>	<b>41.0</b>	<b>16.4</b>	<b>14.3</b>	<b>14.6</b>	<b>2.2</b>

**QUARTERLY STATEMENT (Standalone)**
**(Rs.mn)**

Y/E March	Q4FY17	Q3FY18	Q4FY18
<b>Net Sales</b>	<b>1,065.9</b>	<b>1,137.7</b>	<b>1,741.5</b>
YoY (%)	44%	54%	63%
Raw materials	<b>630.6</b>	<b>796.2</b>	<b>904.4</b>
Employee Cost	85.5	93.4	80.4
Other Expenses	214.4	129.3	313.7
<b>EBITDA</b>	<b>135.4</b>	<b>118.8</b>	<b>443.0</b>
Interest Cost	49.1	27.4	26.8
Depreciation	9.3	8.2	7.2
Other Income	31.2	8.5	78.6
<b>PBT</b>	<b>108.2</b>	<b>91.7</b>	<b>487.7</b>
Tax	34.5	32.5	151.7
Exceptional Items	0	0	0
<b>APAT</b>	<b>73.7</b>	<b>59.2</b>	<b>335.9</b>

**PROFIT & LOSS STATEMENT (Consol)**
**(Rs.mn)**

Y/E Mar.	FY15	FY16	FY17	FY18P
<b>Net Sales</b>	<b>4,830.2</b>	<b>7,309.2</b>	<b>7,268.7</b>	<b>8,445.5</b>
Total Raw materials	2,436.1	3,061.8	3,459.8	4,047.7
Employee Cost	855.7	2,058.2	1,685.7	1,708.9
Other Expenses	891.5	1,703.6	1,462.2	1,778.4
<b>EBITDA</b>	<b>647.0</b>	<b>485.6</b>	<b>661.1</b>	<b>910.4</b>
Depreciation	72.1	268.5	230.0	221.4
Interest & Finance Charges	285.8	274.2	361.1	224.0
Other Income	24.3	110.4	54.1	224.8
Extra-ordinary items	0	0	0	0
<b>PBT</b>	<b>313.5</b>	<b>53.2</b>	<b>124.1</b>	<b>689.9</b>
Tax	126.0	92.8	141.3	330.7
<b>RPAT</b>	<b>184.9</b>	<b>10.1</b>	<b>73.5</b>	<b>400.8</b>
<b>APAT</b>	<b>184.9</b>	<b>10.1</b>	<b>73.5</b>	<b>400.8</b>

Source: Company, Sushil Finance Research Estimates

**BALANCE SHEET (Consol)**

(Rs.mn)

As on 31 <sup>st</sup> Mar.	FY15	FY16	FY17	FY18P
Equity Share Capital	97.7	97.7	97.7	97.7
Reserves	2,383.4	2,355.4	2,460.8	2,835.7
<b>Net worth</b>	<b>2,481.1</b>	<b>2,453.1</b>	<b>2,558.4</b>	<b>2,933.3</b>
Total loans	821.1	3,003.0	2,347.7	1,549.5
<b>Capital Employed</b>	<b>3,633.7</b>	<b>5,621.1</b>	<b>5,138.4</b>	<b>4,602.7</b>
Net block	1,410.0	2,074.3	1,900.3	1,695.2
Investments	0.0	2.7	2.7	133.2
Sundry debtors	2,255.8	3,294.1	3,359.7	3,878.7
Inventories	466.9	2,021.0	1,963.0	2,336.0
Cash and bank	304.0	354.8	284.1	307.8
Loans and advances	411.2	388.8	527.6	122.0
Total Current liabilities	1,237.9	2,571.4	2,992.2	5,359.7
<b>Net Current assets</b>	<b>2,213.8</b>	<b>3,537.5</b>	<b>3,211.7</b>	<b>2,184.3</b>
<b>Total Assets</b>	<b>3,633.7</b>	<b>5,621.1</b>	<b>5,138.4</b>	<b>4,602.6</b>

**FINANCIAL RATIO STATEMENT (Consol)**

Y/E Mar.	FY15	FY16	FY17	FY18P
<b>Growth (%)</b>				
Total Sales	(5.5)	51.3	0.3	16.2
EBITDA	(20.7)	(24.9)	16.8	37.7
<b>Profitability (%)</b>				
EBITDA Margin	13.4	6.6	9.1	10.8
APAT Margin	3.8	0.1	1.0	4.7
ROCE	16.6	4.7	8.1	14.3
ROE	9.6	0.4	2.9	14.6
<b>Per Share Data (Rs.)</b>				
AEPS	18.9	1.0	7.5	41.0
Reported CEPS	25.0	26.7	32.8	63.5
BVPS	254.0	251.2	261.9	300.3
<b>Valuation</b>				
PER (x)	35.7	652.1	89.7	16.4
P/BV (x)	2.7	2.7	2.6	2.2
EV/EBITDA (x)	11.9	20.0	13.8	9.0
EV/Net Sales (x)	1.6	1.3	1.3	1.0
<b>Turnover</b>				
Debtor Days	175	139	167	156
Inventory Days	67	95	148	135
Creditor Days	92	71	100	108
<b>Gearing Ratio</b>				
D/E (x)	0.3	1.2	0.9	0.5

Source: Company, Sushil Finance Research Estimates

**ANALYST**

**Umesh Matkar** | +91 22 4093 4078  
 umesh.matkar@sushilfinance.com

**SALES**

**Devang Shah** | +91 22 4093 6060/62  
 devang.shah@sushilfinance.com

**Rating Scale**

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

**Risk Rating**

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	High predictability / Low volatility
Medium Risk	Moderate predictability / volatility
High Risk	Low predictability / High volatility

**Total Expected Return Matrix**

Rating	Low Risk	Medium Risk	High Risk
<b>Buy</b>	Over 15 %	Over 20%	<b>Over 25%</b>
<b>Accumulate</b>	10 % to 15 %	15% to 20%	<b>20% to 25%</b>
<b>Hold</b>	0% to 10 %	0% to 15%	<b>0% to 20%</b>
<b>Sell</b>	Negative Returns	Negative Returns	Negative Returns
<b>Neutral</b>	Not Applicable	Not Applicable	Not Applicable
<b>Not Rated</b>	Not Applicable	Not Applicable	Not Applicable

**Please Note**

- Recommendations with “Neutral” Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- \*\* Indicates that the stock is illiquid With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.
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