

<b>WPIL LTD</b> Result Update (PARENT BASIS): Q1 FY18	<b>CMP: 497.35</b>	<b>SEP 25<sup>th</sup>, 2017</b>
	<b>Overweight</b>	<b>ISIN: INE765D01014</b>

## Index Details

Stock Data	
Sector	Industrial Machinery
BSE Code	505872
Face Value	10.00
52wk. High / Low (Rs.)	582.00/315.00
Volume (2wk. Avg.)	19000
Market Cap (Rs. in mn.)	4857.62

Annual Estimated Results(A*: Actual / E*: Estimated)			
Years( Rs. In mn)	FY17A	FY18E	FY19E
Net Sales	2617.84	3089.05	3583.30
EBITDA	461.50	533.06	594.52
Net Profit	171.89	232.77	298.86
EPS	17.60	23.83	30.60
P/E	28.26	20.87	16.25

Shareholding Pattern (%)		
	As on June 2017	As on Mar 2017
PROMOTER	61.07	61.07
PUBLIC	38.93	38.93
OTHERS	--	--

## 1 Year Comparative Graph



**WPIL LTD**      **S&P BSE SENSEX**

## SYNOPSIS

- WPIL Ltd has to its credit a rich experience of more than 65 years in Designing, Developing, Manufacturing, Erecting, Commissioning and Servicing of Pumps & Pumping Systems.
- The company achieved turnover of Rs. 757.74 mn for Q1 FY 2017-18 as against Rs. 423.88 mn in the corresponding quarter of the previous year, an increase of 78.76%.
- During the quarter, net profit rose by 83.79% and registered at Rs. 53.22 mn from Rs. 28.96 mn in the corresponding quarter ending of previous year.
- During the quarter, EBIDTA stood at Rs. 117.84 mn as against Rs. 76.58 mn in the corresponding period of the previous year, up by 62.02%.
- Profit before tax (PBT) increased by 99.13% to Rs. 83.54 mn in Q1 FY18 from Rs. 41.95 mn in the corresponding quarter of the previous year.
- EPS of the company stood at Rs. 5.45 in Q1 FY18 against Rs. 2.96 in the corresponding quarter of the previous year.
- Net Sales and PAT of the company are expected to grow at a CAGR of 19% and 20% over 2016 to 2019E, respectively.

PEER GROUPS	CMP	MARKET CAP	EPS(TTM)	P/E(X)(TTM)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
WPIL Ltd	497.35	4857.62	21.48	23.15	1.99	20.00
Shakti (Pumps) India Ltd	484.00	8896.00	12.46	38.84	4.01	20.00
Mazda Ltd	345.25	1470.10	27.75	12.44	1.32	73.00
Revathi CP Equipment Ltd	650.00	1993.50	40.66	15.99	1.28	0.00

## QUARTERLY HIGHLIGHTS (PARENT BASIS)

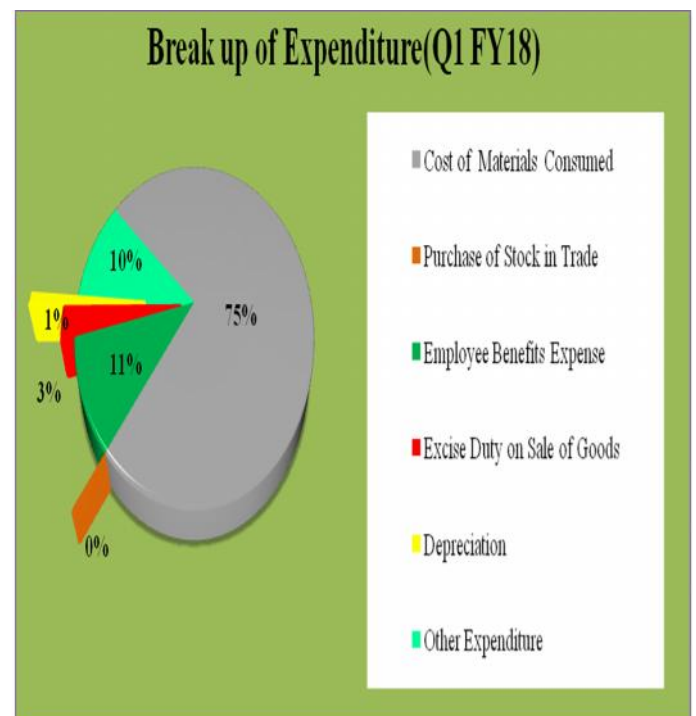
### Results updates- Q1 FY18,

(Rs. In million)	June-17	June-16	% Change
<b>Revenue</b>	757.74	423.88	78.76%
<b>Net Profit</b>	53.22	28.96	83.79%
<b>EPS</b>	5.45	2.96	83.79%
<b>EBITDA</b>	117.84	76.58	53.87%

WPIL Ltd has achieved an increased turnover of 78.76% at Rs. 757.74 million for the 1<sup>st</sup> quarter of the FY 2017-18 as against Rs. 423.88 million in the corresponding quarter of the previous year. During the 1<sup>st</sup> quarter, net profit rose by 83.79% and registered at Rs. 53.22 million as against Rs. 28.96 million in the corresponding quarter ending of previous year. Reported earnings per share of the company stood at Rs. 5.45 in Q1 FY18 as against Rs. 2.96 in the corresponding quarter of the previous year. Profit before interest, depreciation and tax stood at Rs. 117.84 million as against Rs. 76.58 million in the corresponding period of the previous year, up by 53.87%.

### Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q1 FY18	Q1 FY17	% Change
Cost of Raw Materials Consumed	563.39	246.17	129%
Purchase of Stock in Trade	0.00	2.34	-100%
Employee Benefits Expense	81.32	59.71	36%
Excise Duty on Sale of Goods	23.71	17.77	33%
Depreciation	7.59	7.27	4%
Other Expenditure	76.80	77.88	-1%





## COMPANY PROFILE

WPIL Limited is a holding company, which is engaged in providing pumps, and pumps spares and accessories. The Company is engaged in the business of design, development, manufacture, marketing, installation and servicing of vertical and horizontal pumps of various sizes required for lift irrigation/irrigation schemes and thermal/nuclear power plants. It is also engaged in the business of fluid handling, from the supply of pumps to project execution. It supplies a range of pumps to the industrial, municipal, irrigation and power sectors. The Company also has a project division, which undertakes water management contracts in these sectors. Its products include sewage submersible pumps, vertical sump pumps, and borewell submersible motor and pumps. The Company has its manufacturing facilities in locations, including Kolkata, Nagpur, Ghaziabad and 24 Parganas. Its subsidiaries include Mody Industries (FC) Pvt. Ltd., Sterling Pumps Pty Limited and WPIL International Pte Ltd.

**FINANCIAL HIGHLIGHT (PARENT BASIS)**

(A\* - Actual, E\* -Estimations &amp; Rs. In Millions)

**Balance Sheet as of March 31, 2016 -2019E**

	FY16A	FY17A	FY18E	FY19E
<b>SOURCES OF FUNDS</b>				
<b>Shareholder's Funds</b>				
Share Capital	97.67	97.67	97.67	97.67
Reserves and Surplus	2198.77	2347.12	2575.04	2873.90
<b>1. Sub Total - Net worth</b>	<b>2296.44</b>	<b>2444.79</b>	<b>2672.71</b>	<b>2971.57</b>
<b>Non Current Liabilities</b>				
Long term borrowing	0.00	0.00	0.00	0.00
Deferred Tax Liabilities	32.24	32.77	33.10	33.76
Long Term Provisions	8.25	8.20	8.45	8.62
<b>2. Sub Total - Non Current Liabilities</b>	<b>40.49</b>	<b>40.97</b>	<b>41.54</b>	<b>42.38</b>
<b>Current Liabilities</b>				
Short Term Borrowings	794.69	745.34	715.53	694.06
Trade Payables	575.56	797.08	876.79	946.93
Other Current Liabilities	130.68	155.28	167.70	177.76
Short Term Provisions	44.35	39.35	36.99	35.51
<b>3. Sub Total - Current Liabilities</b>	<b>1545.28</b>	<b>1737.05</b>	<b>1797.01</b>	<b>1854.27</b>
<b>Total Liabilities (1+2+3)</b>	<b>3882.21</b>	<b>4222.82</b>	<b>4511.26</b>	<b>4868.22</b>
<b>APPLICATION OF FUNDS</b>				
<b>Non-Current Assets</b>				
<b>Fixed Assets</b>				
Fixed Assets	326.21	315.35	331.11	344.36
Non-Current Investments	663.78	663.78	696.96	724.84
Long Term Loans and Advances	67.30	75.74	0.00	0.00
<b>1. Sub Total - Non Current Assets</b>	<b>1057.29</b>	<b>1054.86</b>	<b>1028.08</b>	<b>1069.20</b>
<b>Current Assets</b>				
Inventories	136.23	152.19	164.37	174.23
Trade receivables	1735.91	1965.87	2187.12	2416.35
Cash and Cash Equivalents	13.87	15.32	16.55	17.54
Short Term Loans and Advances	837.92	925.43	999.46	1069.42
Other current assets	100.99	109.14	115.69	121.48
<b>2. Sub Total - Current Assets</b>	<b>2824.92</b>	<b>3167.95</b>	<b>3483.19</b>	<b>3799.02</b>
<b>Total Assets (1+2)</b>	<b>3882.21</b>	<b>4222.82</b>	<b>4511.27</b>	<b>4868.22</b>

**Annual Profit & Loss Statement for the period of 2016 to 2019E**

Value(Rs.in.mn)	FY16A	FY17A	FY18E	FY19E
<b>Description</b>	<b>12m</b>	<b>12m</b>	<b>12m</b>	<b>12m</b>
<b>Net Sales</b>	<b>2116.29</b>	<b>2617.84</b>	<b>3089.05</b>	<b>3583.30</b>
Other Income	67.27	99.29	114.18	123.32
Total Income	2183.55	2717.13	3203.23	3706.62
Expenditure	-1835.05	-2255.63	-2670.17	-3112.09
<b>Operating Profit</b>	<b>348.50</b>	<b>461.50</b>	<b>533.06</b>	<b>594.52</b>
Interest	-64.49	-191.20	-152.96	-128.48
Gross profit	284.01	270.30	380.10	466.04
Depreciation	-28.18	-28.89	-30.33	-32.15
Profit Before Tax	255.83	241.41	349.77	433.89
Tax	-83.99	-69.53	-117.00	-135.03
<b>Net Profit</b>	<b>171.84</b>	<b>171.89</b>	<b>232.77</b>	<b>298.86</b>
Equity capital	97.67	97.67	97.67	97.67
Reserves	2193.89	2342.27	2575.04	2873.90
Face value	10.00	10.00	10.00	10.00
<b>EPS</b>	<b>17.59</b>	<b>17.60</b>	<b>23.83</b>	<b>30.60</b>

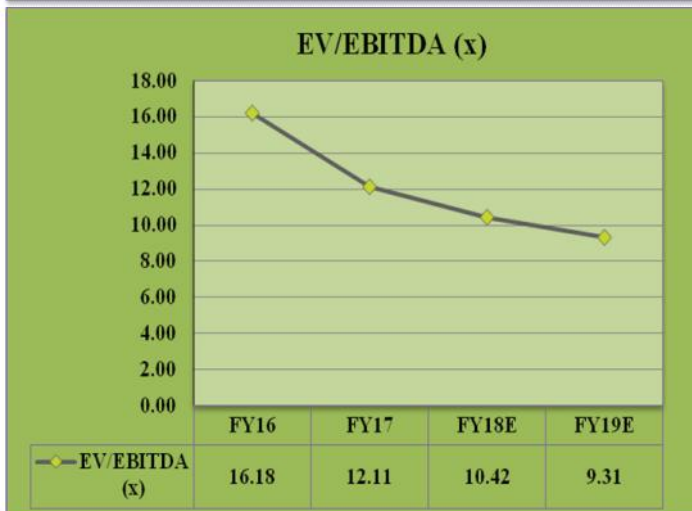
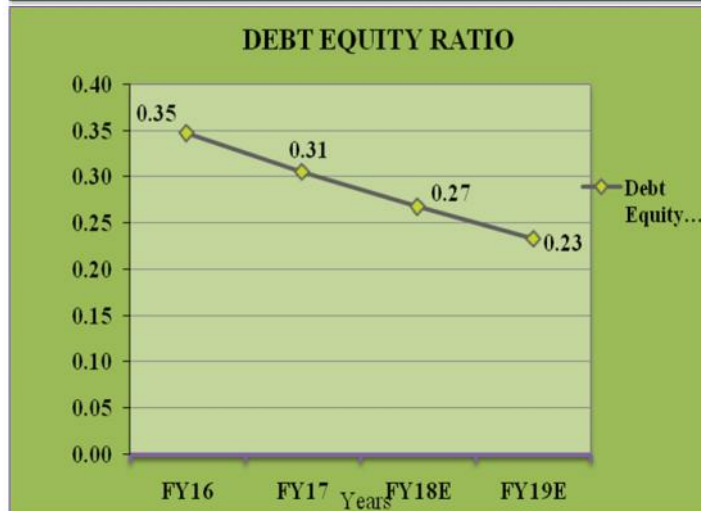
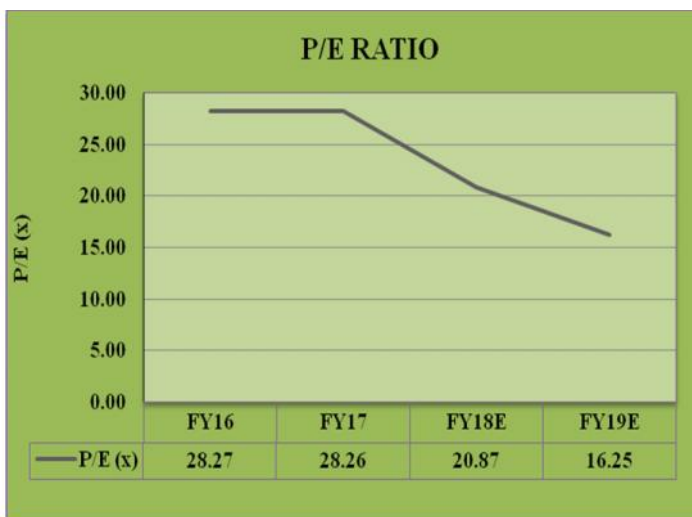
**Quarterly Profit & Loss Statement for the period of 31<sup>st</sup> Dec, 16 to 30<sup>th</sup> Sep, 17**

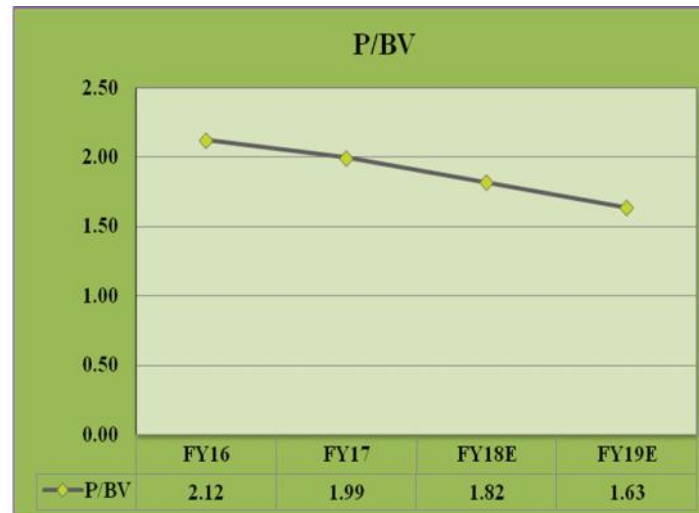
Value(Rs.in.mn)	31-Dec-16	31-Mar-17	30-June-17	30-Sep-17E
<b>Description</b>	<b>3m</b>	<b>3m</b>	<b>3m</b>	<b>3m</b>
<b>Net sales</b>	<b>657.29</b>	<b>1016.95</b>	<b>757.74</b>	<b>886.55</b>
Other income	13.23	36.72	49.31	61.63
Total Income	670.52	1053.67	807.04	948.19
Expenditure	-575.08	-836.76	-689.21	-797.72
<b>Operating profit</b>	<b>95.44</b>	<b>216.91</b>	<b>117.84</b>	<b>150.46</b>
Interest	-27.87	-108.61	-26.71	-30.72
Gross profit	67.57	108.30	91.13	119.75
Depreciation	-7.39	-7.30	-7.59	-8.73
Profit Before Tax	60.18	101.00	83.54	111.02
Tax	-17.16	-25.28	-30.32	-42.12
<b>Net Profit</b>	<b>43.02</b>	<b>75.72</b>	<b>53.22</b>	<b>68.90</b>
Equity capital	97.67	97.67	97.67	97.67
Face value	10.00	10.00	10.00	10.00
<b>EPS</b>	<b>4.40</b>	<b>7.75</b>	<b>5.45</b>	<b>7.05</b>

## Ratio Analysis

Particulars	FY16A	FY17A	FY18E	FY19E
EPS (Rs.)	17.59	17.60	23.83	30.60
EBITDA Margin (%)	16.47%	17.63%	17.26%	16.59%
PBT Margin (%)	12.09%	9.22%	11.32%	12.11%
PAT Margin (%)	8.12%	6.57%	7.54%	8.34%
P/E Ratio (x)	28.27	28.26	20.87	16.25
ROE (%)	7.50%	7.04%	8.71%	10.06%
ROCE (%)	12.20%	15.40%	16.63%	17.10%
Debt Equity Ratio	0.35	0.31	0.27	0.23
EV/EBITDA (x)	16.18	12.11	10.42	9.31
Book Value (Rs.)	234.62	249.81	273.65	304.25
P/BV	2.12	1.99	1.82	1.63

## Charts





## OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 497.35**, the stock P/E ratio is at 20.87 x FY18E and 16.25 x FY19E respectively.
- Earning per share (EPS) of the company for the earnings for FY18E and FY19E is seen at Rs. 23.83 and Rs. 30.60 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 19% and 20% over 2016 to 2019E respectively.
- On the basis of EV/EBITDA, the stock trades at 10.42 x for FY18E and 9.31 x for FY19E.
- Price to Book Value of the stock is expected to be at 1.82 x and 1.63 x for FY18E and FY19E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium to Long term investment.

## INDUSTRY OVERVIEW

Year 2016-17 was another difficult year wherein the business environment globally deteriorated even further and in India the effect has been even more pronounced. The Indian GDP growth rate is now at 7.1% and there is great pressure on the Indian economy because of this lack of growth, depreciating currency and uncontrolled inflation. The power sector continues to struggle with its fuel supply issues and a large number of projects lie closed at various stages of completion. Similarly, with the falling GDP, Government projects in both Municipal and Irrigation sectors have been slow. In this uncertain environment the Company re-focused its business to focus on exports and judiciously approached domestic sales to protect margin and recover dues. The Company's strength and product superiority allowed it to wither the situation and achieve good results with growth in revenue and maintained profit at par with last year. Further, the focus on its International business yielded good results and allowed the Company to achieve sales at par with last year on a consolidated basis. The Company aims to continue its focus on export and development of its International business to protect it from the vagaries of the domestic market.

## **Operational Review:**

### ***Domestic Operations:***

After a number of years of low activity and focus on development of new products and sectors the domestic performance was encouraging with sales increasing from 218 crs to 271.7 crs. The company also saw an increase in order intake and closed the year 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 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.

### ***Engineered Pump Division:***

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

### ***Standard Pump Division:***

The Standard pump division had another good year supported by increased order inflows and should grow from strength to strength supported by municipal spending. The 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.

### ***Infrastructure Division:***

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.

## **Opportunities:**

WPIL has strengthened itself with necessary manufacturing infrastructure and financial health to be a very strong Company in its sector. Its products have a technical edge in the market and are the preferred choice of its customers. Along with this its support services and team of competent, qualified and experienced personnel command great respect in the market place. A combination of such strong qualities should help to maintain its growth in the recent past.



### ***Future Outlook***

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. The Company feels it has achieved a good balance by developing its international business and creation of Waste water pump division consequent to amalgamation of Mody Industries. These two areas of the business should enhance margin and profit suitably going forward. WPIL looks to cement its position in various geographies and market going forward. The Goods and Service tax (GST), a comprehensive reform of present indirect tax system has been implemented from 1st of July, 2017, with the concept that one Nation- one tax. The implementation of GST will help create a common market in India and reduce the cascading effect of tax on cost of Goods and services. It is expected to have a significant impact on every Industry and Consumer. Apart from plugging loopholes of current system, it is also focused at boosting the Indian Economy. This has been done simplifying and unifying the indirect taxes from all the states throughout India. It has laid impact on tax structure, tax incidence, credit utilization and reporting leading to a complete overhaul of the current indirect tax system.

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