

WPIL

Rs 891

Pumped up

Sensex: 57,197

Nifty: 17,172

FINANCIALS SUMMARY

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INT	PBDT	DEP.	PBT	P/L FROM ASSOC.	PBT	TAX	PAT	MI	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	222.88	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	77.13	23.3	53.84	-2.38	56.22	57.6
2103 (12)	994.83	15.1	150.69	15.35	166.05	22.5	143.54	36.95	106.59	2.17	108.76	30.5	78.25	14.51	63.75	65.3
2203(12P)	1198.33	17.5	210.26	11.85	222.1	21.57	200.54	40.61	159.92	2.25	162.18	47.08	115.1	25.17	89.93	92.1
2303(12P)	1354	17.9	242.21	13.27	255.48	22.82	232.66	41.83	190.83	2.27	193.1	57.93	135.17	27.68	107.49	110.1

* 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. (P) Projections.

Source: Capitaline Database

WPIL 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.

Twelve manufacturing locations covering the entire process of pump manufacture from Casting, fabrication, machining, assembly and testing along with constant investment in manufacturing and R&D allows the company to deliver great value to its client by enhancing efficiencies at every step.

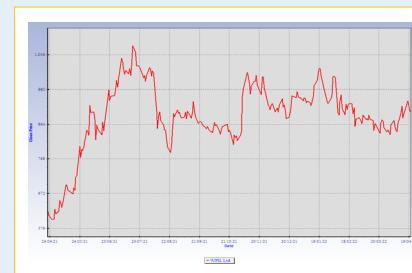
Focused on the complete value chain of fluid handling - from supply of pumps to turnkey project execution

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.

In 2008, the company formed a JV with Clyde pumps U.K. to manufacture boiler feed/concrete volute and other special pumps for power sector including nuclear power



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 1122 / Rs 550
Sector	:	Capital Goods - Electrical Equip

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 6.36
Institutions	: 4.46
Govt Holding	: 0.00
Corporate Holding	: 4.47
Promoters	: 70.69
Public & Others	: 14.01

* as on 31/03/2022

Source: Capitaline Databases

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.

While the Product Division supplies a comprehensive range of pumps to the Municipal, Industrial, and irrigation sectors. The Project Division undertakes water management contracts in the above sectors.

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.

The client portfolio of the company is moderately diversified comprising irrigation and water departments of various states especially Telangana, Madhya Pradesh, Assam, Maharashtra, West Bengal, central utilities, PSUs and various private sector entities.

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

Strong overseas business through its vast global manufacturing 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.

WPIL now has manufacturing operations in United Kingdom, Italy, France, Switzerland, South Africa, Zambia, Australia and Thailand through its Group companies. While the domestic operations are mainly driven by water pumps, it also has presence in nuclear pumps and pumps relating to oil & gas sector apart from water and industrial pumps in its overseas operations.

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.

Sterling pump Australia has acquired UCP Australia 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.

Strong installed base of both FINDER Pompe and UCP Australia facilitates strong replacement demand.

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

Currently for the company about 45% of the consolidated revenue came from domestic market and balance from international market.

Twelve manufacturing locations covering the entire process of pump manufacture from Casting, fabrication, machining, assembly and testing along with constant investment in manufacturing and R&D allows the company to deliver great value to its client by enhancing efficiencies at every step

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.

Strong order book at both standalone and overseas subsidiaries provides medium term revenue visibility

Unexecuted standalone order book of the company as end of December 31, 2021 was around Rs 2248 crore, which translates into about 6 times of its FY21 standalone revenue. Majority of the same is expected to be executed over a period of next 12 - 18 months.

The company have booked major orders from Madhya Pradesh Jal Nigam and a piped irrigation project in Maharashtra during H2FY21 and the execution of it to boost topline going-forward. Major/large turnkey contracts numbering about three orders accounts for 62% of the standalone order book of the company.

In addition to the above domestic orders, the company had unexecuted order book of around Euro 28 million in its Italian subsidiary, AUD 9 million in Australia and around Rand 80 million Rand in South Africa. The consolidated order book stood at around 2.56 times of its consolidated TOI for FY21.

Good operating show in Q3FY22

For the quarter ended Dec 2021, consolidated sales declined 4% to Rs 246.57 crore. However with operating profit margin jump by 340 bps to 13.6%, the operating profit grew by 28% to Rs 33.54 crore. Other income fell 86% to Rs 0.89 crore and thus the growth at PBIDT was restricted at 5% to Rs 34.43 crore. Provision for interest rose 13% to Rs 5.5 crore. PBDT rose 4% to Rs 28.93 crore. Provision for depreciation fell 17% to Rs 8.84 crore. Profit before tax grew 17% to Rs 20.09 crore. Share of profit/loss from associate was 91% lower at Rs 0.19 crore. EO was nil for both periods. Thus PBT before EO was up 5% to Rs 20.28 crore. Provision for tax was expense of Rs 5.29 crore, compared to Rs 5.94 crore. Thus PAT was up 13% to Rs 14.99 crore. Minority interest decreased 62.90% to Rs 1.84 crore. Net profit attributable to owners of the company increased 58% to Rs 13.15 crore.

For nine month ended Dec 2021, the sales was up 18% to Rs 758.71 crore. Further with OPM was higher by 480 bps to 15.6% and thus the OP was up 71% to Rs 118.40 crore. The PBT before SOTP was up 106% to Rs 78.32 crore. SOTP was down 78% to Rs 0.54 crore. Thus PBT was up 95% to Rs 78.86 crore. Taxation was up 93% to Rs 21.28 crore. Thus PAT was up 96% to Rs 57.57 crore. Eventually net profit attributable to owners of the company was up by strong 84% to Rs 48.11 crore.

Overseas subsidiaries to gain from increase in investment on the back of rise in commodity prices

Performance of overseas subsidiaries of the company in 2020-21 was impacted by lockdown to control Covid pandemic and supply chain disruptions. Especially the Italian subsidiary Gruppo Aturia that was severely impacted by pandemic despite sitting with strong order book, is now seeing steady improvement in execution with increased vaccination and return of normalcy.

Similarly, the sharp rise in crude oil prices globally has triggered investment in Exploration and production of Oil & Gas globally and this is facilitating improved demand (including strong replacement demand) for oil & gas business of Finder Pompe acquired by the company in 2019. Likewise United Pumps Australia, a leading oil and gas supplier and acquired by Sterling Pumps, the Australian subsidiary of the company in early 2020 is expected to be major beneficiary of

Unexecuted standalone order book of the company as end of December 31, 2021 was around Rs 2248 crore, which translates into about 6 times of its FY21 standalone revenue

In addition to the above domestic orders, the company had unexecuted order book of around Euro 28 million in its Italian subsidiary, AUD 9 million in Australia and around Rand 80 million Rand in South Africa

the large investments planned in Asia Pacific area subsequent to surge in oil prices. CLYDE INDIA also gains with strong investment in Indian O&G sector as it supplies API range of pumps to the Indian downstream oil and gas sector.

Performance of Sterling Pumps that faced the impact of acquisition challenges (of United Pumps of Australia) and Covid crisis in the last year, has streamlined the operations of the acquired company and improved its water business.

Simultaneously, the uptick in infrastructure investments in the Middle East North Africa also augurs well for growth in supply of large pumps. Rutschi Pompe, the nuclear subsidiary of Gruppo Aturia also performed well with consistent business in the nuclear aftermarket business along with special nuclear projects which leverage its tremendous expertise and brand potential in the sector.

Reflecting this the performance of overseas subsidiaries (obtained by deducting the standalone financials from consolidated financials) reported an operating profit of Rs 74.16 crore, a jump of 161% for 9mFY22 facilitated by 14% growth in sales and 880 bps expansion in OPM to 15.6%. Thus at PBT level it was a profit of Rs 35.08 crore against a loss of Rs 14.77 crore in the corresponding previous period.

Execution of strong order book and improvement in order finalisation to boost domestic performance

Despite selective order picking, the domestic order book of the company continue to be strong.

The Company is seeing demand traction emerging across all three sectors of municipal, irrigation and industrial. While municipal segment is boosted by Jal Jeevan Mission, the irrigation was gained by growth in demand for piped irrigation. The industrial demand has got the boost of O&G sector on the back of surge in oil and gas prices along with increase in investment in steel and cement sector.

The product division of the company is also developing new products in the energy efficiency sector which will help growth in the Indian market and also meet product needs for the Developed markets.

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 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 project 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 going forward. 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.

The sharp rise in crude oil prices globally has triggered investment in Exploration and production of Oil & Gas globally and this is facilitating improved demand (including strong replacement demand) for oil & gas business

The Company is seeing demand traction emerging across all three sectors of municipal, irrigation and industrial

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.

The Company continues its development of International markets and its focus on various product groups which along with growth of its Project Division should further strengthen its business for the medium term.

Considering accelerated vaccination key markets of the company are expected to return to normalcy and step up investment in infrastructure and core sectors provided no further waves of Covid pandemic as threatening as in the first wave.

In domestic market while public investment to see steady growth with renewed focus on the Government on infrastructure development to boost economy, the private sector investment is also to recover due to the rise in commodity prices and resurgence in demand. 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. Apart from this there also exists opportunity in energy efficiency projects across the country.

All divisions are well equipped to deal with their growing order book and provide good quality and delivery of products to further enhance market share.

Post COVID and Ukraine war, both Europe and other development markets of North America, which hitherto largely witnessed replacement/modernisation capex in processing/conventional energy/fluid handling industries are expected to go for fresh capacities to lessen the dependence on China and Russia. This will augur well for international subsidiaries.

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 92.1 in FY22 and Rs 110.1 in FY23. At current market price of Rs 891, the scrip trades at 8 times its expected FY23 EPS.

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

Considering its diversified operations in terms of products and services, sectors and geographies the company is better placed compared to its peers.

WPIL: CONSOLIDATED RESULTS

PARTICULARS	2112 (3)	2012 (3)	VAR %	2112 (9)	2012 (9)	VAR %	2103 (12)	2003 (12)	VAR %
Sales	246.57	257.16	-4	758.71	641.61	18	994.83	908.89	9
OPM (%)	13.6	10.2		15.6	10.8		15.1	13.2	
OP	33.54	26.25	28	118.40	69.17	71	150.69	120.17	25
Other inc.	0.89	6.48	-86	2.51	12.62	-80	15.35	15.31	0
PBIDT	34.43	32.73	5	120.91	81.79	48	166.05	135.48	23
Interest	5.50	4.85	13	15.65	15.95	-2	22.50	20.99	7
PBDT	28.93	27.87	4	105.26	65.84	60	143.54	114.49	25
Dep.	8.84	10.64	-17	26.94	27.82	-3	36.95	37.26	-1
PBT	20.09	17.24	17	78.32	38.03	106	106.59	77.23	38
Share of P(L) from Associates	0.19	1.99	-91	0.54	2.45	-78	2.17	1.13	91
PBT before EO	20.28	19.23	5	78.86	40.48	95	108.76	78.36	39
EO	0.00	0.00		0.00	0.00		0.00	0.00	
PBT after EO	20.28	19.23	5	78.86	40.48	95	108.76	78.36	39
Taxation	5.29	5.94	-11	21.28	11.04	93	30.50	22.80	34
PAT of Continuing Operations	14.99	13.29	13	57.57	29.45	96	78.25	55.56	41
Minority Interest	1.84	4.96	-63	9.46	3.23	193	14.51	-2.38	PL
Net profit	13.15	8.32	58	48.11	26.22	84	63.75	57.94	10
EPS (Rs)*	#	#		#	#		65.3	59.3	

* 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 Database