

April 21, 2017
BUY
MEDIUM RISK
PRICE Rs.435
TARGET Rs.525

PUMPS

SHARE HOLDING (%)

Promoters	61.1
FII	-
FI / MF	18.4
Body Corporate	-
Public & Others	20.5

STOCK DATA

Reuters Code WRTH.BO
Bloomberg Code WPI IN

BSE Code 505872
NSE Symbol -

Market Capitalization* Rs.4245.6 mn
 US\$ 65.7 mn

Shares Outstanding* 9.8 mn

52 Weeks (H/L) Rs.485 / 315

Avg. Daily Volume (6m) 10,885 Shares

Price Performance (%)

1M	3M	6M
3	8	20

200 days EMA Rs.398

*On fully diluted equity shares



WPIL is one of the leading players in the organized market with vast experience in Designing, Manufacturing, Commissioning & Servicing of Pumps & Pumping Systems catering to all the major sectors including Irrigation, Power, Industrials etc. The Company also provides turnkey execution for water handling projects in all the above sectors by leveraging its engineering capabilities & experience.

We recently had a conference call with the management of WPIL Ltd. which was represented by Mr.K.K.Ganeriwala (ED) in order to have better insights on the industry dynamics & company's growth prospects. The following are the key takeaways.

Healthy Order-book Position – The domestic order-book position of the Company stands healthy at Rs.10 bn (~4.7x FY16 Std. Rev.) providing good revenue visibility over the next few years. Of the total order-book position, Engineered Pumps contributes ~Rs.2-2.5 bn (market share ~25%) while EPC (turnkey) contributes ~Rs.6-7 bn; rest comes from traditional pumps. After-market services contributes ~18-20% to the top-line. Execution cycle for Engineered pumps & EPC projects stands at 18-24 months & 36-48 months respectively. Moreover, the Company has outstanding bids to the tune of Rs.10 bn which is likely to open over next few months.

Utilizations to improve going forward - Slowdown in economy resulted in lower order-inflows impacting revenues which de-grew at a CAGR of ~8% over FY12-16 to Rs.2120 mn. However with improvement in ordering scenario, the Company witnessed healthy top-line growth of ~16% in 9MFY17 to Rs.1600 mn. Current capacity utilization stands lower at ~50% which is expected to improve going forward resulting in some margin improvement on back of operating leverage benefits.

Improving Domestic Scenario – Management indicated towards improvement in domestic scenario with comparatively higher tendering & improving ground level activities. Considering the huge potential in the irrigation sector, they expect lot of investment to flow in over the next 3-4 years. Many states like AP, Telangana, Maharashtra etc. have planned huge expenditure in Irrigation sector.

Turnaround of Subsidiaries – In order to pursue growth & diversify in newer products, the Company went for many overseas acquisitions in countries like Australia, Africa, Europe, UK etc. over the last couple of years. Fall in commodity prices has been one of the major reasons for under-performance by subsidiaries since majority of economies where subsidiary operates are commodity dependent. However, with revival in commodity prices, management expects economies to perform better going forward. Order-backlog for majority of its subsidiaries has improved & is at comfortable levels. The Company derives ~70% of its revenues through exports & hence revival of subsidiaries would auger well for the Company going forward.

Other Key Points – 1) Capex – The Company has already incurred good capex for its Nagpur plant & is further expected to spend ~Rs.150-200 mn over the next 1-2 years. 2) The Company is also focusing on Water management segment (mainly municipalities) which can provide good opportunities. It has bid for few projects in states like J&K, Rajasthan etc.

Key Risks – 1) Delay in economic recovery 2) Aggressive overseas acquisitions

OUTLOOK & VALUATION

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. 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.

KEY FINANCIALS

Y/E	Revenue (Rs mn)	APAT (Rs mn)	AEPS (Rs)	AEPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
Mar.								
FY14	5,110.5	302.2	37.9	(26.2)	11.4	23.8	24.5	2.6
FY15	4,830.2	184.9	18.9	(50.1)	23.0	16.6	9.6	1.7
FY16	7,309.2	10.1	1.0	-	-	4.7	0.4	1.7

ANALYST

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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
Buy	Over 15 %	Over 20%	Over 25%
Accumulate	10 % to 15 %	15% to 20%	20% to 25%
Hold	0% to 10 %	0% to 15%	0% to 20%
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	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.
- **Stock Review Reports:** These are Soft coverage's on companies where Management access is difficult or Market capitalization is below Rs.2000 mn. Views and recommendation on such companies may not necessarily be based on management meeting but may be based on the publicly available information and/or attending Company AGMs. Hence Stock Reviews may be just one-time coverage's with an occasional Update, wherever possible.

Research Analyst – SEBI Registration No. INH00000867

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