

WPIL, formerly known as Worthington Pump India Ltd was incorporated in 1952 by Johnston Pump Company Inc., USA; and is engaged in manufacturing and 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.

WPIL has a track record of operations of more than **six decades** in the pumps industry. WPIL has expanded its operations in the international market by acquiring pump companies across different regions of the world. The company is focused on the complete value chain of fluid handling from supply of pumps to turnkey project execution. The Product division supplies a comprehensive range of pumps to the Municipal, Industrial, and irrigation sectors while the Project division undertakes water management contracts in the above sectors. The company has divested its nuclear business with a longer term vision of maintaining focus on core business of water and industrial pumps.

We **initiate coverage** on WPIL with a **BUY** rating and a TP of Rs545 (26x Mar'26E EPS of Rs21.0), implying an upside of ~23%. WPIL is well equipped to capitalize on the opportunities that are emerging out of waste water treatment and water conservation measures being taken by the govt. as well as on the private front alongwith capturing the international markets through different subsidiaries as well.

Strong Govt. Support: With a lot of impetus being given by the govt. to water management and conservation leading to different schemes that are launched; WPIL is well positioned to grab a decent share betting on the expertise of the kind of work it has been doing since decades in the industry. It has around **8 projects** progressing well with Madhya Pradesh Jal Nigam, giving the confidence in the execution capability of WPIL.

Strong Order Booking: In the **domestic** segment, the company has a decent order book positioning in both the projects as well as products division. The order book still majorly (~80%) has water supply segment as the main component. The **international** order positioning is equally decent which collectively gives revenue visibility for the next 2-3 years.

Strengthened Global Positioning: After consolidating its position as a leading pump and pumping systems company in India, the company has expanded its operations globally and now has manufacturing operations in UK, Italy, France, Switzerland, South Africa, Zambia, Australia and Thailand through its group companies. Combining country specific experience and optimizing synergies within the group, the aim is to cover the global spectrum of pumps and pumping systems. Today, these businesses are well integrated and the group looks ahead to further inorganic growth following its ethos of building on competencies and synergies.

SNAPSHOT	
52 week H/L	Mcap (INR mn)
543/299	433,218
Face value: 1	
BSE Code	NSE CODE
505872	-

Shareholding Pattern as on 30th September, 2024		
Parameters	No of Shares	%
Promoters	69,148,740	70.8
Institutions	8,099,490	8.2
Public	20,422,570	20.9
TOTAL	97,670,800	100.0

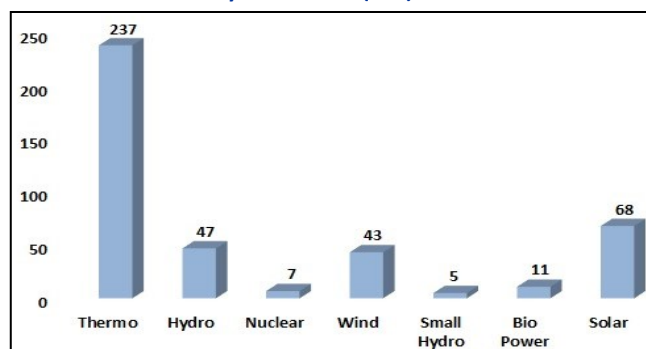
Quarterly Performance				
Parameters (Rs mn)	Sept-23	Dec-23	Mar-24	Jun-24
Sales (Net)	3,481	4,307	5,914	3,625
EBITDA	708	699	1,023	603
EBITDA (%)	20.4	16.2	17.3	16.6
Other Income	55	90	106	119
Interest	75	93	70	75
Depreciation	96	77	80	77
PAT	429	415	736	431
Equity (Rs mn)	98	98	98	98

Annual Performance				
(Rs mn)	FY22	FY23	FY24	FY25E
Total Revenue	11,813	16,055	16,644	17,432
EBITDA	2,102	2,674	2,983	3,103
EBITDA (%)	17.8	16.7	17.9	17.8
Other Income	86	240	282	199
Interest	199	237	308	296
Depreciation	373	279	301	308
PBT	1,617	2,398	2,656	2,698
PAT	1,180	1,779	1,930	1,941
Equity (Rs mn)	98	98	98	98
EPS (INR)	99.5	167.3	177.2	19.9

Ratio Analysis				
Parameters (Rs mn)	FY22	FY23	FY24	FY25E
EV/EBITDA (x)	21.4	16.7	13.8	13.2
EV/Net Sales (x)	3.8	2.8	2.5	2.4
M Cap/Sales (x)	36.7	27.0	26.0	24.9
M Cap/EBITDA (x)	206.1	162.0	145.2	139.6
Debt/Equity (x)	0.5	0.3	0.2	0.2
ROCE (%)	21.5	27.2	22.1	17.9
Price/Book Value (x)	0.7	0.5	0.3	3.2
P/E (x) (TTM)	1.5	1.9	0.9	22.9

Pumps Industry Overview: Pumps are mechanical devices used to transfer different fluids. Submersible pumps, multistage pumps, end suction pumps, positive displacement pumps, split case pumps, and engineered pumps are different kind of pumps. The water pumps are majorly classified into centrifugal and positive displacement. These cater to varied industries like agriculture, building services, water and water management, power, oil & gas, lift irrigation to mention a few. The **global industrial pumps** market size was estimated at USD43.9bn in 2023 and is expected to grow at a CAGR of ~4.7% from 2024-2030. The rising adoption of industrial pumps in various industries, including water & waste water, chemicals, oil & gas and power generation is expected to drive the overall market growth. Growth in population, urbanization and manufacturing activities is leading to increasing waste water generation. At the global level, growing construction and power generation industries are driving the demand for industrial pumps. **Industrial pumps** are used for transferring cement slurry, sludge handling, and treatment for concrete washout in the construction industry. They are also used to pump water in the boilers and maintain thermal control in power plants. The increasing demand for power generation in emerging economies is expected to boost the demand for industrial pumps going forward. On the product type, the **centrifugal pumps** (used to transfer water over longer distances) segment dominated the market by holding ~67.4% market share in 2023. In terms of the application, the water & waste water treatment segment dominated the market in 2023, owing to the increasing demand for water treatment facilities to manage the waste water being generated and overcome the growing water scarcity in municipalities across the globe. **Positive displacement pumps** can handle a variety of sludge found in waste water. With the growing urbanization, the demand for waste water treatment is growing, which is likely to drive the demand for industrial pumps.

Exhibit 01: Electricity Generation (GW) as of June 2023



Source: National Power Portal, Progressive Research

The **India pump** market size was valued at USD2.2bn in 2020 and is expected to reach USD3.3bn in 2026, growing at a CAGR of ~7.0% during 2020-2026. ~16.0% of India's pump manufacturing potential is export-oriented and is projected to expand further. The Indian pump sector has been growing over the past few years due to several factors, including growing urbanisation, declining groundwater levels and various initiatives aimed at improving infrastructure. As per market estimates, the Indian pump industry manufactures more than 1 million pumps every year. According to the Indian Pump Manufacturers Association (IPMA), the Indian pump industry has been growing at a CAGR of ~4% and is expected to reach around USD100bn by 2026. India **water pump** market is expected to grow with a CAGR of ~14.2% through 2029. The Indian **industrial pump** market is estimated to be USD0.9bn in 2024 and expected to be USD1.1bn by 2029; CAGR of ~4.8% (2024-2029). The growing investments globally in sectors such as irrigation, water and waste water, chemical industries, mining, and power present tremendous scope for the Indian pumps industry. Within the industrial end-user, the water and waste water sector is expected to post incremental revenues worth around USD138mn by 2026. The increasing focus of the water and waste water industry on energy-efficient products will further encourage development in the solar pump market in India as well. The announcement of government policies has inspired farmers to install independent irrigation facilities to ensure consistent availability of water. The government's flagship projects of building 100 smart cities and the Atal Mission for Rejuvenation and Urban Transformation are expected to open up opportunities for the pump market in India. The government has initiated numerous schemes to facilitate the construction of grid-connected solar power plants and solar pumps in India. In July 2018, the Gujarat government announced the Suryashakti Kisan Yojana is expected to supply solar panels to farmers to produce renewable and low cost electricity. **Growth factors for Indian pumps include** (i) increase in population and higher dependence on agriculture, (ii) increasing industrialization, (iii) growing public awareness of the safety of drinking water, (iv) declining quality of water, lower levels of water, (v) environmental pressure on pollution disposal from different government entities and (vi) demand for energy efficient pumps.

Exhibit 02: Types Of Pumps

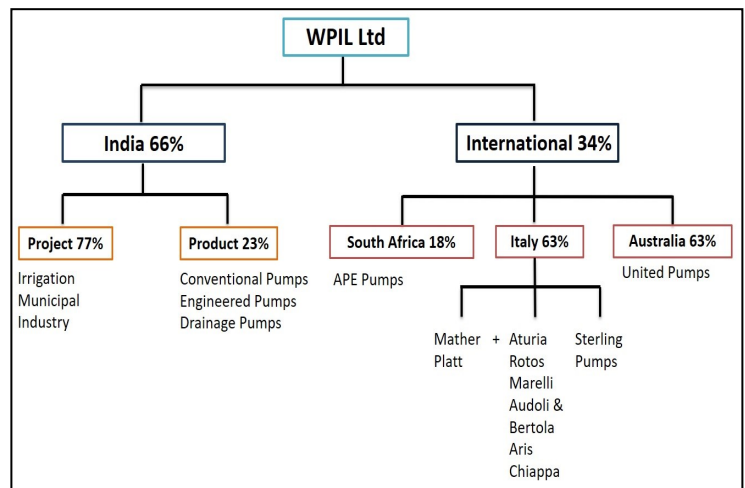


Source: Market Reports

Pumps Industry Overview (contd.): The latest drivers are the widening scope of pumping applications from the traditional agri and infra segments and the emergence of intelligent pump systems and micro-disc pump technology, which are set to capture even more of the global pump market pie. The Indian pumps industry stands to benefit significantly from the robust economic expansion and government's focus on infrastructure development. Increased investment in irrigation, water supply, sanitation, and urban housing projects will fuel demand for pumps in the water segment. Additionally, greenfield and capacity expansion initiatives in petrochemical, steel, cement, water, waste water, power and other allied industries will boost the demand further. These factors combined are expected to propel the Indian pumps market to a sustained growth trajectory over the next few years. Sustainability remains a driving force for the sector, with technological innovations paving the way for greener and more energy-efficient pumps and valves. Given the government's increased emphasis on water management and India's minuscule share of ~3-5% of the global pump market; the opportunity for growth is huge. Accordingly, several Indian pump makers have started entering the international market as well. However, re-aligning distribution networks to optimise costs, better understanding of customer wants and improved services, is the key requirement. Moving forward, focus should be placed on energy efficient technologies. The industry is looking forward to better demand as raw material prices have stabilised and hence demand is picking up pace. There is a need for the industry to explore high-value pumps for better realizations.

About the Company: WPIL, formerly known as Worthington Pump India Ltd was incorporated in 1952 by Johnston Pump Company Inc., USA; is engaged in manufacturing and 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. In 2002, Mr. Prakash Agarwal of Kolkata acquired controlling stake in the company from B. M. Khaitan group. Since 2011, WPIL is engaged in the entire value chain of pumps & pumping systems from concept to commissioning and execution of water supply projects on a turnkey basis for industrial units, power utilities, irrigation departments, etc. The clients include irrigation departments of various states like Telangana, Madhya Pradesh, central utilities, large PSUs, and various private sector entities. The company is focused on the entire value chain of fluid handling from supply of pumps to turnkey project execution. 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. WPIL has expanded its operation in the international market by acquiring pump companies in different regions of the world. It has operational manufacturing units in Kolkata, 1 unit in Ghaziabad, Uttar Pradesh, and 2 units in Maharashtra. Mr. Prakash Agarwal is the Managing Director and Promoter of the company.

Exhibit 03: Business Structure



Source: Company PPT, Progressive Research

Investment Rationale:

(A) Established Presence: WPIL has a track record of operations of more than six decades in the pumps industry. In 2002, it was taken over by Mr. Prakash Agarwal (MD, the current Promoter) from the erstwhile promoters (B. M. Khaitan Group) and the performance of the company has then witnessed a turnaround since 2004. Besides having an established position in the domestic pump industry, the company has gradually expanded its operations globally via synergistic acquisitions and JVs made since 2011. WPIL has subsidiaries & JVs based in South Africa, Zambia, Australia, Singapore, Italy, France, Thailand, Switzerland and UAE. The diversified product portfolio and a healthy order book positioning provides revenue visibility in the medium term. The company is engaged in manufacturing of different types of pumps, spares & accessories and execution of water supply projects on a turnkey basis mainly for industrial units, municipalities, power utilities, irrigation departments, etc. While the domestic operations are mainly driven by water pumps; it also has presence in pumps relating to oil & gas sector apart from water and industrial pumps in its overseas operations. The client portfolio of the company comprises of irrigation and water departments of various states especially Madhya Pradesh, West Bengal, Telangana, Assam, Maharashtra, central utilities, PSUs and various private sector entities. As of June 2024, the domestic order book stood at Rs33,140mn while international order book came in at Rs4,842mn, ensuring good revenue visibility over the medium term. However, the large turnkey contracts from one single counterparty comprises more than ~50% of the order book, indicating regional and client concentration in the order book which is well known and being addressed through the diversification of clientele gradually by the company.

21 October, 2024
PICK OF THE MONTH
VOL-10, NO-13
Industry: Industrial Products
WPI Limited
BUY
CMP: Rs.444
TARGET PRICE: Rs.545
TIME : 12 months
Investment Rationale (contd.):

(B) Business Divisions: The business segments of the company are broadly categorized into 3 core divisions: **(a) Turnkey Solutions:** offering solutions for water handling projects covering pump selection, mechanical piping, system instrument and structural engineering **(b) Engineered/Large Pumps:** makes metallic and concrete volute pumps for irrigation & drainage applications and has a test facility for testing large pumps **(c) Conventional Water Pumps:** caters to products like vertical turbine/mixed & axial flow pumps, horizontal split case, end suction, multistage, non-clog and submersible motor pumps.

(a) Turnkey Solutions: under this division, the company completes turnkey projects from concept to commissioning in the field of water handling covering the complete domain of hydraulic/civil/mechanical/electrical and instrumentation engineering. The concept to commissioning solutions for water handling projects covers (i) hydraulic system analysis and pump selection, (ii) mechanical piping and equipment layout engineering, (iii) system instrumentation engineering and (iv) civil/structural engineering (pump house, sump, forebay & channel). The turnkey division works in the verticals of **Power:** raw water intake systems, circulating water systems, fire water systems and complete plant water systems, **Irrigation:** lift irrigation stations with cross country pipelines, pump turbine station, drainage pumping stations, barge mounted pump station, **Municipal:** raw water systems, booster pumping stations, drainage stations, sewage stations, piped water scheme and **Other industries:** recirculation systems, auxiliary cooling systems, fire water systems, offshore utility water, seawater lift and firewater systems.

(b) Engineered Pumps: is based in Kolkata and has 3 plants with manufacturing area of 20000M². It has computerized test facility for testing large pumps, power of 4MW capacity-45000M³/H; being upgraded to 8MW & capacity of 60000M³/H. There are metallic volute pumps for high head irrigation applications (has concrete volute pumps for large flows upto 80000M³/H for drainage applications). The engineering capabilities include the engineering centre that provides complete hydraulic support for all applications including various simulation studies.

(c) Conventional Pumps: is located near Delhi having manufacturing area of 15000M². The products include vertical turbine/mixed & axial flow pumps, horizontal split case, end suction, multistage, non-clog and submersible motor pumps. The operations have a test facility up to 15000M³/H and 1.5MW power. WPI is the **only manufacturer** of large submersible sea water lift pumps in India upto 1500KW. The submersible pump sets are available in both vertical & horizontal orientations with both dry & wet motor options.

(C) Geographical Split:

(a) Domestic Business (~66% of revenues): This business is bifurcated into **product** (~23%) and **projects** (~77%) business. It consists of varied range of applications that cater to a range of industries/segments such as **(i) Irrigation:** large lift irrigation networks to provide surface water to farmers and borehole installations for ground water to smaller farmers. New piped irrigation schemes for more efficient utilization of water, **(ii) Industrial:** used in industries for variety of purposes such as fire-fighting, sewage, chemicals, pulp and paper, steel, heating & cooling of systems, washing, storage, general industry and other industrial applications, **(iii) Municipal:** water supply & drainage solutions for rural and urban utilities including raw water intakes, treatment plants, reservoirs and distribution networks, **(iv) Firefighting:** solutions for offshore/onshore infrastructures, mining, petrochemicals industries, refineries, civil and industrial plants, **(v) Oil & Gas:** chemical and petrochemical plants, offshore plants, oil & gas plants, energy installations, **(vi) Conventional and Nuclear Power:** cooling, drainage, dewatering, seal water and fire-fighting pumps across thermal and nuclear power plant.

Product Division: Its operations are divided into two main segments **(a) assembled to order pumps (ATO)** which are manufactured to suit installations and typically serve municipal and industrial sectors. This segment reported revenues of Rs1,500mn in FY24 supported by the major thrust on water supply schemes and well supported by industrial demand from the steel sector. Further, with growing requirements from the sewage and drainage sector, the outlook remains strong. An important breakthrough was a framework contract for fixed onboard centrifugal pumps on which the product development has progressed well and should be an important source of revenue in the future. New brownfield facilities are being created to cater to the growing demand in this segment. **(b) engineered to order pumps (ETO)** which are designed and manufactured for special applications and typically serve large flow requirements in the irrigation and power sector. The ETO performance also improved with good export orders and offshore fire pump packages with a strong orderbook and further improving outlook. The company has successfully commissioned 3 large 30MW metallic volute pump turbines for Kaleswaram Lift Irrigation Scheme Package 20 and another 2 large 30MW pump turbines for Package 9 in FY24. This places the company as one of the strongest suppliers of such large pumps used for water transfer in river linking projects. Further, major investments were made to drastically upgrade the testing facility along with addition of VFD allowing testing of large pumps upto 10MW. **Project Division:** The performance was stable in FY24 with revenues at Rs8,160mn. Most of the older West Bengal projects like Uluberia and Budge Budge are nearing commissioning and for the newer projects there is an increased focus on survey and engineering to start site activities at the earliest. In Madhya Pradesh Jal Nigam (MPJN), the company was executing 9 projects of which one of the projects for NIMRANI region was terminated (amounting to Rs1,550-1,600mn) by client on grounds of slow progress.

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Investment Rationale (contd.):
(C) Geographical Split (contd.):

Project Division: The company has disputed the termination on the plea that land for construction was allotted and handed over only in December 2023 which delayed the project. All the other 8 projects (worth Rs11bn) are progressing well with MPJN. The company has commissioned the prestigious DIBRUGARH water supply scheme during FY24.

The company continues to leverage its expanding product portfolio and increasing market penetration into strategic sectors to grow its product division. The outlook for the product division is robust with a strong order book and growing enquiry pipeline. Simultaneously, the improving execution capability of the project division across its various municipal and irrigation projects allows the company to maintain its growth path towards becoming a leading turnkey project solution provider. The order book remains strong for the project division and as a strong positive, number of projects are entering the completion stage and will be entering into O&M. This should also support revenues going forward. For Q1FY25, on the operational front, domestic business experienced robust growth driven by the projects business, which grew by ~40% on a y-o-y basis, reaching Rs1,840mn. The project execution momentum remains strong and good growth is expected post the monsoon season in the second half of the year. Large number of projects are planned for commissioning over the next 4 months which will strengthen the company's position in the sector. Notably, significant revenues have been achieved in 8 projects of MPJN, with 3 projects planned for commissioning in the upcoming 4 months. The product division revenues were stable at Rs550mn while the order book grew ~15% to Rs4,001mn, giving a strong revenue visibility and outlook for FY25. The outlook for the product division is improving based on product portfolio expansion and strong market presence. The Navy business was a framework agreement (May 2024) for all new types of pumps, which WPIL introduced in the fleet and after this framework that means the type tests are done, the shipyards can order these for all subsequent ships. The framework agreement was for about Rs170-180mn for the whole range of pumps. WPIL is supplying minimum pumps and once those are developed, it will continue in all the ships. As per Q1FY25 updates, the Navy order execution is on track with the start of type testing for various models. The product business execution both domestic and international are short term (4-6 months) while the projects is roughly 24-30 months. The project execution should be robust post the monsoon season, especially in the second-half of the year in the winter months. The O&M contracts are mainly from 10-15 years. With regard to the bidding size of the projects, WPIL falls in the midsize group (~Rs2500-3000mn).

(b) International Business (~34% of revenues): After consolidating its position as a leading pump and pumping systems company in India, the company has expanded its operations globally and now has manufacturing operations in UK, Italy, France, Switzerland, South Africa, Zambia, Australia and Thailand through its group companies. Combining country specific experience and optimizing synergies within the group, the aim is to cover the global spectrum of pumps and pumping systems. Further, constant investment in manufacturing and R&D supported by 12 manufacturing locations covering the entire process of pump manufacture from casting, fabrication, machining, assembly and testing have allowed it to deliver great value to its client by enhancing efficiencies at every step. The company continues its expansion into newer markets and is focused on becoming a **global leader** in its sector. After 10 years of growth in exports and experience in global markets it was clear that the next step would need strong local presence as the engineered pumps clients need life cycle support which has to be built on long term relationships. Over the years, WPIL conducted extensive diligence to identify 3 regions (6 companies) viz; Italy (Gruppo Aturia, FINDER), South Africa (APE Pumps, Mather & Platt) and Australia (Sterling Pumps, United Pumps) that would facilitate the journey of adding new flow control products and industry-leading clients. By acquiring these, WPIL cements its position as a world player. Today, these businesses are well integrated and the group looks ahead to further inorganic growth following its ethos of building on competencies and synergies. The global WPIL International Group, comprises of Gruppo Aturia (Italy), **Rutschi Pompes (France)**, **Rutschi Fluid (Switzerland)**, (these are divested in 2024) WPIL Ltd (India), Mathers Foundry Ltd (UK), APE Pumps (South Africa), Mather+Platt (South Africa), WPIL Thailand, FINDER Pompe (Italy), United Pumps (Australia) and Sterling Pumps. The purpose of this global group is to share designs, patents and information with the aim of continuing as world leaders in design and manufacturing throughout many industries and products. **Gruppo Aturia** with a stable performance has a strong outlook for both its oil & gas business and the water segment with a good expected order pipeline. The business is further supported by robust aftermarket contracts. The business is looking at various inorganic opportunities to strengthen its product offering and increase its geographical reach. **WPIL South Africa** had a great year with good margin improvement based on restart of aftermarket business with Eskom during FY24.

Exhibit 04: Different Subsidiaries

Subsidiaries	Holding (%)
Aturia International Pte Ltd, Singapore	61.53
Mather Foundry Ltd, UK	61.53
Sterling Pumps Pty Ltd, Australia	69.46
WPIL SA Holdings Pty Ltd, South Africa	61.53
APE Pumps Pty Ltd, South Africa	42.46
Mather & Platt (SA) Pty Ltd, South Africa	61.53
PSV Zambia Ltd, Zambia	61.53
Gruppo Aturia S.p.A, Italy	61.53
UCP Australia Pty. Ltd, Australia	72.00
JVs	Holding (%)
WPIL (Thailand) Co. Ltd	30.15
Associates	Holding (%)
Clyde Pumps (I) Pvt Ltd, India	40.00%
Amanzi Phampa Consultants Ltd, South Africa	30.15%

Source: Company, Progressive Research

Investment Rationale (contd.):

(b) International Business: Eskom, main power utility of South Africa has renewed focus on improving efficiency at its plants and entered into important long term contracts with WPIL's subsidiary **APE Pumps** which has also built-up strong capabilities in the water sector both as a supplier of pumps and turnkey project contracting. These competencies have created large growth opportunities as the country rebuilds its water infrastructure. **Sterling Pumps** and **United Pumps Australia** have received a large number of contracts and now have record order backlogs; majority of which are from the oil & gas sector and the businesses are building their dominance in the Australian market. **WPIL Thailand** has a good order book and improving outlook based on the new govt. thrust on irrigation and the performance is expected to be sustained going forward as well. **Clyde Pump India** performance has been improving based on good demand from the oil & gas sector and supported by its aftermarket business. **Nuclear Business Divestment:** On 6th August 2023, WPIL's European subsidiary Gruppo Aturia entered into a binding share purchase agreement with Newcleo, France for sale of its nuclear business consisting of Rutsch subsidiaries Pompes Rutschi France and Rutshi Fluid AG Switzerland. The Management considers this transaction in line with its longer term vision of maintaining focus on the core business in water and industrial pumps. On 19th December 2023, the transaction was completed in line with the signed share purchase agreement for a consideration of EUR68.9mn. The money received is parked in the books of EU subsidiary as mentioned by the management. The proceeds would be routed towards debt settlement, explore opportunities within or outside India with overall focus on enhancing the core expertise. **Recent Announcements:** The company's South African Subsidiary **APE Pumps Pty Ltd** has entered into a share purchase agreement and acquired 100% shareholding of Eigenbau Proprietary Ltd, based in Bryanston, South Africa on 8th October, 2024. *Eigenbau Proprietary Ltd is a medium sized contracting company providing turnkey solutions in the water and waste water sector with a strong presence in the South African market and important references across Southern Africa over the last 34 years.* This acquisition strengthens and builds on WPIL's focus on providing flow solutions especially in the highly prospective African continent along with sharing tremendous synergies with APE Pumps and their turnkey pumping business. The transaction consideration has been paid in cash and the amount is not disclosed due to reasons of confidentiality. The sellers are not a related party.

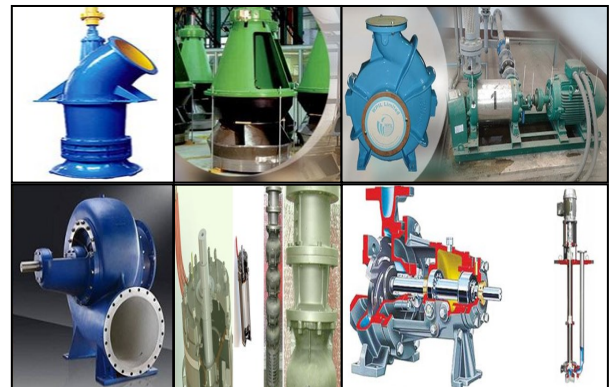
(D) Product Offerings:

Exhibit 05: Pump Types

Pump Type	Different Variants	Applications
Vertical	turbine/mixed flow/axial flow	power, irrigation & drainage, construction, municipal
Large Volute	concrete/metallic/pump turbine	irrigation, drainage, municipal water supply, nuclear power plant, sea water intake pumping, power plant cooling water system
Horizontal	split case/multistage/end suction/solid handling	materials of construction and performance range
Submersible	wet motor type: borehole & engineered/dry motor type: sewage, drainage, submersible centrifuge	Mines, lift irrigation, pumping waste, dewatering of dams etc.
Others	Non-Clog Pumps: WPES/VO-WPES and vertical multistage: inline	paper industry, sewage/waste sugar, trade liquors

Source: Company Website, Progressive Research

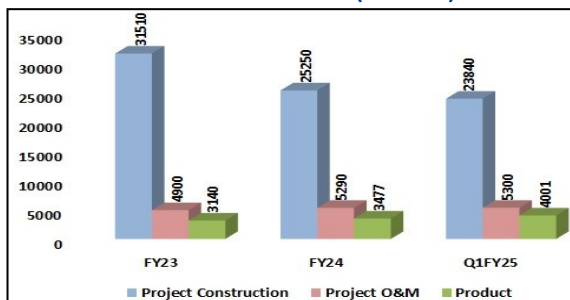
Exhibit 06: Product Portfolio



Source: Company Website

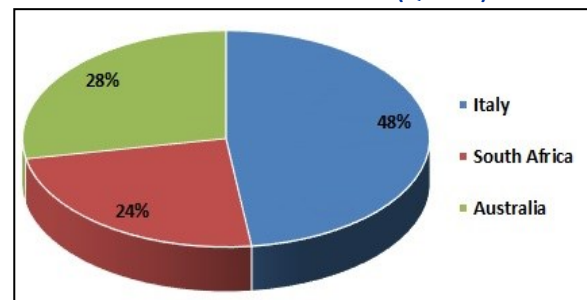
(E) Order Book Position: As of Q1FY25, on the domestic front; the projects order stands at Rs39,150mn while for the products it is around Rs4,000mn. The international order book as of Q1FY25 stood at Rs4,840mn. With the government thrust on the *Jal Jeevan* in the past, the order book is still majorly in the water supply segment, which is close to about 80%.

Exhibit 07: Domestic Order Book (Rs in mn)



Source: Company PPT, Progressive Research

Exhibit 08: International Order Book (Q1FY25)



Source: Company PPT, Progressive Research

21 October, 2024

PICK OF THE MONTH

VOL-10, NO-13

Industry: Industrial Products

WPIL Limited

BUY

CMP: Rs.444

TARGET PRICE: Rs.545

TIME : 12 months

Investment Rationale (contd.):

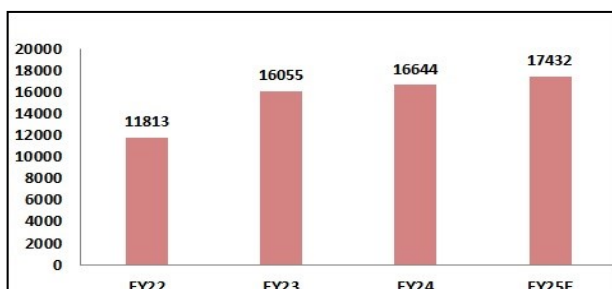
(F) Govt. Water Conservation Schemes:

Jal Jeevan Mission (JJM): to provide quality and sufficient drinking water in every home in India by 2024. **Atal Bhujal Yojana (Atal Jal):** launched on 25th Dec'19 and will be implemented till 2025 for the states selected for groundwater management. **Atal Mission for Rejuvenation and Urban Transformation (AMRUT 2.0):** launched on 1st Oct'21 aims to provide a universal water supply with regular functional taps. **Jal Shakti Abhiyan:** was launched in 2019. **National Water Mission:** GOI launched the National Water Mission, the eighth national mission under the National Action Plan for Climate Change (NAPCC), in April 2011. **Namami Gange:** was launched by GOI in 2014 to stop sewage water from entering the Ganga river and ensure water quality. This program was issued under the National Mission for Clean Ganga. **Pradhan Mantri Krishi Sinchayee Yojana:** was launched in 2015-2016 to enhance physical access to farm water. **Mission Amrit Sarovar:** launched on 24th April, 2022 with the objective of conserving water resources for the future.

Jal Jeevan Mission (JJM): launched on Aug 2019 is a program that aims to provide safe drinking water to every rural household and public institution in India by 2024. At the time of its inception, **only 32.3mn (~17.0%)** of rural households had tap water connections. The mission aims to bridge this gap by providing nearly **16 crore additional households** with tap water by 2024, ensuring the functionality of existing water supply systems and directly benefiting over 19 crore rural families. This initiative is intended to reduce the rural/urban divide and enhance public health. As of 12th August, 2024, JJM has successfully provided tap water connections to **118.2mn additional** rural households, bringing the total coverage to more than **150.7mn** households, which accounts for **~77.9%** of all rural households in India. The mission has reached a significant milestone, profoundly impacting the lives of rural people by providing them with reliable access to potable water in their homes (as per the PIB update). **Program Objectives:** (i) to provide Functional Tap Connection (FHTC) to every rural household, (ii) to prioritize provision of FHTCs in quality affected areas, villages in drought prone and desert areas, Sansad Adarsh Gram Yojana (SAGY) villages, etc., (iii) to provide functional tap connection to schools, anganwadi centres, GP buildings, health centres, wellness centres and community buildings, (iv) to monitor functionality of tap connections, (v) to promote and ensure voluntary ownership among local community by way of contribution in cash, kind and/or labour and voluntary labour (shramdaan), (v) to assist in ensuring sustainability of water supply system, i.e. water source, water supply infrastructure, and funds for regular O&M, (vi) to empower and develop human resource in the sector such that the demands of construction, plumbing, electrical, water quality management, water treatment, catchment protection, O&M, etc. are taken care of in short and long term, (vii) to bring awareness on various aspects and significance of safe drinking water and involvement of stakeholders in manner that make water everyone's business. **MPJN** is formed by Govt. of Madhya Pradesh under Companies Act, 1956 as a separate entity under Public Health Engineering Dept. to provide adequate quantities of safe drinking water to households, on sustainable basis through tap connection within household premises, throughout the year. **WPIL has 8 projects progressing well with MPJN** (one of the projects {NIMRANI region} was terminated by client on grounds of slow progress). **AMRUT 2.0:** launched on 1st October, 2021 for a period of 5 years i.e. from FY22-FY26, is designed to provide universal coverage of water supply through functional taps to all households in all the statutory towns in the country and coverage of sewerage/septage management in 500 cities covered in first phase of the AMRUT scheme. Currently, water supply projects are under implementation in Assam viz; Silchar, Dibrugarh and Nagaon.

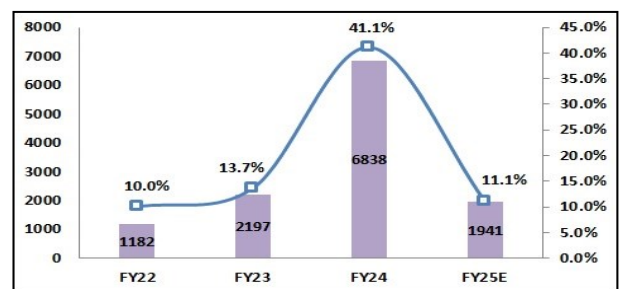
Financials: There has been gradual improvement on the revenue front from the sale of products as well as services for WPIL and margins also remaining in the range of ~15-17% on an average. With regard to the **product** business, the margins range around ~18% while the **project** segment is ~16%.; the blended margins are at ~16.7%. Growth in profitability has been consistent for the company. The company commands **healthy return ratios** and is **zero net debt** as of FY24. It has further strengthened its balance sheet with the sale of Rutschi, (which was working in the nuclear business), as it was a cyclical business. This has improved the **overall liquidity** of WPIL with cash and cash equivalents to the tune of ~Rs6,286mn as of March, 2024. On the **capex**, the Management has indicated of nothing significant for the next 2-3 years and the maintenance capex to be met by the internal accruals. On the corporate development, there was a **stock split** (in July 2024), the nominal value of each equity share having a FV of Rs10 each split into equity shares of Rs1 each.

Exhibit 09: Revenue Trend (Rs in mn)



Source: Annual Reports, Progressive Research

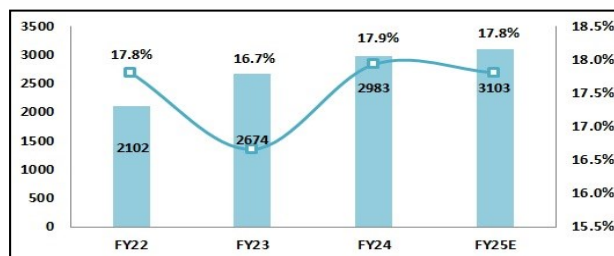
Exhibit 10: PAT (Rs in mn) v/s PAT Margins



Source: Annual Reports, Progressive Research

Financials (contd.):

Exhibit 11: Ebitda (Rs in mn) v/s Ebitda Margins

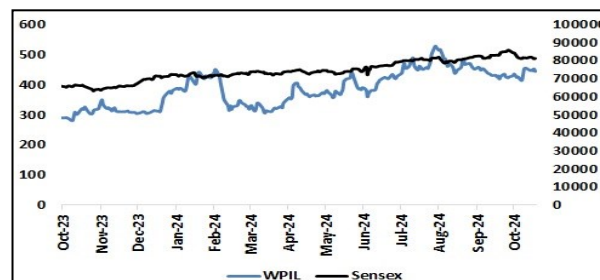


Source: Annual Reports, Progressive Research

Risks and Concerns: The business is **working capital intensive** with long operating cycles. The company is also exposed to the demand **cyclicality** which is inherent to the economy and end-user industries. It receives ~10-15% of the contract value on finalisation of design, ~50-60% on the delivery of the pump and the balance on successful erection and commissioning. Further, the clients withhold a percentage (generally ~10-15%) of the contract price as **retention money** and the same is paid after 6 to 12 months of contract completion. It is vulnerable to **fluctuations** in raw materials costs (major part of the of the cost to sales) which may affect the margins and in turn the operations, financial condition and cash flows. However, the company has **cost escalation** clauses in most of its long term contracts for supply of engineered pumps and execution of turnkey contracts whereas in the shorter-tenure fixed price contracts, it is exposed to **price volatility** risk. There is intense competition in the pump industry characterized by the presence of small and large manufacturers and a **few established players** as well. The company is exposed to **cheaper imports** of pumps from China & Korea. Most of the manufacturers in the unorganized segment cater to the agricultural sector. Thus, WPIL is facing **competition** from the organised as well as unorganised sector players.

Outlook and Recommendations: WPIL is engaged in the entire value chain of pumps & pumping systems from concept to commissioning and execution of water supply projects on a turnkey basis for industrial units, power utilities, irrigation departments, etc. It is a **dominant player** in the industrial pump sector, amongst market leaders in pumping solutions in the domestic market offering ~50% customization in the pumping segment and so also the global operations supported by subsidiaries and agent network and service centers. WPIL has **marquee** clients from top class industries catered through the wide product basket in the widespread market segments. The diversified product portfolio caters to vast applications, forward integrated by providing turnkey solutions and O&M services. There are strong opportunities for large organized players in the segment with WPIL being one of the beneficiaries of the same with the domain expertise enhanced by global acquisitions & mergers. WPIL primarily works with three areas, viz; **municipal** (water supply, sewage and drainage), **industrial** (includes power plants, mining, oil & gas, steel, etc.) and **irrigation** (water having a contribution of ~40%). With regard to the business environment, it looks robust with growing demand for fluid handling solutions globally. The growing population supported by rapid urbanisation is creating fresh water scarcity and a big challenge for present water infrastructure. WPIL has been focused on developing solutions in fluid handling by enhancing its product range and services as well as simultaneously enhancing its global reach to diversify its business model. The company is actively focusing on further enhancing its global reach and looking at establishing operations in newer geographies and creating new growth drivers. WPIL being one of the leaders in the pump industry foresees good growth in both domestic and international operations with improved outlook across businesses. All divisions are well equipped to deal with their growing order book and deliver good quality products to enhance the overall market share. The company has achieved a good balance between domestic and international businesses on one hand and products and projects on the other hand to become a **supplier of choice** in the fluid handling business. The domestic product portfolio expansion is further enhanced by the Navy business that WPIL has entered along with sewage and drainage business that also looks positive. Entry into oil & gas has boosted the international business further. On the larger picture, India is just about 3-4% of the global pump business, with huge opportunity to explore ahead. WPIL **order book** does have water related orders as the key, in tandem to the govt. thrust on JJM as it lagged in rural water supply. However, the company has no dependency as such on the JJM; with focus across the different domains of water space like irrigation, industrial water treatment both in urban and rural areas. Looking ahead, WPIL envisions vast growth potential in both its **core markets** namely engineered flow control products and turnkey water projects. Overall, we feel that in the current scenario where water resources are on the depleting phase, only alternative is to conserve and preserve. WPIL is well equipped to capitalize on the opportunities that are emerging out of waste water treatment as well as water conservation measures being taken by the govt. as well on the private front. We initiate a Buy on the stock for a target of **Rs545** for 12 months horizon.

Exhibit 12: Price v/s Sensex



Source: Ace Equity, Progressive Research

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