April 26, 2018

Rating matrix		
Rating	:	Buy
Target	:	₹ 980
Target Period	:	12-18 months
Potential Upside	:	20%

What's changed?	
Target	Changed from ₹ 1080 to ₹ 980
EPS CY18E	Changed from ₹ 24.0 to ₹ 22.1
EPS CY19E	Changed from ₹ 30.9 to ₹ 28.1
Rating	Unchanged

Quarterly performance

	Q1CY18	Q1CY17	YoY (%)	Q4CY17	QoQ (%)
Revenue	212.5	205.5	3.4	328.2	-35.3
EBITDA	20.1	20.3	-0.9	42.3	-52.5
EBITDA (%)	9.5	9.9	-42 bps	12.9	-344 bps
PAT	11.2	13.3	-16.0	27.4	-59.0

Key financials

₹ Crore	CY16	CY17	CY18E	CY19E
Net Sales	817.6	944.3	1,087.9	1,214.8
EBITDA	99.1	107.5	130.8	158.2
Net Profit	65.3	70.9	77.1	97.9
EPS (₹)	18.8	20.4	22.1	28.1

Valuation summary

	CY16	CY17	CY18E	CY19E
P/E	43.7	40.3	37.0	29.2
Target P/E	52.2	48.1	44.3	34.9
EV / EBITDA	26.8	25.8	20.9	16.9
P/BV	4.4	4.0	3.7	3.4
RoNW (%)	10.1	10.0	10.1	11.7
RoCE (%)	10.6	10.6	11.9	13.7

Stock data

Particular	Amount
Market Capitalization	₹ 2854 crore
Total Debt (CY17)	₹ 12.6 crore
Cash and Investments (CY17)	₹ 97 crore
EV	₹ 2770 crore
52 week H/L	936 / 656
Equity capital	₹ 34.8 crore
Face value	₹ 10
MF Holding (%)	15.7
FII Holding (%)	3.5

Price performance

Return %	1M	3M	6M	12M
Kirloskar Brothers	-0.9	-18.9	6.5	-4.4
KSB Pumps	3.3	-6.3	0.0	13.3
Roto Pumps	32.0	-8.0	6.0	78.0
Shakti Pumps	28.5	25.5	42.1	176.1
WPIL	10.9	-16.2	1.1	26.7

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KSB Pumps (KSBPUM)

₹ 820

Robust order book, growth to follow…

- KSB Pumps (KSB) reported a soft Q1CY18 performance given the deferral of certain power sector orders to the following quarters
- Total operating income in Q1CY18 came in at ₹ 212.5 crore, up 3.4% YoY. Pumps division reported sales at ₹ 173.0 crore, down 0.8% YoY while valves division reported sales at ₹ 40 crore, up 23.3% YoY
- EBITDA margins for the quarter were muted at 9.5% (down 42 bps YoY) mainly due to poor sales growth in pumps coupled with raw material cost pressures. The corresponding EBITDA was at ₹ 20.1 crore. EBIT margin for the pumps segment in Q1CY18 was at 9.7% while the valves division reported EBIT margins of 4.1%
- Consequently, PAT came in at ₹ 11.2 crore, down 16.0% YoY
- Lower PAT was due to higher depreciation post commissioning of new facility amid higher than expected other income

Normal monsoon forecast to aid farm mechanisation play; KSB to benefit

South West Monsoon, which accounts for ~70% of annual rainfall domestically, has been forecast to be normal in nature (IMD at 97% of LPA & Skymet at 100% of LPA). Normal monsoon is likely to result in an increase in food grain production. This, coupled with government directive to ensure minimum support price (MSP) at 1.5x the cost of production for key crops domestically and a wider e-NAM network, is likely to result in healthy farm income. Furthermore, the Union Budget 2018-19 provided further impetus to the irrigation space by increasing its total allocation under its flagship programme PMKSY to ₹ 9429 crore, up 28% YoY. KSB being one of the leading pump manufacturers domestically with quality product profile and strong brand recall will be a key beneficiary of an increase in farm income and the government's thrust on increasing irrigation penetration domestically.

Incremental capacity; prestigious order win; strong growth outlook

KSB recently (December 2017) began commercial production at its manufacturing facility in Shirwal where it intends to manufacture super critical pumps. After expending capital expenditure to the tune of ~₹ 100 crore in CY17 the company plans to incur another ₹ 100 crore over CY18E & CY19E for Phase 2 of this facility. Therefore, the incremental capacity provides the company with ample levers to grow and service its strong order backlog (~ ₹ 800 crore). Furthermore, KSB's technical prowess came to the fore after it became the only company to win an order from NPCIL (₹ 413 crore) in the pumps segment. This order entails the delivery of super critical pumps over 2022E-23E thereby highlighting KSB's ability to play an important role in the nuclear power sector.

Robust order book, tight margins dent earnings growth; retain BUY

With incremental capacity in place and a pick-up in industrial activity, KSB is on a strong footing with robust prospects, going forward. It is known for its superior quality pumps with the technology support from its parent i.e. KSB AG. KSB is best placed to capture the envisaged opportunity in the domestic refining segment (change in fuel efficiency), revival of domestic capex cycle and increasing thrust on irrigation projects (lift irrigation). On the balance sheet front, it has a debt free balance sheet with surplus cash of ~₹ 100 crore as of CY17. Given high competitive intensity, we revise downward our margin estimates, which dents the earnings growth, going forward. Factoring in the same, on a consolidated basis, we model sales, PAT CAGR of 13.4%, 17.5%, respectively, in CY17-19E. We value KSB at 35x P/E (2x PEG) on CY19E EPS of ₹ 28.1 and assign a target price of ₹ 980 with a **BUY** rating on the stock.

Variance analysis

Standalone Numbers	Q1CY18	Q1CY18E	Q1CY17	YoY (%)	Q4CY17	QoQ (%)	Comments
Sales	212.5	237.6	205.5	3.4	328.2	-35.3	Net sales for the quarter came in lower than our estimates tracking near flat sales in the pumps segment
Other Operating Income	0.0	0.0	0.0		0.0		
Total Operating Income	212.5	237.6	205.5	3.4	328.2	-35.3	
Total Raw Material Expenses	97.5	111.7	92.8	5.1	174.7	-44.2	Raw material as a percentage of sales came in on expected lines at 46%
Employee Cost	35.8	38.0	35.4	1.0	36.5	-1.9	Employee costs too came in on expected lines at ~17% of sales
Other operating expense	59.1	61.8	56.9	3.8	74.7	-20.9	Other expenses came in a tad higher at ~28% of sales
Total Expenditure	192.4	211.5	185.2	3.9	285.9	-32.7	
EBITDA	20.1	26.1	20.3	-0.9	42.3	-52.5	
EBITDA Margin (%)	9.5	11.0	9.9	-42 bps	12.9	-344 bps	EBITDA margins were lower-than-expected largely tracking absence of operational leverage benefits. The key contributor to lower margins was higher other expenses
Depreciation	9.7	9.0	7.4	31.6	8.5	14.1	
Interest	0.8	0.5	2.2	-64.1	0.8	6.7	
Non Operating Expenses							
Other Income	7.7	3.3	9.6	-20.1	9.8	-21.0	Other income came in higher-than-expected at ₹ 7.7 crore
PBT	17.3	20.0	20.3	-14.9	42.8	-59.6	
Taxes	6.1	6.6	7.0	-12.9	15.5	-60.6	Tax rate came in at its usual rate of 35%
PAT	11.2	13.4	13.3	-16.0	27.4	-59.0	
Key Metrics							
Pumps Sales (₹ crore)	173	200	174	-0.8	276	-37.4	Pumps sales for the quarter came in lower than our estimates at ₹ 173 crore. The management guided for spill over of sales from one big order from the current quarter (Q1CY18) to the following quarters (Q2-Q3CY18)
Valves Sales (₹ crore)	40	38	32	23.3	52	-24.3	Valves segment continued to surprise us with topline growth at 23.3% YoY and was ahead of our estimates. Profitability of this division was, however, muted in the current quarter

Source: Company, ICICI Direct Research

Change in estimates

Consolidated	CY18E			CY19E			
(₹ Crore)	Old	New	% Change	Old	New	% Change	Comments
Revenues	1,080.0	1,087.9	0.7	1,200.4	1,214.8	1.2	We largely maintain our sales estimates given robust order book position at KSB Pumps. In contrast, given the robust performance by the valves segment, we marginally upgrade our estimates in this segment
EBITDA	136.7	130.8	-4.3	164.4	158.2	-3.8	
EBITDA Margin (%)	12.7	12.0	-63 bps	13.7	13.0	-67 bps	The company continues to witness margin pressures and has guided for muted margin trajectory. Incorporating the same, we revise downwards our margin estimates by ~60-70 bps over CY18E-19E
PAT	83.6	77.1	-7.8	107.6	97.9	-9.0	Flat sales estimates amid a decline in margin estimates and increase in effective tax rate leads to sharp 8-9% reduction in PAT estimates, going forward, over CY18E-19E
EPS (₹)	24.0	22.1	-7.8	30.9	28.1	-9.0	

Source: Company, ICICI Direct Research

Assumptions

						Current		Earlier		
	CY13	CY14	CY15	CY16	CY17	CY18E	CY19E	CY18E	CY19E	Comments
Pump Sales	603.4	664.1	673.7	684.1	788.0	906.2	1,014.9	906.2	1,014.9	We maintain our estimates and expect pump sales at KSB to grow at a CAGR of 13.5% over CY17-19E
Valve Sales	122.3	128.4	138.2	132.7	157.8	181.5	199.6	173.6	182.2	Incorporating the robust sales in Q1CY18, we upgrade our estimates in this segment. We expect valves sales to grow at a CAGR of 12.5% over CY17-19E
PAT, MIL Control Valves	9.6	6.6	4.6	4.9	5.2	6.0	6.9	6.0	6.9	We expect PAT to grow at a CAGR of 15% over CY17-19E to ₹ 6.9 crore in CY19E

Source: Company, ICICI Direct Research

Annual General Meeting 2018 Highlights

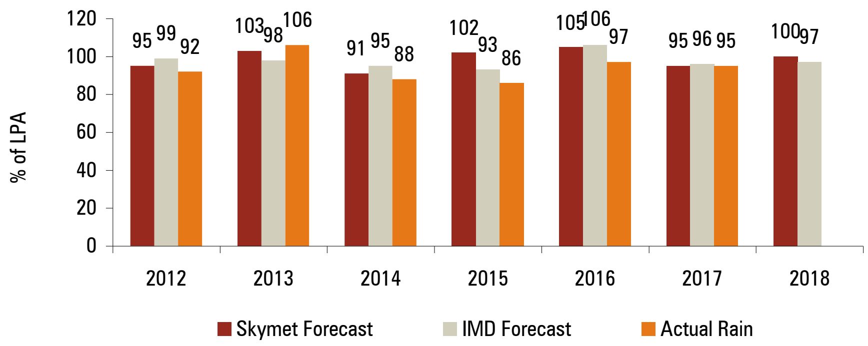
- The recently commissioned (December 2017) Shirwal unit will manufacture super critical energy pumps and is envisaged to reach a capacity utilisation of ~70% by year end (CY18E)
- With capacity in place and strong demand drivers, the management is confident of achieving double digit revenue growth over CY18E-19E
- The management indicated a healthy eight to 10 month order book to the tune of ~ ₹ 800 crore
- Despite the robust topline growth guidance, the management toned down its EBITDA margin expectation citing input cost pressures (i.e. metals) and increased competition intensity
- KSB intends to spend ~ ₹ 100 crore in capex over the next couple of years for Phase 2 of its Shirwal unit. The expected payback for the entire expansion is about six to seven years
- Currently, KSB is the only company to receive the NPCIL order for coolant and electric motor pumps for its nuclear power project. However, Kirloskar Brothers have received testing/development permission and is eligible to receive a confirmed order only post the achievement of required milestones
- The solar pump division of KSB is still in the testing and development phase. The management did not indicate any sizable revenues coming from this division in the near future thereby implying that the company could have missed the opportunity
- The split between standard and customised pumps was at 50:50. This is a tectonic change from the 35:65 split that it enjoyed earlier. This is one of the reasons for margin pressures at KSB given that standardised pumps operate at ~8% margin profile while the customised pumps command ~15% margins
- KSB will be a key beneficiary of capex spends undertaken by downstream oil & gas companies for upgradation of their refineries for manufacturing more environmentally friendly fuel
- The management is witnessing strong traction from the industrial sectors such as steel and cement. They indicated a slowdown in the power sector but are seeing some replacement demand coming from small power plants
- The company has invested heavily in upgrading its sales force with a special focus on targeting the after sales market (15% of CY17 revenues). They aim to capture market share by replacing inefficient pumps of competitors and other Chinese suppliers by offering improved quality and after sale services

Skymet expects monsoons to start at a very robust pace with June forecast to receive rainfall at 111% of LPA, followed by July at 97% of LPA, August at 96% of LPA and September at 101% of LPA

Normal monsoon forecast at 97% of LPA

South West Monsoon, which accounts for ~70% of annual rainfall domestically, has been forecast to be normal in nature. The Indian Meteorological Department (IMD) has forecast it at 97% of the long period average (LPA) while private weather monitoring agency Skymet has forecast 100% of LPA. Absence of El Niño conditions and fading away of La Niña over the Pacific Ocean amid neutral dipole movement in the Indian Ocean have contributed to this normal rainfall forecast.

Exhibit 1: Skymet vs. IMD forecast



Source: Company, ICICI Direct Research

This bodes well for all agri-input companies and rural demand focused consumer industries viz. FMCG & consumer durables. In the past, it has been observed that majority of agri input companies, particularly in the farm mechanisation segment (tractors, tillers, pumps) witness volume growth of ~20% during years of normal monsoons.

Exhibit 2: Rainfall probability range

Monsoon Categorization	Rainfall Range (% of LPA)	IMD (97% of LPA) Forecast Probability (%)	Skymet (100% of LPA) Forecast Probability (%)
Deficient	<90	14	0
Below Normal	90-96	30	20
Normal	96-104	42	55
Above Normal	104-110	12	20
Excess	>110	2	5

Source: Company, ICICI Direct Research

IMD has forecast monsoon 2018 to be normal to positive in nature with a probability of 56% while the probability assigned to below normal monsoon 2018 is pegged at 30%. Skymet forecast is more aggressive, with 80% probability of normal to positive monsoon while probability assigned to below normal monsoon at 20%. Interestingly, Skymet has assigned a zero probability to monsoon 2018 being deficient in nature.

Currently, the national focus as well as political mandate is on augmenting farm income and minimising farm distress. It is being done through various measures like robust allocation in key government schemes (Union Budget 2018) focusing on augmenting farm productivity. It is also being targeted through farm loan waiver in key states like Uttar Pradesh, Maharashtra, Punjab, etc. The most notable and effective, however, would be the increase in MSP for key agriculture crops that is being targeted at 1.5x the cost of production. Therefore, amid such measures, normal to positive monsoon will act as a shot in the arm for the domestic agriculture sector with agri GDP expected to surpass its long period average growth rate of ~4%.

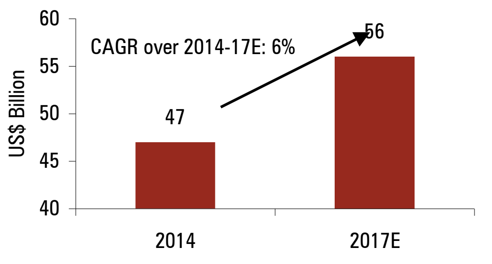
Company Analysis

KSB Pumps, promoted by KSB AG (Germany), was established in 1960 and set up a pump manufacturing facility at Pimpri, Pune (Maharashtra). The company has been at the forefront of importing technology from its parent for delivering cutting edge, high quality products in the domestic market. Globally, KSB AG is one of the largest pump manufacturers with sales in excess of €2.2 billion (~US$2.8 billion) out of the total pump market, which is pegged at US$47 billion as of 2014. In India, KSB supplies pumps and valves to all major industries viz. power, waste water treatment, irrigation (agriculture), chemicals, etc. KSB's products are used for pumping, transportation and flow control of fluids, which include clean or contaminated water, explosive fluids, corrosive and viscous fluids, slurries and fluid/solid mixtures. In India, the company has a wide distribution network that includes four zonal offices, 15 branch offices, over 800 authorised dealers, four service stations, 110 authorised service centres and 22 warehouses.

Indian pump market on strong footing

As per industry sources, the global pump market size is pegged at US$47 billion as of 2014 and is expected to reach US$56 billion in 2017, growing at a CAGR of 6.0% in CY14-17E. The Indian pump market size is pegged at ~₹ 10,400 crore as of 2014, wherein a majority of it i.e. ~95% consists of centrifugal pumps (pumps used for increasing the flow rate) while the remaining i.e. 5% comprises positive displacement pumps (pumps used for maintaining the flow rate). The Indian pump market is expected to grow at a CAGR of 5% in FY14-19E to ₹ 13,273 crore in FY19E.

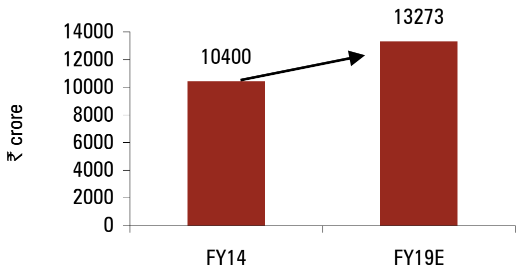
Global pumps market



Source: Ficci, TSMG, ICICI Direct Research

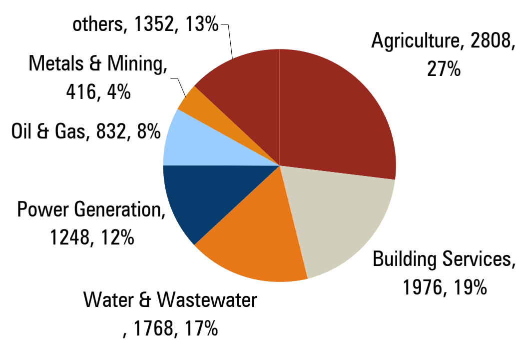
The Indian pump market can also be segregated on the basis of end usage. The main sectors in which pumps are used include: agriculture (irrigation), building services, waste water/sewage management and industrial uses (power, oil & gas, metals & mining, etc).

Indian pumps market



Source: Ficci, TSMG, ICICI Direct Research

Exhibit 3: Indian pumps market segregation (value)



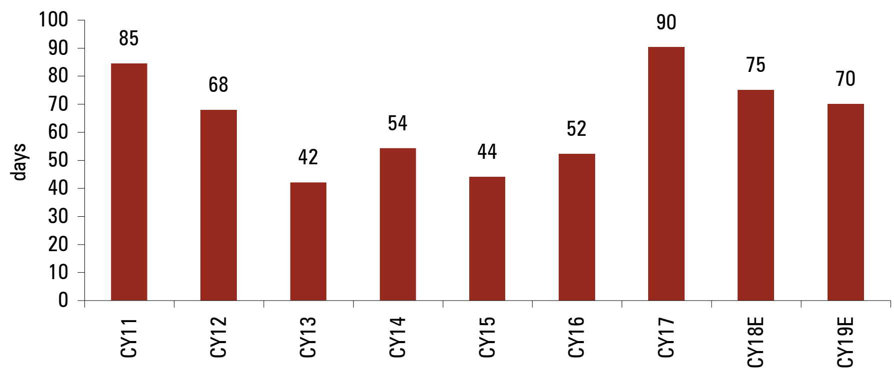
Source: FICCI, Tata Strategic Management Group, ICICI Direct. Research

Out of the above, agriculture and building services comprise the major portion (46%) of the market by value i.e. ~₹ 4800 crore. This segment of the pump market is highly fragmented and competitive in nature with a whole lot of small & medium enterprises (SMEs) vying for the market pie. On the other hand, the industrial sector constitutes the remaining 54% of the market, which is pegged at ~₹ 5600 crore. It consists of sectors like water/sewage treatment, power generation, oil & gas and metals & mining. This segment of the pump market is technologically intensive and hard for SMEs to penetrate. Companies like KSB and Kirloskar Brothers are leaders in this segment in the listed space while ITT and Flowserve are key players from the private space.

Working capital discipline: Aberration in CY17 unlikely to sustain

KSB's working capital management is one of the best in the industry wherein its net working capital days were well below 60 days in CY16 while majority of the industry players had working capital days at ~120 days. However, in CY17 KSB's net working capital days sharply rose to 90 days that were mainly due to higher debtor days and lower creditor days.

Exhibit 4: Net working capital days (KSB India)



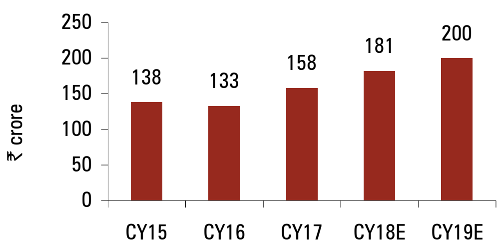
Source: Company, ICICI Direct Research

Going forward, we expect net working capital days to improve to 70 days by CY19E. The working capital is likely to be controlled as it has no exposure to the project/EPC business while the management's focus is on scaling up the product basket.

Valves segment; calibrated approach - chasing profitability not growth

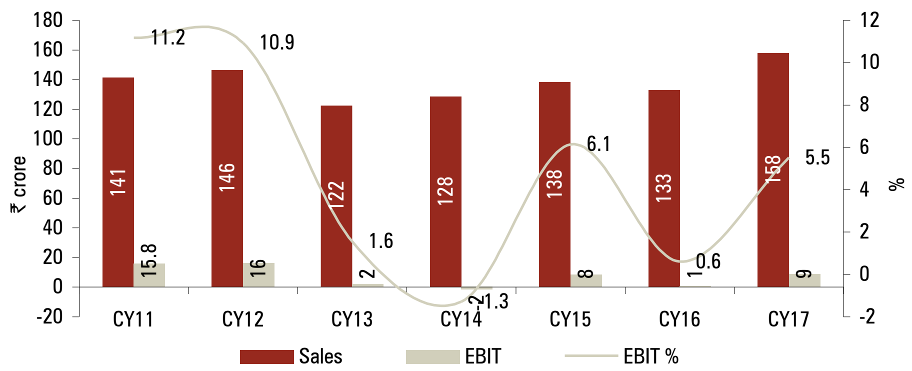
KSB is also one of the leading manufacturers of industrial valves and manufactures a wide range of on/off valves. Sales from the valve segment have largely been flat over CY11-17 at ₹ 158 crore in CY17 (₹ 141 crore in CY11). On the profitability front, its EBIT margins are on a declining trend with EBIT margins declining to negative 1.3% in CY14, a sharp drop from the peak EBIT margins realised in CY11 at 11.2%. Despite being a reliable brand in the valves market, the company's profitability in this segment is subdued due to the enhanced presence of the unorganised segment, thereby resulting in fierce competition.

Valves segment sales



Source: Company, ICICI Direct Research

Exhibit 5: Valves segmental revenue, EBIT & EBIT % (Annual)



Source: Company, ICICI Direct Research

However, the profitability in the valves segment during CY17 seems to have turned around as EBIT margins improved smartly to 5.5% during the year with an EBIT level loss only in Q2CY17. Going forward, we expect valves sales to grow at a CAGR of 12.5% in CY17-19E to ₹ 200 crore in CY19E (₹158 crore in CY17). Q1CY18 valves segment EBIT stood at 4.1%.

MIL Controls: Feather in the cap; small but key player

MIL Controls (MIL) is an associate company of KSB (ownership share 49%) and a subsidiary of the parent i.e. KSB AG (ownership share 51%) involved in manufacturing high precision critical industrial control valves in India. These valves find application in thermal & nuclear power plants, exploration & production of oil, gas & oil products (petrochemicals) and chemical industry (process industry), including fertilisers. KSB had made an initial investment worth ₹ 6.3 crore in MIL and is reaping rich returns out of it. MIL's contribution to KSB's consolidated PAT in CY17 came in at ₹ 5.2 crore (83% RoI in CY17). We believe MIL, even though small, will remain key and be a feather in KSB's cap, going forward.

Exhibit 6: Financials- MIL

Particulars	Units	CY09	CY10	CY12	CY13	CY14	CY15
Net Sales	₹ crore	77.1	95.2	137.3	132.6	118.0	117.8
EBITDA	₹ crore	22.8	29.9	36.7	35.5	13.2	6.2
EBITDA Margin	%	29.6	31.4	26.8	26.8	11.1	5.3
PAT	₹ crore	13.8	18.5	22.6	21.0	15.3	10.7
PAT margins (%)	%	17.9	19.4	16.5	15.8	13.0	9.1
Gross Block	₹ crore	26.0	32.2	42.0	66.4	71.3	73.8
Asset Turnover	x	3.0	3.0	3.3	2.0	1.7	1.6
Equity	₹ crore	41.3	50.5	73.0	81.5	89.2	94.4
Debt	₹ crore	0.0	0.0	0.0	0.0	0.0	0.0
ROCE	%	51.6	61.6	44.7	39.6	0.0	0.0
ROE	%	33.3	40.2	31.0	27.1	0.0	0.0

Source: Capitaline, ICICI Direct. Research

Going forward, we build in 15% CAGR (CY17-19E) in its PAT contribution to the consolidated numbers of KSB. We build in KSB's share of PAT from MIL at ₹ 6.0 crore & ₹ 6.9 crore in CY18E and CY19E, respectively. PAT in CY17 was at ₹ 5.2 crore.

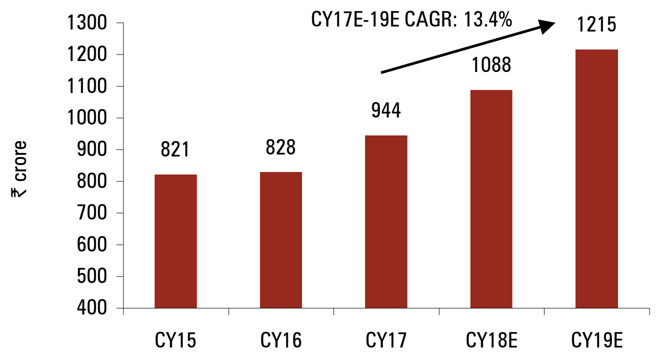
Pump manufacturing facility for super critical power plants, essentially step in right direction!

The company is currently executing an ambitious capex programme wherein KSB intends to incur a capex of ~₹ 250 crore in phases for setting up a manufacturing facility to manufacture pumps for super critical power plants. The company has successfully commissioned phase 1 of its expansion by incurring a capex of ~90 crore earlier than expected in December 2017. Given KSB's technical capabilities and past execution, NPCIL has awarded the company an order worth ₹ 413 crore to deliver coolant pumps and electric motor for the nuclear power plant that is being set up in Haryana over the 2022-23. These products will be manufactured by the company as a part of the "Make in India" initiative under a technology transfer and license agreement with KSB AG, Germany.

Consolidated revenues to grow at 13.4% CAGR in CY17-19E

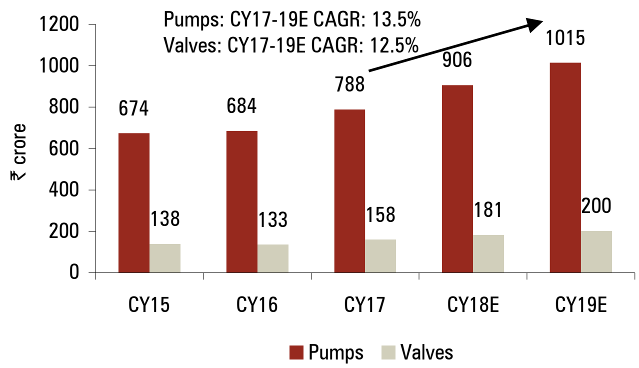
We expect KSB to clock healthy revenue growth of 13.4% CAGR in CY17-19E to ₹ 1215 crore in CY19E (₹ 944 crore in CY17). In the pumps segment, revenues are expected to grow at CAGR of 13.5% in CY17-19E to ₹ 1015 crore in CY19E (₹ 788 crore in CY17), primarily on the back of a revival in industrial activity and increase in irrigation penetration. In the valves segment, sales are expected to grow at a CAGR of 12.5% in CY17-19E to ₹ 200 crore in CY19E (₹ 151 crore in CY17).

Exhibit 7: Consolidated revenue trend



Source: Company, ICICI Direct Research

Exhibit 8: Revenue bifurcation (pumps vs. valves)

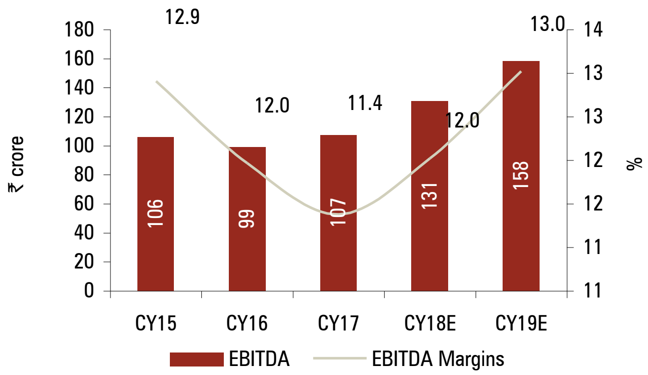


Source: Company, ICICI Direct Research

Consolidated EBITDA, PAT to grow at 21.3%, 17.5% CAGR in CY17-19E

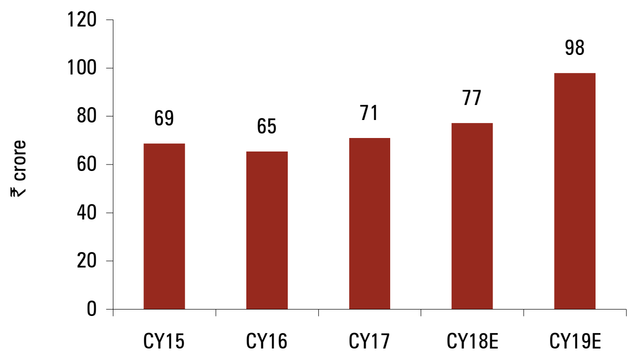
We expect consolidated EBITDA to grow at 21.3% CAGR in CY17-19E to ₹ 158 crore in CY19E, primarily on the back of an improvement in EBITDA margins amounting to 160 bps over CY17-19E. EBITDA margins are expected to improve from 11.4% in CY17 to 13.0% in CY19E. Despite input cost pressures EBITDA margins are expected to improve on the back of a revival of domestic pumps demand with consequent benefits of operating leverage kicking in. We expect PAT to grow at 17.5% CAGR in CY17-19E to ₹ 98 crore in CY19E.

Exhibit 9: EBITDA & EBITDA margins (%) trend



Source: Company, ICICI Direct Research

Exhibit 10: PAT trend



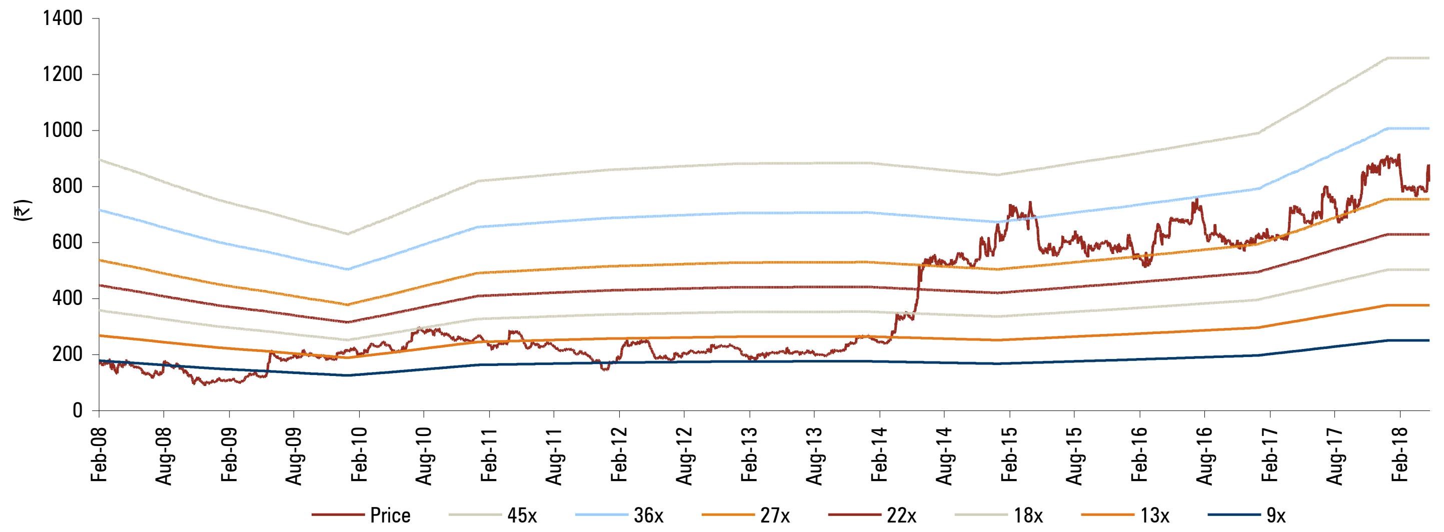
Source: Company, ICICI Direct Research

Outlook and valuation

In CY17, KSB realised consolidated sales of ₹ 946 crore, up 16% YoY with sales at the pumps segment at ₹ 788 (up 15% YoY) while valves segment registered sales of ₹ 158 crore (up 19% YoY). Double digit topline growth is comforting and is re-emerging after five years. The company with the technology support from its parent i.e. KSB AG, KSB is best placed to capture the envisaged opportunity in the domestic refining segment (change in fuel efficiency), revival of domestic capex cycle and increasing thrust on irrigation projects (lift irrigation). The company's recent order win from NPCIL (₹ 413 crore) reinforces both our view and KSB's ability to play an important role in the nuclear power industry, going forward.

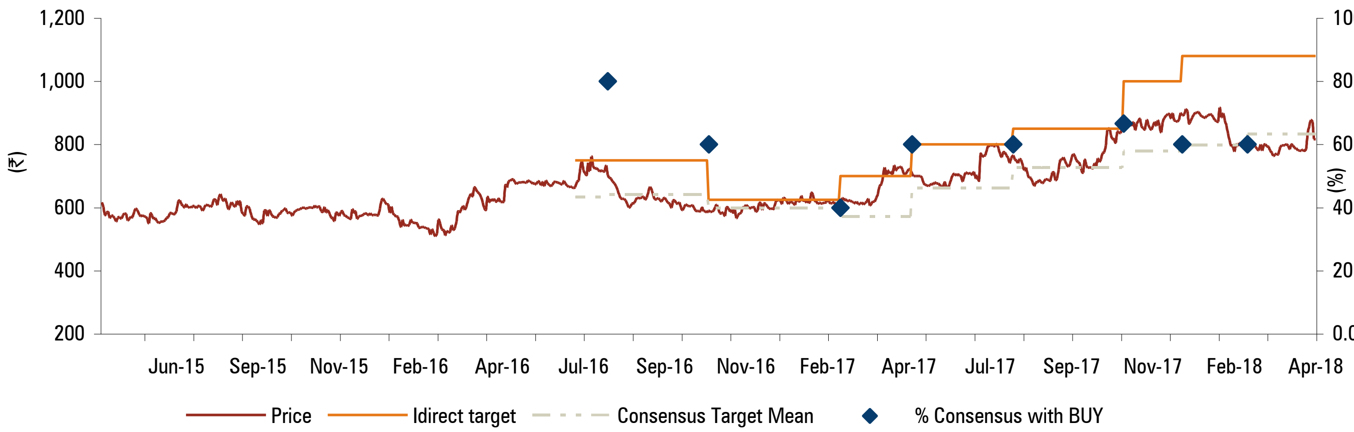
On the balance sheet front, KSB has a debt free balance sheet with surplus cash of ~₹ 100 crore as of CY17. The company, however, did witness elongation of working capital cycle with an increase in debtor days by ~ 30 days (CY17), which, we believe, will normalise in CY18-19E. KSB has also in the recent past (December 2017) commenced commercial production at its manufacturing facility in Shirwal where it intends to manufacture high margin super critical pumps. Given high competitive intensity, we revise downward our margin estimate, which dents earnings growth, going forward. Factoring in the same, on a consolidated basis, we model sales, PAT CAGR of 13.4%, 17.5%, respectively, in CY17-19E. We value KSB at 35x P/E (2x PEG) on CY19E EPS of ₹ 28.1 and assign a target price of ₹ 980 with a **BUY** rating on KSB.

Exhibit 11: Two year forward P/E (KSB currently trading at 29.2x)



Source: Company, ICICI Direct Research

Recommendation history vs. Consensus



*Source: Bloomberg, Company, ICICI Direct Research; *IDirect Coverage on KSB Pumps was initiated on Jan 2015*

Key events

Date/Year	Event
2008	Partly executes a large order of Bharat Oman Refinery, whose order was worth ₹ 27 crore. The company also bags a prestigious order of ₹ 32 crore from Coastal Gujarat Power. For 2007-08, the company plans capex of ₹ 150 crore spread over three years. However, due to the economic slowdown, the capex programme put on hold
2009	Faces severe competition in valves segment domestically on account of aggressive marketing of products by its competitor and the largest domestic valve manufacturer i.e. AUDCO (a JV of L&T). During CY09, the management also revamps and modernises its steel foundry at a cost of ₹ 22 crore. It increases capacity to 1200 metric tonne per annum
2010	Receives order from Nuclear Power Corporation of India (NPCIL) for manufacture of nuclear pumps, which will be delivered during CY12
2011	The management earmarks a capex of around ₹ 90-100 crore for KSB Pumps India for CY11. The capex is for brownfield expansions largely in the pump segment, which will result in an increase in capacity both for existing line of products as well as newer products
2012	The company guides for a capex spend of ~₹ 30 crore in CY'12. On the valves business, the company has completed its entire restructuring process and the management expects to realise benefits of cost rationalisation and product differentiation, going forward.
2013	The company's performance a bit subdued in CY13 on account of a delay in order execution.
2014	The company completely executes the order received from NPCIL for nuclear pumps. KSB plans to take a calibrated approach in its valves segment with focus on improving profitability rather than chasing growth
2015	The company embarks upon the new capacity expansion programme wherein it intends to set up a pump facility to manufacture pumps for super critical power plants at a capex of ₹ 250 crore. The company intends to implement the planned expansion in phased manner over the next five years
2017	The company commissions phase 1 of its expansion earlier than expected in December 2017. Given KSB's technical capabilities and past execution NPCIL grants order worth ₹ 413 crore to deliver coolant pumps and electric motor for the nuclear power plant that is being set up in Haryana over 2022-23 . The valves division (standalone business) successfully turns around with EBIT margins in CY17 at 5.5% vs. 0.2% in CY16

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Position Change (m)
1	KSB AG, Group.	31-Dec-17	40.5	14.1	0.0
2	Industrial and Prudential Investment Co Ltd	31-Dec-17	20.5	7.1	0.0
3	Reliance Nippon Life Asset Management Lim	31-Dec-17	7.8	2.7	0.2
4	Paharpur Cooling Towers, Ltd.	31-Dec-17	4.2	1.5	0.0
5	Thyssenkrupp AG	31-Dec-17	3.1	1.1	-0.2
6	Bajaj Allianz Life Insurance Company Limited	31-Dec-17	2.9	1.0	0.0
7	PineBridge Investments Asset Management	31-Dec-17	2.8	1.0	0.0
8	Sundaram Asset Management Company Lim	31-Dec-17	2.3	0.8	0.0
9	DSP BlackRock Investment Managers Pvt. Lt	31-Dec-17	2.1	0.7	0.0
10	New Holding & Trading Co., Ltd.	31-Dec-17	0.8	0.3	0.0

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Promoter	66.4	66.4	66.4	66.4	66.4
FII	3.8	3.7	3.7	3.5	3.5
DII	14.7	15.1	15.3	15.7	15.7
Others	15.1	14.8	14.6	14.3	14.4

Recent Activity

Buys			Sells		
Investor Name	Value(US$ Million)	Shares (m)	Investor Name	Value(US$ Million)	Shares (m)
Reliance Nippon Life Asset Management Limited	2.3	0.2	Thyssenkrupp AG	-3.0M	-0.2M
Bajaj Allianz Life Insurance Company Limited	0.6	0.0	UTI Asset Management Co. Ltd.	-0.2M	-0.0M
Dimensional Fund Advisors, L.P.	0.1	0.0			

Source: Reuters, ICICI Direct Research

Financial summary (Consolidated)

Profit and loss statement				₹ Crore
(Year-end March)	CY16	CY17	CY18E	CY19E
Net Sales	817.6	944.3	1087.9	1214.8
Other Operating Income	10.3	0.0	0.0	0.0
Total Operating Income	827.9	944.3	1087.9	1214.8
Growth (%)	0.9	14.1	15.2	11.7
Raw Material Expenses	387.2	467.2	532.7	583.7
Employee Expenses	144.9	144.6	147.8	159.6
Other Operating Expense	196.8	225.1	276.6	313.3
Total Operating Expenditure	728.8	836.9	957.2	1,056.6
EBITDA	99.1	107.5	130.8	158.2
Growth (%)	-6.5	8.5	21.7	21.0
Depreciation	29.4	30.9	39.4	43.5
Interest	1.7	3.7	2.9	2.3
Other Income	24.0	29.8	20.9	25.5
PBT	92.0	102.7	109.4	137.9
Exceptional Item	0.0	0.0	0.0	0.0
Total Tax	31.6	37.1	38.3	46.9
PAT	60.4	65.7	71.1	91.0
Profit from Associates	4.9	5.2	6.0	6.9
Reported Net Profit	65.3	70.9	77.1	97.9
Growth (%)	-5.8	8.8	8.3	28.0
EPS (₹)	18.8	20.4	22.1	28.1

Source: Company, ICICI Direct Research

Cash flow statement				₹ Crore
(Year-end March)	CY16	CY17	CY18E	CY19E
Profit after Tax	65.3	70.9	77.1	97.9
Add: Depreciation	29.4	30.9	39.4	43.5
(Inc)/dec in Current Assets	-56.1	-88.2	-33.4	-44.4
Inc/(dec) in CL and Provisions	15.8	-2.4	57.0	44.1
Others	1.7	3.7	2.9	2.3
CF from operating activities	56.1	14.8	143.0	143.4
(Inc)/dec in Investments	-2.7	-3.7	-3.0	3.0
(Inc)/dec in Fixed Assets	-56.4	-114.5	-75.0	-55.0
Others	-2.4	-0.2	0.0	0.0
CF from investing activities	-61.5	-118.4	-78.0	-52.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	3.9	7.5	-5.0	-2.0
Dividend paid & dividend tax	-23.0	-25.1	-27.2	-29.2
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0
Others	-1.7	15.8	-0.3	-0.3
CF from financing activities	-20.8	-1.8	-32.4	-31.5
Net Cash flow	-26.2	-105.4	32.6	59.9
Opening Cash	228.4	202.1	96.8	129.3
Closing Cash	202.1	96.8	129.3	189.3

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	CY16	CY17	CY18E	CY19E
Liabilities				
Equity Capital	34.8	34.8	34.8	34.8
Reserve and Surplus	610.3	675.6	728.2	798.9
Total Shareholders funds	645.1	710.4	763.0	833.7
Total Debt	5.2	12.6	7.6	5.6
Deferred Tax Liability	0.0	0.0	0.0	0.0
Minority Interest / Others	7.5	0.0	0.0	0.0
Total Liabilities	657.8	723.0	770.6	839.3
Assets				
Gross Block	462.6	627.0	692.0	757.0
Less: Acc Depreciation	281.5	312.3	351.7	395.2
Net Block	181.1	314.7	340.3	361.8
Capital WIP	54.0	4.1	14.1	4.1
Total Fixed Assets	235.1	318.8	354.4	365.9
Liquid Investments	0.0	0.0	0.0	0.0
Other Investments	54.1	57.8	60.8	57.8
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Inventory	211.9	247.6	283.2	316.2
Debtors	180.1	260.9	268.3	282.9
Loans and Advances	109.1	77.1	65.3	60.7
Other Current Assets	4.9	8.6	10.9	12.1
Cash	202.1	96.8	129.3	189.3
Total Current Assets	708.1	690.9	756.9	861.2
Creditors	275.0	274.8	327.9	366.1
Provisions	80.3	78.1	82.0	87.9
Current Liabilities & Prov	355.3	352.8	409.8	454.0
Net Current Assets	352.9	338.1	347.1	407.3
Others Assets	15.7	8.4	8.4	8.4
Application of Funds	657.8	723.0	770.6	839.3

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	CY16	CY17	CY18E	CY19E
Per share data (₹)				
EPS	18.8	20.4	22.1	28.1
Cash EPS	27.2	29.2	33.5	40.6
BV	185.3	204.1	219.2	239.5
DPS	5.5	6.0	6.5	7.0
Cash Per Share (Incl Invst)	58.1	27.8	37.2	54.4
Operating Ratios (%)				
EBITDA Margin	12.0	11.4	12.0	13.0
PBT / Total Op. income	11.1	10.9	10.1	11.3
PAT Margin	7.9	7.5	7.1	8.1
Inventory days	94.6	95.7	95.0	95.0
Debtor days	80.4	100.8	90.0	85.0
Creditor days	122.7	106.2	110.0	110.0
Return Ratios (%)				
RoE	10.1	10.0	10.1	11.7
RoCE	10.6	10.6	11.9	13.7
RoIC	18.1	12.5	14.8	18.0
Valuation Ratios (x)				
P/E	43.7	40.3	37.0	29.2
EV / EBITDA	26.8	25.8	20.9	16.9
EV / Net Sales	3.3	2.9	2.5	2.2
Market Cap / Sales	3.5	3.0	2.6	2.3
Price to Book Value	4.4	4.0	3.7	3.4
Solvency Ratios				
Debt/EBITDA	0.1	0.1	0.1	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.4	1.7	1.5	1.5
Quick Ratio	0.8	1.0	0.8	0.8

Source: Company, ICICI Direct Research

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