

KSB Pumps

- ✦ KSB Pumps, one of the leading players in organized Pumps & Valves market, has reported fabulous performance for Q3 CY 2008. Net Sales rose by 26.4% to Rs. 141.17 crore (Rs. 111.71 crore) led by growth in all business segments – Pumps turnover grew @ 28.4% to Rs. 108.5 crore (Rs. 84.49 crore), Valve business sales increased by 19.5% to Rs. 32.66 crore and others by 26.1% to Rs. 9.85 crore. OPM% zoomed to 20.8% (11.4%) owing to some price rise to pass on RM cost hike and operating leverage. Consequently, PBT jumped to Rs. 27.37 crore (Rs. 10.95 crore). Lower average tax rate of 32.3% (36.7%) further lifted PAT up by whopping 167.4% to Rs. 18.53 crore (Rs. 6.93 crore).
- ✦ For 9 months CY 2008, Net Sales surged by 26.6% to Rs. 422.26 crore (Rs. 333.66 crore). OPM% shot up to 18.5% (13.1%). As a result, PBT (before extra ordinary items) soared up by 83.9% to Rs. 73.96 crore (Rs. 40.22 crore) and PAT by 76.6% to Rs. 48.52 crore (Rs. 27.47 crore).
- ✦ Pumps division, which caters to agricultural, industrial & services segments, is likely to benefit from ongoing capex across user industries (mainly power generation & petrochemical), besides government's increased outlay towards irrigation and water resource management. In addition to ongoing capex, high wear condition in such industries is also likely to result in good replacement market for its products.
- ✦ Given the increasing demand for valves from industrial users, Valve division is expected to be the main growth driver.
- ✦ To cater to growing demand, company has planned Capex of Rs. 200 crore till CY 2011 for capacity expansion of Pump as well as valve division. KSB is a cash rich company having net surplus cash of ~ Rs. 35 crore as on December 31, 2007.
- ✦ At CMP of Rs. 189.6, the share (Rs. 10/- paid up) is trading at 4.9 times CY 2008 expected EPS of Rs. 38.5 and 4.2 times CY 2009 expected earnings of Rs. 44.8. In view of excellent future prospects, we recommend to “BUY” the share at CMP.

Disclosures:

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October 27, 2008